Q3 2018

Interim report January-September 2018, 23 October 2018

Interim report for the third quarter 2018

Third quarter 2018 compared with second quarter 2018

- Continued lending growth strengthened net interest income
- Higher income from asset management and cards raised net commission income
- Lower other income due to the income from the sale of UC in the second quarter
- Costs in line with expectations
- Good credit quality
- High capitalisation

"The latest quarter again showed that we have a strong core business that contributes to stable financial results."

Birgitte Bonnesen,
President and CEO

Financial information **SEKm**	**Q3 2018**[1]	**Q2 2018**[1]	**%**	**Jan-Sep 2018**[1]	**Jan-Sep 2017**[2]	**%**
Total income	**11 176**	**11 797**	**-5**	**33 713**	**31 462**	**7**
Net interest income	6 326	6 273	1	18 893	18 269	3
Net commission income	3 336	3 236	3	9 653	8 871	9
Net gains and losses on financial items	488	635	-23	1 682	1 578	7
Other income[3][4][5]	1 026	1 653	-38	3 485	2 744	27
Total expenses	**3 998**	**4 262**	**-6**	**12 429**	**11 852**	**5**
Profit before impairment	7 178	7 535	-5	21 284	19 610	9
Impairment of intangible and tangible assets		282		282	110	
Credit impairment	117	-135		109	974	-89
Tax expense	1 530	1 369	12	4 309	3 901	10
Profit for the period attributable to the shareholders of Swedbank AB	**5 525**	**6 014**	**-8**	**16 572**	**14 613**	**13**
Earnings per share, SEK, after dilution	4.93	5.37		14.80	13.07	
Return on equity, %	16.9	19.2		17.0	15.4	
C/I ratio	0.36	0.36		0.37	0.38	
Common Equity Tier 1 capital ratio, %	24.3	23.6		24.3	23.9	
Credit impairment ratio, %	0.03	-0.03		0.01	0.08	

[1] Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
[2] 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.
[3] Includes income from sale of UC of SEK 677m in second quarter 2018.
[4] Includes income from sale of Hemnet of SEK 680m in first quarter 2017.
[5] Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

CEO Comment

In the third quarter we continued to develop our digital and physical meeting places and entered into new third-party partnerships to strengthen our customer offerings.

We started two pilot projects in Sweden with new concepts for face-to-face meetings in order to increase availability for our customers. A pop-up branch that provides digital banking service and support has been opened in the Mall of Scandinavia, and we are offering advice on a trial basis at one of Fastighetsbyrån's real estate offices. We are monitoring with interest customer reactions to these initiatives before possibly offering more alternative meeting places as a complement to our digital channels, branches, and Telephone Bank. During the quarter we also joined forces with the fintech company Asteria to offer efficient administration and financial planning solutions for our small and midsized corporate customers.

We were pleased during the quarter that two of Swedbank Robur's funds made Bloomberg's list of the year's best equity funds in Western Europe. Top of the list was Robur's Ny Teknik (New Technology) fund.

More sustainable choices for our customers
To help customers make sustainable choices, we launched a green mortgage in the third quarter. Customers can receive a ten basis point discount on their loan rate if their home meets certain sustainability criteria.

Our fund management company, Swedbank Robur, which in the previous quarter launched a new sustainability fund, Global Impact, invested in the third quarter in green bonds issued by the World Bank. The bonds will finance projects involving water treatment and marine conservation. Through the investment, Swedbank Robur owns green bonds valued at about SEK 7bn. We are also proud that Swedbank ranked number one in green bond issuances in 2018, according to Bloomberg.

Focus on domestic customers in all home markets
During the year, and particularly in the last quarter, growing attention has been paid to how banks are preventing money laundering and other financial crime. For Swedbank it has always been high on the agenda. With a market-leading position in all four of our home markets comes a responsibility to help develop and strengthen the financial system and financial infrastructure. We take responsibility by closely dialoguing with supervisory authorities and decision-makers in each country. We have also worked systematically and proactively to monitor payment flows in order to detect potential fraud.

Our corporate culture and business model are the main preventive measures, however. Swedbank is a values-driven bank. We have zero tolerance for any type of criminal activity and have always taken decisive action when we received signals from within or outside our own organisation indicating suspicious transactions. Our focus has always been on domestic corporate customers and private customers in all our home markets. We have the same principles and framework throughout the Group with respect to money laundering, knowing the customer, and risk.

Financial crime is evolving and can be unpredictable. We therefore continuously adapt our processes to ensure that we are protecting our customers and to further increase transparency in our home markets.

Measures to increase customer satisfaction
The results of this year's customer satisfaction survey by the Swedish Quality Index showed a slight improvement among private customers but a slight decrease among corporate customers since last year. The results are not satisfactory and do not live up to our expectations. Customers want us to be more available and proactive. We are now intensifying efforts to give them what they want, and a number of concrete measures will be taken in the near term. For example, we will shorten waiting times in the Telephone Bank and at branches, and more proactively meet customers' needs by offering suggestions. This work is the highest priority for all of us in the Group Executive Committee.

Strong result in our core business
Third-quarter profit was strong and economic development in our home markets remains solid. Our core products are greatly contributing to increased income. Lending volume is steadily growing. In Sweden mortgage volumes and corporate lending continue to rise, at the same time that all three Baltic countries are seeing growth too. A bullish stock market benefited our asset management business, at the same time that card income was seasonally strong.

Quarterly expenses were in line with our plan. We chose this quarter to reverse SEK 200m of the restructuring reserve allocated at the end of last year for the reorganisation of our IT and business development units. The cost to implement this change has been lower than expected because the labour market is good and the skills of the employees who were affected were matched to the needs of other units. As a result, total expenses for the full-year 2018 will be less than SEK 16.8bn.

Credit quality remains high in all our home markets.

Our capital position is strong and the buffer to the Swedish FSA's minimum requirement remains good.

The latest quarter again showed that we have a strong core business that contributes to stable financial results. It gives us a solid foundation to stand on when working intensely to meet our customer needs and ensure that the bank remains competitive in the future.

Birgitte Bonnesen

Birgitte Bonnesen
President and CEO

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

Financial overview

Income statement SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	6 326	6 273	1	6 208	2	18 893	18 269	3
Net commission income	3 336	3 236	3	2 962	13	9 653	8 871	9
Net gains and losses on financial items	488	635	-23	525	-7	1 682	1 578	7
Other income[1)]	1 026	1 653	-38	723	42	3 485	2 744	27
Total income	**11 176**	**11 797**	**-5**	**10 418**	**7**	**33 713**	**31 462**	**7**
Staff costs	2 457	2 613	-6	2 414	2	7 702	7 248	6
Other expenses	1 541	1 649	-7	1 469	5	4 727	4 604	3
Total expenses	**3 998**	**4 262**	**-6**	**3 883**	**3**	**12 429**	**11 852**	**5**
Profit before impairment	**7 178**	**7 535**	**-5**	**6 535**	**10**	**21 284**	**19 610**	**9**
Impairment of intangible assets		282		96		282	96	
Impairment of tangible assets				11			14	
Credit impairment, net	117	-135		235	-50	109	974	-89
Operating profit	**7 061**	**7 388**	**-4**	**6 193**	**14**	**20 893**	**18 526**	**13**
Tax expense	1 530	1 369	12	1 444	6	4 309	3 901	10
Profit for the period	**5 531**	**6 019**	**-8**	**4 749**	**16**	**16 584**	**14 625**	**13**
Profit for the period attributable to the shareholders of Swedbank AB	**5 525**	**6 014**	**-8**	**4 743**	**16**	**16 572**	**14 613**	**13**

[1)] Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

Key ratios and data per share	Q3 2018	Q2 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Return on equity, %	16.9	19.2	15.0	17.0	15.4
Earnings per share before dilution, SEK[1)]	4.95	5.39	4.26	14.85	13.13
Earnings per share after dilution, SEK [1)]	4.93	5.37	4.24	14.80	13.07
C/I ratio	0.36	0.36	0.37	0.37	0.38
Equity per share, SEK [1)]	119.7	114.7	115.7	119.7	115.7
Loan/deposit ratio, %	169	160	164	169	164
Common Equity Tier 1 capital ratio, %	24.3	23.6	23.9	24.3	23.9
Tier 1 capital ratio, %	26.8	26.3	26.5	26.8	26.5
Total capital ratio, %	32.1	30.4	30.9	32.1	30.9
Credit impairment ratio, %	0.03	-0.03	0.06	0.01	0.08
Share of Stage 3 loans, gross, %	0.67	0.67		0.67	
Share of impaired loans, gross, %			0.55		0.55
Total credit impairment provision ratio, %	0.33	0.33		0.33	
Liquidity coverage ratio (LCR), %	148	145	133	148	133
Net stable funding ratio (NSFR), %	110	110	109	110	109

[1)] The number of shares and calculation of earnings per share are specified on page 51.

Balance sheet data SEKbn	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 574	1 502	5	1 488	6
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	932	847	10	910	2
Shareholders' equity	134	133	0	129	4
Total assets	2 462	2 213	11	2 460	0
Risk exposure amount	428	408	5	420	2

Definitions of all key ratios can be found in Swedbank’s Fact book on page 80.
Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Overview

Market

The global economy continued to generate steady growth despite increased trade tensions between the US, China and the EU. Unemployment further declined in both the US and the eurozone and job growth increased in August and September. Global stock indexes were generally higher during the quarter at the same time that oil prices continued to rise.

The US Federal Reserve again raised interest rates during the quarter. The fed funds rate is now in the range of 2-2.25 per cent and the Fed has signalled that another rate hike is to be expected in the coming year. The European Central Bank (ECB) on the other hand left its benchmark rates and bond buying programme unchanged at the latest monetary policy meeting. The ECB has signalled that it will start raising rates after next summer at the earliest. In the foreign exchange market the dollar has stabilised against the euro after rising in the second quarter in the wake of the global trade tensions and a growing rate differential between the US and eurozone. The krona has also stabilised somewhat after weakening in the second quarter.

The Swedish economy has also continued to develop well, with growth of 2.5 per cent on an annual basis in the second quarter. House prices further stabilised in July and August, and despite worries related to global trade policies, exports have increased at a solid rate.

Consumer optimism turned higher in the third quarter. Confidence indicators for manufacturing, retail, construction and services also rose in the quarter, suggesting that the Swedish economy will continue its positive development to the end of this year and the start of 2019. Credit growth remains steady. Household borrowing grew in August at an annual rate of 6.1 per cent, compared with 6.3 per cent at the end of the second quarter. The annual lending rate to non-financial companies was 7.2 per cent in August.

The Riksbank has signalled a first rate hike of 25 basis points, in December 2018 or February 2019. Inflation has risen and inflation expectations are entrenched. In September the CPIF inflation rate was 2.5 per cent. The job market is still strong and there are labour shortages in many sectors. Employment has continued to rise, but the labour force has grown as well, which meant that unemployment rose slightly in July and August.

GDP growth in all three Baltic economies continued to exceed the long-term trend and eurozone average. At the same time employment rose and labour shortages persisted, causing increased wage growth. The highest growth rate in the second quarter was again in Latvia, where GDP rose 5.3 per cent on an annual basis, followed by Lithuania (3.8 per cent) and Estonia (3.7 per cent). The inflation rate rose slightly in Latvia and Estonia, towards 3-4 per cent, but was stable in Lithuania in July to September. The September inflation rate was 3.7 per cent in Estonia, followed by Latvia (3.2 per cent) and Lithuania (2.4 per cent).

Important to note

The interim report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 68.

Group development

Result third quarter 2018 compared with second quarter 2018

Swedbank's profit fell 8 per cent in the third quarter to SEK 5 525m (6 014). The main reason was that the second quarter was positively affected by the SEK 677m sale of the associated company UC to the credit information provider Asiakastieto.

The table below shows profit excluding the gain on the UC sale.

Income statement, SEKm	**Q3 2018**	**Q2 2018**	**Q2 2018 excl. income UC**
Net interest income	6 326	6 273	6 273
Net commission income	3 336	3 236	3 236
Net gains and losses on financial items	488	635	635
Share of profit or loss of associates	440	382	382
Other income[1]	586	1 271	594
of which UC		*677*	
Total income	**11 176**	**11 797**	**11 120**
Total expenses	**3 998**	**4 262**	**4 262**
Impairment	117	147	147
Operating profit	**7 061**	**7 388**	**6 711**
Tax expense	1 530	1 369	1 369
Profit for the period attributable to the shareholders of Swedbank AB	**5 525**	**6 014**	**5 337**
Non-controlling interests	6	5	5
Return on equity	16.9	19.2	17.1
Cost/Income ratio	0.36	0.36	0.38

[1] Other income in the table above includes the items Net insurance and Other income from the Group income statement.

Excluding the gain on UC, profit rose 4 per cent thanks to stronger net interest income and net commission income.

At the same time expenses declined by SEK 200m because Swedbank reversed part of the restructuring reserve totalling SEK 300m, which was recognised in the fourth quarter 2017, for the purpose of moving IT and business development resources closer together. The reversal was made because a number of affected employees decided themselves to leave Swedbank or found new positions within the bank.

Foreign exchange changes increased profit by SEK 2m, mainly because the Swedish krona weakened on average against the euro in the quarter.

The return on equity was 16.9 per cent (19.2) and the cost/income ratio was 0.36 (0.36).

Income decreased in total by 5 per cent to SEK 11 176m (11 797). Excluding the gain from UC in the second quarter, income rose 1 per cent. Foreign exchange changes positively affected income by SEK 10m.

Net interest income rose to SEK 6 326m (6 273). Increased lending volumes and an extra day in the quarter contributed positively. At the same time the reported resolution fund fee was lower, since the second quarter contained an adjustment to the fee for the first quarter. The deposit guarantee was also slightly lower in the quarter. This was partly offset by lower net interest income within Group Treasury, within Group Functions & Other, due to less favourable terms on short-term foreign funding.

Net commission income rose 3 per cent to SEK 3 336m (3 236). Increased asset management income due to higher asset values and good inflows contributed positively. Net card commissions also rose, thanks to increased card usage in the summer months. Higher payment processing income contributed as well.

Net gains and losses on financial items at fair value fell to SEK 488m (635). The main reason was a lower result in Group Treasury due to higher covered bond repurchasing activity. Net gains and losses on financial items increased within Large Corporates & Institutions due to positive foreign exchange effects on the derivatives portfolio.

Other income including the share of profit or loss of associates fell to SEK 1 026m (1 653). Excluding the income from UC in the second quarter, other income rose 5 per cent, mainly because a change in the value of Swedbank's indirect holding in Visa Inc. affected income by SEK 180m.

Expenses decreased to SEK 3 998m (4 262). During the quarter Swedbank reversed SEK 200m of the restructuring reserve totalling SEK 300m, which was recognised in the fourth quarter 2017. Lower IT expenses also contributed to the decrease. Foreign exchange effects increased expenses by SEK 3m.

Credit impairments amounted to SEK 117m (-135). Credit impairments were reported in all business segments, compared with the second quarter, when Baltic Banking and Large Corporates & Institutions reported positive results due to reversals of previous provisions and recoveries.

Impairment of intangible assets amounted to SEK 0m (282). The second quarter was negatively affected by impairments related to the development of a new data warehouse and a risk management system.

The tax expense amounted to SEK 1 530m (1 369), corresponding to an effective tax rate of 21.7 per cent (18.5). The lower effective tax rate in the second quarter is largely due to the tax-exempt sale of UC as well as an effect of recalculating deferred tax assets and liabilities in light of upcoming reductions in the Swedish corporate tax rate in 2019. The Group's effective tax rate is estimated at 20-22 per cent in the medium term.

Result January-September 2018 compared with January-September 2017

Profit rose 13 per cent to SEK 16 572m (14 613). The increase is due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively.

The table below shows profit excluding the gain on the sales of UC in 2018 and Hemnet in 2017. Adjusted for these items profit rose 14 per cent. Foreign exchange changes increased profit SEK 256m.

Income statement, SEKm	**Jan-Sep 2018**	**Jan-Sep 2018 excl. income UC**	**Jan-Sep 2017**	**Jan-Sep 2017 excl. income Hemnet**
Net interest income	18 893	18 893	18 269	18 269
Net commission income	9 653	9 653	8 871	8 871
Net gains and losses on financial items	1 682	1 682	1 578	1 578
Share of profit or loss of associates	1 057	1 057	624	624
Other income[1]	2 428	1 751	2 120	1 440
of which UC	*677*			
of which Hemnet			*680*	
Total income	**33 713**	**33 036**	**31 462**	**30 782**
Total expenses	**12 429**	**12 429**	**11 852**	**11 852**
Impairment	391	391	1 084	1 084
Operating profit	**20 893**	**20 216**	**18 526**	**17 846**
Tax expense	4 309	4 309	3 901	3 901
Profit for the period attributable to the shareholders of Swedbank AB	**16 572**	**15 895**	**14 613**	**13 933**
Non-controlling interests	12	12	12	12
Return on equity	17.0	16.3	15.4	14.7
Cost/Income ratio	0.37	0.38	0.38	0.39

[1] Other income in the table above includes the items Net insurance and Other income from the Group income statement.

The return on equity was 17.0 per cent (17.1) and the cost/income ratio was 0.37 (0.37).

Income increased 7 per cent to SEK 33 713m (31 462). Foreign exchange effects increased income by SEK 469m.

Net interest income increased 3 per cent to SEK 18 893m (18 269). The increase is mainly due to higher lending volumes, the large part of which relates to Swedish mortgages. An increase in the resolution fund fee of SEK 338m had a negative effect on net interest income.

Net commission income rose 9 per cent to SEK 9 653m (8 871), mainly because of higher asset management income as a result of rising asset prices. The acquisition of PayEx and higher net card commissions also contributed positively.

Net gains and losses on financial items at fair value rose to SEK 1 682m (1 578). The increase is mainly due to an improved result within Group Treasury as a result of lower covered bond repurchasing activity.

Other income including the share of profit or loss of associates rose to SEK 3 485m (2 744), mainly due to higher net insurance and a change in the value of Swedbank's indirect holding in Visa Inc.

Expenses rose to SEK 12 429m (11 852) largely due to increased staff costs following the acquisition of PayEx. Foreign exchange effects increased expenses SEK 189m.

Impairment of intangible assets related to the development of a new data warehouse and a risk management system amounted to SEK 282m (96).

Impairment of tangible assets amounted to SEK 0m (14).

Credit impairments according to IFRS 9 amounted to SEK 109m. See note 28 for more information on the transition to IFRS 9.

The tax expense amounted to SEK 4 309m (3 901), corresponding to an effective tax rate of 20.6 per cent (21.1). The 2018 period is affected by the tax-exempt sale of UC, which resulted in a similar gain to the tax-exempt sale of Hemnet in 2017. The 2018 period is also affected by the recalculation of deferred tax assets and liabilities in light of upcoming reductions in the Swedish corporate tax rate in 2019. The Group’s effective tax rate is estimated at 20-22 per cent in the medium term.

Volume trend by product area

Swedbank’s main business is organised in two product areas: Group Lending & Payments and Group Savings.

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 11bn to SEK 1 574bn (1 563) compared with the end of the second quarter 2018. Compared with the end of the third quarter 2017 the increase was SEK 86bn, corresponding to growth of 6 per cent. Foreign exchange changes negatively affected lending by SEK 3bn compared with the end of the second quarter 2018 and positively by SEK 17bn compared with the third quarter 2017.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Sep 2018	30 Jun 2018	30 Sep 2017
Loans, private mortgage	866	858	813
of which Swedish Banking	789	781	747
of which Baltic Banking	77	76	66
Loans, private other incl tenant-owner associations	155	155	153
of which Swedish Banking	139	140	139
of which Baltic Banking	15	15	13
of which Large Corporates & Inst.	1	1	1
Loans, corporate	553	550	522
of which Swedish Banking	255	255	252
of which Baltic Banking	75	76	67
of which Large Corporates & Inst.	223	219	203
Total	**1 574**	**1 563**	**1 488**

Lending to mortgage customers within Swedish Banking increased SEK 8bn to SEK 789bn (781) compared with the end of the second quarter 2018. The total market share was 24 per cent (24). Other private lending, including lending to tenant-owner associations, decreased by SEK 1bn. Swedish consumer finance volume amounted to SEK 30bn (30), corresponding to a market share of about 9 per cent. Consumer credit includes unsecured loans as well as loans secured by a car or a boat.

In Baltic Banking mortgage volume grew 2 per cent in local currency to the equivalent of SEK 77bn.

The Baltic consumer credit portfolio grew slightly in the quarter to the equivalent of SEK 9bn at the end of the quarter.

Corporate lending rose SEK 3bn in the quarter to SEK 553bn (550). The increase was mainly evident in commercial real estate. By business segment lending rose in Large Corporates & Institutions, while lending in Swedish Banking was stable. Part of the reason is that SEK 2bn in commitments to clients with complex needs was transferred from Swedish Banking to Large Corporates & Institutions. Excluding these volumes, corporate lending rose slightly within Swedish Banking. Corporate lending within Baltic Banking was unchanged in local currency.

In Sweden the market share was 18 per cent as of 31 August (18).

For more information on lending, see page 36 of the Fact book.

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.1 million, or 0.5 per cent more than at the end of the second quarter. Compared with the third quarter 2017 the number of cards in issue has risen 1 per cent.

In Sweden 4.3 million Swedbank cards were in issue at the end of the third quarter. Compared with the same period in 2017 corporate card issuance rose 4 per cent and private card issuance rose 2 per cent. The increase in private cards is largely driven by young people who sign up for new cards. The bank’s many small business customers offer further growth potential in the corporate card issuance business. In the Baltic countries 3.8 million Swedbank cards were in issue.

Number of cards	30 Sep 2018	30 Jun 2018	30 Sep 2017
Issued cards, millon	8.1	8.0	8.0
of which Sweden	4.3	4.2	4.2
of which Baltic countries	3.8	3.8	3.8

A total of 343 million purchases were made in Sweden with Swedbank cards in the third quarter, an increase of 6 per cent compared with the third quarter 2017. In the Baltic countries there were 143 million Swedbank card purchases, an increase of 16 per cent. The number of acquired card transactions also rose year-on-year. In the Nordic countries 715 million card transactions were acquired in the third quarter, up 13 per cent compared with the third quarter 2017. In the Baltic countries the corresponding figures were 106 million and 15 per cent.

The number of domestic payments rose 6 per cent compared with the same period in 2017. Swedbank’s market share of payments through the Bankgiro system was 36 per cent. The number of international payments rose 12 per cent compared with the same period in 2017.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose SEK 2bn to SEK 901bn compared with the end of the second quarter 2018 (899). Compared with the end of the third quarter 2017 the increase was SEK 81bn, corresponding to growth of 10 per cent. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 932bn (975). The decrease is largely due to lower volumes from the US money market funds within Group Treasury. Exchange rates negatively affected deposits by SEK 3bn compared with the end of the second quarter 2018 and positively by SEK 16bn compared with the end of the third quarter 2017.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Sep 2018	30 Jun 2018	30 Sep 2017
Deposits, private	508	500	467
of which Swedish Banking	384	377	363
of which Baltic Banking	124	123	104
Deposits, corporate	424	475	443
of which Swedish Banking	166	167	156
of which Baltic Banking	86	84	68
of which Large Corporates & Inst.	141	148	129
of which Group Functions & Other	31	76	90
Total	**932**	**975**	**910**

Swedbank's deposits from private customers rose SEK 8bn in the quarter to SEK 508bn (500).

Corporate deposits in the business segments decreased by a total of SEK 6bn in the quarter, mainly due to lower volumes within Large Corporates & Institutions.

Deposits within Group Treasury decreased SEK 45bn.

Market shares in Sweden were stable in the quarter. The market share for household deposits was 20 per cent (20) and for corporate deposits was 18 per cent (16). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	30 Sep 2018	30 Jun 2018	30 Sep 2017
Total Asset Management	**1 392**	**1 366**	**1 237**
Assets under management	**978**	**944**	**853**
Assets under management, Robur	972	938	848
of which Sweden	923	891	809
of which Baltic countries	51	48	40
of which eliminations	-1	-1	-1
Assets under management, Other, Baltic countries	6	6	5
Discretionary asset management	**414**	**422**	**384**

Assets under management by Swedbank Robur continued to rise to SEK 972bn (938) at the end of the quarter, of which SEK 923bn related to the Swedish fund business and SEK 51bn to the Baltic fund business. The Swedish and Baltic increases are both due to positive net flows as well as higher asset values.

The net flow in the Swedish fund market rose in the period to SEK 17.8bn (13.2). Just over half of the inflow, SEK 9.9bn (8.5) went to index funds, closely followed by fixed income funds at SEK 9.6bn (4.5), which is more than double the previous quarter. Flows to mixed funds as well as hedge and other funds were lower than the previous quarter at SEK 4.9bn (6.0) and SEK -0.9bn (-0.2) respectively. Actively managed equity funds had continued outflows of SEK 5.8bn (-5.6).

Swedbank Robur's Swedish operations had positive net flows of SEK 4.8bn (SEK 5.8bn in the second quarter). The majority of the inflows was through third party distribution, the institutional business and the insurance business. The inflow to index funds remained strong at SEK 3.1bn (2.0). For mixed funds and fixed income funds the net inflows amounted to SEK 2.4bn (3.0) and SEK -1.4bn (-1.0) respectively. Swedbank Robur is number two in the market with a market share of 23 per cent of net flows for the quarter (44 per cent and number one in the previous quarter). The net flow in the Baltic fund business is positively stable at the same level as the previous period, SEK 1.3bn (1.3).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 30 September the market share in Sweden was 21 per cent. In Estonia and Latvia it was 42 per cent and in Lithuania 37 per cent.

Assets under management, life insurance SEKbn	30 Sep 2018	30 Jun 2018	30 Sep 2017
Sweden	196	189	173
of which collective occupational pensions	93	89	78
of which endowment insurance	68	67	64
of which occupational pensions	25	24	21
of which other	10	10	9
Baltic countries	6	6	5

Life insurance assets under management in Sweden rose 11 per cent in the quarter to SEK 196bn. Swedbank has a market share of about 6 per cent in premium payments excluding capital transfers. Total transferred capital amounts to SEK 33bn. The market share for transferred capital remains at 13 per cent, ranking Swedbank second in the total transfer market. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania and Latvia. The market shares as of 30 June were 41 per cent in Estonia, 24 per cent in Lithuania and 25 per cent in Latvia.

Credit and asset quality

Credit impairments amounted to SEK 117m (-135) in the third quarter and primarily related to provisions within Swedish Banking and Large Corporates & Institutions. The credit impairment ratio was 0.03 per cent (-0.03). The share of loans in stage 3 (gross) was 0.67 per cent (0.67). The provision ratio for loans in stage 3 was 30 per cent (29). For more information on asset quality, see pages 39-44 of the Fact book.

Credit impairments, net by business segment SEKm	Q3 2018	Q2 2018	Q3 2017
Swedish Banking	71	84	66
Baltic Banking	8	-87	-26
Estonia	-13	-61	-16
Latvia	1	-3	-4
Lithuania	20	-23	-6
Large Corporates & Institutions	37	-126	195
Group Functions & Other	1	-6	
Total	**117**	**-135**	**235**

Credit quality in Swedbank's lending portfolios remained strong. Positive economic development continued in all of the bank's home markets.

Droughts and forest fires caused problems for a small percentage of the bank's customers in the agricultural and forestry sectors. Swedbank did not incur any losses in the third quarter due to the warm weather and is working proactively to assist clients as far as possible.

House prices in Sweden have stabilised, but last year's price drop has caused lower demand for new tenant-owner apartments as well as a lower number of new construction projects, mainly with respect to more exclusive housing in metropolitan areas. Residential development represents a limited share of Swedbank's total credit portfolio and lending is primarily to large, established companies with which Swedbank has a long-term relationship. When lending for residential development, Swedbank requires new tenant-owner associations to be financially sound.

The strong labour markets in all of Swedbank's home markets provide good conditions for households. The risks in private lending are low, since customers are generally able to repay their loans. The average loan-to-value ratio of Swedbank's mortgages was 56 per cent in Sweden (56 in the second quarter), 46 per cent (46) in Estonia, 74 per cent (73) in Latvia and 60 per cent (61) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 69 per cent in Sweden, 70 per cent in Estonia, 75 per cent in Latvia and 76 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to approximately SEK 14bn in the latest 12-month period. For more information, see pages 45-46 of the Fact book.

Operational risks

Losses related to operational risks remained low in the third quarter. During the period the number of fraud attempts against Swedish banking customers was high, however. Swedbank has taken a number of initiatives, both on its own and in alliance with others, to make fraud more difficult.

Funding and liquidity

The third quarter saw continued volatility with wider credit spreads, partly due to continued political concerns in parts of southern Europe. Swedbank issued SEK 21bn in long-term debt, of which SEK 10bn related to covered bonds. For the period January-September 2018 long-term debt issuance amounted to SEK 104bn. Total issuance volume for 2018 is expected to be lower than in 2017. Maturities for the full-year 2018 nominally amount to SEK 111bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year. As of 30 September outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 239bn (SEK 287bn as of 30 June). At the same time cash and balances with central banks amounted to SEK 297bn (435). The liquidity reserve amounted to SEK 460bn (626) as of 30 September. The Group's liquidity coverage ratio (LCR) was 148 per cent (145) and for USD and EUR was 165 per cent and 260 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (110). For more information on funding and liquidity, see notes 15-17 on pages 41-42 and pages 55-70 of the Fact book.

Ratings

In the third quarter Moody's downgraded Swedbank's high-trigger Additional Tier 1 (AT1) rating as a result of the Swedish FSA's (SFSA) decision to move the risk-weight floor for mortgages from Pillar 2 to Pillar 1. At the same time Moody's affirmed Swedbank's long-term rating of Aa2.

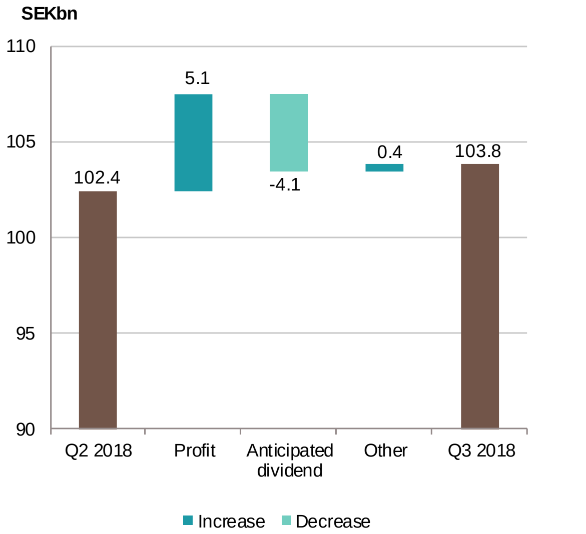
Capital and capital adequacy

Capital ratio

The Common Equity Tier 1 capital ratio was 24.3 per cent at the end of the quarter (23.6 per cent as of 30 June 2018), compared with the requirement of 21.5 per cent (21.7).

Common Equity Tier 1 capital increased to SEK 103.8bn (102.4). The increase is mainly due to profit after deducting the proposed dividend, which raised Common Equity Tier 1 capital by SEK 1.0bn.

Change in Common Equity Tier 1 capital 2018, Swedbank consolidated situation

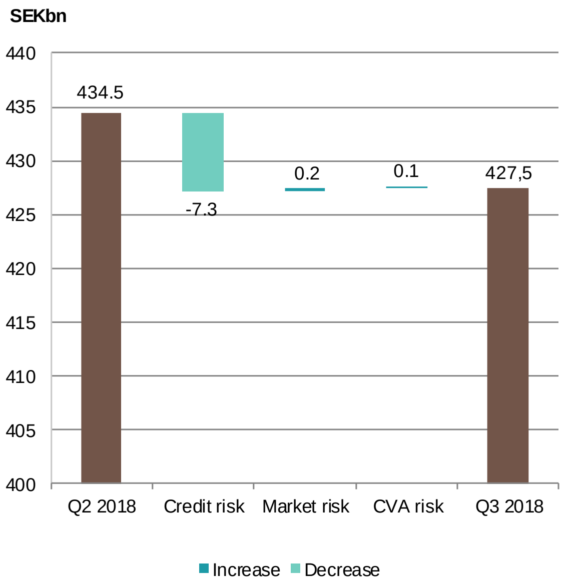


REA decreased to SEK 427.5bn (434.5).

REA for credit risk decreased SEK 7.3bn. Much of the decrease was due to Foreign exchange effects as the Swedish krona rose against both the euro and the US dollar, and because updated collateral values had a positive effect on loss given default (LGD).

REA for market risk rose SEK 0.2bn due to increased positions in interest-bearing instruments, while REA for Credit Value Adjustment (CVA) rose SEK 0.1bn.

Change in REA 2018, Swedbank consolidated situation



The leverage ratio was 4.8 per cent (4.5 per cent as of 30 June 2018). The ratio increased because of higher Tier 1 capital and lower total assets at the end of the third quarter 2018 than at the end of the second quarter 2018.

Capital requirement
The total Common Equity Tier 1 capital requirement, as a percentage of REA, was 21.5 per cent (21.7). The requirement decreased because the individual requirements in Pillar 2 decreased as a result of a new SREP decision by the SFSA. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 1.5 per cent.

Future capital regulations
On 4 September 2018 the Swedish Ministry of Finance presented a proposal for a new order of priority for repayment of creditors in the Resolution Act effective 29 December 2018. The purpose is to simplify issues of debt instruments that comply with the future terms for subordinated debt in the minimum requirement for own funds and eligible liabilities (MREL).

The board of directors of the SFSA has decided to change the method for the application of the risk weight floor for Swedish mortgages to ensure a level playing field in the Swedish mortgage market. The change means that the current risk weight floor, which had previously been applied within the overall capital assessment in Pillar 2, is included as a key capital requirement in Pillar 1 as of 31 December 2018. For Swedbank the proposal increases the REA and thus reduces the reported Common Equity Tier 1 capital ratio and the capital requirement expressed as a percentage of REA. In SEK terms, Swedbank's capital requirement is expected to change marginally.

The SFSA has announced that the countercyclical buffer rate will be raised from 2 per cent to 2.5 per cent on Swedish exposures as of 19 September 2019. The reason for the hike is the elevated risk in the financial system due to higher household and non-financial company debt.

Other events

On 6 July Ola Laurin was appointed head of Large Corporates & Institutions. Ola Laurin had previously shared the role with Elisabeth Beskow, who decided to leave the bank.

On 12 September it was announced that the Annual General Meeting of Swedbank AB will be held in Stockholm, Thursday 28 March 2019. The Nomination Committee consists of the following members:

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

Events after 30 September 2018

No material events have occurred after 30 September.

Swedish Banking

- Mortgage lending continued to grow
- Increased asset management income strengthened net commission income
- New branch concept launched

Income statement

SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	3 847	3 840	0	3 812	1	11 564	11 242	3
Net commission income	1 967	1 927	2	1 867	5	5 778	5 521	5
Net gains and losses on financial items	93	119	-22	88	6	308	290	6
Share of profit or loss of associates	192	213	-10	217	-12	607	569	7
Other income[1)]	205	915	-78	138	49	1 305	1 094	19
Total income	**6 304**	**7 014**	**-10**	**6 122**	**3**	**19 562**	**18 716**	**5**
Staff costs	772	775	0	781	-1	2 341	2 365	-1
Variable staff costs	29	-2		38	-24	59	100	-41
Other expenses	1 404	1 425	-1	1 367	3	4 261	4 102	4
Depreciation/amortisation	14	14	0	17	-18	42	50	-16
Total expenses	**2 219**	**2 212**	**0**	**2 203**	**1**	**6 703**	**6 617**	**1**
Profit before impairment	**4 085**	**4 802**	**-15**	**3 919**	**4**	**12 859**	**12 099**	**6**
Credit impairment	71	84	-15	66	8	408	149	
Operating profit	**4 014**	**4 718**	**-15**	**3 853**	**4**	**12 451**	**11 950**	**4**
Tax expense	849	862	-2	823	3	2 511	2 404	4
Profit for the period	**3 165**	**3 856**	**-18**	**3 030**	**4**	**9 940**	**9 546**	**4**
Profit for the period attributable to the shareholders of Swedbank AB	**3 159**	**3 851**	**-18**	**3 024**	**4**	**9 928**	**9 534**	**4**
Non-controlling interests	6	5	20	6	0	12	12	0
Return on allocated equity, %	20.2	25.0		21.6		21.7	22.9	
Loan/deposit ratio, %	215	216		219		215	219	
Credit impairment ratio, %	0.02	0.03		0.02		0.05	0.02	
Cost/income ratio	0.35	0.32		0.36		0.34	0.35	
Loans, SEKbn[2)]	1 183	1 176	1	1 138	4	1 183	1 138	4
Deposits, SEKbn[2)]	550	544	1	519	6	550	519	6
Full-time employees	3 854	3 865	0	3 997	-4	3 854	3 997	-4

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2018 compared with second quarter 2018
Swedish Banking reported profit of SEK 3 159m (3 851). The decrease was mainly due to income from the UC sale in the second quarter.

Net interest income was stable at SEK 3 847m (3 840). A lower resolution fund fee, increased mortgage volumes and an extra day in the quarter were offset by the transfer of SEK 2bn in corporate lending volume to Large Corporates & Institutions, which reduced net interest income by SEK 22m, as well as slightly lower lending margins.

Residential mortgage volume amounted to SEK 789bn at the end of the quarter, corresponding to an increase of SEK 8bn. Corporate lending was stable at SEK 255bn (255). Lending was negatively affected by the above-mentioned lending volume – regarding the bank's commitments to customers with complex needs – being transferred to Large Corporates & Institutions.

Household deposit volume increased SEK 7bn in the quarter. Corporate deposits decreased SEK 1bn, mainly driven by lower volumes in the public sector.

Net commission income rose 2 per cent to SEK 1 967m (1 927), mainly due to increased higher asset management income in the wake of higher asset values as well as inflows to equity funds.

The share of profit or loss of associates decreased slightly, mainly due to lower profit from EnterCard.

Other income decreased SEK 710m, mainly due to a capital gain of SEK 677m in connection with the sale of UC in the second quarter.

Total expenses were stable. Marketing and travel expenses were seasonally lower. Staff costs continued to decline due to the lower number of full-time positions. The lower expenses were offset by higher variable staff costs, since the second quarter contained a reversal of recognised expenses for previous years' programmes.

Credit impairments of SEK 71m (84) were recognised in the quarter, the large part of which relates to individually assessed loans in Stage 3.

January-September 2018 compared with January-September 2017
Profit increased 4 per cent to SEK 9 928m (9 534), mainly due to higher net interest income from lending, increased net commission income from asset management and higher income from the insurance business. This was partly offset by higher credit impairments.

Net interest income increased 3 per cent to SEK 11 564m (11 242), mainly due to higher mortgage volumes. A higher resolution fund fee compared with 2017 negatively affected net interest income.

Net commission income increased 5 per cent to SEK 5 778m (5 521). The increase was mainly due to higher asset management income, mainly driven by higher valuations. The consolidation of PayEx also contributed positively to net commission income. Income from equity trading and structured products decreased.

Other income increased due to a higher profit in the life insurance business and the consolidation of PayEx. The gain on the sale of UC is comparable with the gain on last year's Hemnet sale.

Total expenses increased slightly, partly due to the consolidation of PayEx in August 2017. Staff costs decreased together with expenses for premises, temporary employees and depreciation.

Credit impairments of SEK 408m were recognised in the period, according to IFRS 9, largely related to individually assessed loans in stage 3.

Business development

The work being done to develop our digital and physical meeting places is continuing. During the quarter we started two pilot projects with new branch concepts. In the Mall of Scandinavia, in Solna, outside Stockholm, we have opened a pop-up branch that mainly provides service and support for digital banking services. We have also begun offering financial advice at one of Fastighetsbyrån's real estate offices in Stockholm. We are now evaluating how customers feel about these alternative meeting places as a complement to the service we already provide at branches and round-the-clock by telephone and digitally.

To encourage sustainable housing choices, Swedbank launched a green mortgage loan during the quarter for customers with a home that meets environmental certification criteria. We have also published a simplified, web-based fund guide with suggestions and projections based on each customer's needs.

Small businesses are important to Swedbank. We have launched three new packages that make it easier for customers to find comprehensive solutions tailored to their company's size and needs. We have also started to cooperate with Asteria on digital banking services for small businesses. With these services, customers get a better overview of their financial planning as well as tools and services to make managing money easier and more time-efficient.

A new round of our competition for entrepreneurs called Swedbank Rivstart ("Flying Start") began in September. The competition, designed for entrepreneurs with a business idea that has the potential to create positive change, concludes in February 2019, when ten finalists will be awarded a business development plan and will share SEK 2.5m.

This year's Swedish Quality Index survey of around 600 Swedbank customers saw a slight improvement among private customers and a slight decrease among corporate customers since last year. This autumn we will conduct our own broad-based customer survey, where around 25 000 private and corporate customers will be interviewed. At the same time ongoing efforts to increase customer satisfaction are being intensified and a number of concrete measures will be implemented in the near term. One example is our work to develop new meeting place concepts.

Christer Trägårdh
Head of Swedish Banking

Sweden is Swedbank's largest market, *with around 4 million private customers and over 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of the savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 191 branches in Sweden.*

Baltic Banking

- Increased lending volumes led to higher net interest income
- Net commission income benefited from higher card income
- New and improved mobile app

Income statement

SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	1 236	1 181	5	1 060	17	3 520	3 105	13
Net commission income	654	634	3	565	16	1 881	1 653	14
Net gains and losses on financial items	64	65	-2	56	14	184	161	14
Other income[1)]	188	167	13	162	16	509	454	12
Total income	**2 142**	**2 047**	**5**	**1 843**	**16**	**6 094**	**5 373**	**13**
Staff costs	246	240	3	213	15	696	628	11
Variable staff costs	13	13	0	12	8	40	38	5
Other expenses	459	454	1	397	16	1 326	1 196	11
Depreciation/amortisation	22	23	-4	25	-12	69	77	-10
Total expenses	**740**	**730**	**1**	**647**	**14**	**2 131**	**1 939**	**10**
Profit before impairment	**1 402**	**1 317**	**6**	**1 196**	**17**	**3 963**	**3 434**	**15**
Impairment of tangible assets				11			14	
Credit impairment	8	-87		-26		-105	-85	24
Operating profit	**1 394**	**1 404**	**-1**	**1 211**	**15**	**4 068**	**3 505**	**16**
Tax expense	201	212	-5	282	-29	593	593	0
Profit for the period	**1 193**	**1 192**	**0**	**929**	**28**	**3 475**	**2 912**	**19**
Profit for the period attributable to the shareholders of Swedbank AB	**1 193**	**1 192**	**0**	**929**	**28**	**3 475**	**2 912**	**19**
Return on allocated equity, %	20.6	20.6		18.2		20.2	19.0	
Loan/deposit ratio, %	80	81		85		80	85	
Credit impairment ratio, %	0.02	-0.21		-0.07		-0.09	-0.08	
Cost/income ratio	0.35	0.36		0.35		0.35	0.36	
Loans, SEKbn[2)]	167	167	0	146	14	167	146	14
Deposits, SEKbn[2)]	210	207	1	172	22	210	172	22
Full-time employees	3 528	3 550	-1	3 513	0	3 528	3 513	0

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2018 compared with second quarter 2018
Profit was stable in the quarter at SEK 1 193m (1 192). Higher income contributed positively but was offset by credit impairments, compared with recoveries in the second quarter. Foreign exchange effects had a minor effect on profit.

Net interest income rose 4 per cent in local currency, mainly due to higher lending volumes and one extra day in the quarter. Mortgage margins continued to rise slightly, while corporate lending margins remained stable. Foreign exchange effects positively affected net interest income by SEK 5m.

Lending volumes increased 1 per cent in local currency. Household lending increased 2 per cent. Corporate lending was stable in the quarter. Foreign exchange effects negatively affected lending by SEK 2bn.

Deposits increased 2 per cent in local currency thanks to increased deposits from households and corporates. Foreign exchange effects negatively affected deposits by SEK 3bn.

Net commission income increased 3 per cent in local currency, mainly due to higher net card commissions.

Net gains and losses on financial items decreased 2 per cent in local currency mainly due to lower currency trading income.

Other income increased 13 per cent in local currency due to higher income from the insurance business.

Total expenses increased 1 per cent in local currency, mainly as a result of higher staff costs.

Credit impairments amounted to SEK 8m (-87). Underlying credit quality remained solid.

January-September 2018 compared with January-September 2017
Profit increased to SEK 3 475m (2 912), mainly due to higher income. Foreign exchange effects positively affected profit by SEK 231m.

Net interest income rose 6 per cent in local currency. The increase was mainly due to higher lending volumes. Foreign exchange effects positively contributed to net interest income by SEK 236m.

Lending volumes grew 7 per cent in local currency. Growth was evident in all major portfolios. Total lending grew in all three Baltic countries. Foreign exchange effects positively affected lending by SEK 11bn.

Deposits increased 14 per cent in local currency. Deposits increased from both private and corporate customers. Foreign exchange effects positively affected deposits by SEK 14bn.

Net commission income grew 6 per cent in local currency, mainly due to higher income from cards and payments.

Net gains and losses on financial items rose 7 per cent in local currency due to higher trading-related income.

Other income increased 4 per cent in local currency. A better result from the insurance business was partly offset by lower income from the sale of repossessed assets.

Total expenses rose 3 per cent in local currency. The increase is due to higher staff costs and regulatory costs, partly offset by lower expenses for marketing and depreciation.

Credit impairments amounted to a gain of SEK 105m, according to IFRS 9.

Business development

During the quarter Swedbank began the launch of a new version of the mobile app. It has an updated design and offers mobile contactless payments for Android users. A fully updated version of the new app will be launched in 2019.

Following changing regulatory requirements, we are in the process of discontinuing code cards as a means of authentication. As a consequence, we are not issuing any new such cards to our customers, and existing cards will be valid for authentication until February 2019 in Estonia and September 2019 in Latvia and Lithuania. Customers will instead be able to use Smart ID or code calculators.

As an element in the continued digitisation of corporate products and to strengthen relationships with existing customers, we have launched a pilot program that makes it easier for private customers to also become corporate customers through our digital channels. We also continue to improve the Internet Bank. Customers can now sign new mortgage loan agreements online.

In addition, Swedbank has signed a cooperation agreement with the state-owned development finance institution Altum in Latvia to launch a new financing instrument for small businesses. As a banking leader in the region, we are working to support the development of domestic companies. Swedbank plans to finance around 200 companies as part of this programme over a two-year period.

Charlotte Elsnitz
Head of Baltic Banking

***Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 3.3 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 33 branches in Estonia, 33 in Latvia and 59 in Lithuania.*

Large Corporates & Institutions

- Higher net interest income following good volume growth
- Valuation effects on derivatives portfolio positively affected income
- Leading green bond issuer

Income statement

SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	1 039	992	5	895	16	2 961	2 611	13
Net commission income	661	640	3	525	26	1 922	1 692	14
Net gains and losses on financial items	541	438	24	554	-2	1 543	1 521	1
Other income[1)]	32	54	-41	32	0	108	81	33
Total income	**2 273**	**2 124**	**7**	**2 006**	**13**	**6 534**	**5 905**	**11**
Staff costs	329	368	-11	336	-2	1 060	1 103	-4
Variable staff costs	70	45	56	42	67	172	156	10
Other expenses	523	571	-8	445	18	1 608	1 342	20
Depreciation/amortisation	23	22	5	20	15	70	54	30
Total expenses	**945**	**1 006**	**-6**	**843**	**12**	**2 910**	**2 655**	**10**
Profit before impairment	**1 328**	**1 118**	**19**	**1 163**	**14**	**3 624**	**3 250**	**12**
Credit impairment	37	-126		195	-81	-189	910	
Operating profit	**1 291**	**1 244**	**4**	**968**	**33**	**3 813**	**2 340**	**63**
Tax expense	296	275	8	236	25	841	516	63
Profit for the period	**995**	**969**	**3**	**732**	**36**	**2 972**	**1 824**	**63**
Profit for the period attributable to the shareholders of Swedbank AB	**995**	**969**	**3**	**732**	**36**	**2 972**	**1 824**	**63**
Return on allocated equity, %	14.8	15.4		13.0		15.6	11.2	
Loan/deposit ratio, %	159	149		158		159	158	
Credit impairment ratio, %	0.05	-0.19		0.28		-0.10	0.50	
Cost/income ratio	0.42	0.47		0.42		0.45	0.45	
Loans, SEKbn[2)]	224	220	2	204	10	224	204	10
Deposits, SEKbn[2)]	141	148	-5	129	9	141	129	9
Full-time employees	1 237	1 230	1	1 279	-3	1 237	1 279	-3

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2018 compared with second quarter 2018

Profit increased to SEK 995m (969) due to higher income and lower expenses. Increased credit impairments negatively affected the quarter.

Net interest income rose to SEK 1 039m (992). The increase is mainly due to higher lending volumes and the transfer of customers from Swedish Banking. One extra interest-earning day during the quarter and a lower resolution fund fee also had a positive effect on net interest income, while margins were stable. Foreign exchange effects negatively affected volumes by SEK 1bn.

Net commission income increased to SEK 661m (640) due to higher card income. Corporate finance income also rose slightly in the quarter.

Net gains and losses on financial items at fair value rose to SEK 541m (438). Value adjustments in the derivatives portfolio had a positive effect. The result from the underlying business was stable between quarters.

Total expenses decreased to SEK 945m (1006), mainly as a consequence of seasonally lower staff costs in Norway.

Credit impairments amounted to SEK 37m (-126) in the third quarter, corresponding to a credit impairment ratio of 0.05 per cent. Increased provisions within stage 3 contributed negatively.

January-September 2018 compared with January-September 2017

Profit rose to SEK 2 972m (1 824). The increase is mainly due to lower credit impairments. Higher net interest income and net commission income also contributed positively.

Net interest income rose to SEK 2 961m (2 611) due to increased lending volumes, higher margins and the customer volumes that were transferred from Swedish Banking. Foreign exchange effects positively affected volumes by SEK 8bn.

Net commission income increased to SEK 1 922m (1 692), mainly due to income from PayEx, which was acquired in 2017, and increased payment processing income and lending commissions.

Net gains and losses on financial items at fair value increased to SEK 1 543m (1 521). Foreign exchange effects had a positive effect between years.

Total expenses increased to SEK 2 910m (2 655), mainly due to the acquisition of PayEx in 2017. The partnership with Kepler Cheuvreux led to lower staff costs but raised other expenses.

Credit impairments amounted to a gain of SEK 189m.

Business development

Swedbank remains at the forefront in terms of sustainability. We ranked number one in number of green bond issues and number two by volume in 2018, according to statistics from Bloomberg.

In September Swedbank arranged the Swedbank Energy Summit in Norway for the 20th year in a row. This year's theme was renewable energy and over 450 people attended. One change in 2018 was that the event was arranged together with Swedbank's strategic partner, Kepler Cheuvreux.

Our focus on the eurobond market is continuing. Among other things, we have strengthened our team that works with this market and are a leader in eurobond issues for financial institutions.

We are also proud that Swedbank was ranked number one in the Nordic region in "Back Office FI, Foreign exchange & Derivatives" by the market research firm Prospera.

Ola Laurin
Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	210	264	-20	443	-53	861	1 317	-35
Net commission income	39	23	70	-16		34	-38	
Net gains and losses on financial items	-211	13		-173	22	-355	-393	-10
Share of profit or loss of associates	248	169	47	28		450	55	
Other income[1)]	212	189	12	217	-2	661	692	-4
Total income	**498**	**658**	**-24**	**499**	**0**	**1 651**	**1 633**	**1**
Staff costs	935	1 119	-16	943	-1	3 165	2 722	16
Variable staff costs	63	55	15	49	29	169	136	24
Other expenses	-980	-927	6	-841	17	-2 856	-2 300	24
Depreciation/amortisation	117	113	4	91	29	335	248	35
Total expenses	**135**	**360**	**-63**	**242**	**-44**	**813**	**806**	**1**
Profit before impairment	**363**	**298**	**22**	**257**	**41**	**838**	**827**	**1**
Impairment of intangible assets		282		96		282	96	
Credit impairment	1	-6				-5		
Operating profit	**362**	**22**		**161**		**561**	**731**	**-23**
Tax expense	184	20		103	79	364	388	-6
Profit for the period	**178**	**2**		**58**		**197**	**343**	**-43**
Profit for the period attributable to the shareholders of Swedbank AB	**178**	**2**		**58**		**197**	**343**	**-43**
Full-time employees	6 125	6 050	1	5 731	7	6 125	5 731	7

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

Third quarter 2018 compared with second quarter 2018
Profit increased to SEK 178m (2), mainly because impairment of intangible assets related to the development of a new data warehouse and a risk management system negatively affected profit for the second quarter. Profit within Group Treasury decreased to SEK 85m (189).

Net interest income fell to SEK 210m (264). Net interest income within Group Treasury fell to SEK 231m (287), partly as a result of less favourable conditions in short-term foreign funding.

Net gains and losses on financial items fell to SEK -211m (13). Net gains and losses on financial items within Group Treasury fell to SEK -211m (20), mainly due to higher repurchasing activity in covered bonds.

Expenses decreased to SEK 135m (360). During the quarter Swedbank reversed SEK 200m of the restructuring reserve totalling SEK 300m allocated in the fourth quarter 2017.

Impairment of intangible assets amounted to SEK 0m (282). The second quarter was negatively affected by impairments related to the development of a new data warehouse and a risk management system.

Credit impairments amounted to SEK 1m (-6).

January-September 2018 compared with January-September 2017
Profit decreased to SEK 197m (343). Group Treasury's profit fell to SEK 488m (543).

Net interest income fell to SEK 861m (1 317). Group Treasury's net interest income fell to SEK 915m (1 369), mainly due to lower covered bond repurchases in the period.

Net gains and losses on financial items at fair value increased to SEK -355m (-393). Net gains and losses on financial items within Group Treasury increased to SEK -348m (-391), mainly due to lower covered bond repurchases and because some loans to the public are no longer recognised at fair value through profit or loss following the transition to IFRS 9.

Expenses increased to SEK 813m (806), mainly due to the PayEx acquisition in the second half of 2017.

Impairment of intangible assets amounted to SEK 282m (96) and related to the development of a new data warehouse and a risk management system.

Credit impairments according to IFRS 9 amounted to a gain of SEK 5m.

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

Eliminations

Income statement

SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net interest income	-6	-4	50	-2		-13	-6	
Net commission income	15	12	25	21	-29	38	43	-12
Net gains and losses on financial items	1					2	-1	
Other income[1)]	-51	-54	-6	-71	-28	-155	-201	-23
Total income	**-41**	**-46**	**-11**	**-52**	**-21**	**-128**	**-165**	**-22**
Staff costs								
Variable staff costs								
Other expenses	-41	-46	-11	-52	-21	-128	-165	-22
Depreciation/amortisation								
Total expenses	**-41**	**-46**	**-11**	**-52**	**-21**	**-128**	**-165**	**-22**

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

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

Income statement, condensed

Group SEKm	Q3 2018[1)]	Q2 2018[1)]	%	Q3 2017[2)]	%	Jan-Sep 2018[1)]	Jan-Sep 2017[2)]	%
Interest income	9 497	9 214	3	8 752	9	27 490	25 774	7
Negative yield on financial assets	-733	-749	-2	-631	16	-2 127	-1 647	29
Interest income, including negative yield on financial assets	**8 764**	**8 465**	**4**	**8 121**	**8**	**25 363**	**24 127**	**5**
Interest expense	-2 606	-2 393	9	-2 130	22	-7 020	-6 425	9
Negative yield on financial liabilities	168	201	-16	217	-23	550	567	-3
Interest expense, including negative yield on financial liabilities	**-2 438**	**-2 192**	**11**	**-1 913**	**27**	**-6 470**	**-5 858**	**10**
Net interest income (note 5)	**6 326**	**6 273**	**1**	**6 208**	**2**	**18 893**	**18 269**	**3**
Commission income	4 892	4 786	2	4 320	13	14 147	12 760	11
Commission expense	-1 556	-1 550	0	-1 358	15	-4 494	-3 889	16
Net commission income (note 6)	**3 336**	**3 236**	**3**	**2 962**	**13**	**9 653**	**8 871**	**9**
Net gains and losses on financial items (note 7)	488	635	-23	525	-7	1 682	1 578	7
Net insurance	326	300	9	230	42	881	633	39
Share of profit or loss of associates	440	382	15	245	80	1 057	624	69
Other income	260	971	-73	248	5	1 547	1 487	4
Total income	**11 176**	**11 797**	**-5**	**10 418**	**7**	**33 713**	**31 462**	**7**
Staff costs	2 457	2 613	-6	2 414	2	7 702	7 248	6
Other expenses (note 8)	1 365	1 477	-8	1 316	4	4 211	4 175	1
Depreciation/amortisation	176	172	2	153	15	516	429	20
Total expenses	**3 998**	**4 262**	**-6**	**3 883**	**3**	**12 429**	**11 852**	**5**
Profit before impairment	**7 178**	**7 535**	**-5**	**6 535**	**10**	**21 284**	**19 610**	**9**
Impairment of intangible assets (note 14)		282		96		282	96	
Impairment of tangible assets				11			14	
Credit impairment (note 9)	117	-135		235	-50	109	974	-89
Operating profit	**7 061**	**7 388**	**-4**	**6 193**	**14**	**20 893**	**18 526**	**13**
Tax expense	1 530	1 369	12	1 444	6	4 309	3 901	10
Profit for the period	**5 531**	**6 019**	**-8**	**4 749**	**16**	**16 584**	**14 625**	**13**
Profit for the period attributable to the shareholders of Swedbank AB	**5 525**	**6 014**	**-8**	**4 743**	**16**	**16 572**	**14 613**	**13**
Non-controlling interests	6	5	20	6	0	12	12	0

SEK								
Earnings per share, SEK	4.95	5.39		4.26		14.85	13.13	
after dilution	4.93	5.37		4.24		14.80	13.07	

1) Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
2) 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.

Statement of comprehensive income, condensed

Group SEKm	Q3 2018[1)]	Q2 2018[1)]	%	Q3 2017	%	Jan-Sep 2018[1)]	Jan-Sep 2017	%
Profit for the period reported via income statement	**5 531**	**6 019**	**-8**	**4 749**	**16**	**16 584**	**14 625**	**13**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	261	-965		-37		-852	-1 152	-26
Share related to associates, Remeasurements of defined benefit pension plans	5	-33		-5		-34	-41	-17
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value	4	3	33			13		
Income tax	-55	199		9		176	262	-33
Total	**215**	**-796**		**-33**		**-697**	**-931**	**-25**
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations								
Gains/losses arising during the period	-559	713		134		2 117	345	
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	421	-589		-122		-1 733	-217	
Cash flow hedges:								
Gains/losses arising during the period	-5	5		3		14	-110	
Reclassification adjustments to the income statement, net interest income				3			10	
Foreign currency basis risk:								
Gains/losses arising during the period	10	-33				-69		
Share of other comprehensive income of associates	-8	52		25		136	-31	
Income tax								
Income tax	-88	87		26		350	72	
Reclassification adjustments to income statement, tax				-1			-2	
Total	**-229**	**235**		**68**		**815**	**67**	
Other comprehensive income for the period, net of tax	**-14**	**-561**	**-98**	**35**		**118**	**-864**	
Total comprehensive income for the period	**5 517**	**5 458**	**1**	**4 784**	**15**	**16 702**	**13 761**	**21**
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 511**	**5 453**	**1**	**4 778**	**15**	**16 690**	**13 749**	**21**
Non-controlling interests	6	5	20	6	0	12	12	0

1) Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

For January-September 2018 an expense of SEK 697m (931) after tax was recognised in other comprehensive income, including remeasurements of defined benefit pension plans in associates. As per 30 September the discount rate, which is used to calculate the closing pension obligation, was 2.34 per cent, compared with 2.56 per cent at year end. The inflation assumption was 1.94 per cent compared with 1.95 per cent at year end. The fair value of plan assets increased during the first nine months 2018 by SEK 3m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 3 906m compared with SEK 3 200m at year end.

For January-September 2018 an exchange difference of SEK 2 117m (345) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 136m (-31) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened during the year against the euro. The total gain of SEK 2 253m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 733m (217) before tax arose for the hedging instruments.

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

Balance sheet, condensed

Group SEKm	30 Sep 2018[1)]	31 Dec 2017	Δ SEKm	 %	30 Sep 2017	 %
Assets						
Cash and balance with central banks	296 884	200 371	96 513	48	336 283	-12
Loans to credit institutions (note 10)	39 247	30 746	8 501	28	37 988	3
Loans to the public (note 10)	1 646 757	1 535 198	111 559	7	1 541 548	7
Value change of interest hedged item in portfolio hedge	579	789	-210	-27	918	-37
Interest-bearing securities	164 890	145 034	19 856	14	210 205	-22
Financial assets for which customers bear the investment risk	200 274	180 320	19 954	11	176 196	14
Shares and participating interests	5 981	19 850	-13 869	-70	25 532	-77
Investments in associates	6 728	6 357	371	6	7 423	-9
Derivatives (note 18)	61 329	55 680	5 649	10	66 127	-7
Intangible fixed assets (note 14)	16 945	16 329	616	4	15 961	6
Tangible assets	1 904	1 955	-51	-3	1 970	-3
Current tax assets	1 575	1 375	200	15	1 019	55
Deferred tax assets	171	173	-2	-1	161	6
Other assets	16 217	14 499	1 718	12	33 260	-51
Prepaid expenses and accrued income	2 183	3 960	-1 777	-45	5 284	-59
Total assets	**2 461 664**	**2 212 636**	**249 028**	**11**	**2 459 875**	**0**
Liabilities and equity						
Amounts owed to credit institutions (note 15)	83 984	68 055	15 929	23	136 687	-39
Deposits and borrowings from the public (note 16)	958 209	855 609	102 600	12	935 754	2
Financial liabilities for which customers bear the investment risk	201 154	181 124	20 030	11	176 900	14
Debt securities in issue (note 17)	921 698	844 204	77 494	9	911 833	1
Short positions, securities	27 545	14 459	13 086	91	30 789	-11
Derivatives (note 18)	51 138	46 200	4 938	11	53 331	-4
Current tax liabilities	1 195	1 980	-785	-40	1 579	-24
Deferred tax liabilities	1 626	2 182	-556	-25	2 371	-31
Pension provisions	3 906	3 200	706	22	2 495	57
Insurance provisions	1 892	1 834	58	3	1 905	-1
Other liabilities and provisions	37 845	25 059	12 786	51	38 114	-1
Accrued expenses and prepaid income	3 307	9 650	-6 343	-66	8 607	-62
Subordinated liabilities (note 17)	34 275	25 508	8 767	34	30 448	13
Total liabilities	**2 327 774**	**2 079 064**	**248 710**	**12**	**2 330 813**	**0**
Equity						
Non-controlling interests	209	200	9	5	198	6
Equity attributable to shareholders of the parent company	133 681	133 372	309	0	128 864	4
Total equity	**133 890**	**133 572**	**318**	**0**	**129 062**	**4**
Total liabilities and equity	**2 461 664**	**2 212 636**	**249 028**	**11**	**2 459 875**	**0**

[1)] Balances from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Balance sheet analysis

Total assets have increased by SEK 249bn from 1 January 2018. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 97bn. The increase is mainly attributable to higher deposits with central banks in the euro system and also the US Federal Reserve. Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 85bn. Interest-bearing securities, Treasury bills, bonds and other securities, increased by SEK 20bn. Lending to the public, excluding the National Debt Office and repos, increased by SEK 72bn. Swedish mortgages increased by SEK 29bn. Amounts owed to credit institutions increased by SEK 16bn. Balance sheet items related to credit institutions fluctuate over time depending primarily on repos. The market value of derivatives increased on both the asset and liability side, mainly due to large movements in interest rates and currencies. The increase in Debt securities in issue was mainly a result of higher issued volumes compared to repaid short-term securities funding of SEK 81bn and repaid long-term securities funding by SEK 18bn. The increase of Debt Securities in issue was partially offset by repurchased covered bond loans of SEK 43bn.

Statement of changes in equity, condensed

Group SEKm	Share capital	Other contri-buted equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Foreign currency basis reserve	Own credit risk reserve	Retained earnings	Shareholders' equity Total	Non-controlling interests	Total equity
January-September 2018											
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
Amendments due to the adoption of IFRS 9					**-38**	**38**	**-36**	**-2 105**	**-2 141**	**2**	**-2 139**
Opening balance 1 January 2018	**24 904**	**17 275**	**3 602**	**-2 255**	**-10**	**38**	**-36**	**87 713**	**131 231**	**202**	**131 433**
Dividends								-14 517	**-14 517**	-5	**-14 522**
Share based payments to employees								258	**258**		**258**
Deferred tax related to share based payments to employees								1	**1**		**1**
Current tax related to share based payments to employees								18	**18**		**18**
Total comprehensive income for the period			2 253	-1 395	11	-54	10	15 865	**16 690**	12	**16 702**
of which reported through profit or loss								16 572	**16 572**	12	**16 584**
of which reported through other comprehensive income			2 253	-1 395	11	-54	10	-707	**118**		**118**
Closing balance 30 September 2018	**24 904**	**17 275**	**5 855**	**-3 650**	**1**	**-16**	**-26**	**89 338**	**133 681**	**209**	**133 890**
January-December 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								307	**307**		**307**
Deferred tax related to share based payments to employees								-35	**-35**		**-35**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			1 001	-507	-49			17 797	**18 242**	14	**18 256**
of which reported through profit or loss								19 350	**19 350**	14	**19 364**
of which reported through other comprehensive income			1 001	-507	-49			-1 553	**-1 108**		**-1 108**
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
January-September 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								270	**270**		**270**
Deferred tax related to share based payments to employees								-13	**-13**		**-13**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			314	-169	-78			13 682	**13 749**	12	**13 761**
of which reported through profit or loss								14 613	**14 613**	12	**14 625**
of which reported through other comprehensive income			314	-169	-78			-931	**-864**		**-864**
Closing balance 30 September 2017	**24 904**	**17 275**	**2 915**	**-1 917**	**-1**			**85 688**	**128 864**	**198**	**129 062**

[1] Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Sep 2018	Full-year 2017	Jan-Sep 2017
Operating activities			
Operating profit	20 893	24 542	18 526
Adjustments for non-cash items in operating activities	-4 300	-1 248	-3 023
Income taxes paid	-5 300	-3 714	-2 417
Increase/decrease in loans to credit institutions	-8 197	1 819	-5 445
Increase/decrease in loans to the public	-104 385	-26 994	-34 299
Increase/decrease in holdings of securities for trading	-7 677	43 195	-29 476
Increase/decrease in deposits and borrowings from the public including retail bonds	93 123	59 559	141 065
Increase/decrease in amounts owed to credit institutions	14 399	-4 513	64 926
Increase/decrease in other assets	-6 913	25 279	-3 886
Increase/decrease in other liabilities	51 867	-59 577	-24 340
Cash flow from operating activities	**43 510**	**58 348**	**121 631**
Investing activities			
Business combinations		-1 268	-1 268
Business disposals		6	6
Acquisitions of and contributions to associates		-88	
Disposal of shares in associates	206	650	
Acquisitions of other fixed assets and strategic financial assets	-8 670	-504	-520
Disposals of/maturity other fixed assets and strategic financial assets	9 114	407	1 067
Cash flow from investing activities	**650**	**-797**	**-715**
Financing activities			
Issuance of interest-bearing securities	104 219	180 835	161 004
Redemption of interest-bearing securities	-130 138	-207 991	-158 420
Issuance of commercial paper	846 314	1 055 189	827 094
Redemption of commercial paper	-756 708	-992 764	-721 436
Dividends paid	-14 522	-14 699	-14 699
Cash flow from financing activities	**49 165**	**20 570**	**93 543**
Cash flow for the period	**93 325**	**78 121**	**214 459**
Cash and cash equivalents at the beginning of the period	**200 371**	**121 347**	**121 347**
Cash flow for the period	93 325	78 121	214 459
Exchange rate differences on cash and cash equivalents	3 188	903	477
Cash and cash equivalents at end of the period	**296 884**	**200 371**	**336 283**

During the second quarter of 2018, the associated company UC AB was sold. Swedbank received a cash payment of SEK 206m. In connection with the divestment, Swedbank also received shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc, which corresponded to a value of SEK 502 million. The capital gain was SEK 677 million.

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received a payment of SEK 650m. The capital gain was SEK 680 million.

During the third quarter of 2017, PayEx Holding AB was acquired for SEK 1 268 million

Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual and Sustainability Report for 2017, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2017 Annual and Sustainability Report, except for the changes as set out below.

Financial Instruments (IFRS 9)

On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments.* IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and includes requirements for recognition, classification and measurement, impairment, derecognition and hedge accounting. The major changes from IAS 39 relate to classification and measurement, impairment and hedge accounting. The related accounting policies applied from 1 January 2018 are set out in the 2017 Annual and Sustainability Report on pages 70-73.

The classification, measurement and impairment requirements were applied retrospectively. The hedge accounting requirements were applied prospectively, except for the retrospective application of the exclusion of the currency basis spread component from cash flow hedging relationships. As permitted by IFRS 9, the Group did not restate comparative periods and, accordingly, all comparative period information is presented in accordance with the accounting policies as set out in the 2017 Annual and Sustainability Report. Furthermore, new or amended interim disclosures are presented for the current period according to IFRS 9, where applicable, while comparative period disclosures are consistent with those made in the prior year. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application of 1 January 2018 were recognized in the opening equity in the current period. The adoption impacts are disclosed in note 28.

Revenue from contracts with customers (IFRS 15)

On 1 January 2018, the Group adopted IFRS 15 *Revenue from contracts with customers*. The standard introduces a five-step approach to determine how and when to recognise revenue, but it does not impact the recognition of income from financial instruments, insurance contracts or leasing contracts. The standard also establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Group adopted the requirements using the modified retrospective method, with the effect of initial application recognised on the date of initial application and without restatement of the comparative periods. The adoption did not have any impact on the Group's financial position, results or cash flows. The significant accounting policies that are applied by the Group from 1 January 2018 are set out in the 2017 Annual and Sustainability Report on page 73.

Changed presentation of Commission income

The Group has restated the 2017 income statement for a changed presentation of certain revenues from savings banks which were previously reported as IT services within Other income. These revenues are now presented in relevant lines within Commission income in order to better represent the different services provided to the Savings banks. Restatement of the historical comparative figures has been made to better illustrate the comparative trends between periods. The change affected the Commission income and Other income lines, but has not had any impact on the total profit for the year. The change in presented in note 29.

Changed presentation of accrued interest

From 1 January 2018, the Group presents contractually accrued interest on financial assets and financial liabilities as part of the carrying amount of the related asset or liability the balance sheet. Previously, the contractually accrued interest was presented within Prepaid expenses and accrued income or Accrued expenses and prepaid income. The balance sheet as of 31 December 2017 adjusted for this changed presentation of accrued interest is presented in note 28. The balance sheets for comparative periods have not been restated.

Changes in Swedish regulations

The amended Swedish regulations that have been implemented from 1 January 2018 have not had a significant impact on the Group's financial position, results, cash flows or disclosures.

Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including assessing control over investment funds, the fair value of financial instruments, provisions for credit impairments, impairment testing of goodwill, deferred taxes and defined benefit pension provisions. There have been no significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2017, except for estimates of credit impairment provisions in accordance with the IFRS 9 expected credit loss model, which was adopted from 1 January 2018. Key judgements related to these estimates are described in note 9.

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first nine months 2018.

Note 4 Operating segments (business areas)

Acc Jan-Sep 2018 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	11 564	3 520	2 961	861	-13	18 893
Net commission income	5 778	1 881	1 922	34	38	9 653
Net gains and losses on financial items	308	184	1 543	-355	2	1 682
Share of profit or loss of associates	607			450		1 057
Other income[1]	1 305	509	108	661	-155	2 428
Total income	**19 562**	**6 094**	**6 534**	**1 651**	**-128**	**33 713**
of which internal income	36		89	351	-476	
Staff costs	2 341	696	1 060	3 165		7 262
Variable staff costs	59	40	172	169		440
Other expenses	4 261	1 326	1 608	-2 856	-128	4 211
Depreciation/amortisation	42	69	70	335		516
Total expenses	**6 703**	**2 131**	**2 910**	**813**	**-128**	**12 429**
Profit before impairment	**12 859**	**3 963**	**3 624**	**838**		**21 284**
Impairment of intangible assets				282		282
Credit impairment	408	-105	-189	-5		109
Operating profit	**12 451**	**4 068**	**3 813**	**561**		**20 893**
Tax expense	2 511	593	841	364		4 309
Profit for the period	**9 940**	**3 475**	**2 972**	**197**		**16 584**
Profit for the period attributable to the shareholders of Swedbank AB	**9 928**	**3 475**	**2 972**	**197**		**16 572**
Non-controlling interests	12					12
Net commission income						
Commission income						
Payment processing	540	516	286	187	-14	1 515
Cards	1 745	1 151	1 589	-2	-286	4 197
Asset management and custody	3 850	304	894	-11	-30	5 007
Lending and Guarantees	211	176	541	2	14	944
Other commission income[1]	1 556	238	727	-35	-2	2 484
Total	**7 902**	**2 385**	**4 037**	**141**	**-318**	**14 147**
Commission expense	**2 124**	**504**	**2 115**	**107**	**-356**	**4 494**
Net commission income	**5 778**	**1 881**	**1 922**	**34**	**38**	**9 653**

1) Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	5	289		297
Loans to credit institutions	6		84	192	-243	39
Loans to the public	1 183	167	297			1 647
Interest-bearing securities		2	61	104	-2	165
Financial assets for which customers bear inv. risk	196	4				200
Investments in associates	4			3		7
Derivatives			68	22	-29	61
Total tangible and intangible assets	2	12	1	4		19
Other assets	3	51	19	480	-526	27
Total assets	**1 394**	**239**	**535**	**1 094**	**-800**	**2 462**
Amounts owed to credit institutions	28		198	90	-232	84
Deposits and borrowings from the public	555	210	169	31	-7	958
Debt securities in issue		1	14	912	-5	922
Financial liabilities for which customers bear inv. risk	196	5				201
Derivatives			63	17	-29	51
Other liabilities	552		64	-11	-527	78
Subordinated liabilities				34		34
Total liabilities	**1 331**	**216**	**508**	**1 073**	**-800**	**2 328**
Allocated equity	63	23	27	21		134
Total liabilities and equity	**1 394**	**239**	**535**	**1 094**	**-800**	**2 462**
Key figures						
Return on allocated equity, %	21.7	20.2	15.6	1.3		17.0
Cost/income ratio	0.34	0.35	0.45	0.49		0.37
Credit impairment ratio, %	0.05	-0.09	-0.10	-0.03		0.01
Loan/deposit ratio, %	215	80	159			169
Loans, SEKbn[2]	1 183	167	224			1 574
Deposits, SEKbn[2]	550	210	141	31		932
Risk exposure amount, SEKbn	173	85	149	21		428
Full-time employees	3 854	3 528	1 237	6 125		14 744
Allocated equity, average, SEKbn	61	23	25	21		130

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Acc Jan-Sep 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	11 242	3 105	2 611	1 317	-6	18 269
Net commission income	5 521	1 653	1 692	-38	43	8 871
Net gains and losses on financial items	290	161	1 521	-393	-1	1 578
Share of profit or loss of associates	569			55		624
Other income[1]	1 094	454	81	692	-201	2 120
Total income	**18 716**	**5 373**	**5 905**	**1 633**	**-165**	**31 462**
of which internal income	80	-1	29	258	-366	
Staff costs	2 365	628	1 103	2 722		6 818
Variable staff costs	100	38	156	136		430
Other expenses	4 102	1 196	1 342	-2 300	-165	4 175
Depreciation/amortisation	50	77	54	248		429
Total expenses	**6 617**	**1 939**	**2 655**	**806**	**-165**	**11 852**
Profit before impairment	**12 099**	**3 434**	**3 250**	**827**		**19 610**
Impairment of intangible assets				96		96
Impairment of tangible assets		14				14
Credit impairment	149	-85	910			974
Operating profit	**11 950**	**3 505**	**2 340**	**731**		**18 526**
Tax expense	2 404	593	516	388		3 901
Profit for the period	**9 546**	**2 912**	**1 824**	**343**		**14 625**
Profit for the period attributable to the shareholders of Swedbank AB	**9 534**	**2 912**	**1 824**	**343**		**14 613**
Non-controlling interests	12					12
Net commission income						
Commission income						
Payment processing	545	476	231	168	-8	1 412
Cards	1 686	976	1 371		-268	3 765
Asset management and custody	3 421	289	821	-14	-28	4 489
Lending and Guarantees	246	154	498	-23	-3	872
Other commission income[1]	1 544	221	429	29	-1	2 222
Total	**7 442**	**2 116**	**3 350**	**160**	**-308**	**12 760**
Commission expense	**1 921**	**463**	**1 658**	**198**	**-351**	**3 889**
Net commission income	**5 521**	**1 653**	**1 692**	**-38**	**43**	**8 871**

1) Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Balance sheet, SEKbn						
Cash and balances with central banks		3	8	325		336
Loans to credit institutions	5		58	205	-230	38
Loans to the public	1 138	146	258			1 542
Interest-bearing securities		1	48	164	-3	210
Financial assets for which customers bear inv. risk	172	4				176
Investments in associates	4			3		7
Derivatives			73	28	-35	66
Total tangible and intangible assets	2	11	1	4		18
Other assets	7	32	48	487	-507	67
Total assets	**1 328**	**197**	**494**	**1 216**	**-775**	**2 460**
Amounts owed to credit institutions	25		187	148	-223	137
Deposits and borrowings from the public	525	172	155	91	-7	936
Debt securities in issue			18	900	-6	912
Financial liabilities for which customers bear inv. risk	173	4				177
Derivatives			71	17	-35	53
Other liabilities	549		41		-504	86
Subordinated liabilities				30		30
Total liabilities	**1 272**	**176**	**472**	**1 186**	**-775**	**2 331**
Allocated equity	56	21	22	30		129
Total liabilities and equity	**1 328**	**197**	**494**	**1 216**	**-775**	**2 460**
Key figures						
Return on allocated equity, %	22.9	19.0	11.2	1.6		15.4
Cost/income ratio	0.35	0.36	0.45	0.49		0.38
Credit impairment ratio, %	0.02	-0.08	0.50	0.00		0.08
Loan/deposit ratio, %	219	85	158			164
Loans, SEKbn[2]	1 138	146	204			1 488
Deposits, SEKbn[2]	519	172	129	90		910
Risk exposure amount, SEKbn	173	80	140	27		420
Full-time employees	3 997	3 513	1 279	5 731		14 520
Allocated equity, average, SEKbn	56	20	22	29		126

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

During the first quarter 2018 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organization. Comparative figures have been restated.

Operating segments accounting policies

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

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

The return on allocated equity for the operating segments is calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average monthly allocated equity for the operating segment. For periods shorter than one year the key ratio is annualised.

Note 5 Net interest income

Group	**Q3**	**Q2**		**Q3**		**Jan-Sep**	**Jan-Sep**	
SEKm	**2018**	**2018**	**%**	**2017**	**%**	**2018**	**2017**	**%**
Interest income								
Loans to credit institutions	43	23	87	-19		83	-10	
Loans to the public	7 882	7 795	1	7 534	5	23 225	22 520	3
Interest-bearing securities	99	39		38		159	158	1
Derivatives	666	417	60	226		1 506	724	
Other	205	222	-8	358	-43	613	999	-39
Total interest income including negative yield on financial assets	**8 895**	**8 496**	**5**	**8 137**	**9**	**25 586**	**24 391**	**5**
deduction of trading interests reported in net gains and losses on financial items at fair value	131	31		16		223	264	-16
Interest income, including negative yield on financial assets, according to the income statement	**8 764**	**8 465**	**4**	**8 121**	**8**	**25 363**	**24 127**	**5**
Interest expense								
Amounts owed to credit institutions	-307	-207	48	-243	26	-803	-566	42
Deposits and borrowings from the public	-321	-343	-6	-371	-13	-959	-976	-2
of which deposit guarantee fees	-96	-107	-10	-99	-3	-307	-336	-9
Debt securities in issue	-3 664	-3 246	13	-2 696	36	-9 641	-8 200	18
Subordinated liabilities	-260	-248	5	-310	-16	-749	-925	-19
Derivatives	2 564	2 342	9	2 076	24	7 047	5 945	19
Other	-429	-459	-7	-304	41	-1 278	-917	39
of which government resolution fund fee	-414	-446	-7	-300	38	-1 242	-904	37
Total interest expenses including negative yield on financial liabilities	**-2 417**	**-2 161**	**12**	**-1 848**	**31**	**-6 383**	**-5 639**	**13**
deduction of trading interests reported in net gains and losses on financial items at fair value	21	31	-32	65	-68	87	219	-60
Interest expense, including negative yield on financial liabilities, according to the income statement	**-2 438**	**-2 192**	**11**	**-1 913**	**27**	**-6 470**	**-5 858**	**10**
Net interest income	**6 326**	**6 273**	**1**	**6 208**	**2**	**18 893**	**18 269**	**3**
Net interest margin before trading interest is deducted	**0.98**	**0.98**		**1.03**		**1.01**	**1.03**	
Average total assets	**2 631 907**	**2 575 056**	**2**	**2 437 746**	**8**	**2 539 347**	**2 439 191**	**4**

Note 6 Net commission income

Group SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Commission income								
Payment processing	501	518	-3	482	4	1 515	1 412	7
Cards	1 506	1 441	5	1 341	12	4 197	3 765	11
Service concepts	284	304	-7	204	39	884	508	74
Asset management and custody fees	1 743	1 674	4	1 511	15	5 007	4 489	12
Life insurance	148	133	11	164	-10	434	501	-13
Securities	98	122	-20	91	8	331	403	-18
Corporate finance	34	25	36	17	100	88	111	-21
Lending	262	267	-2	236	11	770	697	10
Guarantees	62	60	3	53	17	174	175	-1
Deposits	41	42	-2	51	-20	132	151	-13
Real estate brokerage	48	50	-4	53	-9	137	153	-10
Non-life insurance	24	24	0	20	20	64	53	21
Other	141	126	12	97	45	414	342	21
Total commission income	**4 892**	**4 786**	**2**	**4 320**	**13**	**14 147**	**12 760**	**11**
Commission expense								
Payment processing	-256	-301	-15	-277	-8	-818	-789	4
Cards	-668	-620	8	-544	23	-1 827	-1 546	18
Service concepts	-43	-46	-7	-18		-134	-23	
Asset management and custody fees	-406	-391	4	-337	20	-1 168	-1 013	15
Life insurance	-45	-43	5	-46	-2	-132	-140	-6
Securities	-67	-79	-15	-78	-14	-220	-214	3
Lending and guarantees	-16	-17	-6	-16	0	-47	-42	12
Non-life insurance	-9	-10	-10	-6	50	-25	-15	67
Other	-46	-43	7	-36	28	-123	-107	15
Total commission expense	**-1 556**	**-1 550**	**0**	**-1 358**	**15**	**-4 494**	**-3 889**	**16**
Net commission income								
Payment processing	245	217	13	205	20	697	623	12
Cards	838	821	2	797	5	2 370	2 219	7
Service concepts	241	258	-7	186	30	750	485	55
Asset management and custody fees	1 337	1 283	4	1 174	14	3 839	3 476	10
Life insurance	103	90	14	118	-13	302	361	-16
Securites	31	43	-28	13		111	189	-41
Corporate finance	34	25	36	17	100	88	111	-21
Lending and guarantees	308	310	-1	273	13	897	830	8
Deposits	41	42	-2	51	-20	132	151	-13
Real estate brokerage	48	50	-4	53	-9	137	153	-10
Non-life insurance	15	14	7	14	7	39	38	3
Other	95	83	14	61	56	291	235	24
Total Net commission income	**3 336**	**3 236**	**3**	**2 962**	**13**	**9 653**	**8 871**	**9**

Note 7 Net gains and losses on financial items

Group SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Fair value through profit or loss								
Shares and share related derivatives	164	190	-14	67		697	373	87
of which dividend	1	108	-99	3	-67	169	227	-26
Interest-bearing securities and interest related derivatives	30	10		184	-84	-97	487	
Loans to the public	1	-3		-226		2	-861	
Financial liabilities	60	80	-25	64	-6	208	197	6
Other financial instruments	5	-5		-7		-8	-7	14
Total fair value through profit or loss	**260**	**272**	**-4**	**82**		**802**	**189**	
Hedge accounting								
Ineffective part in hedge accounting at fair value	-34	-17	100	-11		-96	28	
of which hedging instruments	-2 808	754		-695		-2 899	-4 079	-29
of which hedged items	2 774	-771		684		2 803	4 107	-32
Ineffective part in portfolio hedge accounting at fair value	15	10	50	6		51	4	
of which hedging instruments	855	-377		94		261	568	-54
of which hedged items	-839	387		-90		-209	-565	-63
Total hedge accounting	**-19**	**-7**		**-5**		**-44**	**32**	
Derecognition gain or loss for loans at amortised cost	**37**	**34**	**9**	**26**	**42**	**97**	**82**	**18**
Derecognition gain or loss for financial liabilities at amortised cost	**-147**	**-75**	**96**	**-75**	**96**	**-239**	**-361**	**-34**
Trading related interest								
Interest income	131	31		16		223	264	-16
Interest expense	21	31	-32	65	-68	87	219	-60
Total trading related interest	**153**	**62**		**81**	**89**	**311**	**483**	**-36**
Change in exchange rates	**203**	**349**	**-42**	**416**	**-51**	**755**	**1 153**	**-35**
Total net gains and losses on financial items	**488**	**635**	**-23**	**525**	**-7**	**1 682**	**1 578**	**7**

Note 8 Other expenses

Group SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Premises and rents	282	287	-2	277	2	853	843	1
IT expenses	429	529	-19	444	-3	1 422	1 410	1
Telecommunications and postage	35	34	3	27	30	104	97	7
Advertising, PR and marketing	57	60	-5	51	12	185	195	-5
Consultants	77	75	3	67	15	203	227	-11
Compensation to savings banks	56	56	0	55	2	168	167	1
Other purchased services	219	206	6	194	13	609	540	13
Security transport and alarm systems	15	15	0	17	-12	43	50	-14
Supplies	19	31	-39	20	-5	69	59	17
Travel	37	65	-43	45	-18	158	171	-8
Entertainment	10	13	-23	10	0	33	32	3
Repair/maintenance of inventories	17	21	-19	14	21	70	86	-19
Other expenses	112	85	32	95	18	294	298	-1
Total other expenses	**1 365**	**1 477**	**-8**	**1 316**	**4**	**4 211**	**4 175**	**1**

Note 9 Credit impairment

Group SEKm	Q3 2018 (IFRS 9)	Q2 2018 (IFRS 9)	Q1 2018 (IFRS 9)	Jan-Jun 2018 (IFRS 9)
Loans at amortised cost				
Credit impairment provisions - Stage 1	-15	25	89	99
Credit impairment provisions - Stage 2	-14	-297	-201	-512
Credit impairment provisions - Stage 3	192	-96	205	301
Credit impairment provisions - Credit impaired, Purchased or originated	14	-3	-2	9
Total	**177**	**-371**	**91**	**-103**
Write-offs	82	374	97	553
Recoveries	-54	-138	-61	-253
Total	**28**	**236**	**36**	**300**
Total loans at amortised cost	**205**	**-135**	**127**	**197**
Commitments and financial guarantees				
Credit impairment provisions - Stage 1	-4	11	4	11
Credit impairment provisions - Stage 2	-56	-10	-37	-103
Credit impairment provisions - Stage 3	-49	-2	15	-36
Total	**-109**	**-1**	**-18**	**-128**
Write-offs	21	1	18	40
Total commitments and financial guarantees	**-88**	**0**	**0**	**-88**
Total Credit impairment	**117**	**-135**	**127**	**109**
Credit impairment ratio, %	0.03	-0.03	0.03	0.01

Credit impairment provisions are estimated using quantitative models, which incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. In particular, the following can have a significant impact on the level of impairment provisions:

- determination of a significant increase in credit risk;
- incorporation of forward-looking macroeconomic scenarios; and
- measurement of both 12-month and lifetime expected credit losses.

Further details on the key inputs and assumptions used as at 30 September 2018 are provided below.

Determination of a significant increase in credit risk

The Group uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criterias are disclosed in the Annual and Sustainability Report of 2017 on page 72. The table below shows the quantitative thresholds, namely the changes in 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2017 Annual and Sustainability Report. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high risk end of the scale.

The Group has performed a sensitivity analysis on how credit impairment provisions would change if the 12-month PD thresholds applied were increased or decreased by 1 rating grade. A threshold lower by 1 grade would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A threshold higher by 1 grade would have the opposite effect. The table below discloses the impacts of this sensitivity analysis on the 30 September 2018 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

Financial instruments originated on or after 1 January 2018 are excluded from the sensitivity analysis due to the impact of changing lifetime PD thresholds in the assessment of significant increase in credit risk on those loans is negligible due to a short period since origination.

Significant increase in credit risk, financial instruments with initial recognition before 1 January 2018

			Impairment provision impact of			
Internal risk rating grade at initial recognition	**PD band at initial recognition**	**Threshold, rating downgrade[1) 2) 3)]**	**Increase in threshold by 1 grade**	**Decrease in threshold by 1 grade**	**Recognised credit impairment provisions 30 Sep 2018**	**Share of total portfolio (%) in terms of gross carrying amount 30 Sep 2018**
13-21	< 0.5%	3 - 8 grades	-6.6%	15.1%	904	52%
9-12	0.5-2.0%	1 - 5 grades	-9.7%	13.0%	764	11%
6-8	2.0-5.7%	1 - 3 grades	-5.7%	4.8%	328	4%
0-5	>5.7% and <100%	1 - 2 grades	-2.3%	0.0%	222	2%
			-7.1%	11.3%	2 218	69%
Financial instruments subject to the low credit risk exemption					12	15%
Stage 3 financial instruments					3 668	1%
Financial instruments with initial recognition after 1 January 2018					323	15%
Total provisions[4)]					**6 220**	**100%**

1) Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.
2) Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.
3) The threshold used in the sensitivity analyses is floored to 1 grade
4) Of which provisions for off-balance exposures are SEK 561m.

Incorporation of forward-looking macroeconomic scenarios

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses.

From analyses of historical data, the Group's risk management function has identified and reflected in the models relevant macroeconomic variables that contribute to credit risk and losses for different portfolios based on geography, borrower, and product type. The most highly correlated variables are GDP growth, housing and property prices, unemployment, oil prices and interest rates. Swedbank continuously monitors the global macroeconomic environment, with particular focus on Sweden and other home markets. This includes defining forward-looking macroeconomic scenarios for different jurisdictions and translating those scenarios into macroeconomic forecasts. The macroeconomic forecasts consider internal and external information and are consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The base scenario is based on the assumptions corresponding to the bank's budget scenario and alternative scenarios reflecting more positive as well as more negative outlook are developed accordingly.

In general, a worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated credit impairment provisions. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the best case scenario occurring will have the opposite impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

Set out below are the credit impairment provisions as at 30 September 2018 that would result from the downside and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100%.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	1 887	21%
	Upside scenario	1 335	-14%
Baltic Banking	Downside scenario	1 118	30%
	Upside scenario	686	-20%
LC&I	Downside scenario	5 673	49%
	Upside scenario	2 212	-42%
Group[1)]	Downside scenario	8 677	40%
	Upside scenario	4 234	-32%

[1)] Including Group Functions & Other

Measurement of 12-month and lifetime expected credit losses

The key inputs used for measuring expected credit losses are:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD); and
- expected lifetime.

These estimates are derived from internally developed statistical models, which reflect both historical data and probability-weighted forward-looking scenarios.

Probability of default (PD)

The 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months and the expected lifetime of a financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The developed PD models are based on homogeneous sub-segments of the total credit portfolio, such as country, business area, or product group, and are used to derive both the 12-month and lifetime PDs. Internal risk rating grades from IRB PD models are an input to the IFRS 9 PD models and historic default rates are used to generate the PD term structure, which is adjusted to derive point-in-time forward-looking PDs. A worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring results in higher PDs, which increases both the number of loans migrating from Stage 1 to Stage 2 and the estimated credit impairment provisions.

Loss given default (LGD)

LGD represents an estimate of the loss arising on default, taking into account the probability that the default is real, the expected value of future recoveries including realization of collateral, the time when those recoveries are anticipated and the time value of money. The modelling of LGD accounts for the type of collateral, type of obligor and contractual information as a minimum. LGD estimates are based on historically collected loss data within homogeneous sub-segments of the total credit portfolio, such as country, collateral type, and product. Forward-looking macroeconomic variables are reflected in the LGD estimates via their effect on the loan-to-collateral value. A worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring increases LGD and thus credit impairment provisions, and vice versa.

Exposure at default (EAD)

The EAD represents an estimated exposure at a future default date, considering expected changes in the exposure after the reporting date. The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off-balance sheet commitments.

Expected lifetime

The Group measures expected credit losses considering the risk of default over the expected life. The expected lifetime is generally limited by the maximum contractual period over which the Group is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Group. For certain revolving facilities, such as credit cards, the lifetime of the facility is the expected behavioural life, which is determined using product-specific historical data and ranges up to 10 years. For the mortgage portfolio, the Group uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

IFRS 9 vs Regulatory capital framework

The measurement of expected credit losses according to IFRS 9 is different to the expected loss calculation for regulatory purposes. Although Swedbank's regulatory IRB models serve as a base for the IFRS 9 expected credit loss models, adjustments are made and, in some instances, separate models are used in order to meet the objectives of IFRS 9. The main differences are summarised in the table below:

	Regulatory capital	IFRS 9
PD	• Fixed 1-year default horizon • Through-the-cycle, based on a long-run average • Conservative calibration based on backward-looking information including data from downturns	• 12-month PD for Stage 1 and lifetime PD for Stages 2 and 3 • Point-in-time, based on the current position in the economic cycle • Incorporation of forward-looking information • No conservative add-ons
LGD	• Downturn adjusted collateral values and through-the –cycle calibration • All workout costs included	• Point-in-time, based on the current position in the cycle • Adjusted to incorporate forward-looking information • Internal workout costs excluded • Recoveries discounted using the instrument specific effective interest rate
EAD	• 1-year outcome period • Credit conversion factor, with downturn adjustment, applied to off-balance sheet instruments	• EAD over the expected lifetime of instruments • Point-in-time credit conversion factor applied to off-balance sheet instruments • Prepayments taken into account
Expected lifetime	• Not applicable	• Early repayment behaviour in portfolios with longer maturities but predominant prepayments, e.g. mortgages. • Estimating maturities for certain revolving credit facilities, such as credit cards.
Discounting	• No discounting, except in LGD models	• Expected credit losses discounted to reporting date, using the instrument specific effective interest rate
Significant increase in credit risk	• Not applicable	• Relative measure of increase in credit risk since initial recognition • Identification of significance thresholds

Individually assessed provisions

The Group assesses significant credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 437m.

Credit impairment, historical values IAS 39

Group SEKm	Q1 2017 (IAS 39)	Q2 2017 (IAS 39)	Q3 2017 (IAS 39)	Q4 2017 (IAS 39)	Jan-Sep 2017 (IAS 39)	Jan-Dec 2017 (IAS 39)
Provision for loans individually assessed as impaired						
Provisions	384	2	282	319	668	987
Reversal of previous provisions	-47	-23	-23	-174	-93	-267
Provision for homogenous groups of impaired loans, net	11	6	1	-14	18	4
Total	**348**	**-15**	**260**	**131**	**593**	**724**
Portfolio provisions for loans individually assessed as not impaired	**-57**	**16**	**-38**	**39**	**-79**	**-40**
Write-offs						
Established losses	105	252	121	323	478	801
Utilisation of previous provisions	-50	-197	-57	-127	-304	-431
Recoveries	-114	-44	-51	-62	-209	-271
Total	**-59**	**11**	**13**	**134**	**-35**	**99**
Credit impairment for contingent liabilities and other credit risk exposures	**107**	**388**	**0**	**7**	**495**	**502**
Credit impairment	**339**	**400**	**235**	**311**	**974**	**1 285**
Credit impairment ratio, %	0.09	0.10	0.06	0.08	0.08	0.08

The effects of changes in accounting policies from IAS 39 to IFRS 9 are presented in note 28.

Note 10 Loans

Group SEKm	30 Sep 2018 Gross carrying amount (IFRS 9)	Credit Impairment Provision (IFRS 9)	Carrying amount (IFRS 9)	31 Dec 2017 Carrying amount (IAS 39)	%	30 Sep 2017 Carrying amount (IAS 39)	%
Loans to credit institutions							
Banks	19 341	8	19 333	15 499	25	21 546	-10
Repurchase agreements, banks				45		1 566	
Other credit institutions	18 661		18 661	14 736	27	14 381	30
Repurchase agreements, other credit institutions	1 253		1 253	466		495	
Loans to credit institutions	**39 255**	**8**	**39 247**	**30 746**	**28**	**37 988**	**3**
Loans to the public							
Private customers	1 022 197	917	1 021 280	980 649	4	966 156	6
Private, mortgage	866 466	594	865 872	828 924	4	813 505	6
Tenant owner association	109 256	29	109 227	109 174	0	109 847	-1
Private,other	46 475	294	46 181	42 551	9	42 804	8
Corporate customers	557 835	4 729	553 106	521 001	6	522 073	6
Agriculture, forestry, fishing	68 123	154	67 969	67 705	0	68 479	-1
Manufacturing	45 879	300	45 579	48 071	-5	44 745	2
Public sector and utilities	21 154	59	21 095	21 231	-1	23 917	-12
Construction	20 525	87	20 438	20 033	2	20 688	-1
Retail	32 964	311	32 653	28 869	13	29 504	11
Transportation	15 616	29	15 587	17 040	-9	15 451	1
Shipping and offshore	24 660	2 441	22 219	23 254	-4	23 629	-6
Hotels and restaurants	8 353	33	8 320	7 441	12	7 276	14
Information and communications	14 069	147	13 922	10 964	27	10 688	30
Finance and insurance	14 382	28	14 354	12 319	17	12 026	19
Property management	238 762	602	238 160	218 728	9	221 218	8
Residential properties	73 151	205	72 946	66 528	10	66 015	10
Commercial	90 173	160	90 013	83 409	8	84 149	7
Industrial and Warehouse	48 079	76	48 003	43 542	10	45 378	6
Other	27 359	161	27 198	25 249	8	25 676	6
Professional services	34 311	445	33 866	26 249	29	25 331	34
Other corporate lending	19 037	93	18 944	19 097	-1	19 121	-1
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 580 032**	**5 646**	**1 574 386**	**1 501 650**	**5**	**1 488 229**	**6**
Swedish National Debt Office	239		239	8 501	-97	831	-71
Repurchase agreements, Swedish National Debt Office	13 767		13 767	2 862		18 480	-26
Repurchase agreements, public	58 365		58 365	22 185		34 008	72
Loans to the public	**1 652 403**	**5 646**	**1 646 757**	**1 535 198**	**7**	**1 541 548**	**7**
Loans to the public and credit institutions	**1 691 658**	**5 654**	**1 686 004**	**1 565 944**	**8**	**1 579 536**	**7**
of which accrued interest	2 557						

The effects of changes in accounting policies from IAS 39 31 December 2017 to IFRS 9 1 January 2018 are presented in note 28.

Note 11 Loan stage allocation and credit impairment provisions

Group SEKm	30 Sep 2018 (IFRS 9)	30 Jun 2018 (IFRS 9)	31 Mar 2018 (IFRS 9)
Credit institutions			
Stage 1			
Gross carrying amount	38 686	39 237	35 736
Credit impairment provisions	7	7	12
Carrying amount	**38 679**	**39 230**	**35 724**
Stage 2			
Gross carrying amount	569	335	299
Credit impairment provisions	1		2
Carrying amount	**568**	**335**	**297**
Total carrying amount for credit institutions	**39 247**	**39 565**	**36 021**
Public, private customers			
Stage 1			
Gross carrying amount	966 435	957 059	942 558
Credit impairment provisions	86	76	68
Carrying amount	**966 349**	**956 983**	**942 490**
Stage 2			
Gross carrying amount	53 373	54 559	52 912
Credit impairment provisions	354	350	325
Carrying amount	**53 019**	**54 209**	**52 587**
Stage 3			
Gross carrying amount	2 389	2 520	2 597
Credit impairment provisions	477	477	506
Carrying amount	**1 912**	**2 043**	**2 091**
Total carrying amount for public, private customers	**1 021 280**	**1 013 235**	**997 168**
Public, corporate customers			
Stage 1			
Gross carrying amount	566 932	548 207	520 715
Credit impairment provisions	419	440	412
Carrying amount	**566 513**	**547 767**	**520 303**
Stage 2			
Gross carrying amount	54 353	53 501	52 591
Credit impairment provisions	1 374	1 404	1 644
Carrying amount	**52 979**	**52 097**	**50 947**
Stage 3			
Gross carrying amount	8 921	8 588	8 653
Credit impairment provisions	2 936	2 715	2 638
Carrying amount	**5 985**	**5 873**	**6 015**
Total carrying amount for public, corporate customers[1)]	**625 477**	**605 737**	**577 265**
Totals			
Gross carrying amount Stage 1	1 572 053	1 544 503	1 499 009
Gross carrying amount Stage 2	108 295	108 395	105 802
Gross carrying amount Stage 3	11 310	11 108	11 250
Total Gross carrying amount	**1 691 658**	**1 664 006**	**1 616 061**
Credit impairment provisions Stage 1	512	523	492
Credit impairment provisions Stage 2	1 729	1 754	1 971
Credit impairment provisions Stage 3	3 413	3 192	3 144
Total credit impairment provisions	**5 654**	**5 469**	**5 607**
Total carrying amount	**1 686 004**	**1 658 537**	**1 610 454**
Share of Stage 3 loans, gross, %	0.67	0.67	0.70
Share of Stage 3 loans, net, %	0.48	0.48	0.50
Credit impairment provision ratio Stage 1 loans	0.03	0.03	0.03
Credit impairment provision ratio Stage 2 loans	1.60	1.62	1.86
Credit impairment provision ratio Stage 3 loans	30.18	28.74	27.95
Total credit impairment provision ratio	0.33	0.33	0.35

1) Includes loans to the Swedish National Debt Office and repurchase agreements.

Reconciliation of credit impairment provisions for loans

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	
SEKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2018	**1 440 894**	**120 226**	**10 194**	**1 571 313**
Gross carrying amount as of 30 September 2018	**1 572 053**	**108 295**	**11 310**	**1 691 658**
Credit impairment provisions				
Credit impairment provisions as of 1 January 2018	**399**	**2 140**	**2 861**	**5 401**
New and derecognised financial assets, net	115	-194	-6	-86
Changes in risk factors	109	-137	-24	-52
Changes in macroeconomic scenarios	7	-49	9	-33
Changes due to expert credit judgement (individual assessments and manual adjustments)			72	72
Stage transfers	-138	-130	341	73
from stage 1 to stage 2	*-119*	*391*		*272*
from stage 1 to stage 3	*-48*		*65*	*17*
from stage 2 to stage 1	*29*	*-147*		*-118*
from stage 2 to stage 3		*-383*	*400*	*17*
from stage 3 to stage 2		*9*	*-78*	*-69*
from stage 3 to stage 1	*0*		*-46*	*-46*
Change in exchange rates	12	102	159	273
Other	8	-3	1	6
Credit impairment provisions as of 30 September 2018	**512**	**1 729**	**3 413**	**5 654**
Carrying amount				
Opening balance as of 1 January 2018	**1 440 494**	**118 085**	**7 332**	**1 565 912**
Closing balance as of 30 September 2018	**1 571 541**	**106 566**	**7 897**	**1 686 004**

Stage transfers are reflected as taking place at the end of the period.

Impaired loans, historical values IAS 39

Group SEKm	31 Mar 2017 (IAS 39)	30 Jun 2017 (IAS 39)	30 Sept 2017 (IAS 39)	31 Dec 2017 (IAS 39)
Impaired loans, gross	7 867	8 225	8 655	8 579
Provisions for individually assessed impaired loans	2 412	2 169	2 388	2 419
Provision for homogenous groups of impaired loans	573	547	494	457
Impaired loans, net	**4 882**	**5 509**	**5 773**	**5 703**
of which private customers	1 025	981	964	919
of which corporate customers	3 857	4 528	4 809	4 784
Portfolio provisions for loans individually assessed as not impaired	988	996	971	1 010
Share of impaired loans, gross, %	0.50	0.53	0.55	0.55
Share of impaired loans, net, %	0.31	0.35	0.37	0.36
Provision ratio for impaired loans, %	38	33	33	34
Past due loans that are not impaired	**3 519**	**3 626**	**3 427**	**3 325**
of which past due 5-30 days	2 034	2 326	2 132	1 725
of which past due 31-60 days	917	765	732	728
of which past due 61-90 days	318	285	297	553
of which past due more than 90 days	250	250	266	319

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

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Buildings and land	121	142	-15	161	-25
Shares and participating interests				25	
Other	82	79	4	115	-29
Total	**203**	**221**	**-8**	**301**	**-33**

Note 13 Credit exposures

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Assets					
Cash and balances with central banks	296 884	200 371	48	336 283	-12
Interest-bearing securities	164 890	145 034	14	210 205	-22
Loans to credit institutions	39 247	30 746	28	37 988	3
Loans to the public	1 646 757	1 535 198	7	1 541 548	7
Derivatives	61 329	55 680	10	66 127	-7
Other financial assets	16 135	16 772	-4	36 141	-55
Total assets	**2 225 242**	**1 983 801**	**12**	**2 228 292**	**0**
Contingent liabilities and commitments					
Guarantees	49 717	44 057	13	44 017	13
Commitments	286 673	262 921	9	266 827	7
Total contingent liabilities and commitments	**336 390**	**306 978**	**10**	**310 844**	**8**
Total credit exposures	**2 561 632**	**2 290 779**	**12**	**2 539 136**	**1**

Note 14 Intangible assets

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
With indefinite useful life					
Goodwill	13 605	13 100	4	12 923	5
Brand name	160	161	-1	162	-1
Total	**13 765**	**13 261**	**4**	**13 085**	**5**
With finite useful life					
Customer base	423	471	-10	548	-23
Internally developed software	2 386	2 230	7	1 558	53
Other	371	367	1	770	-52
Total	**3 180**	**3 068**	**4**	**2 876**	**11**
Total intangible assets	**16 945**	**16 329**	**4**	**15 961**	**6**

Impairment of intangible assets

During the second quarter, a write-down of SEK 280m was made for previously internally developed software relating to a new data warehouse and risk system, that were under development. Swedbank instead decided that the parts of the development will be built on a solution already established in the Baltics.

Note 15 Amounts owed to credit institutions

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Amounts owed to credit institutions					
Central banks	23 215	23 200	0	17 503	33
Banks	54 511	41 609	31	116 358	-53
Other credit institutions	3 139	3 246	-3	1 753	79
Repurchase agreements - banks	1 936			972	99
Repurchase agreements - other credit institutions	1 183			101	
Amounts owed to credit institutions	**83 984**	**68 055**	**23**	**136 687**	**-39**

Note 16 Deposits and borrowings from the public

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Deposits from the public					
Private customers	508 271	473 404	7	466 586	9
Corporate customers	423 382	373 223	13	443 253	-4
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**931 653**	**846 627**	**10**	**909 839**	**2**
Swedish National Debt Office	273	275		309	
Repurchase agreements - public	26 283	8 707		25 606	3
Deposits and borrowings from the public	**958 209**	**855 609**	**12**	**935 754**	**2**

Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Commercial papers	238 624	149 974	59	188 056	27
Covered bonds	503 456	519 845	-3	554 723	-9
Senior unsecured bonds	167 406	159 536	5	154 291	9
Structured retail bonds	12 212	14 849	-18	14 763	-17
Total debt securities in issue	**921 698**	**844 204**	**9**	**911 833**	**1**
Subordinated liabilities	34 275	25 508	34	30 448	13
Total debt securities in issue and subordinated liabilities	**955 973**	**869 712**	**10**	**942 281**	**1**

Turnover during the period	Jan-Sep 2018	Full year 2017	%	Jan-Sep 2017	%
Closing balance	**869 712**				
Changed presentation of accrued interest [1]	**6 361**				
Opening balance	**876 073**	**868 927**	**1**	**868 927**	**1**
Issued	950 533	1 236 024	-23	988 099	-4
Repurchased	-43 421	-91 067	-52	-70 369	-38
Repaid	-844 436	-1 109 693	-24	-809 490	4
Change in market value or in hedged item in fair value hedge accounting	-9 894	-12 472	-21	-8 993	10
Changes in exchange rates	27 118	-22 007		-25 893	
Closing balance	**955 973**	**869 712**	**10**	**942 281**	**1**

1) See further information in note 28.

Note 18 Derivatives

	Nominal amount Remaining contractual maturity			Nominal amount		Positive fair value		Negative fair value	
Group SEKm	< 1 yr.	1-5 yrs.	> 5 yrs.	2018 30 Sep	2017 31 Dec	2018 30 Sep	2017 31 Dec	2018 30 Sep	2017 31 Dec
Derivatives in hedge accounting	**117 825**	**641 964**	**86 820**	**846 609**	**754 284**	**8 911**	**10 804**	**3 450**	**2 703**
Fair value hedges, interest rate swaps	51 032	424 315	66 672	542 019	504 072	8 518	10 514	2 244	977
Portfolio fair value hedges, interest rate swaps	66 550	216 105	12 500	295 155	240 905	275	278	1 159	1 392
Cash flow hedges, foreign currency swaps	243	1 544	7 648	9 435	9 307	118	12	47	334
Non-hedging derivatives	**6 945 268**	**4 759 011**	**1 084 809**	**12 789 088**	**10 663 497**	**65 063**	**54 489**	**64 163**	**56 381**
Gross amount	**7 063 093**	**5 400 975**	**1 171 629**	**13 635 697**	**11 417 781**	**73 974**	**65 293**	**67 613**	**59 084**
Offset amount (see also note 21)	-2 950 064	-2 878 767	-722 457	-6 551 288	-3 738 336	-12 645	-9 613	-16 475	-12 884
Total	**4 113 029**	**2 522 208**	**449 172**	**7 084 409**	**7 679 445**	**61 329**	**55 680**	**51 138**	**46 200**

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

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 4 147m and SEK 317m respectively.

Note 19 Fair value of financial instruments

Group SEKm	30 Sep 2018 Fair value	 Carrying amount	 Difference	31 Dec 2017 Fair value	 Carrying amount	 Difference
Assets						
Financial assets						
Cash and balances with central banks	296 884	296 884		200 371	200 371	
Treasury bills and other bills eligible for refinancing with central banks	95 791	95 746	45	85 961	85 903	58
Loans to credit institutions	39 247	39 247		30 746	30 746	
Loans to the public	1 649 263	1 646 757	2 506	1 532 977	1 535 198	-2 221
Value change of interest hedged items in portfolio hedge	579	579		789	789	
Bonds and interest-bearing securities	69 148	69 144	4	59 136	59 131	5
Financial assets for which the customers bear the investment risk	200 274	200 274		180 320	180 320	
Shares and participating interest	5 981	5 981		19 850	19 850	
Derivatives	61 329	61 329		55 680	55 680	
Other financial assets	16 135	16 135		16 772	16 772	
Total	**2 434 631**	**2 432 076**	**2 555**	**2 182 602**	**2 184 760**	**-2 158**
Investment in associates		**6 728**			**6 357**	
Non-financial assets		**22 860**			**21 519**	
Total		**2 461 664**			**2 212 636**	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	84 667	83 984	683	68 055	68 055	
Deposits and borrowings from the public	958 200	958 209	-9	855 597	855 609	-12
Debt securities in issue	929 841	921 698	8 143	851 908	844 204	7 704
Financial liabilities for which the customers bear the investment risk	201 154	201 154		181 124	181 124	
Subordinated liabilities	34 281	34 275	6	25 525	25 508	17
Derivatives	51 138	51 138		46 200	46 200	
Short positions securities	27 545	27 545		14 459	14 459	
Other financial liabilities	37 154	37 154		31 219	31 219	
Total	**2 323 979**	**2 315 157**	**8 822**	**2 074 087**	**2 066 378**	**7 709**
Non-financial liabilities		**12 617**			**12 686**	
Total		**2 327 774**			**2 079 064**	

Financial instruments recognised at fair value

Group 30 Sep 2018 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Assets				
Treasury bills etc.	17 329	7 956		25 285
Loans to credit institutions		1 253		1 253
Loans to the public		72 287		72 287
Bonds and other interest-bearing securities	29 547	37 292		66 839
Financial assets for which the customers bear the investment risk	200 274			200 274
Shares and participating interests	4 842		1 139	5 981
Derivatives	430	60 882	17	61 329
Total	**252 422**	**179 670**	**1 156**	**433 248**
Liabilities				
Amounts owed to credit institutions		3 118		3 118
Deposits and borrowings from the public		26 283		26 283
Debt securities in issue	2 971	16 141		19 112
Financial liabilities for which the customers bear the investment risk		201 154		201 154
Derivatives	382	50 756		51 138
Short positions, securities	27 545			27 545
Total	**30 898**	**297 452**		**328 350**

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

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

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

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

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

Group 31 Dec 2017 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Assets				
Treasury bills etc.	15 731	4 761		20 492
Loans to credit institutions		511		511
Loans to the public		117 819		117 819
Bonds and other interest-bearing securities	31 651	24 158		55 809
Financial assets for which the customers bear the investment risk	180 320			180 320
Shares and participating interests	19 401		449	19 850
Derivatives	162	55 492	26	55 680
Total	**247 265**	**202 741**	**475**	**450 481**
Liabilities				
Amounts owed to credit institutions				
Deposits and borrowings from the public		8 707		8 707
Debt securities in issue	3 082	19 431		22 513
Financial liabilities for which the customers bear the investment risk		181 124		181 124
Derivatives	204	45 996		46 200
Short positions, securities	14 459			14 459
Total	**17 745**	**255 258**		**273 003**

Changes in level 3	**Assets**		
Group SEKm	**Equity instruments**	**Derivatives**	**Total**
January-September 2018			
Opening balance 1 January 2018	**449**	**26**	**475**
Purchases	537		**537**
Sale of assets	-2		**-2**
Maturities		-13	**-13**
Settlements	-1		**-1**
Transferred from Level 2 to Level 3	3		**3**
Gains or losses	153	4	**157**
of which in the income statement, net gains and losses on financial items at fair value	6	4	**10**
of which changes in unrealised gains or losses for items held at closing day	148	3	**151**
Closing balance 30 September 2018	**1 139**	**17**	**1 156**

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

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 2m.

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

Changes in level 3	**Assets**		
Group SEKm	**Equity instruments**	**Derivatives**	**Total**
January-September 2017			
Opening balance 1 January 2017	**158**	**65**	**223**
Purchases	207		**207**
Sale of assets	-2		**-2**
Maturities		-21	**-21**
Transferred from Level 2 to Level 3	64		**64**
Transferred from Level 3 to Level 2		-2	**-2**
Gains or losses	10	-1	**9**
of which in the income statement, net gains and losses on financial items at fair value	10	-1	**9**
of which changes in unrealised gains or losses for items held at closing day		3	**3**
Closing balance 30 September 2017	**437**	**41**	**478**

Note 20 Pledged collateral

Group SEKm	**30 Sep 2018**	**31 Dec 2017**	**%**	**30 Sep 2017**	**%**
Loan receivables[1]	501 978	518 805	-3	550 404	-9
Financial assets pledged for policyholders	196 913	177 317	11	173 422	14
Other assets pledged	47 374	33 020	43	46 087	3
Pledged collateral	**746 265**	**729 142**	**2**	**769 913**	**-3**

[1]The pledge is defined as the borrower's nominal debt including accrued interest. Refers to the loans of the total available collateral that are used as the pledge at each point in time.

Note 21 Offsetting financial assets and liabilities

	Assets			**Liabilities**		
Group SEKm	**30 Sep 2018**	**31 Dec 2017**	**%**	**30 Sep 2018**	**31 Dec 2017**	**%**
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	159 045	98 528	61	108 689	75 596	44
Offset amount	-26 930	-19 021	42	-30 760	-22 292	38
Net amounts presented in the balance sheet	**132 115**	**79 507**	**66**	**77 929**	**53 304**	**46**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	36 012	32 523	11	36 012	32 523	11
Financial Instruments, collateral	34 972	18 155	93	14 924	3 891	
Cash, collateral	8 923	9 125	-2	11 863	9 340	27
Total amount not offset in the balance sheet	**79 907**	**59 803**	**34**	**62 799**	**45 754**	**37**
Net amount	**52 208**	**19 704**		**15 130**	**7 550**	

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 4 147m and SEK 317m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy **SEKm**	**30 Sep 2018**	**31 Dec 2017**	**30 Sep 2017**
Shareholders' equity according to the Group's balance sheet	133 681	133 372	128 864
Non-controlling interests	68	67	73
Anticipated dividend	-12 429	-14 515	-10 959
Deconsolidation of insurance companies	-319	-109	41
Value changes in own financial liabilities	-61	39	37
Cash flow hedges	1	-28	1
Additional value adjustments [1]	-465	-596	-729
Goodwill	-13 696	-13 188	-13 012
Deferred tax assets	-121	-142	-120
Intangible assets	-2 797	-2 697	-2 553
Net provisions for reported IRB credit exposures	-1	-1 648	-1 505
Shares deducted from CET1 capital	-50	-45	-51
Common Equity Tier 1 capital	**103 811**	**100 510**	**100 087**
Additional Tier 1 capital	10 766	11 050	11 115
Total Tier 1 capital	**114 577**	**111 560**	**111 202**
Tier 2 capital	22 513	13 696	18 580
Total capital	**137 090**	**125 256**	**129 782**
Minimum capital requirement for credit risks, standardised approach	3 446	3 046	3 272
Minimum capital requirement for credit risks, IRB	21 700	21 245	21 592
Minimum capital requirement for credit risk, default fund contribution	33	27	43
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 173	695	784
Trading book	1 102	669	768
of which VaR and SVaR	776	486	501
of which risks outside VaR and SVaR	326	183	267
FX risk other operations	71	26	16
Minimum capital requirement for credit value adjustment	390	299	353
Minimum capital requirement for operational risks	5 182	5 079	5 079
Additional minimum capital requirement, Article 3 CRR [2]	2 277	2 277	2 437
Minimum capital requirement	**34 201**	**32 668**	**33 560**
Risk exposure amount credit risks, standardised approach	43 081	38 074	40 894
Risk exposure amount credit risks, IRB	271 249	265 563	269 902
Risk exposure amount default fund contribution	409	343	548
Risk exposure amount settlement risks	0	0	1
Risk exposure amount market risks	14 668	8 684	9 803
Risk exposure amount credit value adjustment	4 865	3 745	4 415
Risk exposure amount operational risks	64 779	63 482	63 482
Additional risk exposure amount, Article 3 CRR [2]	28 460	28 460	30 460
Risk exposure amount	**427 511**	**408 351**	**419 505**
Common Equity Tier 1 capital ratio, %	**24.3**	**24.6**	**23.9**
Tier 1 capital ratio, %	**26.8**	**27.3**	**26.5**
Total capital ratio, %	**32.1**	**30.7**	**30.9**

Capital buffer requirement [3] **%**	**30 Sep 2018**	**31 Dec 2017**	**30 Sep 2017**
CET1 capital requirement including buffer requirements	11.3	11.3	11.3
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.3	1.3	1.3
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement [4]	19.8	20.1	19.4

Leverage ratio	**30 Sep 2018**	**31 Dec 2017**	**30 Sep 2017**
Tier 1 Capital, SEKm	114 577	111 560	111 202
Leverage ratio exposure, SEKm	2 377 705	2 126 851	2 376 836
Leverage ratio, %	4.8	5.2	4.7

[1] Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.
[2] To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
[3] Buffer requirement according to Swedish implementation of CRD IV
[4] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

The consolidated situation for Swedbank as of 30 September 2018 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm

Swedbank Consolidated situation Credit risk, IRB SEKm	**Exposure value 30 Sep 2018**	**31 Dec 2017**	**Average risk weight, % 30 Sep 2018**	**31 Dec 2017**	**Minimum capital requirement 30 Sep 2018**	**31 Dec 2017**
Central government or central banks exposures	413 791	322 276	1	2	438	394
Institutional exposures	53 708	64 071	20	18	841	899
Corporate exposures	540 448	508 895	32	33	13 881	13 584
Retail exposures	1 160 349	1 107 632	7	7	6 208	6 065
of which mortgage	1 038 051	1 002 551	5	5	3 873	3 812
of which other	122 298	105 081	24	27	2 335	2 253
Non credit obligation	7 452	7 042	56	54	332	303
Total credit risks, IRB	**2 175 748**	**2 009 916**	**12**	**13**	**21 700**	**21 245**

Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation

30 Sep 2018 SEKm	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**
Credit risks, STD	**67 568**	**43 081**	**3 446**
Central government or central banks exposures	131		
Regional governments or local authorities exposures	2 083	228	18
Public sector entities exposures	2 116	71	6
Multilateral development banks exposures	3 170		
International organisation exposures	376		
Institutional exposures	17 581	400	32
Corporate exposures	5 427	5 214	417
Retail exposures	17 522	12 591	1 007
Exposures secured by mortgages on immovable property	6 187	2 168	173
Exposures in default	510	516	41
Exposures in the form of covered bonds	233	23	2
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	8 288	18 825	1 506
Other items	3 934	3 035	243
Credit risks, IRB	**2 175 748**	**271 249**	**21 700**
Central government or central banks exposures	413 791	5 480	438
Institutional exposures	53 708	10 514	841
Corporate exposures	540 448	173 510	13 881
of which specialized lending in category 1	8	5	0
of which specialized lending in category 2	356	306	24
of which specialized lending in category 3	272	313	25
of which specialized lending in category 4	124	311	25
of which specialized lending in category 5	128		
Retail exposures	1 160 349	77 605	6 208
of which mortgage lending	1 038 051	48 415	3 873
of which other lending	122 298	29 190	2 335
Non-credit obligation	7 452	4 140	332
Credit risks, Default fund contribution		**409**	**33**
Settlement risks	**1**	**0**	**0**
Market risks		**14 668**	**1 173**
Trading book		13 772	1 102
of which VaR and SVaR		9 704	776
of which risks outside VaR and SVaR		4 068	326
FX risk other operations		896	71
Credit value adjustment	**20 431**	**4 865**	**390**
Operational risks		**64 779**	**5 182**
of which Standardised approach		64 779	5 182
Additional risk exposure amount, Article 3 CRR		**28 460**	**2 277**
Total	**2 263 748**	**427 511**	**34 201**

Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation

31 Dec 2017 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**60 271**	**38 074**	**3 046**
Central government or central banks exposures	149		
Regional governments or local authorities exposures	1 884	221	18
Public sector entities exposures	3 882	111	9
Multilateral development banks exposures	3 835	1	0
International organisation exposures	428		
Institutional exposures	13 429	357	28
Corporate exposures	5 174	4 752	380
Retail exposures	14 039	10 262	821
Exposures secured by mortgages on immovable property	6 000	2 102	168
Exposures in default	511	521	42
Exposures in the form of covered bonds	122	12	1
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	7 127	16 974	1 358
Other items	3 681	2 751	220
Credit risks, IRB	**2 009 916**	**265 563**	**21 245**
Central government or central banks exposures	322 276	4 921	394
Institutional exposures	64 071	11 241	899
Corporate exposures	508 895	169 802	13 584
of which specialized lending in category 1	19	13	1
of which specialized lending in category 2	326	273	22
of which specialized lending in category 3	317	365	29
of which specialized lending in category 4	194	486	39
of which specialized lending in category 5	312		
Retail exposures	1 107 632	75 811	6 065
of which mortgage lending	1 002 551	47 646	3 812
of which other lending	105 081	28 165	2 253
Non-credit obligation	7 042	3 788	303
Credit risks, Default fund contribution		**343**	**27**
Settlement risks	**0**	**0**	**0**
Market risks		**8 684**	**695**
Trading book		8 364	669
of which VaR and SVaR		6 074	486
of which risks outside VaR and SVaR		2 290	183
FX risk other operations		320	26
Credit value adjustment	**16 291**	**3 745**	**299**
Operational risks		**63 482**	**5 079**
of which Basic indicator approach		1 137	91
of which Standardised approach		62 345	4 988
Additional risk exposure amount, Article 3 CRR		**28 460**	**2 277**
Total	**2 086 478**	**408 351**	**32 668**

Credit risks

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

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

For exposures, excluding capital requirement for default fund contributions, where IRB-approach is not applied, the standardized approach is used.

Market risks

Under current regulations capital adequacy for market risks can be based on either a standardised approach or an internal Value at Risk model, which requires the approval of the SFSA. The parent company has received such approval and uses its internal VaR model for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model.

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

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

Credit value adjustment

The risk of a credit value adjustment is estimated according to the standardised method.

Operational risk

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

Note 23 Internal capital requirement

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

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

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is exposed to by quantifying their impact on the income statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 30 September 2018 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 32.1bn (SEK 32.2bn as of 30 June 2018). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 137.1bn (SEK 132.2bn as of 30 June 2018) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 28.1bn (SEK 27.5bn as of 30 June 2018) and the capital base is SEK 113.9bn (SEK 110.9bn as of 30 June 2018) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2017 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.com.

Note 24 Risks and uncertainties

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

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2017 annual report and in the annual disclosure on risk management and capital adequacy available on www.swedbank.com

Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 30 Sep 2018
Group

SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	**-955**	**696**	**395**	**136**
of which SEK	-1 286	31	-78	-1 333
of which foreign currency	331	665	473	1 469
Of which financial instruments at fair value reported through profit or loss	**1 627**	**-106**	**22**	**1 542**
of which SEK	90	-44	-117	-71
of which foreign currency	1 537	-63	138	1 613

Note 25 Business Combinations 2017

On August 15, 2017 the Group acquired all the shares in PayEx Holdings AB for SEK 1 268m. PayEx Holding AB owns the subsidiaries: PayEx Norge AS and their subsidiaries PayEx Danmark A/S, PayEx Collection AB, PayEx Sverige AB and the subsidiaries PayEx Solution OY, PayEx Suomi OY and PayEx Invest AB and the subsidiaries Faktab B1 AB, Faktab S1 AB and Faktab V1 AB.

Group SEKm	Recognised in the Group at aquisition date 15 August 2017
Cash and balances with central banks	0
Loans to credit institutions	330
Loans to the public	271
Interest-bearing securities	28
Intangible fixed assets	653
Tangible assets	146
Current tax assets	21
Deferred tax assets	13
Other assets	88
Prepaid expenses and accrued income	79
Total assets	**1 629**
Deposits and borrowings from the public	224
Current tax liabilities	2
Deferred tax liabilities	153
Other liabilities	158
Accrued expenses and prepaid income	84
Pension provisions	152
Total liabilities	**773**
Total identifiable net assets	**856**
Acquistion cost, cash	**1 268**
Goodwill	**412**
Cash flow	
Cash and cash equivalents in the acquired company	0
Acquistion cost, cash	-1 268
Net	**-1 268**
Acquired loans, fair value	271
Acquired loans, gross contracutal amounts	398
Acquired loans, best estimate of the contractual cash flows not expected to be collected	127

As from the acquisition date the acquired company contributed SEK 163m to income and SEK -27m to profit after tax. If the company had been acquired at the beginning of the 2017 financial year, the company would have contributed with SEK 485m in income in 2017 and SEK -37m profit after tax.

Note 26 Related-party transactions

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

Note 27 Swedbank's share

	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
SWED A					
Share price, SEK	220.30	197.90	11	225.20	-2
Number of outstanding ordinary shares	1 116 674 361	1 113 629 621	0	1 113 629 621	0
Market capitalisation, SEKm	**246 003**	**220 387**	**12**	**250 789**	**-2**

Number of outstanding shares	30 Sep 2018	31 Dec 2017	30 Sep 2017
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-15 331 361	-18 376 101	-18 376 101
Repurchase of own shares for trading purposes			
SWED A			
Number of outstanding shares on the closing day	**1 116 674 361**	**1 113 629 621**	**1 113 629 621**

Within Swedbank's share-based compensation programme, Swedbank AB has during 2018 transferred 3 044 740 shares at no cost to employees.

Earnings per share	Q3 2018	Q2 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Average number of shares					
Average number of shares before dilution	1 116 672 845	1 116 671 142	1 113 629 566	1 116 091 085	1 113 086 410
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	3 093 218	3 004 329	4 327 582	3 859 876	5 115 206
Average number of shares after dilution	1 119 766 063	1 119 675 472	1 117 957 147	1 119 950 961	1 118 201 616
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	5 525	6 014	4 743	16 572	14 613
Earnings for the purpose of calculating earnings per share	5 525	6 014	4 743	16 572	14 613
Earnings per share, SEK					
Earnings per share before dilution	4.95	5.39	4.26	14.85	13.13
Earnings per share after dilution	4.93	5.37	4.24	14.80	13.07

Note 28 Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

Reconciliation of the balance sheet from IAS 39 to IFRS 9

The following table provides the impacts from the changed presentation of accrued interest and the adoption of IFRS 9 on the balance sheet. The impact from the adoption of IFRS 9 consists of the remeasurement due to reclassifications between valuation categories and the remeasurements related to impairment and expected credit losses.

SEKm	31 December 2017	Changed presentation of accrued interest	31 December 2017 adjusted for changed presentation of accrued interest	Remeasurement - classification	Remeasurement - expected credit losses[1]	1 January 2018
Assets						
Cash and balances with central banks	200 371	-7	200 364			200 364
Treasury bills and other bills eligible for refinancing with central banks, etc.	85 903	59	85 962			85 962
Loans to credit institutions	30 746	301	31 047		-27	31 020
Loans to the public	1 535 198	1 656	1 536 854	-627	-1 334	1 534 893
Value change of interest hedged item in portfolio hedge	789		789			789
Bonds and other interest-bearing securities	59 131	316	59 447			59 447
Financial assets for which the customers bear the investment risk	180 320		180 320			180 320
Shares and participating interests	19 850		19 850			19 850
Investments in associates	6 357		6 357		-196	6 161
Derivatives	55 680		55 680			55 680
Intangible fixed assets	16 329		16 329			16 329
Tangible assets	1 955		1 955			1 955
Current tax assets	1 375		1 375			1 375
Deferred tax assets	173		173			173
Other assets	14 499	28	14 527			14 527
Prepaid expenses and accrued income	3 960	-2 353	1 607			1 607
Total assets	**2 212 636**		**2 212 636**	**-627**	**-1 557**	**2 210 452**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	68 055	189	68 244			68 244
Deposits and borrowings from the public	855 609	104	855 713			855 713
Financial liabilities for which the customers bear the investment risk	181 124		181 124			181 124
Debt securities in issue	844 204	6 005	850 209			850 209
Short positions securities	14 459		14 459			14 459
Derivatives	46 200		46 200			46 200
Current tax liabilities	1 980		1 980	-138	-463	1 379
Deferred tax liabilities	2 182		2 182		44	2 226
Pension provisions	3 200		3 200			3 200
Insurance provisions	1 834		1 834			1 834
Other liabilities and provisions	25 059	6	25 065		512	25 577
Accrued expenses and prepaid income	9 650	-6 660	2 990			2 990
Subordinated liabilities	25 508	356	25 864			25 864
Total liabilities	**2 079 064**		**2 079 064**	**-138**	**93**	**2 079 019**
Equity						
Non-controlling interests	200		200		2	202
Equity attributable to shareholders of the parent company	133 372		133 372	-489	-1 652	131 231
Total equity	**133 572**		**133 572**	**-489**	**-1 650**	**131 433**
Total liabilities and equity	**2 212 636**		**2 212 636**	**-627**	**-1 557**	**2 210 452**

1) The effect includes a remeasurement of the gross carrying amount of loans to the public amounting to SEK 158m (pre-tax).

Reclassification of financial assets at transition to IFRS 9

The following table reconciles the carrying amounts of financial assets from the valuation categories in accordance with IAS 39 on 31 December 2017 to the new valuation categories in accordance with IFRS 9 on 1 January 2018. The Group's classifications of financial liabilities under IFRS 9 are unchanged compared to IAS 39.

The 31 December 2017 balances presented in the table below have been adjusted for the changed presentation of accrued interest.

		Fair value through profit or loss					
Assets	**Amortised cost[1]**	**Trading**	**Mandatorily**	**Designated**	**Available for sale**	**Hedging instruments**	**Total**
Cash and balances with central banks, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)	**200 364**						**200 364**
Treasury bills and other bills eligible for refinancing with central banks, etc., 31 December 2017 and 1 January 2018	**85 962**						**85 962**
Loans to credit institutions							
31 December 2017 (IAS 39)	30 536	511					31 047
Reclassifications							
Remeasurement - expected credit losses	-27						-27
1 January 2018 (IFRS 9)	**30 509**	**511**					**31 020**
Loans to the public							
31 December 2017 (IAS 39)	1 419 035	25 016		92 803			1 536 854
Reclassifications	92 605		198	-92 803			
Remeasurement - classifications	-627						-627
Remeasurement - expected credit losses	-1 334						-1 334
1 January 2018 (IFRS 9)	**1 509 679**	**25 016**	**198**				**1 534 893**
Bonds and other interest-bearing securities							
31 December 2017 (IAS 39)	3 639	55 006		802			59 447
Reclassifications		-38 242	39 044	-802			
Remeasurement - expected credit losses							
1 January 2018 (IFRS 9)	**3 639**	**16 764**	**39 044**				**59 447**
Financial assets for which the customers bear the investment risk							
31 December 2017 (IAS 39)				180 320			180 320
Reclassifications			180 320	-180 320			
1 January 2018 (IFRS 9)			**180 320**				**180 320**
Shares and participating interests							
31 December 2017 (IAS 39)		19 382		459	9		19 850
Reclassifications			468	-459	-9		
1 January 2018 (IFRS 9)		**19 382**	**468**				**19 850**
Derivatives, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)		**44 876**				**10 804**	**55 680**
Other financial assets, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)	**14 447**						**14 447**
Total	**1 844 600**	**106 549**	**220 030**			**10 804**	**2 181 983**

1) Under IAS 39, loans and receivables as well as held-to-maturity categories are measured at amortised cost. These valuation categories are presented together as 'Amortised cost' for at 31 December 2017 balances.

Loans to the public

The Group designated a portfolio of mortgage loans at fair value through profit or loss under IAS 39, primarily to avoid an accounting mismatch. Upon the application of IFRS 9, the Group mandatorily revoked previous designations made under IAS 39 for loans to the public of SEK 92 803m, due to that there was no longer an elimination or significant reduction of an accounting mismatch. These loans to the public were reclassified to amortised cost under IFRS 9, as the business model is "hold to collect" and the cash flow characteristics assessments were met.

The Group initiates hire purchase agreements within loans to the public, which are loans to acquire an asset paid by installments, for customers of the Savings banks, which are subsequently sold to the respective Savings banks. This portfolio is part of a "sell" business model and is therefore mandatorily classified as fair value through profit or loss under IFRS 9. The portfolio was classified as loans and receivables under IAS 39.

Financial assets for which customers bear the investment risk

Under IAS 39, the financial assets related to the Group's insurance activities were designated at fair value through profit or loss. These financial assets are part of an "other" business model under IFRS 9 as the portfolio is managed and its performance is evaluated on a fair value basis. Consequently, they are reclassified from designated to mandatorily classified as fair value through profit or loss.

Treasury bills and other bills eligible for refinancing with central banks, Bonds and other interest-bearing securities

The Group's liquidity portfolios are mandatorily classified at fair value through profit or loss under IFRS 9. The financial assets are part of an "other" business model as they are managed and their performance is evaluated on a fair value basis.

Shares and participating interests

Equity instruments of SEK 9m classified as available for sale under IAS 39 are mandatorily classified as fair value through profit or loss under IFRS 9, as the Group did not elect the fair value through other comprehensive income option.

Reclassification from IAS 39 valuation categories, with no change in measurement

Financial assets that were classified as held to maturity and loans and receivables on 31 December 2017, except for hire purchase agreements as previously described, were measured at amortised cost under IAS 39. These financial assets are also classified as amortised cost under IFRS 9, due to that the business model is "hold to collect" and the cash flow characteristics assessments were met.

Impairment provisions according to IAS 39 and IAS 37 compared to IFRS 9

The following table reconciles the closing credit impairment provisions under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to the opening credit impairment provisions under IFRS 9.

	31 December 2017, IAS 39 and IAS 37			Remeasure-ment	1 January 2018, IFRS 9			
SEKm	Portfolio	Individual	Total		Total	Stage 1	Stage 2	Stage 3
Loans to credit institutions				23	23	9	14	
Loans to the public	1 010	2 876	3 886	1 492	5 378	390	2 126	2 861
Other financial liabilities and Provisions		132	132	513	645	117	261	267
Total	**1 010**	**3 008**	**4 018**	**2 028**	**6 046**	**516**	**2 401**	**3 128**

Credit impairment provisions of loans to the public by operating segments

	31 December 2017, IAS 39 and IAS 37			Remeasure-ment	1 January 2018, IFRS 9			
SEKm	Portfolio	Individual	Total		Total	Stage 1	Stage 2	Stage 3
Swedish Banking	374	750	1 124	267	1 391	144	500	747
Baltic Banking	350	717	1 067	-93	974	32	257	685
LC&I	286	1 409	1 695	1 318	3 013	214	1 369	1 430
Total	**1 010**	**2 876**	**3 886**	**1 492**	**5 378**	**390**	**2 126**	**2 861**

The individual impairment provisions for impaired instruments recognized under IAS 39 have generally been replaced by Stage 3 provisions under IFRS 9, while the collective provisions for non-impaired financial instruments have generally been replaced by either Stage 1 or Stage 2 provisions under IFRS 9.

The increase in credit impairment provisions is mainly driven by Stage 2 provisions, which are recognised for financial assets that are not credit-impaired, but have experienced a significant increase in credit risk since initial recognition. Credit impairment provisions for these financial assets are measured as lifetime expected credit losses, as opposed to measuring 12-month expected credit losses for financial assets in Stage 1.
Large Corporates & Institutions contributes with Stage 2 provisions of SEK 1 369m, the majority of which is attributable to the shipping and offshore portfolio. Stage 2 provisions for the mortgage portfolio within Swedish Banking amount to SEK 100m.

There is a slight increase in credit impairment provisions for Stage 3 credit-impaired assets as compared to individual provisions under IAS 39. This is primarily due to the incorporation of forward-looking scenarios in the expected credit loss calculations.

Impact of adopting IFRS 9 to equity

The impacts of transition to IFRS 9 on equity reserves and retained earnings are presented in the table below.

SEKm	Impact from transition to IFRS 9
Own credit risk reserve	
Closing balance under IAS 39 (31 December 2017)	
Reclassification from Retained earnings, before taxes	-46
Income taxes, reclassification from Retained earnings	10
Opening balance under IFRS 9 (1 January 2018)	**-36**
Cash flow hedge reserve	
Closing balance under IAS 39 (31 December 2017)	28
Reclassification to Foreign currency basis reserve, before taxes	-49
Income tax reported through other comprehensive income	11
Opening balance under IFRS 9 (1 January 2018)	**-10**
Foreign Currency basis reserve	
Closing balance under IAS 39 (31 December 2017)	
Reclassification from cash flow hedges, before taxes	49
Income tax reported through other comprehensive income	-11
Opening balance under IFRS 9 (1 January 2018)	**38**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	89 818
Reclassification to Own credit risk reserve, before taxes	46
Income taxes, reclassification to Own credit risk reserve	-10
Reclassifications under IFRS 9	-627
Income taxes, reclassifications under IFRS 9	138
Remeasurements under IFRS 9	-1 875
Income taxes, remeasurements under IFRS 9	419
Investments in associates, remeasurements under IFRS 9	-252
Income taxes, investments in associates	56
Opening balance under IFRS 9 (1 January 2018)	**87 713**
Non-controlling interest	
Closing balance under IAS 39 (31 December 2017)	200
Remeasurements under IFRS 9	2
Income taxes, remeasurements under IFRS 9	
Opening balance under IFRS 9 (1 January 2018)	**202**

IFRS 9 requires the fair value changes due to own credit risk on financial liabilities designated at fair value to be presented in other comprehensive income, rather than in profit or loss, with no subsequent reclassification to the income statement.

The Group has elected to retrospectively apply the exclusion of the currency basis spread component from its cash flow hedging relationships. The primary impact is a reclassification from the cash flow hedge reserve to the new foreign currency basis spread reserve within equity.

Note 29 Effects of changed presentation of income for certain services to the Savings banks

Income statement

Group SEKm	New reporting 2017 Q3	Change	Previous reporting 2017 Q3	New reporting 2017 Jan-Sep	Change	Previous reporting 2017 Jan-Sep	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Interest income	8 752		8 752	25 774		25 774	34 494		34 494
Negative yield on financial assets	-631		-631	-1 647		-1 647	-2 306		-2 306
Interest income, including negative yield on financial assets	**8 121**		**8 121**	**24 127**		**24 127**	**32 188**		**32 188**
Interest expenses	-2 130		-2 130	-6 425		-6 425	-8 382		-8 382
Negative yield on financial liabilities	217		217	567		567	789		789
Interest expenses, including negative yield on financial liabilities	**-1 913**		**-1 913**	**-5 858**		**-5 858**	**-7 593**		**-7 593**
Net interest income (note 5)	**6 208**		**6 208**	**18 269**		**18 269**	**24 595**		**24 595**
Commission income	4 320	45	4 275	12 760	132	12 628	17 542	176	17 366
Commission expenses	-1 358		-1 358	-3 889		-3 889	-5 336		-5 336
Net commission income (note 6)	**2 962**	**45**	**2 917**	**8 871**	**132**	**8 739**	**12 206**	**176**	**12 030**
Net gains and losses on financial items at fair value (note 7)	525		525	1 578		1 578	1 934		1 934
Net insurance	230		230	633		633	937		937
Share of profit or loss of associates	245		245	624		624	971		971
Other income	248	-45	293	1 487	-132	1 619	1 795	-176	1 971
Total income	**10 418**		**10 418**	**31 462**		**31 462**	**42 438**		**42 438**
Staff costs	2 414		2 414	7 248		7 248	9 945		9 945
Other expenses (note 8)	1 316		1 316	4 175		4 175	5 870		5 870
Depreciation/amortisation	153		153	429		429	600		600
Total expenses	**3 883**		**3 883**	**11 852**		**11 852**	**16 415**		**16 415**
Profit before impairments	**6 535**		**6 535**	**19 610**		**19 610**	**26 023**		**26 023**
Impairment of intangible assets (note 14)	96		96	96		96	175		175
Impairment of tangible assets	11		11	14		14	21		21
Credit impairments (note 9)	235		235	974		974	1 285		1 285
Operating profit	**6 193**		**6 193**	**18 526**		**18 526**	**24 542**		**24 542**
Tax expense	1 444		1 444	3 901		3 901	5 178		5 178
Profit for the period	**4 749**		**4 749**	**14 625**		**14 625**	**19 364**		**19 364**
Profit for the period attributable to the shareholders of Swedbank AB	**4 743**		**4 743**	**14 613**		**14 613**	**19 350**		**19 350**
Non-controlling interests	6		6	12		12	14		14
C/I-ratio	0.37		0.37	0.38		0.38	0.39		0.39

For more information see note 1 Accounting policies.

Net commission income

Group SEKm	New reporting 2017 Q3	Change	Previous reporting 2017 Q3	New reporting 2017 Jan-Sep	Change	Previous reporting 2017 Jan-Sep	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Commission income									
Payment processing	482	37	445	1 412	108	1 304	1 916	144	1 772
Card commissions	1 341	9	1 332	3 765	25	3 740	5 098	33	5 065
Service concepts	204		204	508		508	807		807
Asset management and custody	1 511		1 511	4 489		4 489	6 240		6 240
Life insurance	164		164	501		501	660		660
Securites	91		91	403		403	557		557
Corporate finance	17		17	111		111	137		137
Lending	236		236	697		697	938		938
Guarantees	53		53	175		175	231		231
Deposits	51		51	151		151	200		200
Real estate brokerage	53		53	153		153	198		198
Non-life insurance	20		20	53		53	80		80
Other commission income	97	-1	98	342	-1	343	480	-1	481
Total commission income	**4 320**	**45**	**4 275**	**12 760**	**132**	**12 628**	**17 542**	**176**	**17 366**
Commission expense									
Payment processing	-277		-277	-789		-789	-1 078		-1 078
Card commissions	-544		-544	-1 546		-1 546	-2 115		-2 115
Service concepts	-18		-18	-23		-23	-70		-70
Asset management and custody	-337		-337	-1 013		-1 013	-1 368		-1 368
Life insurance	-46		-46	-140		-140	-189		-189
Securites	-78		-78	-214		-214	-279		-279
Lending and guarantees	-16		-16	-42		-42	-60		-60
Non-life insurance	-6		-6	-15		-15	-23		-23
Other commission	-36		-36	-107		-107	-154		-154
Total commission expense	**-1 358**		**-1 358**	**-3 889**		**-3 889**	**-5 336**		**-5 336**
Net commission income									
Payment processing	205	37	168	623	108	515	838	144	694
Card commissions	797	9	788	2 219	25	2 194	2 983	33	2 950
Service concepts	186		186	485		485	737		737
Asset management and custody	1 174		1 174	3 476		3 476	4 872		4 872
Life insurance	118		118	361		361	471		471
Securites	13		13	189		189	278		278
Corporate finance	17		17	111		111	137		137
Lending and guarantees	273		273	830		830	1 109		1 109
Deposits	51		51	151		151	200		200
Real estate brokerage	53		53	153		153	198		198
Non-life insurance	14		14	38		38	57		57
Other commission	61	-1	62	235	-1	236	326	-1	327
Total Net commission income	**2 962**	**45**	**2 917**	**8 871**	**132**	**8 739**	**12 206**	**176**	**12 030**

Swedbank AB

Income statement, condensed

Parent company SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Interest income	5 206	4 939	5	4 543	15	14 793	13 344	11
Negative yield on financial assets	-757	-790	-4	-583	30	-2 193	-1 512	45
Interest income, including negative yield on financial assets	**4 449**	**4 149**	**7**	**3 960**	**12**	**12 600**	**11 832**	**6**
Interest expense	-1 582	-1 397	13	-1 146	38	-4 107	-3 302	24
Negative yield on financial liabilities	169	197	-14	205	-18	530	531	0
Interest expense, including negative yield on financial liabilities	**-1 413**	**-1 200**	**18**	**-941**	**50**	**-3 577**	**-2 771**	**29**
Net interest income	**3 036**	**2 949**	**3**	**3 019**	**1**	**9 023**	**9 061**	**0**
Dividends received	3 079	3 854	-20	5 207	-41	13 485	11 591	16
Commission income	2 590	2 550	2	2 428	7	7 501	7 248	3
Commission expense	-913	-939	-3	-819	11	-2 658	-2 321	15
Net commission income	**1 677**	**1 611**	**4**	**1 609**	**4**	**4 843**	**4 927**	**-2**
Net gains and losses on financial items	494	582	-15	504	-2	1 131	1 899	-40
Other income	328	1 053	-69	327	0	1 707	973	75
Total income	**8 614**	**10 049**	**-14**	**10 666**	**-19**	**30 189**	**28 451**	**6**
Staff costs	1 828	2 000	-9	1 942	-6	5 890	5 959	-1
Other expenses	1 116	1 197	-7	1 169	-5	3 433	3 679	-7
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 236	1 195	3	1 112	11	3 592	3 321	8
Total expenses	**4 180**	**4 392**	**-5**	**4 223**	**-1**	**12 915**	**12 959**	**0**
Profit before impairment	**4 434**	**5 657**	**-22**	**6 443**	**-31**	**17 274**	**15 492**	**12**
Impairment of financial fixed assets								
Credit impairments	75	-49		261	-71	70	1 042	-93
Operating profit	**4 359**	**5 706**	**-24**	**6 182**	**-29**	**17 204**	**14 450**	**19**
Appropriations								
Tax expense	1 034	1 091	-5	1 457	-29	2 852	2 737	4
Profit for the period	**3 325**	**4 615**	**-28**	**4 725**	**-30**	**14 352**	**11 713**	**23**

Statement of comprehensive income, condensed

Parent company SEKm	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Profit for the period reported via income statement	**3 325**	**4 615**	**-28**	**4 725**	**-30**	**14 352**	**11 713**	**23**
Total comprehensive income for the period	**3 325**	**4 615**	**-28**	**4 725**	**-30**	**14 352**	**11 713**	**23**

Balance sheet, condensed

Parent company SEKm	30 Sep 2018	31 Dec 2017	%	30 Sep 2017	%
Assets					
Cash and balance with central banks	224 751	136 061	65	281 744	-20
Loans to credit institutions	528 199	449 733	17	467 574	13
Loans to the public	459 718	398 666	15	422 205	9
Interest-bearing securities	161 756	141 322	14	207 517	-22
Shares and participating interests	69 836	83 672	-17	89 191	-22
Derivatives	65 029	62 153	5	73 561	-12
Other assets	43 055	44 784	-4	52 298	-18
Total assets	**1 552 344**	**1 316 391**	**18**	**1 594 090**	**-3**
Liabilities and equity					
Amounts owed to credit institutions	120 630	95 106	27	211 346	-43
Deposits and borrowings from the public	749 140	671 323	12	763 351	-2
Debt securities in issue	415 257	322 684	29	356 218	17
Derivatives	73 343	65 704	12	72 037	2
Other liabilities and provisions	63 241	38 314	65	68 055	-7
Subordinated liabilities	34 275	25 508	34	30 211	13
Untaxed reserves	10 575	10 575	0	10 206	4
Equity	85 883	87 177	-1	82 666	4
Total liabilities and equity	**1 552 344**	**1 316 391**	**18**	**1 594 090**	**-3**
Pledged collateral	44 197	29 876	48	39 884	11
Other assets pledged	3 142	3 355	-6	7 673	-59
Contingent liabilities	504 024	556 537	-9	586 220	-14
Commitments	242 410	230 690	5	234 238	3

Statement of changes in equity, condensed

Parent company
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-September 2018					
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
Amendments due to the adoption of IFRS 9				**-1 406**	**-1 406**
Opening balance 1 January 2018	**24 904**	**13 206**	**5 968**	**41 693**	**85 771**
Dividend				-14 517	**-14 517**
Share based payments to employees				258	**258**
Deferred tax related to share based payments to employees				2	**2**
Current tax related to share based payments to employees				17	**17**
Total comprehensive income for the period				14 352	**14 352**
Closing balance 30 September 2018	**24 904**	**13 206**	**5 968**	**41 805**	**85 883**
January-December 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				307	**307**
Deferred tax related to share based payments to employees				-31	**-31**
Current tax related to share based payments to employees				35	**35**
Total comprehensive income for the period				16 206	**16 206**
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
January-September 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				270	**270**
Deferred tax related to share based payments to employees				-13	**-13**
Current tax related to share based payments to employees				36	**36**
Total comprehensive income for the period				11 713	**11 713**
Closing balance 30 September 2017	**24 904**	**13 206**	**5 968**	**38 588**	**82 666**

Cash flow statement, condensed

Parent company **SEKm**	**Jan-Sep 2018**	**Full-year 2017**	**Jan-Sep 2017**
Cash flow from operating activities	2 654	21 630	127 617
Cash flow from investing activities	13 545	1 221	2 931
Cash flow from financing activities	72 491	49 016	87 003
Cash flow for the period	**88 690**	**71 868**	**217 551**
Cash and cash equivalents at beginning of period	136 061	64 193	64 193
Cash flow for the period	88 690	71 868	217 551
Cash and cash equivalents at end of period	**224 751**	**136 061**	**281 744**

Capital adequacy

Capital adequacy, Parent company SEKm	30 Sep 2018	31 Dec 2017	30 Sep 2017
Common Equity Tier 1 capital	**80 067**	**78 687**	**77 270**
Additional Tier 1 capital	10 756	11 040	11 105
Tier 1 capital	**90 823**	**89 727**	**88 375**
Tier 2 capital	23 097	13 683	18 329
Total capital	**113 920**	**103 410**	**106 704**
Minimum capital requirement	**26 162**	**25 012**	**25 743**
Risk exposure amount	**327 022**	**312 647**	**321 784**
Common Equity Tier 1 capital ratio, %	**24.5**	**25.2**	**24.0**
Tier 1 capital ratio, %	**27.8**	**28.7**	**27.5**
Total capital ratio, %	**34.8**	**33.1**	**33.2**

Capital buffer requirement[1)] %	30 Sep 2018	31 Dec 2017	30 Sep 2017
CET1 capital requirement including buffer requirements	8.5	8.5	8.4
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.5	1.4
CET 1 capital available to meet buffer requirement [2)]	20.0	20.7	19.7

Leverage ratio	30 Sep 2018	31 Dec 2017	30 Sep 2017
Tier 1 Capital, SEKm	90 823	89 727	88 375
Total exposure, SEKm [3)]	1 170 871	979 217	1 241 048
Leverage ratio, % [3)]	7.8	9.2	7.1

1) Buffer requirement according to Swedish implementation of CRD IV.
2) CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
3) Taking into account exemption according to CRR article 429.7 excluding certain intragroup exposures.

Exposure amount, Risk exposure amount and Minimum capital requirement, parent company

30 Sep 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 055 070**	**79 625**	**6 370**
Central government or central banks exposures	19		
Regional governments or local authorities exposures	32	6	1
Public sector entities exposures	1 548		
Multilateral development banks exposures	3 051		
International organisation exposures	283		
Institutional exposures	976 672	609	49
Corporate exposures	4 669	4 495	360
Retail exposures	375	281	22
Exposures secured by mortgages on immovable property	2 830	990	79
Exposures in default	0	0	0
Equity exposures	64 798	72 456	5 796
Other items	793	788	63
Credit risks, IRB	**930 548**	**163 724**	**13 098**
Central government or central banks exposures	332 514	4 067	325
Institutional exposures	56 559	11 654	932
Corporate exposures	438 914	124 610	9 969
of which specialized lending			
Retail exposures	99 576	20 617	1 649
of which mortgage lending	12 136	2 423	194
of which other lending	87 440	18 194	1 455
Non-credit obligation	2 985	2 776	223
Credit risks, Default fund contribution		**409**	**33**
Settlement risks	**1**	**0**	**0**
Market risks		**15 201**	**1 216**
Trading book		13 745	1 100
of which VaR and SVaR		9 732	779
of which risks outside VaR and SVaR		4 013	321
FX risk other operations		1 457	116
Credit value adjustment	**19 087**	**4 804**	**384**
Operational risks		**35 201**	**2 816**
Standardised approach		35 201	2 816
Additional risk exposure amount, Article 3 CRR		**28 058**	**2 245**
Total	**2 004 706**	**327 022**	**26 162**

Exposure amount, Risk exposure amount and Minimum capital requirement, parent company

31 Dec 2017 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 043 965**	**77 459**	**6 197**
Central government or central banks exposures	17		
Regional governments or local authorities exposures	69	14	1
Public sector entities exposures	2 646		
Multilateral development banks exposures	3 439		
International organisation exposures	273		
Institutional exposures	966 482	654	52
Corporate exposures	3 453	3 323	266
Retail exposures	385	287	23
Exposures secured by mortgages on immovable property	2 495	873	70
Exposures in default	0	0	
Equity exposures	64 012	71 624	5 730
Other items	694	684	55
Credit risks, IRB	**824 335**	**159 018**	**12 721**
Central government or central banks exposures	249 271	3 678	294
Institutional exposures	65 945	11 680	934
Corporate exposures	408 710	119 682	9 575
of which specialized lending			
Retail exposures	97 650	21 366	1 709
of which mortgage lending	12 871	2 610	209
of which other lending	84 779	18 756	1 500
Non-credit obligation	2 759	2 612	209
Credit risks, Default fund contribution		**343**	**27**
Settlement risks	**0**	**0**	**0**
Market risks		**8 655**	**692**
Trading book		8 350	668
of which VaR and SVaR		6 086	487
of which risks outside VaR and SVaR		2 264	181
FX risk other operations		305	24
Credit value adjustment	**15 351**	**3 797**	**305**
Operational risks		**35 317**	**2 825**
Standardised approach		35 317	2 825
Additional risk exposure amount, Article 3 CRR		**28 058**	**2 245**
Total	**1 883 651**	**312 647**	**25 012**

Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

SEKm	31 December 2017	Changed presentation of accrued interest	31 December 2017 adjusted for changed presentation of accrued interest	Remeasurement - expected credit losses	1 January 2018
Assets					
Cash and balances with central banks	136 061		136 061		136 061
Loans to credit institutions	449 733	301	450 034	-27	450 007
Loans to the public	398 666	422	399 088	-1 233	397 854
Interest-bearing securities	141 322	352	141 674		141 674
Shares and participating interests	83 672		83 672		83 672
Derivatives	62 153		62 153		62 153
Other assets	44 784	-1 075	43 709	-3	43 706
Total assets	**1 316 391**		**1 316 391**	**-1 263**	**1 315 128**
Liabilities and equity					
Amounts owed to credit institutions	95 106	188	95 294		95 294
Deposits and borrowings from the public	671 323	91	671 414		671 414
Debt securities in issue	322 684	812	323 496		323 496
Derivatives	65 704		65 704		65 704
Other liabilities and provisions	38 314	-1 447	36 867	143	37 010
Subordinated liabilities	25 508	356	25 864		25 864
Untaxed reserves	10 575		10 575		10 575
Equity	87 177		87 177	-1 406	85 771
Total liabilities and equity	**1 316 391**		**1 316 391**	**-1 263**	**1 315 128**

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as adopted by the EU, as set out in Note 1. The interim report includes a number of alternative performance measures, which exclude certain items which management believes are not representative of the underlying/ongoing performance of the business. Therefore the alternative performance measures provide more comparative information between periods. Management believes that inclusion of these measures provides information to the readers that enable comparability between periods.

Measure and definition	Purpose
Net stable funding ratio (NSFR) NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).	This measure is relevant for investors since it will be required in the near future and as it is already followed as part of internal governance.
Net interest margin before trading interest is deducted Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures [1),] including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note 5	The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. 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). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the period for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures [1),] including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding UC and Hemnet income Amount related to other income is presented excluding the income related to UC (2018) and Hemnet (2017). The amounts are reconciled to the relevant IFRS income statement lines on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding UC and Hemnet income Represents profit for the period allocated to shareholders excluding UC and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures [1),] including the prior year end. Profit for the period allocated to shareholders excluding UC (2018) and Hemnet (2017) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding UC and Hemnet income Total expenses in relation to total income excluding UC and Hemnet income. Total income excluding UC (2018 and Hemnet (2017) income is reconciled to Total income, the nearest IFRS measure, on page 6	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.

Other alternative performance measures

These measures are defined in Fact book on page 80 and are calculated from the financial statements without adjustment.

- Cost/Income ratio
- Credit impairment provision ratio Stage 1 loans
- Credit impairment provision ratio Stage 2 loans
- Credit impairment provision ratio Stage 3 loans
- Credit Impairment ratio
- Loan/Deposit ratio
- Equity per share
- Provision ratio for impaired loans(2017)
- Return on equity[1)]
- Share of impaired loans, gross (2017)
- Share of impaired loans, net (2017)
- Share of Stage 3 loans, gross
- Share of Stage 3 loans, net
- Total credit impairment provision ratio

The presentation of these measures is relevant for investors since they are used by Group management for internal governance and operating segment performance management purposes.

[1)] The month-end figures used in the calculation of the average can be found on page 73 of the Fact book.

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the interim report for January-September 2018 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 22 October 2018

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Mats Granryd
Board Member

Bo Johansson
Board Member

Anna Mossberg
Board Member

Peter Norman
Board Member

Annika Poutiainen
Board Member

Siv Svensson
Board Member

Magnus Uggla
Board Member

Camilla Linder
Board Member
Employee Representative

Roger Ljung
Board Member
Employee Representative

Birgitte Bonnesen
President and CEO

Review report

Introduction
We have reviewed the interim report for Swedbank AB (publ) for the period 1 January – 30 September 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Stockholm, 22 October 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2018

Year-end report 2018	29 January 2019
Annual report 2018	20 February 2019

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

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