Swedbank

Second quarter 2014

Compared with first quarter 2014

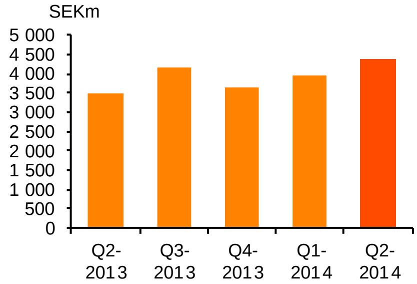
- The result for continuing operations amounted to SEK 4 369m (3 980m)[1)]
- Earnings per share for continuing operations amounted to SEK 3.96 (3.62) before dilution and SEK 3.94 (3.59) after dilution
- The return on equity for continuing operations was 16.6 per cent (14.6)
- The cost/income ratio was 0.47 (0.45), excluding Sparbanken Öresund 0.43
- Net interest income amounted to SEK 5 521m (5 483), excluding Sparbanken Öresund SEK 5 473m
- Profit before impairments increased by 9 per cent to SEK 5 536m (5 094) Excluding Sparbanken Öresund it amounted to SEK 5 698m
- Swedbank reported credit impairments of SEK 30m (recoveries 100)
- The Common Equity Tier 1 ratio was 20.9 per cent (18.3 per cent as of 31 December 2013), including use of the advanced internal ratings-based approach[3)]

January-June 2014

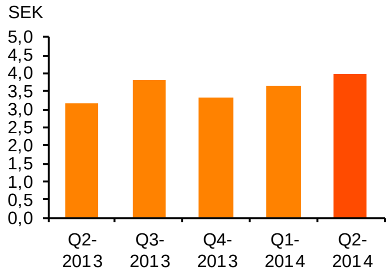
Compared with January-June 2013

- The result for the period for continuing operations amounted to SEK 8 349m (7 394) [1)]
- Earnings per share for continuing operations amounted to SEK 7.58 (6.73) before dilution and SEK 7.53 (6.69) after dilution[2)]
- The return on equity for continuing operations was 15.5 per cent (14.7)
- The cost/income ratio was 0.46 (0.45), excluding Sparbanken Öresund 0.44
- Net interest income increased by 2 per cent to SEK 11 004m (10 762), excluding Sparbanken Öresund SEK 10 956m
- Profit before impairments increased by 7 per cent to SEK 10 630m (9 892), excluding Sparbanken Öresund SEK 10 792m
- Swedbank reported recoveries of SEK 70m (credit impairments 148)

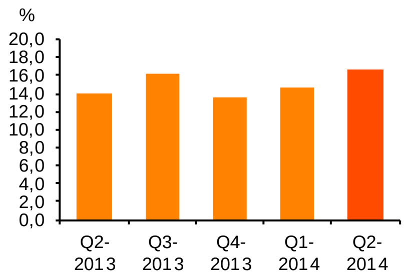
Profit for the quarter, continuing operations



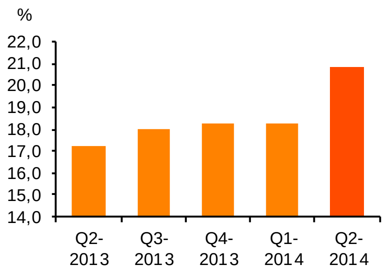
Earnings per share after dilution, continuing operations



Return on equity, continuing operations



Common Equity Tier 1 capital ratio, %, Basel 3



[1)] Russia and Ukraine are reported as discontinued operations. The Ukrainian operations were divested during the second quarter 2013.

[2)] Including deduction of preference share dividend, earnings per share for Jan-Jun 2013 were SEK 3.07 for total operations after dilution. The calculations are specified on page 53.

[3)] The Common Equity Tier 1 ratios for 2013 are based on Swedbank's previous calculations according to the new regulations.

CEO Comment

The global recovery is continuing, albeit at a slower pace – the US economy is growing steadily, whereas growth in Europe is more divided. Economic activity in Sweden continued to grow during the second quarter, and in addition to strong domestic demand we saw signs of increased credit demand in the commercial sector for the first time in a while.

Higher profit and strong volume growth

Swedbank's profit for the second quarter was strong. Lower market interest rates affected net interest income negatively, while increased lending and deposit volumes contributed positively. Notably, the quarter saw increased activity among our corporate customers and growth in urban areas. Lending volumes rose by nearly SEK 50bn during the quarter, with Sparbanken Öresund accounting for just over SEK 16bn. At the same time increased savings, coupled with a favourable stock market climate, strengthened the profit.

Swedbank's acquisition of Sparbanken Öresund was finalised in May and integration work has begun. In the near term we are focusing on our new customers and on capitalising on cost synergies.

The bank's low risk entails lower funding costs

Swedbank's Common Equity Tier 1 ratio was 20.9 per cent at the end of the quarter. In May the Swedish Financial Supervisory Authority published its proposed capital requirements, but we need further clarification before we set a new capital target. It seems contradictory, however, that Swedbank, which according to the Swedish Financial Supervisory Authority's and the Riksbank's own stress tests has the lowest aggregate risks of any major Swedish bank, should have the highest capital requirement.

The bank's low risk and solid capitalisation were noted by the ratings agencies Fitch and S&P during the quarter. Fitch raised its outlook for Swedbank's credit rating to positive and S&P upgraded the bank's individual rating by one notch to A while at the same time reaffirming Swedbank's long-term rating of A+. The bank's low risk further reduced our funding costs during the quarter.

New head office will increase customer value

In early June we moved into our new head office in Sundbyberg. The move supports our aim to be the most cost-effective bank and offers a new way of working. The new, open-plan offices invite cooperation and discussion between employees, which in the long run will increase customer value.

During the quarter we introduced new solutions that make daily life a little easier for our customers: card payments by smartphone (Babs Micro), Swish corporate for mobile payments between consumers and businesses, and a spending tracker, "Utgiftskollen", which attracted 150 000 customers in its first month. "Swish" payments between retail customers continue to grow, with 144 000 new customers during the quarter and a 90 per cent increase in the number of transactions. Moreover, we decided to keep the Swish service free for retail customers.

Swedish housing shortage – more to be done

The political debate leading up to this autumn's parliamentary election in Sweden has intensified. The Riksbank's rate cut puts the burden on legislators and regulators to take action to slow the growth in household debt and to build more housing. New construction and opportunities for increased mobility in the housing market are key issues for Sweden, especially since a solution to the severe housing shortage is critical to the country's long-term growth prospects.

Requiring homeowners to amortise their mortgages, which has also been on the agenda, will have a sustainable, positive effect on our customer finances and will benefit Sweden in the long term.

Global changes required greater cost efficiencies

Despite our strong profit, the banking sector is in a tumultuous stage where low interest rates, regulatory changes, technological developments and increased competition are making it necessary to quickly adapt, especially in the Swedish retail market. Cutting costs through efficiencies when developing our offerings and ensuring that the underlying processes our customers rely on when using our services are as automated as possible is critical in order to create sustainable value for both our customers and shareholders. Our cost-savings goals for 2014 remain firm. Costs will be held at the same level as in 2013, excluding additional costs for the acquisition of Sparbanken Öresund.

Michael Wolf
President and CEO

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

Financial summary

Income statement SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	5 521	5 483	1	5 409	2	11 004	10 762	2
Net commission income	2 813	2 693	4	2 525	11	5 506	4 913	12
Net gains and losses on financial items at fair value	773	345		296		1 118	853	31
Other income	1 348	799	69	749	80	2 147	1 533	40
Total income	**10 455**	**9 320**	**12**	**8 979**	**16**	**19 775**	**18 061**	**9**
Staff costs	2 901	2 437	19	2 391	21	5 338	4 749	12
Other expenses	2 018	1 789	13	1 735	16	3 807	3 420	11
Total expenses	**4 919**	**4 226**	**16**	**4 126**	**19**	**9 145**	**8 169**	**12**
Profit before impairments	**5 536**	**5 094**	**9**	**4 853**	**14**	**10 630**	**9 892**	**7**
Impairment of intangible assets	1			170	-99	1	170	-99
Impairment of tangible assets	69	135	-49	202	-66	204	287	-29
Credit impairments	30	-100		88	-66	-70	148	
Operating profit	**5 436**	**5 059**	**7**	**4 393**	**24**	**10 495**	**9 287**	**13**
Tax expense	1 063	1 074	-1	913	16	2 137	1 889	13
Profit for the period from continuing operations	**4 373**	**3 985**	**10**	**3 480**	**26**	**8 358**	**7 398**	**13**
Profit for the period from discontinued operations, after tax	-230	-27		-1 887	-88	-257	-2 277	-89
Profit for the period	4 143	3 958	5	1 593		8 101	5 121	58
Profit for the period attributable to the shareholders of Swedbank AB	**4 139**	**3 953**	**5**	**1 592**		**8 092**	**5 117**	**58**

Income statement for the Group excluding Sparbanken Öresund SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	5 473	5 483		5 409	1	10 956	10 762	2
Net commission income	2 795	2 693	4	2 525	11	5 488	4 913	12
Net gains and losses on financial items at fair value	775	345		296		1 120	853	31
Other income	872	799	9	749	16	1 671	1 533	9
Total income	**9 915**	**9 320**	**6**	**8 979**	**10**	**19 235**	**18 061**	**7**
Staff costs	2 461	2 437	1	2 391	3	4 898	4 749	3
Other expenses	1 757	1 789	-2	1 735	1	3 546	3 420	4
Total expenses	**4 218**	**4 226**	**0**	**4 126**	**2**	**8 444**	**8 169**	**3**
Profit before impairments	**5 697**	**5 094**	**12**	**4 853**	**17**	**10 791**	**9 892**	**9**
Impairment of intangible assets	1			170	-99	1	170	-99
Impairment of tangible assets	69	135	-49	202	-66	204	287	-29
Credit impairments	26	-100		88	-70	-74	148	
Operating profit	**5 601**	**5 059**	**11**	**4 393**	**27**	**10 660**	**9 287**	**15**
Tax expense	1 200	1 074	12	913	31	2 274	1 889	20
Profit for the period from continuing operations	**4 401**	**3 985**	**10**	**3 480**	**26**	**8 386**	**7 398**	**13**
Profit for the period from discontinued operations, after tax	-230	-27		-1 887	-88	-257	-2 277	-89
Profit for the period	4 171	3 958	5	1 593		8 129	5 121	59
Profit for the period attributable to the shareholders of Swedbank AB	**4 167**	**3 953**	**5**	**1 592**		**8 120**	**5 117**	**59**
Cost/income ratio	0.43	0.45		0.46		0.44	0.45	

Key ratios and data per share including Sparbanken Öresund	**Q2 2014**	**Q1 2014**	**Q2 2013**	**Jan-Jun 2014**	**Jan-Jun 2013**
Return on equity, continuing operations, %	16.6	14.6	14.1	15.5	14.7
Return on equity, total operations, %	15.8	14.5	6.5	15.1	10.1
Earnings per share before dilution, continuing operations, SEK [1]	3.96	3.62	3.16	7.58	6.73
Earnings per share after dilution, continuing operations, SEK [1]	3.94	3.59	3.15	7.53	6.69
Cost/income ratio	0.47	0.45	0.46	0.46	0.45
Loan/deposit ratio, %	189	195	186	189	186
Common Equity Tier 1 capital ratio, %, Basel 3 [2]	20.9	18.3	17.2	20.9	17.2
Tier 1 capital ratio, %, Basel 3 [2]	22.1	19.4	18.6	22.1	18.6
Total capital ratio, %, Basel 3 [2]	25.3	22.0	19.6	25.3	19.6
Credit impairment ratio, %	0.01	-0.03	0.03	-0.01	0.02
Share of impaired loans, gross, %	0.44	0.45	0.76	0.44	0.76
Total provision ratio for impaired loans, %	56	60	54	56	54

Balance sheet data including Sparbanken Öresund SEKbn	**30 Jun 2014**	**31 Dec 2013**	**%**	**30 Jun 2013**	**%**
Loans to the public	1 323	1 265	5	1 246	6
Deposits and borrowings from the public	697	621	12	673	4
Shareholders' equity	108	110	-2	101	6
Total assets	2 052	1 824	12	1 886	9
Risk exposure amount, Basel 3 [2]	407	441	-8	459	-11

[1] Including deduction of the preference share dividend, earnings per share for January-Jun 2013 were SEK 3.07 for total operations after dilution. The calculations are specified on page 53.
[2] The capital ratios for 2013 are based on Swedbank knowledge of the new regulations at that point in time.

The key ratios are based on profit and shareholders' equity attributable to shareholders of Swedbank.

Overview

Market

The global economic recovery is continuing, though at a slower pace. North America and Europe are the engines, while growth has slowed in most emerging markets. Growth in China has stabilised, however, and concerns about a sharp deceleration have diminished. In the eurozone, the slow recovery is continuing, but with considerable differences between countries.

The Swedish economy is generating solid growth. The driver is domestic demand, primarily consumer spending and construction investment. Exports are being held in check by weak external demand. During the first quarter GDP growth was 1.9 per cent. At the same time recent economic indicators point to a continued recovery in the Swedish economy.

Due to weak international growth and low resource utilisation, global inflation is very low. To address the risk of deflation, monetary policies in Europe and North America have been highly expansive. The Riksbank and the European Central Bank (ECB) both recently cut their benchmark rates, and a further stimulus from the ECB remains a possibility. Higher growth in the US is allowing the Federal Reserve (Fed) to continue tapering its bond buying, which is expected to come to an end this autumn.

Long-term bond yields fell, mainly in Europe but also in the US, despite the Fed's reduced bond purchases. Low global inflation, geopolitical uncertainty in Ukraine and the Middle East, and expectations of continued low interest rates are keeping pressure on yields. US short-term yields have risen slightly of late, however.

Growth in the Baltic economies slowed during the first quarter to 3.2 per cent in Lithuania, 2.8 per cent in Latvia and turned negative in Estonia at -1.4 per cent. With weak demand in major export markets, domestic demand is again driving growth, though to varying degrees. Investment was highest in Lithuania and moderate in Estonia and Latvia. Household consumption growth was also slightly faster in Lithuania, but slowed down in all three countries. Exports started to recover in Estonia and Latvia but fell in Lithuania in early 2014 owing to problems in certain sectors. One threat to growth in the Baltic countries is weaker economic performance in key export markets, especially in Finland and Russia. The biggest domestic risk stems from the labour market. Productivity growth in the Baltic countries has recently lagged behind wage growth, especially in Estonia and Latvia, implying a rise in labour costs. Rapid wage growth has not yet pushed prices higher, however.

The Stockholm stock exchange (OMXSPI) gained 6 per cent during the first half-year. The Tallinn stock exchange (OMXTGI) fell by 1.9 per cent and the Riga stock exchange (OMXRGI) by 2.6 per cent, while the Vilnius stock exchange (OMXVGI) gained 11.9 per cent.

Important events during the quarter

During the first quarter Swedbank acquired Sparbanken Öresund as a way of strengthening its market position in its home markets. The Swedish Financial Supervisory Authority approved the acquisition on 16 May and, having received all the necessary approvals, the acquisition was finalised on 20 May and the integration process begun. Sparbanken Öresund affects Swedbank's profit as of 21 May to 30 June, as indicated in the table below and throughout the report. The financial effects are in line with the analysis conducted at the time of acquisition, but with adjustments between certain items. Integration costs in the form of restructuring costs have been slightly higher than previously estimated. At the same time greater surplus values have been identified in the acquired business and credit quality proved to be higher. As of the third quarter the acquisition of Sparbanken Öresund will no longer be shown separately in Swedbank's financial reports. Costs associated with the acquisition are slightly higher than previously estimated and the Group's cost objective for 2014 have been adjusted to SEK 17.7bn. Costs excluding Sparbanken Öresund will be unchanged compared with 2013, in accordance with previous guidance.

Impact of Sparbanken Öresund SEKm	Running business	One-offs	Total
Net interest income	48		48
Net commission income	18		18
Net gains and losses on financial items at fair value	-2		-2
Other income	15	461	476
Total income	**79**	**461**	**540**
Staff costs	47	393	440
Other expenses	39	222	261
Total expenses	**86**	**615**	**701**
Credit impairments	4		4
Tax expense	-2	-135	-137
Profit for the period attributable to the shareholders of Swedbank AB	**-9**	**-19**	**-28**

On 13 June Swedbank received approval from the Swedish Financial Supervisory Authority to use the advanced internal ratings-based (A-IRB) approach for its corporate exposures in Sweden and Norway. This reduced the risk exposure amount by SEK 72.9bn, slightly more than previously estimated.

In early June Swedbank moved into its new head office in Sundbyberg. The move will reduce costs and the new, open-plan offices will encourage greater internal cooperation. This will lead to efficiencies in the development of new and better offerings for our customers.

Second quarter 2014

Compared with first quarter 2014

Result

The quarterly result rose by 5 per cent to SEK 4 139m (3 953). Income and expenses both increased. Expenses, excluding the acquisition of Sparbanken Öresund, were stable. Credit impairments were reported during the quarter, compared with net recoveries during the first quarter. Profit for continuing operations amounted to SEK 4 369m (3 980). Discontinued operations generated a loss of SEK 230m (-27), of which SEK 223m is a cumulative negative exchange rate difference that was reclassified to profit and loss from other comprehensive income and relates to the winding down of the Russian operations. This does not affect equity or the 2014 dividend. Remaining equity in the Russian operations amounts to SEK 212m, with remaining negative FX differences of SEK 11m as of 30 June.

Profit before impairments increased by 9 per cent to SEK 5 536m (5 094). Sparbanken Öresund reported a loss before impairments of SEK 162m, excluding this Swedbank's profit increased by 12 per cent. Group Treasury within Group Functions & Other and Swedish Banking and Baltic Banking contributed to the increase, while LC&I's profit decreased from a high level.

Profit before impairments by business segment SEKm	Q2 2014	Q1 2014	Q2 2013
Swedish Banking excl Sparbanken Öresund	3 198	2 979	2 924
Sparbanken Öresund	-161		
Large Corporates & Institutions	1 141	1 277	1 091
Baltic Banking	975	885	838
Group Functions & Other	383	-5	55
Total excl FX effects	**5 536**	**5 136**	**4 908**
FX effects		-42	-55
Total	**5 536**	**5 094**	**4 853**

Credit impairments amounted to SEK 30m (net recoveries 100). Swedish Banking and LC&I reported low credit impairments, while Baltic Banking reported continued net recoveries, albeit lower than in the previous quarter.

Tangible asset writedowns decreased to SEK 69m (135) and primarily relate to the writedown of Ektornet's property values, the large part of which is attributable to the US.

The return on equity for continuing operations was 16.6 per cent (14.6). The cost/income ratio was 0.47 (0.45). Excluding Sparbanken Öresund the cost/income ratio was 0.43.

Income increased by 12 per cent to SEK 10 455m (9 320). Excluding Sparbanken Öresund income rose by 6 per cent. Sparbanken Öresund accounted for SEK 540m. Net gains and losses on financial items at fair value, net commission income and other income all increased, while net interest income was stable.

Net interest income was stable in all business segments at SEK 5 521m (5 483). Sparbanken Öresund contributed SEK 48m. Lower market interest rates affected Swedish Banking's net interest income negatively, while higher lending volumes in Swedish Banking and LC&I contributed positively. The margin on corporate lending within LC&I was stable, but increased slightly in Baltic Banking. Mortgage margins for the Swedish portfolio as a whole were stable, but increased slightly at the end of the quarter.

Net commission income rose to SEK 2 813m (2 693). Sparbanken Öresund accounted for SEK 18m. The trend for Swedish Banking and Baltic Banking was positive, while net commission income decreased within LC&I. The increase in net commission income was mainly due to higher income from cards and asset management. Payment commissions increased due to the reversal of a previous provision of SEK 35m in Lithuania. Income from Corporate Finance remained strong and was in line with the previous quarter.

Net gains and losses on financial items at fair value rose to SEK 773m (345). Group Treasury, which accounted for the largest increase, benefited from the positive effects of falling interest rates, and also from lower covered bond repurchases and a change in valuation of SEK 80m related to a strategic shareholding. Net gains and losses on financial items at fair value within LC&I remained strong, in line with the first quarter. A negative translation difference of SEK 74m was recognised during the first quarter in Ektornet within Group Functions & Other related to the depreciation of the Ukrainian currency, the hryvnia.

Other income increased by 69 per cent to SEK 1 348m (799). Sparbanken Öresund accounted for SEK 461m due to a bargain purchase gain in connection with the acquisition. During the second quarter one-off income of SEK 230m was recognised in Share related to associates for Entercard (see also page 24).

Expenses rose by 16 per cent to SEK 4 919m (4 226). Expenses attributable to Sparbanken Öresund amounted to SEK 701m, of which SEK 615m refers to one-off expenses in connection with the acquisition. Excluding Sparbanken Öresund expenses were stable with slightly higher staff costs and marketing expenses. SEK 57m (79) was expensed during the second quarter related to the move of the head office to Sundbyberg.

Expense analysis Group SEKm	Q2 2014	Q1 2014	Q2 2013
Swedish Banking excl Sparbanken Öresund	2 491	2 443	2 392
Sparbanken Öresund	701		
Large Corporates & Institutions	804	834	834
Baltic Banking	621	623	628
Group Functions & Other and eliminations	302	343	309
Total excl FX effects	**4 919**	**4 243**	**4 163**
FX effects		-17	-37
Total	**4 919**	**4 226**	**4 126**

The number of full-time employees increased during the quarter due to the acquisition of Sparbanken Öresund. Excluding Sparbanken Öresund the number of full-time employees declined by 36.

The tax expense amounted to SEK 1 063m (1 074), corresponding to an effective tax rate of 19.6 per cent (21.2). The first quarter was negatively affected by non-deductible property writedowns in the US and Ukraine. The second quarter was positively affected by the acquisition of Sparbanken Öresund. The bargain purchase gain is not taxable.

January-June 2014

Compared with January-June 2013

Result

The result for the period increased by 58 per cent to SEK 8 092m (5 117). Income and expenses both increased, while credit impairments decreased. Fluctuations in exchange rates, primarily the depreciation of the Swedish krona against the euro and the Lithuanian litas, increased profit by SEK 79m. The result for continuing operations was SEK 8 349m (7 394) and for discontinued operations was SEK -257m (-2 277). During the first half-year 2013 SEK -1 875m was reclassified to profit or loss from other comprehensive income related to the sale of the Ukrainian operations, compared with a corresponding reclassification of SEK -223m during the first half of this year for the winding down of the Russian operations.

Profit before impairments increased by 7 per cent to SEK 10 630m (9 892). Profit increased in all business segments as a result of higher income. Profit increased the most in Baltic Banking. Expenses excluding Sparbanken Öresund increased slightly compared with the previous year.

Net recoveries of SEK 70m were recognised during the first half-year 2014, compared with credit impairments of SEK 148m a year earlier. Baltic Banking reported recoveries, while Swedish Banking reported minor credit impairments. Tangible asset writedowns amounted to SEK 204m (287), a decrease attributable to Ektornet. Intangible asset writedowns decreased to SEK 1m (170). During the first half year 2013 internally developed software was written down by SEK 170m.

Profit before impairments by business segment SEKm	**Jan-Jun 2014**	**Jan-Jun 2013**	**Δ SEKm**
Swedish Banking excl Sparbanken Öresund	6 177	5 903	113
Sparbanken Öresund	-161		
Large Corporates & Institutions	2 406	2 165	241
Baltic Banking	1 833	1 565	268
Group Functions & Other	375	345	30
Total excl FX effects	**10 630**	**9 978**	**652**
FX effects		-86	86
Total	**10 630**	**9 892**	**738**

The return on equity for continuing operations was 15.5 per cent (14.7). The cost/income ratio was 0.46 (0.45). Excluding Sparbanken Öresund the cost/income ratio was 0.44.

Income rose by 9 per cent to SEK 19 775m (18 061). Sparbanken Öresund's income amounted to SEK 540m. All business segments contributed to the higher income. Stronger commission income contributed the most, while other income excluding one-off effects decreased. Changes in exchange rates increased income by SEK 136m.

Net interest income rose by 2 per cent to SEK 11 004m (10 762). In Baltic Banking, increased deposit volumes, higher market interest rates and the repricing of corporate lending all contributed positively. LC&I improved the margins on its lending portfolio slightly, and higher volumes also contributed positively. In Swedish Banking, net interest income was stable; the positive effects of the higher lending volumes were offset by margin pressure on deposits. Fluctuations in exchange rates increased net interest income by SEK 72m.

Net commission income rose by 12 per cent to SEK 5 506m (4 913). Higher commission income from asset management due to a favourable stock market climate and net inflows contributed the most to the increase. Corporate finance and loan-related income within LC&I increased as well.

Net gains and losses on financial items at fair value increased by 31 per cent to SEK 1 118m (853). Net gains and losses on financial items at fair value within Group Treasury in Group Functions & Other improved. During the first half-year 2014 a change in the value of a strategic shareholding had a positive effect of SEK 80m. In 2013 the repurchase of government guaranteed bonds affected net gains and losses negatively. Net gains and losses on financial items at fair value within LC&I improved slightly.

Other income increased by 40 per cent to SEK 2 147m (1 533). The acquisition of Sparbanken Öresund during the second quarter 2014 resulted in a bargain purchase gain of SEK 461m. In Share of the profit or loss of associates a one-off income of SEK 230m was recognised for Entercard (see also page 24). Sales activity within Ektornet was lower during the first half year than in the previous year since the portfolio is now significantly smaller. This negatively affected other income. Expenses increased by 12 per cent to SEK 9 145m (8 169). Excluding Sparbanken Öresund expenses rose by 3 per cent. Expenses increased the most within LC&I. Staff costs within the Group rose as a result of a higher number of advisors and IT-related staff as well as salary adjustments. IT development expenses increased as well. Reduced cash handling and the outsourcing of ATMs led to lower expenses for transport and security. During the first half-year 2014 SEK 136m was expensed within Group Functions & Other for the move of the head office, at the same time that expenses for Ektornet continued to decrease. Changes in exchange rates raised expenses by SEK 51m.

Expense analysis Group SEKm	**Jan-Jun 2014**	**Jan-Jun 2013**	**Δ SEKm**
Swedish Banking excl Sparbanken Öresund	4 934	4 791	844
Sparbanken Öresund	701		
Large Corporates & Institutions	1 638	1 557	81
Baltic Banking	1 228	1 241	-13
Group Functions & Other and eliminations	644	631	13
Total excl FX effects	**9 145**	**8 220**	**925**
FX effects		-51	51
Total	**9 145**	**8 169**	**976**

The number of full-time employees increased year-on-year by 331. Excluding the acquisition of Sparbanken Öresund, the number of full-time employees decreased by 117. Baltic Banking reduced the number of full-time employees by 417. Ektornet (Group Functions & Other) also reduced its number of employees. IT-related personnel within Group Functions & Other and the number of full-time employees within Swedish Banking and LC&I increased.

The tax expense amounted to SEK 2 137m (1 889), corresponding to an effective tax rate of 20.4 per cent (20.3). The first half-year 2014 was negatively affected by the new policy on profit distributions from the Baltic operations. This means that about 60 per cent of profits generated by the Baltic subsidiaries from 2014 and going forward will be distributed to the parent company, Swedbank AB. Profit in Estonia is not taxed until its distribution. This means that deferred tax is already recognised on the estimated distribution from Estonia, even though it will not be paid out until the first quarter 2015. At the same time, tax was positively, affected by approximately the same amount due to the acquisition of Sparbanken Öresund. Profit posted from the bargain purchase is not taxable.

Credit and asset quality

The quality of the Group's credit portfolio remains high. Lending increased during the quarter, mainly in private mortgages and corporate lending in Sweden. Conditions in the bank's home markets were good, with a further reduction in impaired loans and low credit impairments. Continued political tensions in Russia and Ukraine did not affect the credit portfolio. The bank is carefully monitoring developments and taking preventive steps closely with customers with business connections in the region. The Group's direct credit exposure to Russia has decreased during the year and as of 30 June was SEK 0.9bn. The bank has no direct credit exposures to Ukraine.

Swedbank's lending increased by SEK 51.3bn or 4.2 per cent during the first half-year to SEK 1 266bn, of which SEK 4.7bn is due to currency effects. Of the increase, SEK 47bn related to the second quarter. In Sweden, mortgage lending rose by SEK 16.7bn. Corporate lending within Swedish Banking and LC&I increased by a total of SEK 28.8bn. The highest activity was in property management and telecoms. The acquisition of Sparbanken Öresund increased lending by SEK 16.5bn, of which SEK 5.0bn was private lending and SEK 11.5bn was corporate lending. In Baltic Banking, the lending portfolio increased slightly in Estonia and Latvia, calculated in local currency, while decreasing slightly in Lithuania.

The average loan-to-value ratio for Swedbank's mortgages in Sweden, based on property level, was 62.0 per cent as of 30 June (62.2 as of 31 December). Households with a loan-to-value ratio of over 75 per cent represent 16.1 per cent (16.3) of the portfolio. The average loan-to-value ratio for new mortgages in Sweden was 70.8 per cent (69.9) in 2014. Of new mortgages granted in Sweden in the last 12 months, 56.4 per cent have a loan-to-value ratio over 70 per cent. With respect to new lending in Sweden in the last 12 months, 92 per cent of households with a loan-to-value ratio over 75 per cent are amortising. For the Swedish portfolio as a whole, 74 per cent (74) of households with a loan-to-value ratio over 75 per cent are amortising. For the mortgage portfolio as a whole, 59 per cent (60) of households are amortising. The average loan-to-value ratio in Baltic Banking was 79.8 per cent (84.9), while the ratio for new lending was 53.8 per cent in 2014.

Impaired loans fell during the year by SEK 1.2bn to SEK 6.3bn and correspond to 0.50 per cent (0.55) of total lending. The average provision ratio for impaired loans was 37.1 per cent. In addition there is portfolio provisions for unidentified impaired loans as an added safety margin, producing a total provision ratio of 56.3 per cent (54). The acquisition of Sparbanken Öresund increased impaired loans by SEK 0.3bn. In Baltic Banking, impaired loans fell by SEK 0.2bn to SEK 4.5bn, mainly due to the winding down of problem loans from 2008-2009 and improved quality in the loan portfolio. In Swedish Banking, impaired loans were unchanged during the first half-year.

The share of Swedish mortgages past due by more than 60 days remained low at 0.08 per cent of the portfolio (0.09). The share of impaired mortgages in Baltic Banking fell. The share of mortgages past due by more than 60 days was 0.6 per cent in Estonia (0.7), 6.8 per cent in Latvia (7.4) and 4.0 per cent in Lithuania (4.4).

Impaired loans, by business segment SEKm	Q2 2014	Q1 2014	Q2 2013
Swedish Banking	1 522	1 389	1 667
Large Corporates & Institutions	279	159	1 167
Baltic Banking	4 511	4 700	7 277
Estonia	1 297	1 322	1 835
Latvia	1 837	1 929	3 586
Lithuania	1 377	1 449	1 856
Total	**6 312**	**6 248**	**10 111**

Net recoveries during the first half-year amounted to SEK 70m (credit impairments of SEK 148m). The recoveries mainly relate to the Baltic mortgage portfolio and because several commitments are no longer classified as impaired owing to continued positive macro development. Credit impairments in Sweden remained low. The second quarter included credit impairments of SEK 30m, mainly related to new provisions for anticipated credit impairments within Swedish Banking. Baltic Banking reported continued recoveries, though at a lower level.

Credit impairments, net by business segment SEKm	Q2 2014	Q1 2014	Q2 2013
Swedish Banking	25	31	36
Large Corporates & Institutions	21	-30	94
Baltic Banking	-16	-101	-43
Estonia	-25	-9	-36
Latvia	13	-65	18
Lithuania	-4	-27	-25
Group Functions & Other			1
Total	**30**	**-100**	**88**

Repossessed assets amounted to SEK 1 558m on 30 June, a decrease of SEK 556m since 31 December 2013. Of these repossessed assets, Ektornet accounted for SEK 1 382m, of which SEK 17m relates to shares and participations. Ektornet's property values were written down by SEK 204m during the first half-year, mainly related to Ukraine and the US, of which SEK 66m was in the second quarter. The remaining repossessed properties in Ukraine amounted to SEK 122m on 30 June. On the same date the number of properties, including apartments and suchlike, was 1 140 (1 366), of which 626 were in Latvia (783). For more information on repossessed assets, see page 35 of the fact book.

Stress test – Internal Capital Adequacy Assessment Process 2014

Positive economic development in Swedbank's home markets in 2013 improved the starting values for the scenario analysis within the Internal Capital Adequacy Assessment Process (ICAAP) for 2014. As a consequence of this and continued work to improve credit quality, the results of the scenario analysis demonstrate that Swedbank's resilience to severe circumstances has further improved compared with the 2013 ICAAP.

The selected recession scenario extends over five years, the first three of which show negative growth and high unemployment in Sweden, Estonia, Latvia and Lithuania. The trigger is a deepening crisis in the European banking sector, which creates uncertainty about the solvency of major financial institutions. Sweden is hit especially hard due to its dependency on exports, and SEK appreciates against EUR. In the Baltic countries, falling export demand weakens both investment and consumption.

In the ICAAP scenario, net interest income drops by 7.5 per cent in 2014, mainly due to lower interest rates. Cumulative credit losses throughout the five-year scenario amount to SEK 25bn, with losses reaching their highest, SEK 9bn, in 2015.

Swedbank's capitalisation is strengthened throughout the scenario period thanks to continued profits and because the risk exposure amount is in line with or lower than the starting point. The improvement does not take into account measures by Swedbank's executive management, which would have further improved the capitalisation.

Swedbank's resilience in a stress scenario is confirmed by both the Swedish Financial Supervisory Authority's stress tests and the Riksbank's most recent stability report. In the latter Swedbank's capital ratios are the least affected among major Swedish banks and it is the best capitalised bank in terms of both its Common Equity Tier 1 capital ratio and leverage ratio at the end of the scenario period.

For more information on Swedbank's scenario simulation and its outcome, see page 63 in the fact book.

Funding and liquidity

During the first half-year 2014 Swedbank issued a total of SEK 69bn in long-term debt instruments, of which SEK 49bn related to covered bonds and SEK 20bn to senior unsecured debt. During the second quarter a total of SEK 32bn in long-term debt instruments was issued, including SEK 28bn in covered bonds and SEK 4bn in senior unsecured debt. Of the covered bonds, SEK 20bn was issued in SEK during the quarter. Demand for private placements remained high. For the full-year 2014 Swedbank plans to issue a total of about SEK 120bn to meet maturing long-term funding with a nominal value of SEK 103bn. Liquidity over and above the refinancing need is used in day-to-day management to repurchase covered bonds.

The average maturity of all capital market funding arranged through the bank's short- and long-term programmes was 29 months on 30 June 2014 (29 as of 31 December 2013). The average maturity of long-term funding issued during the first half-year was 61 months. The bank's short-term funding is mainly used as a cash management tool, not to finance the bank's lending to the public. Demand for Swedbank's short-term debt instruments remained high and the outstanding volume of short-term funding increased by SEK 83bn during the first half-year to SEK 184bn.

Swedbank left the government guarantee programme in April 2010 and in May 2014 the last government guaranteed bonds, issued in 2009, matured.

Swedbank's liquidity reserve, which is reported in accordance with the Swedish Bankers' Association's definition and is managed by Group Treasury, amounted to SEK 281bn on 30 June 2014 (243 as of 31 March). In addition to the liquidity reserve, liquid securities in other parts of the Group amounted to SEK 52bn (59 as of 31 March). The liquidity reserve and Liquidity Coverage Ratio (LCR) will fluctuate over time depending, among other things, on the maturity structure of the bank's issued securities. The Group's LCR was 123 per cent on 30 June (144 as of 31 March). Distributed by USD and EUR, LCR was 195 per cent (312 as of 31 March) and 289 per cent (586 as of 31 March) respectively. In early 2013 the Basel Committee published a new definition of LCR. According to Swedbank's interpretation, LCR would have been 132 per cent as of 30 June (163 as of 31 December).

According to Swedbank's interpretation of the Basel Committee's latest proposed revisions to the definition from January 2014, the Group's Net Stable Funding Ratio (NSFR) was 102 per cent (102 as of 31 March). The main liquidity measure used by the Board of Directors and executive management is the so-called survival horizon, which shows how long the bank could manage when access to new financing were limited. At present the bank would survive more than 12 months with the capital markets completely shut down. This applies to the Group's total liquidity as well as liquidity in USD and EUR.

For more information on the above, see page 67 in the fact book.

Ratings

On 29 April Standard & Poor's (S&P) revised its outlook for the ratings of Swedbank and 50 European banks to negative. The revision was a consequence of the EU Parliament's approval of the EU's Bank Recovery and Resolution Directive (BRRD). S&P felt the directive increases the risk that investors in senior uncovered debt will be forced to absorb losses if a bank incurs financial problems. At the same time S&P raised Swedbank's individual rating, mainly against the backdrop of the bank's solid capitalisation. As a direct result, the rating on Swedbank's subordinated debt was raised as well.

On 29 May Moody's also revised its outlook on Swedbank and a number of other European banks to negative due to the BRRD.

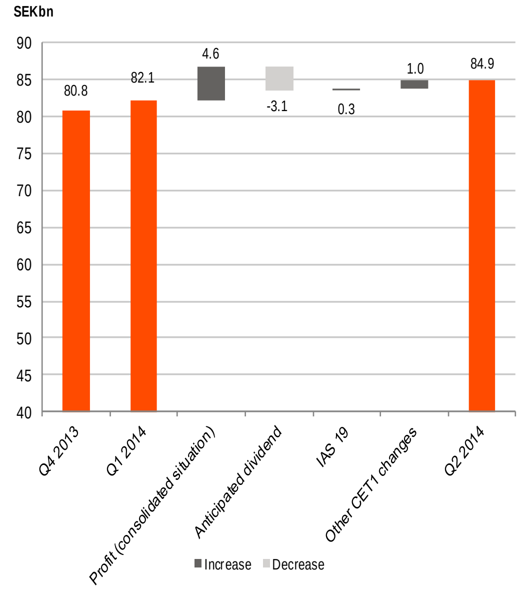
Fitch revised its outlook for Swedbank's rating to positive on 24 June. The revision was a direct result of the bank's credit quality, stable earnings and strong capitalisation.

Capital and capital adequacy

On 13 June Swedbank received approval from the Swedish Financial Supervisory Authority to use the advanced internal ratings-based (A-IRB) approach for its corporate exposures in Sweden and Norway. This positively affected the Common Equity Tier 1 ratio by 3.8 percentage points as of 30 June. During the quarter the acquisition of Sparbanken Öresund was finalised as well, reducing the Common Equity Tier 1 ratio by 0.8 percentage points. Including these effects, the Common Equity Tier 1 ratio increased to 20.9 per cent on 30 June (18.3 per cent on 31 March and 31 December 2013).

Common Equity Tier 1 capital increased by SEK 2.8bn during the quarter to SEK 84.9bn. The change was mainly due to the bank's profit after deducting the anticipated dividend. The revisions in the recognition of pensions (IAS 19), effective 2013, create volatility in the estimated pension liability, which also affects equity through other comprehensive income. During the second quarter the calculated pension liability rose by about SEK 0.3bn, where the falling discount rate increased the debt, while a revised inflation assumption reduced it. See the note Statement of comprehensive income for more information. Other increases in the Common Equity Tier 1 capital include approximately SEK 0.5bn due to the approval of A-IRB.

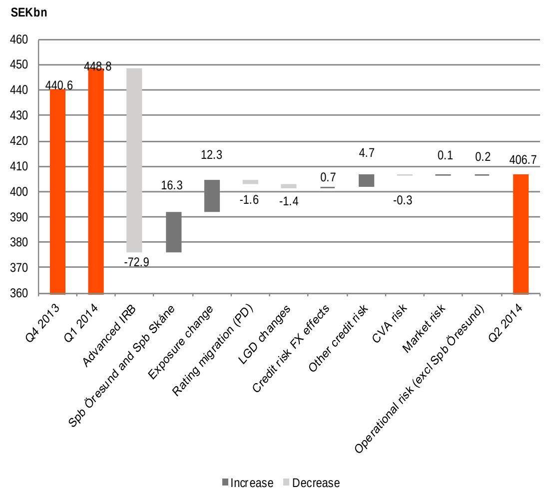
Change in Common Equity Tier 1 capital Basel 3, second quarter 2014, Swedbank consolidated situation



The risk exposure amount (REA) decreased by SEK 42.1bn during the second quarter to SEK 406.7bn on 30 June (448.8 as of 31 March). The REA for credit risks decreased by SEK 43.5bn. The Swedish Financial Supervisory Authority's approval allowing Swedbank to use A-IRB for corporate exposures reduced the REA by SEK 72.9bn, while the acquisition of Sparbanken Öresund and investments in Sparbanken Skåne increased the REA for credit risks by SEK 14.9bn. Increased exposures, mainly to corporate customers in Swedish Banking and LC&I, raised the REA by SEK 12.3bn. Positive rating migrations, mainly among corporate customers in Swedish Banking, reduced the REA by SEK 1.6bn. Fluctuations in exchange rates, mainly attributable to the Baltic credit portfolio, raised the REA for credit risks by SEK 0.7bn due to the depreciation of the Swedish krona against the euro. Other increases in the REA for credit risks include reclassifications of exposures and adjustments owing to the implementation of Basel 3.

The REA for credit valuation adjustment (CVA risk), which arose in connection with the introduction of Basel 3, decreased by SEK 0.3bn during the second quarter. The REA for market risks was essentially unchanged. The REA for currency risks decreased by just over SEK 1bn, while market risks within LC&I increased by a corresponding amount. The REA for operational risks increased by SEK 1.6bn, mainly due to the acquisition of Sparbanken Öresund.

Change in REA Basel 3, second quarter 2014, Swedbank consolidated situation



Certain aspects of the EU's new capital adequacy rules (based on Basel 3), which took effect on 1 January 2014, require introduction on a national basis. The new Swedish legislation takes effect in August 2014, at which point the Swedish Financial Supervisory Authority will be authorised to decide on the final Swedish capital requirements.

On 8 May the Swedish Financial Supervisory Authority published a memo on the future capital requirements for Swedish banks. The memo covered the capital requirements for systemic risks for Sweden's four major banks, considerations regarding the countercyclical capital buffer and raising the risk weight floor for Swedish mortgages. It also clarified the process for Pillar 2. In a separate June memo, the Swedish Financial Supervisory Authority proposed a countercyclical buffer of 1.0 per cent for Swedish exposures, which will be applied as of September 2015. The Swedish Financial Supervisory Authority expects to decide on the future capital requirements and activation of the countercyclical buffer this autumn. In the Baltic countries, no decision has yet been made whether to activate the countercyclical buffer. Swedbank's aggregate countercyclical buffer, based on a geographical distribution of its exposures, is estimated at just over 0.7 per cent.

Not until the Swedish Financial Supervisory Authority has detailed its future capital requirements, including standardised models and capital requirements for Pillar 2, can the Board of Directors set a capital target.

The Swedish Financial Supervisory Authority's regulations adopted in June require companies to publish their internal assessment of the capital requirement. Given the proposal on standardised models for Pillar 2 risks, this will not be introduced before 1 January 2015, however, and will require publication as of the first quarter 2015.

The previously announced risk weight floor of 15 per cent for the Swedish mortgage portfolio within Pillar 2 does not affect the reported capital ratios. Based, however, on an average risk weight of 4.2 per cent according to Pillar 1 in Swedbank's Swedish mortgage portfolio on 30 June and the Swedish Common Equity Tier 1 capital requirement of 12 per cent (as of 2015), Swedbank will have to maintain additional Common Equity Tier 1 capital of SEK 9.6bn for Swedish mortgages. This corresponds to 2.4 percentage points of the Common Equity Tier 1 ratio according to Pillar 1. In its internal controls, Swedbank allocates capital to its mortgage business equivalent to the risk weight floor. The Swedish Financial Supervisory Authority's intent to further increase the risk weight floor, to 25 per cent, and to include the countercyclical buffer in the calculation, means that Swedbank has to maintain additional Common Equity Tier 1 capital of SEK 20bn for its Swedish mortgages, corresponding to 4.9 percentage points of the Common Equity Tier 1 capital ratio according to Pillar 1.

Swedbank's leverage ratio was 4.3 per cent on 30 June (4.5 per cent on 31 March 2014 and 4.6 per cent on 31 December 2013). The decrease is due to the acquisition of Sparbanken Öresund and volume increases. According to the EU's rules, the measure will be evaluated by the authorities prior to the possible introduction of a minimum requirement in 2018.

An announcement in early July detailed how the BRRD will be implemented in Swedish law from January 2015. The new directive is complex and extensive, so it is unlikely that the Swedish law can take effect as early as 1 January 2015. The portions concerning capital and debt write-downs, "bail-ins", will not be introduced until 2016. The purpose of the directive is to prevent crisis situations, improve crisis management and reduce the risk of taxpayers having to bear the cost of another banking crisis.

Market risk

The majority of the Group's market risks are of a structural or strategic nature and are managed by Group Treasury. Structural interest rate risks arise when the maturity of the Group's assets and liabilities, such as deposits and lending, do not coincide. The risks are managed within the given mandates by matching maturities directly or using various derivatives such as interest rate swaps. Net interest income sensitivity is also affected by structural risks in the bank's deposit operations, where various products show different sensitivity to changes in market interest rates. Strategic currency risks arise primarily through risks tied to holdings in foreign subsidiaries and their financing.

Market risks also arise in LC&I's trading operations in connection with customer transactions and by maintaining a secondary market for various types of securities.

Swedbank measures market risks with a Value-at-Risk (VaR[1)]) model, among other things.

VaR by risk category

	Jan-Jun 2014 (2013)			30 Jun	31 Dec
SEKm	**Max**	**Min**	**Average**	**2014**	**2013**
Interest risk	87 (97)	66 (65)	78(80)	78	66
Currency rate risk	16 (17)	3 (2)	9 (7)	6	10
Stock price risk	12 (9)	1 (2)	4 (5)	3	3
Diversification			-13 (-16)	-10	-13
Total	**87 (89)**	**67 (59)**	**78 (76)**	**77**	**66**

[1)] The VaR model was supplemented during the year with new risk factors, due to which the figures for 2014 are not directly comparable with those for 2013.

For individual risk types, VaR is complemented by various risk measures based on sensitivity to changes in market prices. Risk taking is also monitored with stress tests. An increase in all market interest rates of one percentage point as of 30 June 2014 would have increased the value of the Group's assets and liabilities, including derivatives, by SEK 286m (75 as of 31 December 2013). This calculation includes parts of the bank's deposits with a duration of two to three years. The effect on positions in SEK would have been SEK 337m (250), while the value of positions in foreign currency would have decreased by SEK 51m (-175). The Group's net gains and losses on financial items at fair value would have been reduced by SEK 630m (-608), with the biggest contributions coming from the Group's liquidity portfolio as well as the trading operations within LC&I.

Operational risks

The number of IT incidents fell year-on-year. The bank's customers were affected by two major disruptions to the Internet Bank and Telephone Bank, however. This is in addition to brief disruptions in shared ATMs on five separate occasions, which affected the affiliated banks' Swedish card customers. All the disruptions were considered serious and have been reported to the Swedish Financial Supervisory Authority. Swedbank has taken action to improve stability and ensure that its customers are not affected again. The bank's direct losses attributable to operational risks remained low.

Other events

During the quarter Swedbank was nominated in the annual IR Magazine Awards for European companies in three categories: best Investor Relations (IR) in Northern Europe, best IR by a CEO (large cap) and best corporate governance and disclosure policy. Swedbank CEO Michael Wolf won first prize for best IR by a CEO. Swedbank also won an award for best IR in Sweden.

On 17 June the Swedish Competition Authority sued the subsidiary Swedbank Franchise regarding its acquisition of Svensk Fastighetsförmedling. The Competition Authority is of the opinion that the acquisition will impede competition. Swedbank does not share the Competition Authority's view of the effects of the acquisition and feels that the Competition Authority incorrectly considers franchisees to be subsidiaries of Swedbank Franchise. Swedbank therefore welcomes an impartial ruling by the courts. The legal process in the district court is expected to be completed by 17 December.

Events after 30 June 2014

The Swedish Riksbank cut the repo rate by 0.50 basis points to 0.25 per cent on 9 July.

Swedish Banking

- Increased corporate and mortgage volumes
- Positive stock market performance and increased fund savings strengthen commission income
- Acquisition of Sparbanken Öresund improves market position in southern Sweden

Income statement

SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	3 362	3 314	1	3 368		6 676	6 699	
Net commission income	1 790	1 649	9	1 548	16	3 439	3 138	10
Net gains and losses on financial items at fair value	54	50	8	33	64	104	67	55
Share of profit or loss of associates	410	256	60	197		666	401	66
Other income	613	153		170		766	389	97
Total income	**6 229**	**5 422**	**15**	**5 316**	**17**	**11 651**	**10 694**	**9**
Staff costs	1 360	919	48	871	56	2 279	1 732	32
Variable staff costs	52	51	2	67	-22	103	115	-10
Other expenses	1 746	1 442	21	1 424	23	3 188	2 884	11
Depreciation/amortisation	34	31	10	30	13	65	60	8
Total expenses	**3 192**	**2 443**	**31**	**2 392**	**33**	**5 635**	**4 791**	**18**
Profit before impairments	**3 037**	**2 979**	**2**	**2 924**	**4**	**6 016**	**5 903**	**2**
Credit impairments	25	31	-19	36	-31	56	91	-38
Operating profit	**3 012**	**2 948**	**2**	**2 888**	**4**	**5 960**	**5 812**	**3**
Tax expense	563	640	-12	623	-10	1 203	1 254	-4
Profit for the period	2 449	2 308	6	2 265	8	4 757	4 558	4
Profit for the period attributable to the shareholders of Swedbank AB	**2 445**	**2 304**	**6**	**2 264**	**8**	**4 749**	**4 555**	**4**
Non-controlling interests	4	4		1		8	3	
Return on allocated equity, %	29.7	28.3		27.8		29.0	27.9	
Loan/deposit ratio, %	246	250		243		246	243	
Credit impairment ratio, %	0.01	0.01		0.02		0.01	0.02	
Cost/income ratio	0.51	0.45		0.45		0.48	0.45	
Loans, SEKbn	987	949	4	919	7	987	919	7
Deposits, SEKbn	401	379	6	378	6	401	378	6
Full-time employees	5 446	4 996	9	4 921	11	5 446	4 921	11

Development January - June

The result for the period amounted to SEK 4 749m (4 555). Sparbanken Öresund is consolidated in Swedbank's accounts from the 21 May; see also page 6. Income and expenses both increased, while credit impairments were stable.

Impact of Sparbanken Öresund SEKm	Running business	One-offs	Total
Net interest income	48		48
Net commission income	18		18
Net gains and losses on financial items at fair value	-2		-2
Other income	15	461	476
Total income	**79**	**461**	**540**
Staff costs	47	393	440
Other expenses	39	222	261
Total expenses	**86**	**615**	**701**
Credit impairments	4		4
Tax expense	-2	-135	-137
Profit for the period attributable to the shareholders of Swedbank AB	**-9**	**-19**	**-28**

Net interest income was stable compared with the previous year. Higher volumes of deposits and lending largely offset lower deposit margins, which were adversely affected by declining market interest rates. Net interest income was also stable compared with the first quarter. Increased lending margins and slightly improved mortgage margins at the end of the quarter were offset by lower deposit margins.

Household deposit volumes increased by SEK 11bn since the beginning of the year, with volumes from the acquisition of Sparbanken Öresund accounting for SEK 8bn. Swedbank's share of household deposits was 21 per cent at the end of the period (21 per cent as of 31 December 2013). Corporate deposits within Swedish Banking increased by SEK 5bn since the beginning of the year, or by 5 per cent. Sparbanken Öresund accounted for SEK 4bn. Swedbank's market share, including corporate deposits within LC&I, was 19 per cent as of 31 May (18 per cent as of 31 December 2013).

Household mortgage lending volume increased by SEK 17bn since the beginning of the year, of which SEK 12bn during the second quarter. Swedbank's share of new sales continued to improve during the second quarter. Its share of net growth, excluding Sparbanken Öresund, was 22 per cent, compared with 18 per cent in the first quarter. Swedbank's share of the total market was 25 per cent (25 per cent as of 31 December 2013). Corporate lending volume increased by SEK 26bn since the beginning of the year, with Sparbanken Öresund accounting for SEK 11bn. Swedbank's market share, including corporate lending within LC&I, was stable at 18 per cent (17 per cent as of 31 December 2013).

Net commission income rose by 10 per cent compared with the same period in 2013. The increase was mainly due to higher fund volumes in the wake of stock market gains and increased net inflows. Swedbank's market share in terms of assets under management was 23 per cent (24 per cent as of 31 December 2013). Increased lending and guarantee commissions as well as real estate brokerage and equity trading revenue contributed as well. Compared with the first quarter, net commission income rose by 9 per cent mainly due to higher asset management revenue.

The share of associates' profit increased due to one-off income of SEK 230m from the credit card company Entercard after a distribution partner terminated their collaboration and recalled their outstanding credit cards.

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

Expenses for the first half-year increased mainly due to the acquisition of Sparbanken Öresund. Excluding Sparbanken Öresund they rose by 3 per cent year-on-year. Staff costs were higher due to an increase in advisors and higher salary costs. Cash handling expenses fell. Expenses for the second quarter, excluding Sparbanken Öresund, were stable. In connection with the acquisition SEK 591m was expensed for a restructuring reserve covering, among other things, system solutions and the divestment of branches. Total one-off costs from the acquisition were SEK 615m.

Credit quality remained good. Credit impairments decreased compared with the previous year and remain at the same level as in the first quarter. The share of impaired loans was 0.15 per cent (0.16).

The risk exposure amount was SEK 179bn, a decrease of SEK 10bn during the quarter. The Swedish Financial Supervisory Authority's approval of A-IRB for corporate exposures reduced the risk exposure amount by SEK 34bn. The acquisition of Sparbanken Öresund and investments in Sparbanken Skåne increased the risk exposure amount by SEK 16bn. Excluding these one-off effects the risk exposure amount rose by SEK 7bn, mainly as a result of increased corporate lending.

A number of services with new or improved functions were launched in the bank's digital channels during the quarter. One example is Swish for corporates, which allows small companies, organisations and associations to manage payment flows between consumers and companies. A new payment terminal introduced for small retailers and non-profits, Babs Micro, can accept card payments without access to a fixed terminal. The mobile terminal connects wirelessly by mobile phone. Additional functions have been added to the Mobile Bank as well, including an expense tracker that makes it easier for private customers to manage their spending.

Use of Swedbank's digital channels continues to grow. The Internet Bank had 3.6 million users as of 30 June, an increase of 44 000 during the year. The Mobile Bank had 1.8 million (+204 000) and the iPad Bank had 466 000 (+81 000).

As of 30 June there were 1.4 million Swish users across Swedish banks, an increase of 641 000 in 2014. Swedbank and the savings banks' share was 41.3 per cent.

Card usage continues to increase. As of 31 May 2014 the total number of card purchases in stores had increased by 10 per cent, and the aggregate value by 8 per cent, compared with the same period a year earlier.

Sweden is Swedbank's largest market, *with around 4 million private customers and more than 250 000 corporate customers. This makes it Sweden's largest bank by number of customers. Through our digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, and with the support of savings banks and franchisees, we are always available. Swedbank is part of the local community. Our branch managers have the 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 320 branches in Sweden. The various product areas are described on page 23.*

Large Corporates & Institutions

- High lending activity among large corporates
- Continued strong IPO earnings
- Good bond issuance activity

Income statement

SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	846	867	-2	851	-1	1 713	1 634	5
Net commission income	496	630	-21	522	-5	1 126	942	20
Net gains and losses on financial items at fair value	575	565	2	503	14	1 140	1 082	5
Other income	28	37	-24	49	-43	65	80	-19
Total income	**1 945**	**2 099**	**-7**	**1 925**	**1**	**4 044**	**3 738**	**8**
Staff costs	323	322		293	10	645	581	11
Variable staff costs	75	75		104	-28	150	192	-22
Other expenses	392	415	-6	427	-8	807	771	5
Depreciation/amortisation	14	22	-36	12	17	36	25	44
Total expenses	**804**	**834**	**-4**	**836**	**-4**	**1 638**	**1 569**	**4**
Profit before impairments	**1 141**	**1 265**	**-10**	**1 089**	**5**	**2 406**	**2 169**	**11**
Impairment of intangible assets				56			56	
Impairment of tangible assets								
Credit impairments	21	-30		94	-78	-9	168	
Operating profit	**1 120**	**1 295**	**-14**	**939**	**19**	**2 415**	**1 945**	**24**
Tax expense	225	292	-23	257	-12	517	473	9
Profit for the period	895	1 003	-11	682	31	1 898	1 472	29
Profit for the period attributable to the shareholders of Swedbank AB	**895**	**1 003**	**-11**	**682**	**31**	**1 898**	**1 472**	**29**
Return on allocated equity, %	23.1	26.9		14.4		24.8	15.6	
Loan/deposit ratio, %	161	153		219		161	219	
Credit impairment ratio, %	0.04	-0.06		0.17		-0.01	0.14	
Cost/income ratio	0.41	0.40		0.43		0.41	0.42	
Loans, SEKbn	157	152	3	151	4	157	151	4
Deposits, SEKbn	98	99	-1	69	42	98	69	42
Full-time employees	1 120	1 094	2	1 032	9	1 120	1 032	9

Development January - June

The result for the period amounted to SEK 1 898m, an increase of 29 per cent year-on-year. The result was positively affected by increased lending-related income as well as income from IPOs and bond issues. The long-term strategy to strengthen expertise in specific industrial sectors and improve customer relations in these areas has produced results in the form of increased business and new customers during the year.

Net interest income increased by 5 per cent during the first half-year compared with the same period in 2013. Higher average lending volumes and origination fees also contributed to the improvement. Margins in the lending portfolio improved slightly. Lending volume was 4 per cent higher year-on-year, gaining SEK 6bn. Net interest income fell by 2 per cent on a quarterly basis to SEK 846m mainly due to lower origination fees on the capital market side. Lending volumes increased by SEK 5bn during the quarter thanks to a higher take-up rate and higher sales, mainly in the real estate and telecoms sectors. Lending activity among large corporates was high due to the refinancing of maturing loans. The lending margin on the entire loan portfolio was stable compared with the first quarter, but with continued pressure on new loan margins. Deposit volumes were higher than in the same period in 2013 and stable against the previous quarter. The year-on-year gain is a result of increased business with existing customers and temporary deposit increases from a few major customers.

Net commission income rose by 20 per cent to SEK 1 126m compared with the first half-year 2013. The current low interest rate environment and high stock prices have led to increased activity among the bank's corporate customers, which increased income from corporate finance and lending-related commissions. Swedbank participated in five of nine IPOs in Sweden during the first half-year, making it one of the two market leaders. During the second quarter net commission income fell by 21 per cent to SEK 496m, partly due to one-off income and high bond-related income in Norway in the first quarter. Bond issuance and IPO activity was high as well during the second quarter, with continued strong earnings. During the second quarter Swedbank participated as advisor in Recipharm's and Akelius' listings on the Swedish stock exchange. Several major bond issues were completed as well, including for Hemfosa in Sweden and Harkand in Norway. Swedbank's market share for Swedish issues was 18.4 per cent in 2014 (19.4). The corresponding figure in Norway was 17.6 per cent (16.6). This made Swedbank the third largest player in Sweden and second largest in Norway.

Net gains and losses on financial items at fair value increased by 5 per cent to SEK 1 140m compared with the first half-year 2013. The biggest contributor to the increase came from bond and fixed income trading, where customer activity was higher than in the same period in 2013. Compared with the first quarter net gains and losses on financial items were stable despite low volatility in the financial markets, which led to slightly lower customer activity.

Total expenses increased by 4 per cent to SEK 1 638m compared with the same period in 2013. Staff costs rose as a result of wage increases and because of a conscious effort to expand advisory services for bond issues and corporate finance. The development of new products as well as IT investments in the wake of increased regulatory requirements raised expenses for IT and IT-related personnel. Compared with the previous quarter expenses decreased by 4 per cent.

Credit quality in the loan portfolio has remained good. Net recoveries of SEK 9m were reported during the quarter, compared with credit impairments of SEK 168m in the same period in 2013. The share of impaired loans was 0.11 per cent (0.49).

The risk exposure amount decreased by SEK 32bn during the quarter to SEK 117bn. The risk exposure amount for credit risk decreased by SEK 33bn. The transition to A-IRB for corporate exposures accounted for SEK 39bn of the decrease. Excluding A-IRB the risk exposure rose by SEK 6bn, mainly as a result of increased lending.

***Large Corporates & Institutions** is responsible for Swedbank's offering to customers with revenues above SEK 2 billion and those whose needs are considered complex due to multinational operations or a need for sophisticated financing solutions. The business segment is also responsible for developing corporate and capital market products for other parts of the bank and the Swedish savings banks. LC&I works closely with customers, who receive advice on decisions that create sustainable profits and sustainable growth in the long-term. The business segment has around 1 100 employees at branches in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China and the US.*

Baltic Banking

- Solid financial results and good business activity
- High cost efficiency
- No impact from conflict between Russia and Ukraine

Income statement

SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	894	874	2	763	17	1 768	1 505	17
Net commission income	522	429	22	445	17	951	833	14
Net gains and losses on financial items at fair value	62	53	17	72	-14	115	134	-14
Other income	118	109	8	98	20	227	188	21
Total income	**1 596**	**1 465**	**9**	**1 378**	**16**	**3 061**	**2 660**	**15**
Staff costs	193	187	3	197	-2	380	394	-4
Variable staff costs	19	20	-5	9		39	27	44
Other expenses	374	364	3	355	5	738	696	6
Depreciation/amortisation	35	36	-3	33	6	71	66	8
Total expenses	**621**	**607**	**2**	**594**	**5**	**1 228**	**1 183**	**4**
Profit before impairments	**975**	**858**	**14**	**784**	**24**	**1 833**	**1 477**	**24**
Impairment of intangible assets	1					1		
Impairment of tangible assets	3	-5		2	50	-2	6	
Credit impairments	-16	-101	-84	-43	-63	-117	-113	4
Operating profit	**987**	**964**	**2**	**825**	**20**	**1 951**	**1 584**	**23**
Tax expense	158	137	15	67		295	127	
Profit for the period	829	827		758	9	1 656	1 457	14
Profit for the period attributable to the shareholders of Swedbank AB	**829**	**827**		**758**	**9**	**1 656**	**1 457**	**14**
Return on allocated equity, %	15.6	15.2		13.4		15.3	12.7	
Loan/deposit ratio, %	99	101		108		99	108	
Credit impairment ratio, %	-0.06	-0.34		-0.15		-0.20	-0.20	
Cost/income ratio	0.39	0.41		0.43		0.40	0.44	
Loans, SEKbn	122	118	3	119	3	122	119	3
Deposits, SEKbn	122	117	4	110	11	122	110	11
Full-time employees	3 822	3 853	-1	4 239	-10	3 822	4 239	-10

Development January - June

Profit for the first half-year amounted to SEK 1 656m (1 457) and the return on allocated equity reached 15.3 per cent (12.7). The increase was mainly due to higher income, while expenses and recoveries were about the same level year-on-year. The ongoing conflict between Russia and Ukraine has affected profits.

Net interest income increased by 12 per cent in local currency compared with the first half-year 2013. Increased deposit volumes, higher Euribor rates and repricing affected net interest income positively. The repricing of corporate loans to reflect the higher costs of capital and regulatory changes will continue throughout 2014. Fluctuations in exchange rates increased net interest income by SEK 84m. Net interest income in local currency were more or less unchangedin a comparison of the first and second quarters.

Lending volumes decreased by 1 per cent in local currency compared with 31 December 2013. This was mainly due to portfolio amortisations and lower new sales during the first quarter. The decrease came from corporate lending and private mortgages, while consumer finance increased. Lending portfolios decreased in Estonia and Latvia, but increased in Lithuania. During the second quarter the Baltic loan portfolio increased slightly. Swedbank's market share for lending was 29 per cent as of 31 March (28 as of 31 December 2013).

Deposit volumes in local currency were stable during the first half-year. Deposits increased in Estonia and Lithuania, but decreased in Latvia as more cash than usual was deposited in the fourth quarter 2013 ahead of the country's euro transition on 1 January 2014. Swedbank's market share in deposits was 29 per cent as of 31 March (28 per cent as of 31 December 2013).

The loan-to-deposit ratio was 99 per cent (100 per cent as of 31 December 2013).

Net commission income rose by 9 per cent in local currency compared with the first half-year 2013. The improvement was mainly due to increased customer activity, as reflected by higher card related income, as well as growing asset management volumes following the stock market's positive performance. The number of active customers increased by 40 000 since 30 June 2013 to 2.6 million. During the second quarter one-off income of SEK 35m was recognised for a previous fine levied on the Lithuanian operations in the fourth quarter 2012, which was reversed on appeal. Net commission income was negatively affected by about SEK 40m due to the euro transition in Latvia, which resulted in fewer international payments. Compared with the first quarter net commission income rose by 19 cent in local currency, mainly due to a one-off income in Lithuania and seasonally higher card and payment commissions.

Net gains and losses on financial items at fair value decreased by 19 per cent in local currency compared with the first half-year 2013. The decrease was mainly due to lower income from the Latvian FX trading business of SEK 36m as a result of the euro transition.

Other income for the first half-year increased by 16 per cent in local currency compared with the same period in 2013 due to higher insurance-related income and a VAT refund on transfer pricing of invoices in Latvia.

Total expenses decreased by 1 per cent in local currency year-on-year, mainly due to lower expenses for staff, premises and marketing. The number of full time employees on 30 June was 10 per cent lower than a year earlier. At the same time the number of branches has been reduced by 11 to 174 in the last 12 months, of which 36 are now cash-smart branches with a focus on advisory services. The cost-income ratio improved during the first half-year to 0.40 (0.44).

Net recoveries amounted to SEK 117m, compared with SEK 113m in the first six months of 2013. All three countries reported recoveries. Swedbank is taking preventive measures to help its customers affected by the current geopolitical situation. No major spillover effects have been observed as yet on business activity or our customers' finances.

Impaired loans continued to decrease in all three countries during the first half-year to SEK 4.5bn (5.0 as of 31 December 2013). Credit quality has improved to such a level that the decrease in impaired loans is expected to be moderate in 2014 compared with the last two years.

The risk exposure amount rose by SEK 2bn during the quarter to SEK 83bn. The whole increase is related to credit risk, the majority of which is attributable to increased corporate and FX exposures. At the same time the Swedish Financial Supervisory Authority's approval to update the risk classification models for retail customers and small businesses contributed to a reduction in the risk exposure amount.

Lithuania is preparing to adopt the euro on 1 January 2015. A formal decision will be made at the end of July 2014. The likelihood of approval is considered high since the relevant EU institutions have already supported Lithuania's euro adoption. The bank's expenses related to the euro transition in Latvia and Lithuania are estimated at SEK 84m in 2014, of which SEK 27m has been recognised during the first half-year.

In 2014 Swedbank adopted a new policy on profit distributions from the Baltic operations, whereby around 60 per cent of earnings generated in the Baltic subsidiaries as of 2014 will be distributed to the parent company, Swedbank AB. Profit in Estonia is not taxed until its distribution, which means that deferred tax is now recognised on the estimated distribution from Estonia, even though it will not be paid until the first quarter 2015. For the first half-year 2014 deferred tax of SEK 102m has been recognised for future distributions.

In brand reputation surveys in Estonia and Latvia during the second quarter Swedbank ranked first among financial institutions and number two among all companies.

Swedbank is the largest bank *by number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and more than 250 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 50 branches in Estonia, 54 in Latvia and 70 in Lithuania. The various product areas are described on page 23.*

Group Functions & Other

Income statement

SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income	419	424	-1	425	-1	843	921	-8
Net commission income	-14	-31	-55	-10	40	-45	-37	22
Net gains and losses on financial items at fair value	82	-323		-312		-241	-430	-44
Share of profit or loss of associates							2	
Other income	249	322	-23	321	-22	571	621	-8
Total income	**736**	**392**	**88**	**424**	**74**	**1 128**	**1 077**	**5**
Staff costs	819	810	1	798	3	1 629	1 585	3
Variable staff costs	60	53	13	52	15	113	123	-8
Other expenses	-615	-553	11	-575	7	-1 168	-1 162	-1
Depreciation/amortisation	89	90	-1	93	-4	179	188	-5
Total expenses	**353**	**400**	**-12**	**368**	**-4**	**753**	**734**	**3**
Profit before impairments	**383**	**-8**		**56**		**375**	**343**	**9**
Impairment of intangible assets				114			114	
Impairment of tangible assets	66	140	-53	200	-67	206	281	-27
Credit impairments				1			2	
Operating profit	**317**	**-148**		**-259**		**169**	**-54**	
Tax expense	117	5		-34		122	35	
Profit for the period from continuing operations	**200**	**-153**		**-225**		**47**	**-89**	
Profit for the period from discontinued operations, after tax	-230	-27		-1 887	-88	-257	-2 277	-89
Profit for the period	-30	-180	-83	-2 112	-99	-210	-2 366	-91
Profit for the period attributable to the shareholders of Swedbank AB	**-30**	**-181**	**-83**	**-2 112**	**-99**	**-211**	**-2 367**	**-91**
Non-controlling interests		1				1	1	
Full-time employees	4 294	4 327	-1	4 159	3	4 294	4 159	3

Development January - June

Income for Group Functions & Other consists of net interest income and net gains and losses on financial items, which mainly come from Group Treasury. Other income primarily consists of revenue from the savings banks as well as sales revenue and operating income from Ektornet. Income amounted to SEK 1 128m (1 077). Net gains and losses on financial items at fair value within Group Treasury improved due to a SEK 80m change in the value of a strategic shareholding. In 2013 an offer to repurchase government guaranteed bonds negatively affected net gains and losses. During the first quarter 2014 negative FX effects of SEK 74m were recognised in Ektornet related to the depreciation of the Ukrainian hryvnia. Other income included a property sale in Russia during the first quarter, which positively affected other income by SEK 83m. Sales activity within Ektornet has slowed since the portfolio has already been largely sold off, which has reduced other income.

Expenses for Group Functions & Other increased by 3 per cent to SEK 753m (734) compared with the same period in 2013. Excluding the net of services purchased and sold internally, expenses increased by 5 per cent to SEK 3 508m (3 340). The increase was mainly due to one-off expenses of SEK 136m in connection with the move of the head office and higher IT development expenses and staff costs. This was partly offset by lower expenses in Ektornet, where property management expenses are dropping as the portfolio is divested.

Ektornet's property values were written down by SEK 204m (281). The writedowns related to Ukraine and the US.

Group Products

Swedbank's product operations, Group Products (GP), are centralised at the Group level to create a more responsive and customer-driven product range and an efficient product organisation. Consisting of around 1 800 employees in Sweden, Estonia, Latvia and Lithuania, GP is responsible for a large part of Swedbank's product areas. It is also tasked with supporting the business areas by reducing the complexity of the product range and simplifying sales in the various distribution channels. The product areas that GP is responsible for – lending and deposits, payments, cards, asset management and insurance – are described in more detail starting on page 23. GP also comprises the subsidiary Swedbank Franchise AB, which in turn includes the real estate (Fastighetsbyrån and Svensk Fastighetsförmedling) and business brokerages (Företagsförmedling) and a legal service provider (Juristbyrån).

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

Expenses, excluding the net of services purchased and sold internally, amounted to SEK 1 682m (1 603) for the first half-year. The cost increase was mainly due to IT operations and development, marketing and depreciation/amortisation.

Group Treasury
Group Treasury is responsible for the bank's funding, liquidity and capital planning. The Group's equity is allocated to each business segment on the basis of capital adequacy rules and how much capital is needed based on the bank's Internal Capital Adequacy Assessment Process (ICAAP). Group Treasury prices all internal deposit and loan flows in the Group through internal interest rates, where the most important parameters are maturity, interest fixing period, currency and need for liquidity reserves.

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

Net interest income for the first half-year 2014 decreased to SEK 904m (990). The positive effects of repurchases were greater in 2013. In the second quarter 2013 net interest income was stable.

Net gains and losses on financial items at fair value for the first half-year 2014 amounted to SEK -166m, compared with SEK -462m in the same period in the previous year. The main reason for the negative net result is the impact of covered bond repurchases, which have a corresponding positive effect on net interest income over time. Net gains and losses on financial items at fair value for the second quarter 2014 was SEK 81m, compared with SEK -247m for the first quarter. A change in value related to a strategic shareholding positively affected net gains and losses on financial items at fair value by SEK 80m in the second quarter. The second quarter also benefits from the positive effects of falling interest rates and lower negative effects due to lower repurchase volumes compared with the first quarter.

Russia
The Russian operations are reported since 2013 as discontinued operations. The result for the first half-year for discontinued operations was SEK -257m (-2 277). In the first half-year 2013 the Ukrainian operations were included in discontinued operations and affected the result by SEK -2 236m. When the Ukrainian operations were sold in the second quarter 2013, SEK -1 875m was reclassified to profit or loss from other comprehensive income. A corresponding reclassification of SEK -223m was made during the second quarter 2014 for the winding down of the Russian operations. Remaining equity in the Russian operations amounts to SEK 212m, with remaining negative FX differences of SEK 11m as of 30 June.

Swedbank's net lending in Russia (including leasing) amounted to SEK 0.9bn as of 30 June. The lending portfolio in Russia, mainly consisting of good quality corporate loans, will decrease as customers amortise their loans.

Group Functions & Other *consists of centralised business support units: Group Products, Group Staffs, and the remaining operations in Russia. Group staffs, comprise Accounting & Finance (including Group Treasury and Communication), Risk, IT, Compliance, Public Affairs, HR and Legal, operate across business areas and serve as strategic and administrative support.*

Eliminations

Income statement

SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Net interest income		4		2		4	3	33
Net commission income	19	16	19	20	-5	35	37	-5
Net gains and losses on financial items at fair value								
Other income	-70	-78	10	-86	19	-148	-148	
Total income	**-51**	**-58**	**12**	**-64**	**-20**	**-109**	**-108**	**-1**
Staff costs								
Variable staff costs								
Other expenses	-51	-58	12	-64	-20	-109	-108	-1
Depreciation/amortisation								
Total expenses	**-51**	**-58**	**12**	**-64**	**-20**	**-109**	**-108**	**-1**

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

Product areas

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

Lending/deposits

Lending products account for about 62 per cent of Swedbank's assets on the balance sheet. Swedbank's lending operations are concentrated in Sweden, Estonia, Latvia, Lithuania and Norway.

Swedbank's total lending to private customers and corporations amounted to SEK 1 266bn (1 215 as of 31 December 2013). Household lending is the largest part, with mortgages to private customers and tenant-owner associations in Sweden accounting for about 57 per cent. Swedbank's market share for mortgages in Sweden is 25 per cent. Over one million customers obtain their mortgages through Swedbank Mortgage, and lending is geographically spread throughout the country.

Swedbank is also a major player in corporate lending in Sweden, with lending of SEK 359bn and a market share of 18 per cent as of 30 June (17 per cent as of 31 December 2013). Major sectors in Sweden include property-related lending, which accounts for SEK 186bn, and the forestry and agricultural sector, which accounts for SEK 71bn and where Swedbank has a dominant position. Swedbank is the largest lender in the Baltic countries, with market shares of 17-34 per cent. Estonia accounts for nearly half of Swedbank's Baltic loan portfolio, and there Swedbank has a market share of over 34 per cent. Total lending in the Baltic countries amounts to SEK 122bn, half of which is to households and half to companies. Major sectors for corporate lending in the Baltic countries include commercial real estate and manufacturing.

Swedbank is also a major player in deposits in its home markets. Total deposit volumes as of 30 June amounted to SEK 669bn (599), of which SEK 357bn (341) was to private customers and SEK 312bn (258) to corporate customers. Just over 73 per cent of Swedbank's total deposit volumes is in Sweden.

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

Payment operations

Swedbank is a leader in payment and cash management products in its four home markets. Growth in the payment area is based on economic growth and on customers' increasing use of payment means other than cash.

The payment area is strongly affected by changes in the operating environment. Rapid technological developments are creating a challenge in the form of increased competition, especially from e-commerce companies. Swedbank is well prepared in this regard in terms of infrastructure, economies of scale and its long history of strong consumer protection, an important factor as e-commerce grows. Over time regulatory changes will increase competition in selected parts of the payment area, which will have to be addressed mainly with cost efficiencies.

A growing share of customers is managing their payments digitally. Today over 3 million of the bank's customers in Sweden and 2.2 million in the Baltic countries have access to payment services through the Internet Bank and the Mobile Bank. The number of transactions through these channels grew by 14.9 per cent during the first half of 2014 year-on-year. Users of Mobile BankID, which facilitates online and mobile payments, are steadily increasing in number and now number over 1 070 000, compared with 460 000 on 30 June 2013.

Users of Swish, a solution for mobile payments shared with other Swedish banks, are also increasing and at the end of the quarter amounted to 1.4 million. The service will remain free for Swedbank's private customers. In June 2014 a commercial version of Swish was launched to allow small businesses, associations and organisations to accept payments from individuals.

Payments Income, SEKm	Jan-Jun 2014	Jan-Jun 2013	%
Net commission income	491	512	-4
of which Nordic countries	206	271	-24
of which Baltic countries	286	241	19

Net commission income for the first half of 2014 was 4 per cent lower year-on-year. The outsourcing of ATMs to Bankomat AB reduced the net commission income by SEK 56m, while a repayment of SEK 35m from the Lithuanian competition authority increased it. Excluding these items net commission income was stable. In the Nordic region the decrease was 3 per cent while it increased by 4 per cent in the Baltic countries.

Commission income increased due to higher volumes of domestic payments in the Nordic region (12 per cent) and the Baltic countries (10 per cent), while commission expenses were unchanged or lower as a result of proactive measures to reduce them. Commission income from international payments increased by 5 per cent in the Nordic region, but decreased by 19 per cent in the Baltic countries due to the euro adoption in Latvia.

Payments Key figures	Jan-Jun 2014	Jan-Jun 2013	%
International payments (million)	5.1	4.9	4
of which Sweden	2.3	2.2	5
of which Baltic countries	2.8	2.7	4
Domestic payments (million) [1)]	442.1	421.5	5
of which Sweden	329.1	312.1	5
of which Baltic countries	113.0	109.4	3
E-services payments (million) [2)]	150.8	89.5	68
of which Sweden	132.4	78.4	69
of which Baltic countries	18.3	11.1	65
Factoring portfolio, SEKm	4 301	4 446	-3
of which Sweden	2 255	2 238	1
of which Baltic countries	2 046	2 208	-7

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

Card business

Swedbank issues cards to the public and acquires card payments from merchants in all its home markets as well as in Denmark and Norway. When one of its cards is used to pay in a store, Swedbank, as the issuer, receives a commission from the merchant's payment acquirer. Conversely, Swedbank pays a commission to the card issuer when it acquires card payments from merchants. The payment acquisition business was recently expanded to Finland. The credit card operations in Sweden, Denmark and Norway are managed by Entercard AB, a joint venture with Barclays Bank. Swedbank owns 50 per cent of Entercard. Other card business takes place within the bank. Swedbank's aggregate market share for the card business in its home markets is about 50 per cent.

Swedbank is Europe's fifth largest card payment acquirer based on number of transactions. In this capacity, Swedbank enables retailers to accept payment through card terminals and online. Revenue mainly comes from the transaction fees retailers pay for access to infrastructure, administration, risk hedging and payment guarantees. As a payment acquirer, Swedbank incurs expenses for the above-mentioned commissions to card issuers as well as for operations and service. Rapidly expanding e-commerce is an important growth area for Swedbank. For retailers, the bank offers e-commerce solutions as a complement to other payment solutions. Swedbank's payment acquisition volume in e-commerce has increased by just over 100 per cent since the first half-year 2013.

In April Swedbank launched Babs Micro, a mobile based payment terminal that allows small businesses and associations to accept card payments by mobile phone without needing access to a fixed terminal.

Swedbank is the eleventh largest debit card issuer in Europe based on number of transactions. Sweden is among the countries in the world with the highest levels of card usage. Nearly 80 per cent of retail purchases are made by card at the same time that the number of cash withdrawals through ATMs is decreasing. As a card issuer, Swedbank generates revenue from cardholders in the form of annual fees, currency exchange fees and interest when credit is utilised. Transaction growth for Swedbank's cards in Sweden exceeded 10 per cent in the last year. The percentage of card transactions is high in Estonia as well (55 per cent), with an annual growth rate of about 9 per cent. In Latvia and Lithuania, card usage is lower, but the growth rate is expected to be higher than in Sweden. In card issuance in the bank's home markets the biggest growth opportunities are in corporate cards, where Swedbank has historically been weaker and where the large number of small business customers offers significant potential.

Card related income SEKm	Jan-Jun 2014	Jan-Jun 2013	%
Total income, SEKm	1 746	1 437	22
of which Nordics	845	829	2
of which Baltic countries	392	347	13
of which Entercard[1)]	510	261	95

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

Total card income increased by 22 per cent year-on-year. Entercard reported one-off income during the second quarter after a distribution partner in Norway terminated their partnership, which positively affected Sweden's income by approximately SEK 230m. As a result, Entercard's credit volumes decreased by approximately SEK 25 per cent.

In the Nordic region income was flat. The transaction volume in payment acquisitions increased by 9 per cent, while the corresponding increase for bank card transactions was 11 per cent. The increased transaction volumes produced higher issuance income, while the margins in payment acquisitions are under pressure.

In the Baltic countries, card issuance income is growing thanks to improved margins and increased card usage, primarily in Latvia and Lithuania.

Key ratios, cards	Jan-Jun 2014	Jan-Jun 2013	%
Acquired transactions, million	935	850	10
of which Nordics	793	718	10
of which Baltic countries	141	132	7
Acquired volumes, SEKbn	227	208	9
of which Nordics	207	190	9
of which Baltic countries	20	18	15
Issued cards, millon	7.7	7.8	-1
of which Nordics	3.9	3.9	
of which Baltic countries	3.9	3.9	-2
Number of card purchases, million	634	570	11
of which Nordics	468	425	10
of which Baltic countries	166	145	14

Asset management business

Asset management operations are conducted through the Swedbank Robur group in Swedbank's four home markets and in Norway. In total, Swedbank Robur offers around 140 funds as well as discretionary asset management. Fund assets under management amounted to SEK 666bn (561) on 30 June, of which the Swedish operations accounted for SEK 640bn. The market share in Sweden was 23.1 per cent in terms of assets under management. Discretionary assets under management amounted to SEK 297bn (257).

Of the total net inflow to the Swedish fund market, the majority was to fixed income funds (SEK 48bn) and mixed funds (SEK 25bn) during the first half-year. Equity funds reported a positive inflow as of 30 June (SEK 5bn) after an outflow in the first quarter. The total net inflow to Swedbank Robur's funds in Sweden was SEK 13bn, including SEK 10.7bn during the second quarter. This includes inflows to fixed income funds (SEK 13.5bn) and mixed funds (SEK 3.4bn), while equity funds posted a further outflow of SEK 3.7bn. Swedbank's market share of net inflows was 15.5 per cent during the first half-year. The inflow to discretionary asset management amounted to SEK 7.4bn during the first half-year.

Asset management Key ratios, SEKbn	Jan-Jun 2014	Jan-Jun 2013	%
Total income, SEKm	2 206	1 972	12
Assets under management	666	561	19
of which Sweden	640	541	18
of which Baltic countries	22	18	24
of which Norway	4	2	81
Discretionary asset management	297	257	15
of which Sweden	295	254	16
of which Baltic countries	2	3	

Income from asset management products amounted to SEK 2 206m during the first half-year, an increase of 12 per cent year-on-year. The improvement is mainly due to the market's positive development, which increased average assets under management by 19 per cent. Compared with the previous quarter income increased by SEK 62m, mainly due to a positive stock market.

Insurance business

Swedbank has life insurance operations in all its home markets and non-life operations in the Baltic countries. Non-life insurance is offered in Sweden through a third-party solution with the insurance company Tre Kronor. Insurance products are sold through the distribution channels of Swedbank and the savings banks.

Premium payments SEKm	Jan-Jun 2014	Jan-Jun 2013	%
Sweden	8 892	8 449	5
of which collective occupational pensions	3 066	2 833	8
of which endowment insurance	4 028	3 984	1
of which occupational pensions	1 086	976	11
of which risk insurance	380	347	9
of which other	333	310	7
Baltic countries	590	489	21
of which life insurance	369	303	22
of which non-life insurance	221	186	19

Sweden

Swedbank's life insurance company is the seventh largest in the Swedish market. In terms of premium payments it has a market share of about 7 per cent. During the first half-year premium income amounted to SEK 8.9bn, an increase of 5 per cent year-on-year. Demand for pension and insurance products will remain high for the foreseeable future, and currently they account for the largest inflow of all savings products.

Considering that only 20 per cent of the corporate customers of Swedbank and the savings banks have an occupational pension solution from Swedbank Försäkring, there is significant potential to raise sales among existing customers. Premium payments from occupational pensions rose by 11 per cent from the first half-year 2013, partly because the portfolio increased and partly because transfers from other insurers rose by 32 per cent.

Portions of the life insurance market (mainly customised occupational pension solutions) have high margins, while a large part of new savings will be in low-margin products. In order to offer competitive services in the long term, Swedbank has made efficiencies and automation of internal processes a priority. Swedbank does not consider the fees charged in parts of the occupational pension market to be sustainable in the current low interest rate environment.

From 1 July 2013 Swedbank Försäkring is a company of choice for the collectively negotiated ITP plan's 1.5 million private sector employees, one of the fastest growing areas of the occupational pension market. Since July 2013 around 11 000 new agreements have been signed and SEK 376m has been transferred from other insurers, of which nearly 4 000 policies worth SEK 272m are attributable to the first half-year 2014.

Baltic countries

In Estonia and Lithuania, Swedbank is the largest life insurance company, with market shares of 37 and 22 per cent respectively. The market share in Latvia is 15 per cent, where the business, in contrast to Estonia and Lithuania, has been built up without acquiring an existing insurance portfolio. Swedbank mainly focuses on risk insurance for existing loan customers in the retail banking market, where it sees significant opportunities to promote sound and sustainable finances because of the limited social safety net in the Baltic countries.

Sales of Swedbank's savings products increased by 40 per cent year-on-year. The corresponding increase for risk products was 33 per cent. More new products have resulted in higher premium income, which amounted to SEK 369m, up 16 per cent in local currency compared with the same period in 2013.

The market shares for non-life insurance in Estonia, Latvia and Lithuania are 14, 3 and 1 per cent respectively. In non-life insurance, Swedbank mainly offers solutions for private customers. The largest product areas are auto and home insurance, which are offered together with leasing and mortgages as well as through direct sales. The non-life operations in Lithuania were not launched until 2011. The market for auto leasing is small in Lithuania, because of which Swedbank is primarily focused on increasing its market share in home insurance. Total premium income for non-life insurance in the Baltic operations amounted to SEK 221m during the first half-year, an increase of 13 per cent in local currency compared with the first half of 2013. Increases were reported for every product, but especially home insurance, where advertising campaigns and more active sales by bank branches have led to higher volumes.

Assets under management

Assets under management SEKbn	30 Jun 2014	31 Dec 2013	%
Sweden	129.1	118.2	9
of which collective occupational pensions	53.8	47.6	13
of which endowment insurance	52.7	49.6	6
of which occupational pensions	13.7	12.4	10
of which other	8.9	8.6	4
Baltic countries	3.7	3.1	18
of which life insurance	3.7	3.1	18

Assets under management in the Swedish insurance operations rose by 9 per cent to SEK 129.1bn during the first half-year, of which SEK 112.6bn relates to unit linked and deposit insurance. The increase was due to higher stock prices and a positive net inflow. The net inflow is usually higher during the first half-year than the second due to premium payments for contractual pensions. Assets under management in the Baltic life insurance company amounted to SEK 3.7bn, an increase of 10 per cent in local currency. Unit linked insurance is growing and accounted for SEK 2.4bn. The traditionally managed portfolio is gradually decreasing owing to the portfolio's age and being closed for new business.

Revenue

Insurance related income SEKm	Jan-Jun 2014	Jan-Jun 2013	%
Sweden	718	766	-6
of which life insurance	692	728	-5
of which non-life insurance	25	38	-34
Baltic countries	204	186	9
of which life insurance	96	98	-1
of which non-life insurance	107	89	21
Total insurance related income	**922**	**953**	**-3**

Swedbank's total insurance related income amounted to SEK 922m (953). The main reason for the decrease in Swedish life insurance is that the first half-year 2013 contained a reversal of risk reserves. Part of the risk insurance premium is continuously allocated to cover claims, based on future claim assumptions. At the same time higher assets under management have resulted in increased income from savings products. The decrease in Swedish non-life insurance is also due to positive one-off effects in 2013.

Revenue for the Baltic life business amounted to SEK 96m, a decrease of 6 per cent in local currency year-on-year. Part of the reason for the decrease is that low interest rates have led to higher provisions to cover guaranteed returns in traditional asset management, and part is that the dividend to the parent company has meant lower interest income on the capital. Revenue for the Baltic non-life business increased due to an improved risk result, mainly because of a mild and relatively snow-free winter. The claims ratio for the period was 53 per cent, compared with 58 per cent in the same period of 2013.

Financial information - contents

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

Income statement, condensed

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Interest income	10 461	10 539	-1	11 113	-6	21 000	22 182	-5
Interest expenses	-4 940	-5 056	-2	-5 704	-13	-9 996	-11 420	-12
Net interest income (note 5)	**5 521**	**5 483**	**1**	**5 409**	**2**	**11 004**	**10 762**	**2**
Commission income	4 060	3 874	5	3 632	12	7 934	7 052	13
Commission expenses	-1 247	-1 181	6	-1 107	13	-2 428	-2 139	14
Net commission income (note 6)	**2 813**	**2 693**	**4**	**2 525**	**11**	**5 506**	**4 913**	**12**
Net gains and losses on financial items at fair value (note 7)	773	345		296		1 118	853	31
Insurance premiums	471	493	-4	419	12	964	917	5
Insurance provisions	-337	-343	-2	-275	23	-680	-580	17
Net insurance	**134**	**150**	**-11**	**144**	**-7**	**284**	**337**	**-16**
Share of profit or loss of associates	410	256	60	197		666	403	65
Other income	804	393		408	97	1 197	793	51
Total income	**10 455**	**9 320**	**12**	**8 979**	**16**	**19 775**	**18 061**	**9**
Staff costs	2 901	2 437	19	2 391	21	5 338	4 749	12
Other expenses (note 8)	1 846	1 610	15	1 567	18	3 456	3 081	12
Depreciation/amortisation	172	179	-4	168	2	351	339	4
Total expenses	**4 919**	**4 226**	**16**	**4 126**	**19**	**9 145**	**8 169**	**12**
Profit before impairments	**5 536**	**5 094**	**9**	**4 853**	**14**	**10 630**	**9 892**	**7**
Impairment of intangible assets (note 14)	1			170	-99	1	170	-99
Impairment of tangible assets	69	135	-49	202	-66	204	287	-29
Credit impairments (note 9)	30	-100		88	-66	-70	148	
Operating profit	**5 436**	**5 059**	**7**	**4 393**	**24**	**10 495**	**9 287**	**13**
Tax expense	1 063	1 074	-1	913	16	2 137	1 889	13
Profit for the period from continuing operations	**4 373**	**3 985**	**10**	**3 480**	**26**	**8 358**	**7 398**	**13**
Profit for the period from discontinued operations, after tax	-230	-27		-1 887	-88	-257	-2 277	-89
Profit for the period	4 143	3 958	5	1 593		8 101	5 121	58
Profit for the period attributable to the shareholders of Swedbank AB	**4 139**	**3 953**	**5**	**1 592**		**8 092**	**5 117**	**58**
of which profit for the period from continuing operations	4 369	3 980	10	3 478	26	8 349	7 394	13
of which profit for the period from discontinued operations	-230	-27		-1 886	-88	-257	-2 277	-89
Non-controlling interests	4	5	-20	1		9	4	
of which profit for the period from continuing operations	4	5	-20	2	100	9	4	
of which profit for the period from discontinued operations				-1				

Statement of comprehensive income, condensed

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Profit for the period reported via income statement	**4 143**	**3 958**	**5**	**1 593**		**8 101**	**5 121**	**58**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	337	-221		1 402	-76	116	2 076	
Share related to associates	-6	-7	-14	25		-13	9	
Income tax	-72	50		-312	-77	-22	-457	
Total	**259**	**-178**		**1 115**	**-77**	**81**	**1 628**	
Items that may be reclassified to the income statement								
Exchange differences, foreign operations								
Gains/losses arising during the period	1 065	157		2 089	-49	1 222	742	65
Reclassification adjustments to income statement, profit for the period from discontinued operation	508			1 875	-73	508	1 875	-73
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-853	-148		-1 644	-48	-1 001	-559	79
Reclassification adjustments to income statement, profit for the period from discontinued operations	-365					-365		
Cash flow hedges:								
Gains/losses arising during the period	3	-79		-26		-76	-66	-15
Reclassification adjustments to income statement, net interest income	4	5	-20	25	-84	9	47	-81
Share of other comprehensive income of associates	1	28	-96	-9		29	-62	
Income tax								
Income tax	178	54		361	-51	232	125	86
Reclassification adjustments to income statement, profit for the period from discontinued operations	80					80		
Total	**621**	**17**		**2 671**	**-77**	**638**	**2 102**	
Other comprehensive income for the period, net of tax	**880**	**-161**		**3 786**	**-77**	**719**	**3 730**	**-81**
Total comprehensive income for the period	**5 023**	**3 797**	**32**	**5 379**	**-7**	**8 820**	**8 851**	
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 019**	**3 792**	**32**	**5 378**	**-7**	**8 811**	**8 847**	
Non-controlling interests	4	5	-20	1		9	4	

During the first half-year 2014 income of SEK 81m (1 628) was recognised in other comprehensive income after tax, including the remeasurements of defined benefit pension plans in associates. During the first half-year market interest rates fell significantly, because of which the discount rate used to calculate the closing pension obligation was reduced from 3.44% to 2.87%. Declining interest rates, especially during the second quarter, meant that the inflation assumption used in the same calculation had to be reassessed. Previously the Riksbank's inflation target of 2.00% had been used. As of 1 July 2014 the inflation assumption is instead based on a weighted average of an inflation assumption for each cash flow's maturity that the debt represents. For maturities where liquid nominal and index linked government bonds exist, the inflation assumption is measured as the difference between the nominal and index linked market rate. For the period beyond the bonds' maturities, the inflation assumption is gradually adapted to the Riksbank's inflation target. Taken together, this led to a reduction in the inflation assumption at mid-year 2014 to 1.50%. Because the inflation assumption was reduced from 2.00% to 1.50%, the nominal assumption used for annual wage increase was reduced as well, from 4.00% to 3.50%. In addition, the assumed annual increase in the income base amount has been adjusted for historical outcomes. The revised inflation assumption eliminated nearly the entire negative revaluation effect of about SEK 2 000m before tax that arose because only the discount rate was reduced. The revaluation of the plan assets had a positive effect during the first half-year of SEK 208m before tax. The revised assumptions used to determine the size of pension debt as of 30 June 2014 do not affect the estimated pension cost recognised in profit or loss for 2014.

During the first half-year 2014 a positive exchange difference of SEK 1 222m (742) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 28m for the Group's foreign net investments in associates is included in Share related to associates. The income from subsidiaries and associates arose due to the depreciation of the Swedish krona against the euro, the Lithuanian currency (which is correlated with the euro) and the Norwegian krone. The net income of SEK 1 250m is not taxable. Since the large part of the Group's foreign net assets is hedged against currency risk, a loss of SEK 1 001m (559) before tax arose related to the hedging instruments. The Group's Russian operations have been reported as discontinued operations since 2013. During the second quarter 2014 the majority of the Russian net assets in roubles were discontinued as a result of sales and repayments. As a result, the cumulative exchange rate differences on the net assets amounting to SEK -508m and the cumulative currency result for hedging instruments amounting to SEK 365m before tax were reclassified from other comprehensive income to profit or loss.

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

Key ratios

Group SEKm	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013
Earnings per share, continuing operations, SEK[1)]	3.96	3.62	3.16	7.58	6.73
after dilution[1)]	3.94	3.59	3.15	7.53	6.69
Earnings per share, discontinued operations, SEK[1)]	-0.21	-0.02	-1.71	-0.23	-2.07
after dilution[1)]	-0.21	-0.02	-1.71	-0.23	-2.06
Earnings per share, total operations, SEK[1)]	3.75	3.60	1.45	7.35	4.66
after dilution[1)]	3.73	3.57	1.44	7.30	4.63
Equity per share, SEK	97.65	92.97	89.44	97.65	89.44
Return on equity, continuing operations, %	16.6	14.6	14.1	15.5	14.7
Return on equity, total operations, %	15.8	14.5	6.5	15.1	10.1
Credit impairment ratio, %	0.01	-0.03	0.03	-0.01	0.02

[1)] Including deduction of the preference share dividend, earnings per share for Jan-Jun 2013 were SEK 3.07 for total operations after dilution. The calculations are specified on page 53.

Balance sheet, condensed

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Assets					
Cash and balance with central banks	158 671	59 382		199 879	-21
Loans to credit institutions (note 10)	97 869	82 278	19	73 100	34
Loans to the public (note 10)	1 322 785	1 264 910	5	1 245 820	6
Value change of interest hedged item in portfolio hedge	788	62		-234	
Interest-bearing securities	199 288	182 399	9	135 550	47
Financial assets for which customers bear the investment risk	134 553	122 743	10	114 571	17
Shares and participating interests	9 993	7 109	41	4 600	
Investments in associates	4 853	3 640	33	3 267	49
Derivatives (note 18)	75 794	64 352	18	71 470	6
Intangible fixed assets (note 14)	13 966	13 658	2	13 485	4
Investment properties	388	685	-43	1 439	-73
Tangible assets	3 102	3 140	-1	3 904	-21
Current tax assets	1 068	895	19	629	70
Deferred tax assets	681	417	63	484	41
Other assets	19 999	9 578		8 319	
Prepaid expenses and accrued income	6 694	6 992	-4	7 742	-14
Group of assets classified as held for sale (note 25)	1 251	1 862	-33	2 388	-48
Total assets	**2 051 743**	**1 824 102**	**12**	**1 886 413**	**9**
Liabilities and equity					
Amounts owed to credit institutions (note 15)	149 863	121 621	23	124 002	21
Deposits and borrowings from the public (note 16)	697 168	620 608	12	672 882	4
Debt securities in issue (note 17)	800 419	726 275	10	744 829	7
Financial liabilities for which customers bear the investment risk	136 843	125 548	9	117 187	17
Derivatives (note 18)	57 129	55 011	4	59 862	-5
Current tax liabilities	641	1 893	-66	635	1
Deferred tax liabilities	2 288	2 383	-4	2 645	-13
Short positions, securities	30 405	17 519	74	15 649	94
Other liabilities	31 205	14 269		18 752	66
Accrued expenses and prepaid income	13 856	14 194	-2	12 676	9
Provisions	5 615	4 698	20	4 931	14
Subordinated liabilities	18 377	10 159	81	10 585	74
Liabilities directly associated with group of assets classified as held for sale (note 25)	134	219	-39	375	-64
Equity	107 800	109 705	-2	101 403	6
of which non-controlling interests	169	165	2	153	10
of which attributable to shareholders of Swedbank AB	107 631	109 540	-2	101 250	6
Total liabilities and equity	**2 051 743**	**1 824 102**	**12**	**1 886 413**	**9**

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity							Non-controlling interests	Total equity
	Share capital	Other contri-buted equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
January-June 2013									
Opening balance 1 January 2013	**24 904**	**17 275**	**-3 848**	**1 001**	**-42**	**63 742**	**103 032**	**154**	**103 186**
Dividends						-10 880	-10 880	-5	-10 885
Share based payments to employees						212	212		212
Deferred tax related to share based payments to employees						39	39		39
Associates' acquisition of shares in Swedbank AB						-14	-14		-14
Associates' disposal of shares in Swedbank AB						14	14		14
Total comprehensive income for the period			2 553	-436	-15	6 745	8 847	4	8 851
Closing balance 30 June 2013	**24 904**	**17 275**	**-1 295**	**565**	**-57**	**59 858**	**101 250**	**153**	**101 403**
January-December 2013									
Opening balance 1 January 2013	**24 904**	**17 275**	**-3 848**	**1 001**	**-42**	**63 742**	**103 032**	**154**	**103 186**
Dividends						-10 880	-10 880	-5	-10 885
Share based payments to employees						418	418		418
Deferred tax related to share based payments to employees						83	83		83
Associates' acquisition of shares in Swedbank AB						-14	-14		-14
Associates' disposal of shares in Swedbank AB						14	14		14
Total comprehensive income for the period			3 015	-708	-97	14 677	16 887	16	16 903
Closing balance 31 December 2013	**24 904**	**17 275**	**-833**	**293**	**-139**	**68 040**	**109 540**	**165**	**109 705**
January-June 2014									
Opening balance 1 January 2014	**24 904**	**17 275**	**-833**	**293**	**-139**	**68 040**	**109 540**	**165**	**109 705**
Dividends						-11 133	-11 133	-5	-11 138
Share based payments to employees						233	233		233
Deferred tax related to share based payments to employees						14	14		14
Associates' acquisition of shares in Swedbank AB									
Associates' disposal of shares in Swedbank AB						166	166		166
Total comprehensive income for the period			1 758	-1 068	-52	8 173	8 811	9	8 820
Closing balance 30 June 2014	**24 904**	**17 275**	**925**	**-775**	**-191**	**65 493**	**107 631**	**169**	**107 800**

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

Cash flow statement, condensed

Group SEKm	Jan-Jun 2014	Full-year 2013	Jan-Jun 2013
Operating activities			
Operating profit	10 495	19 355	9 287
Profit for the period from discontinued operations	-257	-2 340	-2 277
Adjustments for non-cash items in operating activities	-591	-500	-2 403
Taxes paid	-3 723	-2 961	-1 736
Increase/decrease in loans to credit institutions	-10 831	2 597	11 686
Increase/decrease in loans to the public	-37 278	-28 775	-11 219
Increase/decrease in holdings of securities for trading	-16 666	-46 814	2 514
Increase/decrease in deposits and borrowings from the public including retail bonds	60 123	37 772	91 668
Increase/decrease in amounts owed to credit institutions	25 461	-1 811	1 216
Increase/decrease in other assets	-15 445	32 732	26 750
Increase/decrease in other liabilities	36 535	-35 605	-25 198
Cash flow from operating activities	**47 823**	**-26 350**	**100 288**
Investing activities			
Business combinations	-2 918	-213	
Business disposals	-744	119	
Acquisitions of and contributions to associates	-814	-4	-2
Acquisitions of other fixed assets and strategic financial assets	-805	-835	-164
Disposals/maturity of other fixed assets and strategic financial assets	505	2 482	1 082
Cash flow from investing activities	**-4 776**	**1 549**	**916**
Financing activities			
Issuance of interest-bearing securities	68 812	103 085	68 314
Redemption of interest-bearing securities	-91 021	-126 236	-103 194
Issuance of commercial paper etc.	325 725	493 982	255 734
Redemption of commercial paper etc.	-236 809	-506 627	-241 597
Dividends paid	-11 138	-10 885	-10 885
Cash flow from financing activities	**55 569**	**-46 681**	**-31 628**
Cash flow for the period	**98 616**	**-71 482**	**69 576**
Cash and cash equivalents at the beginning of the period	**59 383**	**130 058**	**130 058**
Cash flow for the period	98 616	-71 482	69 576
Exchange rate differences on cash and cash equivalents	672	807	245
Cash and cash equivalents at end of the period	**158 671**	**59 383**	**199 879**

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

Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2013, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's Accounting policies set out in the Annual Report for 2013, except for the adoption of new and revised standards as set out below.

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

Other IFRS changes
Other new or amended standards or interpretations which have been adopted did not have a significant effect on the financial position, results or disclosures of the Group or the parent company. For more information, refer to pages 74 and 75 of the Annual Report for 2013.

Future changes to IFRS
Annual improvements 2010-2012 and 2011-2013
The annual improvements amend the current standards for presentation, recognition or measurement and other editorial corrections. The improvements apply to financial years beginning on or after 1 July 2014 and have not yet been approved by the EU. Adoption is not expected to have a significant effect on the Group's financial position or results.

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

Financial instruments (IFRS 9)
The issued phases of IFRS 9 Financial Instruments relate to the classification and measurement of financial assets, the requirements on accounting for financial liabilities, incorporation of the requirements for derecognition and the general hedge accounting rules. At the IASB's February 2014 meeting, it was tentatively decided that the mandatory effective date will be 1 January 2018. The standard has not been approved by the EU and there is no current timetable on when this is expected. The financial effects of adopting IFRS 9 will be assessed when the standard is finalised.

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

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

Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including: assessing control over investment funds; fair value of financial instruments, provisions for credit impairments; impairment testing of goodwill, investment properties and owner-occupied properties, net realisable value of properties recognised as inventory, deferred taxes, defined benefit pension provisions and shared-based payment costs. With the exception of tax for the Estonian subsidiary as outlined below, there have been no significant changes to the basis upon which the critical accounting policies and judgments have been determined compared to 31 December 2013.

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

Note 3 Changes in the Group structure

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

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

Note 4 Operating segments (business areas)

Jan-Jun 2014 SEKm	Swedish Banking	Large Corporates & Institutions	Baltic Banking	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	6 676	1 713	1 768	843	4	11 004
Net commission income	3 439	1 126	951	-45	35	5 506
Net gains and losses on financial items at fair value	104	1 140	115	-241		1 118
Share of profit or loss of associates	666					666
Other income	766	65	227	571	-148	1 481
Total income	**11 651**	**4 044**	**3 061**	**1 128**	**-109**	**19 775**
of which internal income	88			-240	152	
Staff costs	2 279	645	380	1 629		4 933
Variable staff costs	103	150	39	113		405
Other expenses	3 188	807	738	-1 168	-109	3 456
Depreciation/amortisation	65	36	71	179		351
Total expenses	**5 635**	**1 638**	**1 228**	**753**	**-109**	**9 145**
Profit before impairments	**6 016**	**2 406**	**1 833**	**375**		**10 630**
Impairment of intangible assets			1			1
Impairment of tangible assets			-2	206		204
Credit impairments	56	-9	-117			-70
Operating profit	**5 960**	**2 415**	**1 951**	**169**		**10 495**
Tax expense	1 203	517	295	122		2 137
Profit for the period from continuing operations	4 757	1 898	1 656	47		8 358
Profit for the period from discontinued operations, after tax				-257		-257
Profit for the period	4 757	1 898	1 656	-210		8 101
Profit for the period attributable to the shareholders of Swedbank AB	**4 749**	**1 898**	**1 656**	**-211**		**8 092**
Non-controlling interests	8			1		9
Balance sheet, SEKbn						
Cash and balances with central banks		4	2	153		159
Loans to credit institutions	43	278		198	-421	98
Loans to the public	987	213	122	1		1 323
Bonds and other interest-bearing securities	2	65	1	138	-7	199
Financial assets for which customers bear inv. risk	134		2		-1	135
Investments in associates	3			2		5
Derivatives		88		35	-47	76
Total tangible and intangible assets	3		11	3		17
Other assets	6	7	9	667	-649	40
Total assets	**1 178**	**655**	**147**	**1 197**	**-1 125**	**2 052**
Amounts owed to credit institutions	82	217		267	-416	150
Deposits and borrowings from the public	405	123	122	52	-5	697
Debt securities in issue	2	16	1	793	-12	800
Financial liabilities for which customers bear inv. risk	134		3			137
Derivatives		84		20	-47	57
Other liabilities	519	198		13	-645	85
Subordinated liabilities				18		18
Total liabilities	**1 142**	**638**	**126**	**1 163**	**-1 125**	**1 944**
Allocated equity	36	17	21	34		108
Total liabilities and equity	**1 178**	**655**	**147**	**1 197**	**-1 125**	**2 052**
Key figures						
Return on allocated equity, continuing operations, %	29.0	24.8	15.3	0.2		15.5
Return on allocated equity, total operations, %	29.0	24.8	15.3	-1.1		15.1
Cost/income ratio	0.48	0.41	0.40	0.67		0.46
Credit impairment ratio, %	0.01	-0.01	-0.20			-0.01
Loan/deposit ratio, %	246	161	99	1		189
Loans, SEKbn	987	157	122			1 266
Deposits, SEKbn	401	98	122	48		669
Risk exposure amount, Basel 3, SEKbn	179	117	83	28		407
Full-time employees	5 446	1 120	3 822	4 294		14 682

Jan-Jun 2013 SEKm	Swedish Banking	Large Corporates & Institutions	Baltic Banking	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	6 699	1 634	1 505	921	3	10 762
Net commission income	3 138	942	833	-37	37	4 913
Net gains and losses on financial items at fair value	67	1 082	134	-430		853
Share of profit or loss of associates	401			2		403
Other income	389	80	188	621	-148	1 130
Total income	**10 694**	**3 738**	**2 660**	**1 077**	**-108**	**18 061**
of which internal income	88	10	2	-297	197	
Staff costs	1 732	581	394	1 585		4 292
Variable staff costs	115	192	27	123		457
Other expenses	2 884	771	696	-1 162	-108	3 081
Depreciation/amortisation	60	25	66	188		339
Total expenses	**4 791**	**1 569**	**1 183**	**734**	**-108**	**8 169**
Profit before impairments	**5 903**	**2 169**	**1 477**	**343**		**9 892**
Impairment of intangible assets		56		114		170
Impairment of tangible assets			6	281		287
Credit impairments	91	168	-113	2		148
Operating profit	**5 812**	**1 945**	**1 584**	**-54**		**9 287**
Tax expense	1 254	473	127	35		1 889
Profit for the period from continuing operations	4 558	1 472	1 457	-89		7 398
Profit for the period from discontinued operations, after tax				-2 277		-2 277
Profit for the period	4 558	1 472	1 457	-2 366		5 121
Profit for the period attributable to the shareholders of Swedbank AB	**4 555**	**1 472**	**1 457**	**-2 367**		**5 117**
Non-controlling interests	3			1		4
Balance sheet, SEKbn						
Cash and balances with central banks		4	2	194		200
Loans to credit institutions	30	311	1	188	-457	73
Loans to the public	919	203	119	5		1 246
Bonds and other interest-bearing securities		45	1	95	-5	136
Financial assets for which customers bear inv. risk	112		2			114
Investments in associates	2			1		3
Derivatives		89		27	-45	71
Total tangible and intangible assets	3		10	6		19
Other assets	7	15	1	691	-690	24
Total assets	**1 073**	**667**	**136**	**1 207**	**-1 197**	**1 886**
Amounts owed to credit institutions	74	196		306	-452	124
Deposits and borrowings from the public	378	101	110	89	-5	673
Debt securities in issue		15	1	738	-9	745
Financial liabilities for which customers bear inv. risk	115		2			117
Derivatives		84		21	-45	60
Other liabilities	473	252	1	15	-686	55
Subordinated liabilities				11		11
Total liabilities	**1 040**	**648**	**114**	**1 180**	**-1 197**	**1 785**
Allocated equity	33	19	22	27		101
Total liabilities and equity	**1 073**	**667**	**136**	**1 207**	**-1 197**	**1 886**
Key figures						
Return on allocated equity, continuing operations, %	27.9	15.6	12.7	-0.7		14.7
Return on allocated equity, total operations, %	27.9	15.6	12.7	-17.9		10.1
Cost/income ratio	0.45	0.42	0.44	0.68		0.45
Credit impairment ratio, %	0.02	0.14	-0.19	0.01		0.02
Loan/deposit ratio, %	243	219	108	6		186
Loans, SEKbn	919	151	119	5		1 194
Deposits, SEKbn	378	69	110	85		642
Risk exposure amount, Basel 2, SEKbn	201	133	92	29		455
Full-time employees	4 921	1 032	4 239	4 159		14 351

Operating segments' accounting policies

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

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

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

Note 5 Net interest income

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Interest income								
Loans to credit institutions	222	200	11	193	15	422	406	4
Loans to the public	9 864	9 821		10 377	-5	19 685	20 875	-6
Interest-bearing securities	642	566	13	504	27	1 208	1 026	18
Derivatives	-42	-141	-70	129		-183	222	
Other	176	171	3	116	52	347	234	48
Total interest income	**10 862**	**10 617**	**2**	**11 319**	**-4**	**21 479**	**22 763**	**-6**
of which interest income reported in net gains and losses on financial items at fair value	401	78		206	95	479	581	-18
Interest income according to income statement	**10 461**	**10 539**	**-1**	**11 113**	**-6**	**21 000**	**22 182**	**-5**
Interest expenses								
Amounts owed to credit institutions	-177	-130	36	-180	-2	-307	-353	-13
Deposits and borrowings from the public	-964	-984	-2	-1 278	-25	-1 948	-2 608	-25
of which deposit guarantee fees	-138	-144	-4	-149	-7	-282	-287	-2
Debt securities in issue	-4 321	-4 480	-4	-4 813	-10	-8 801	-9 651	-9
of which commissions for government guaranteed funding	-12	-19	-37	-39	-69	-31	-88	-65
Subordinated liabilities	-201	-141	43	-187	7	-342	-376	-9
Derivatives	670	630	6	626	7	1 300	1 346	-3
Other	-144	-143	1	-127	13	-287	-274	5
of which government stabilisation fund fee	-133	-132	1	-108	23	-265	-246	8
Total interest expenses	**-5 137**	**-5 248**	**-2**	**-5 959**	**-14**	**-10 385**	**-11 916**	**-13**
of which interest income reported in net gains and losses on financial items at fair value	-197	-192	3	-255	-23	-389	-496	-22
Interest expense according to income statement	**-4 940**	**-5 056**	**-2**	**-5 704**	**-13**	**-9 996**	**-11 420**	**-12**
Net interest income	**5 521**	**5 483**	**1**	**5 409**	**2**	**11 004**	**10 762**	**2**
Net interest margin	**1.13**	**1.12**		**1.12**		**1.12**	**1.14**	

Note 6 Net commission income

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Commission income								
Payment processing	433	434		423	2	867	839	3
Card commissions	1 107	984	13	1 029	8	2 091	1 924	9
Service concepts	122	125	-2	108	13	247	216	14
Asset management and custody fees	1 442	1 336	8	1 226	18	2 778	2 463	13
Life insurance	128	124	3	131	-2	252	255	-1
Brokerage and other securities	180	188	-4	128	41	368	290	27
Corporate finance	124	126	-2	90	38	250	133	88
Lending	242	255	-5	248	-2	497	415	20
Guarantees	58	46	26	43	35	104	90	16
Deposits	-8	29		15		21	32	-34
Real estate brokerage	83	66	26	49	69	149	80	86
Non-life insurance	21	17	24	17	24	38	45	-16
Other commission income	128	144	-11	125	2	272	270	1
Total commission income	**4 060**	**3 874**	**5**	**3 632**	**12**	**7 934**	**7 052**	**13**
Commission expenses								
Payment processing	-218	-248	-12	-220	-1	-466	-406	15
Card commissions	-520	-478	9	-473	10	-998	-873	14
Service concepts	-4	-4		-4		-8	-8	
Asset management and custody fees	-309	-264	17	-216	43	-573	-491	17
Life insurance	-61	-53	15	-57	7	-114	-111	3
Brokerage and other securities	-85	-75	13	-86	-1	-160	-156	3
Lending and guarantees	-11	-14	-21	-17	-35	-25	-28	-11
Other commission expenses	-39	-45	-13	-34	15	-84	-66	27
Total commission expenses	**-1 247**	**-1 181**	**6**	**-1 107**	**13**	**-2 428**	**-2 139**	**14**
Total Net commission income	**2 813**	**2 693**	**4**	**2 525**	**11**	**5 506**	**4 913**	**12**

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

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Valuation category, fair value through profit or loss								
Shares and share related derivatives	185	-36		148	25	149	169	-12
of which dividend	187	109	72	165	13	296	235	26
Interest-bearing securities and interest related derivatives	-5 849	-782		8 822		-6 631	7 050	
Loans	37	41	-10	-1 377		78	-2 722	
Financial liabilities	465	188		-7 455		653	-4 142	
Other financial instruments	5 758	840		10		6 598	9	
Total fair value through profit or loss	**596**	**251**		**148**		**847**	**364**	
Hedge accounting								
Ineffective part in hedge accounting at fair value	-52	9		-17		-43	-22	95
of which hedging instruments	2 755	1 571	75	-3 862		4 326	-7 020	
of which hedged items	-2 807	-1 562	80	3 845		-4 369	6 998	
Ineffective part in hedging of net investments in foreign operations	8	2		16	-50	10	-36	
Total hedge accounting	**-44**	**11**		**-1**		**-33**	**-58**	**-43**
Loan receivables at amortised cost				**32**			**58**	
Financial liabilities valued at amortised cost	**36**	**28**	**29**	**-118**		**64**	**-131**	
Trading related interest								
Interest income	402	78		209	92	480	581	-17
Interest expense	-197	-192	3	-258	-24	-389	-496	-22
Total trading related interest	**205**	**-114**		**-49**		**91**	**85**	**7**
Change in exchange rates	**-20**	**169**		**284**		**149**	**535**	**-72**
Total net gains and losses on financial items at fair value	**773**	**345**		**296**		**1 118**	**853**	**31**

Distribution by business purpose

	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Financial instruments for trading related business	**6 565**	**1 359**		**508**		**7 924**	**1 121**	
Financial instruments intended to be held to contractual maturity	**-5 792**	**-1 014**		**-212**		**-6 806**	**-268**	
Total	**773**	**345**		**296**		**1 118**	**853**	**31**

Note 8 Other expenses

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Premises and rents	422	364	16	292	45	786	581	35
IT expenses	463	439	5	402	15	902	755	19
Telecommunications and postage	42	42		33	27	84	75	12
Advertising, PR and marketing	104	73	42	99	5	177	169	5
Consultants	188	64		79		252	129	95
Compensation to savings banks	180	169	7	162	11	349	332	5
Other purchased services	159	168	-5	153	4	326	312	4
Security transport and alarm systems	19	21	-10	60	-68	41	141	-71
Supplies	26	38	-32	30	-13	64	59	8
Travel	57	53	8	51	12	110	96	15
Entertainment	11	11		10	10	22	21	5
Repair/maintenance of inventories	33	29	14	35	-6	62	71	-13
Other expenses	142	139	2	161	-12	281	340	-17
Total other expenses	**1 846**	**1 610**	**15**	**1 567**	**18**	**3 456**	**3 081**	**12**

Note 9 Credit impairments

Group SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Provision for loans individually assessed as impaired								
Provisions	164	47		91	80	211	261	-19
Reversal of previous provisions	-68	-103	-34	-132	-48	-171	-190	-10
Provision for homogenous groups of impaired loans, net	-101	-90	12	-45		-191	-91	
Total	**-5**	**-146**	**-97**	**-86**	**-94**	**-151**	**-20**	
Portfolio provisions for loans individually assessed as not impaired	**-18**	**-1**		**-20**	**-10**	**-19**	**-75**	**-75**
Write-offs								
Established losses	351	312	13	807	-57	663	1 341	-51
Utilisation of previous provisions	-208	-188	11	-513	-59	-396	-878	-55
Recoveries	-78	-76	3	-97	-20	-154	-165	-7
Total	**65**	**48**	**35**	**197**	**-67**	**113**	**298**	**-62**
Credit impairments for contingent liabilities and other credit risk exposures	**-12**	**-1**		**-3**		**-13**	**-55**	**-76**
Credit impairments	**30**	**-100**		**88**	**-66**	**-70**	**148**	
Credit impairment ratio, %	0.01	-0.03		0.03		-0.01	0.02	

Note 10 Loans

Group	30 Jun 2014			31 Dec 2013		30 Jun 2013	
SEKm	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%	Loans after provisions Carrying amount	%
Loans to credit institutions							
Banks	69 946	62	69 884	73 218	-5	58 941	19
Repurchase agreements, banks	12 510		12 510	5 498		12 338	1
Other credit institutions	9 393		9 393	1 342			
Repurchase agreements, other credit institutions	6 082		6 082	2 220		1 821	
Loans to credit institutions	**97 931**	**62**	**97 869**	**82 278**	**19**	**73 100**	**34**
Loans to the public							
Private customers	802 653	1 434	801 219	775 762	3	760 911	5
Private, mortgage	675 253	1 055	674 198	656 031	3	643 679	5
Housing cooperatives	92 270	38	92 232	87 135	6	84 223	10
Private,other	35 130	341	34 789	32 596	7	33 009	5
Corporate customers	466 873	2 058	464 815	438 953	6	432 778	7
Agriculture, forestry, fishing	70 732	117	70 615	67 912	4	67 049	5
Manufacturing	39 821	351	39 470	37 676	5	41 053	-4
Public sector and utilities	21 963	43	21 920	21 410	2	20 705	6
Construction	16 403	98	16 305	14 531	12	14 269	14
Retail	30 639	229	30 410	28 816	6	29 912	2
Transportation	12 499	66	12 433	12 190	2	13 588	-9
Shipping and offshore	24 511	149	24 362	25 472	-4	25 836	-6
Hotels and restaurants	6 293	43	6 250	5 937	5	6 086	3
Information and communications	5 801	13	5 788	4 509	28	3 157	83
Finance and insurance	12 132	11	12 121	17 670	-31	17 717	-32
Property management	186 479	485	185 994	165 480	12	156 305	19
Residential properties	50 652	128	50 524	46 248	9	45 018	12
Commercial	79 486	90	79 396	71 814	11	69 689	14
Industrial and Warehouse	33 043	44	32 999	30 054	10	25 614	29
Other	23 298	223	23 075	17 364	33	15 984	44
Professional services	15 597	272	15 325	14 548	5	14 135	8
Other corporate lending	24 003	181	23 822	22 802	4	22 966	4
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 269 526**	**3 492**	**1 266 034**	**1 214 715**	**4**	**1 193 689**	**6**
Swedish National Debt Office	2 221		2 221	2 257	-2	2 565	-13
Repurchase agreements, Swedish National Debt Office	68		68	11 163	-99	837	-92
Repurchase agreements, public	54 462		54 462	36 775	48	48 728	12
Loans to the public	**1 326 277**	**3 492**	**1 322 785**	**1 264 910**	**5**	**1 245 820**	**6**
Loans to the public and credit institutions	**1 424 208**	**3 554**	**1 420 654**	**1 347 188**	**5**	**1 318 920**	**8**

Note 11 Impaired loans etc.

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Impaired loans, gross	6 312	7 499	-16	10 111	-38
Provisions for individually assessed impaired loans	1 255	1 509	-17	2 188	-43
Provision for homogenous groups of impaired loans	1 088	1 309	-17	1 858	-41
Impaired loans, net	**3 969**	**4 681**	**-15**	**6 065**	**-35**
of which private customers	1 989	2 073	-4	2 511	-21
of which corporate customers	1 980	2 608	-24	3 554	-44
Portfolio provisions for loans individually assessed as not impaired	1 211	1 256	-4	1 399	-13
Share of impaired loans, gross, %	0.44	0.55		0.76	
Share of impaired loans, net, %	0.28	0.35		0.46	
Provision ratio for impaired loans, %	37	38		40	
Total provision ratio for impaired loans, % [1]	56	54		54	
Past due loans that are not impaired	**4 123**	**4 969**	**-17**	**7 071**	**-42**
of which past due 5-30 days	2 780	2 956	-6	4 511	-38
of which past due 31-60 days	1 008	1 059	-5	1 730	-42
of which past due 61 days or more	335	954	-65	830	-60

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

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

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Buildings and land	1 466	2 010	-27	3 495	-58
Shares and participating interests	19	22	-14	53	-64
Other property taken over	14	19	-26	18	-22
Total assets taken over for protection of claims	**1 499**	**2 051**	**-27**	**3 566**	**-58**
Cancelled leases	59	63	-6	97	-39
Total assets taken over for protection of claims and cancelled leases	**1 558**	**2 114**	**-26**	**3 663**	**-57**
of which acquired by Ektornet	1 382	1 856	-26	3 226	-57

Note 13 Credit exposures

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Assets					
Cash and balances with central banks	158 671	59 382		199 879	-21
Interest-bearing securities	199 288	182 399	9	135 550	47
Loans to credit institutions	97 869	82 278	19	73 100	34
Loans to the public	1 322 785	1 264 910	5	1 245 820	6
Derivatives	75 794	64 352	18	71 470	6
Other financial assets	25 195	15 403	64	14 001	80
Total assets	**1 879 602**	**1 668 724**	**13**	**1 739 820**	**8**
Contingent liabilities and commitments					
Loan guarantees	26 504	21 937	21	23 147	15
Loan commitments	220 344	198 209	11	193 490	14
Total contingent liabilities and commitments	**246 848**	**220 146**	**12**	**216 637**	**14**
Total credit exposures	**2 126 450**	**1 888 870**	**13**	**1 956 457**	**9**

Note 14 Intangible assets

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
With indefinite useful life					
Goodwill	12 014	11 760	2	11 620	3
Total	**12 014**	**11 760**	**2**	**11 620**	**3**
With finite useful life					
Customer base	902	856	5	902	
Internally developed software	377	386	-2	553	-32
Other	673	656	3	410	64
Total	**1 952**	**1 898**	**3**	**1 865**	**5**
Total intangible assets	**13 966**	**13 658**	**2**	**13 485**	**4**

Goodwill	Jan-Jun 2014	Full year 2013	%	Jan-Jun 2013	%
Cost					
Opening balance	**13 701**	**15 682**		**15 682**	
Additions through business combinations		19			
Disposals		-2 394		-2 394	
Exchange rate differences	333	394		253	
Closing balance	**14 034**	**13 701**		**13 541**	
Accumulated amortisation and impairments					
Opening balance	**-1 941**	**-4 230**		**-4 230**	
Impairments					
Disposals		2 394		2 394	
Exchange rate differences	-79	-105		-85	
Closing balance	**-2 020**	**-1 941**		**-1 921**	
Carrying amount	**12 014**	**11 760**		**11 620**	

Impairment testing of intangible assets

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

The annual test in 2013 did not lead to any impairment. As of 30 June 2014 there were no indications that warranted a new impairment test of goodwill.

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

Note 15 Amounts owed to credit institutions

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Amounts owed to credit institutions					
Central banks	9 736	7 618	28	6 336	54
Banks	122 984	102 591	20	104 859	17
Other credit institutions	6 578	3 289	100	2 960	
Repurchase agreements - banks	9 246	7 873	17	8 106	14
Repurchase agreements - other credit institutions	1 319	250		1 741	-24
Amounts owed to credit institutions	**149 863**	**121 621**	**23**	**124 002**	**21**

Note 16 Deposits and borrowings from the public

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Deposits from the public					
Private customers	357 302	340 533	5	336 056	6
Corporate customers	311 665	258 132	21	305 732	2
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**668 967**	**598 665**	**12**	**641 788**	**4**
Swedish National Debt Office	1	3	-67	1	
Repurchase agreements - Swedish National Debt Office		7 829		2 001	
Repurchase agreements - public	28 200	14 112	100	29 092	-3
Deposits and borrowings from the public	**697 168**	**620 609**	**12**	**672 882**	**4**

Note 17 Debt securities in issue

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Commercial paper	183 567	100 170	83	131 952	39
Covered bonds	489 719	510 930	-4	497 183	-2
recalculations according to IFRS 10		-1 431		-1 423	
Government guaranteed bonds		8 578		9 288	
Senior unsecured bonds	113 333	92 898	22	92 651	22
Structured retail bonds	13 800	13 699	1	13 755	
Total debt securities in issue	**800 419**	**726 275**	**10**	**744 829**	**7**

Turnover during the period	Jan-Jun 2014	Full-year 2013	%	Jan-Jun 2013	%
Opening balance	**726 275**	**767 454**	**-5**	**767 454**	**-5**
Issued	387 703	597 067	-35	324 048	20
Business combination	2 028				
Repurchased	-25 215	-46 476	-46	-37 831	-33
Repaid	-302 614	-582 361	-48	-303 470	
Change in market value	7 431	-2 803		-4 330	
Changes in exchange rates	4 811	-5 175		381	
Recalculations according to IFRS 10		-1 431		-1 423	
Closing balance	**800 419**	**726 275**	**10**	**744 829**	**7**

Note 18 Derivatives

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

Group SEKm	Nominal amount 30 Jun 2014 Remaining contractual maturity < 1 yr.	1-5 yrs.	> 5 yrs.	Nominal amount 2014 30 Jun	2013 31 Dec	Positive fair value 2014 30 Jun	2013 31 Dec	Negative fair value 2014 30 Jun	2013 31 Dec
Derivatives in fair value hedges	63 220	273 296	53 833	390 349	391 918	18 063	15 208	315	1 196
Derivatives in portfolio fair value hedges	24 100	30 000	2 250	56 350	52 850		38	1 030	414
Derivatives in cash flow hedges	9 383	13 540		22 923	23 748	3		2 620	3 115
Derivatives in hedges of net investment in foreign operations	212			212	1 510		9	2	
Other derivatives	6 644 542	5 810 384	568 410	13 023 336	14 563 942	62 888	54 245	58 322	55 434
Offset amount						-5 160	-5 148	-5 160	-5 148
Total	**6 741 457**	**6 127 220**	**624 493**	**13 493 170**	**15 033 968**	**75 794**	**64 352**	**57 129**	**55 011**
of which cleared	1 947 661	2 510 985	64 984	4 523 629	3 090 375	2 187	1 696	2 852	2 364

Note 19 Financial instruments carried at fair value

Group SEKm	30 Jun 2014 Fair value	Carrying amount	Difference	31 Dec 2013 Fair value	Carrying amount	Difference
Assets						
Financial assets covered by IAS 39						
Cash and balances with central banks	158 671	158 671		59 382	59 382	
Treasury bills etc.	65 783	65 719	64	56 852	56 814	38
Loans to credit institutions	97 869	97 869		82 231	82 278	-47
Loans to the public	1 329 243	1 322 785	6 458	1 270 138	1 264 910	5 228
Value change of interest hedged items in portfolio hedge	788	788		62	62	
Bonds and interest-bearing securities	133 575	133 569	6	125 579	125 585	-6
Financial assets for which the customers bear the investment risk	134 553	134 553		122 743	122 743	
Shares and participating interest	9 993	9 993		7 109	7 109	
Derivatives	75 794	75 794		64 352	64 352	
Other financial assets	25 195	25 195		15 403	15 403	
Total	**2 031 464**	**2 024 936**	**6 528**	**1 803 851**	**1 798 638**	**5 213**
Investment in associates		**4 853**			**3 640**	
Non-financial assets		**21 954**			**21 824**	
Total		**2 051 743**			**1 824 102**	
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	149 863	149 863		121 621	121 621	
Deposits and borrowings from the public	697 168	697 168		620 571	620 608	-37
Debt securities in issue	806 725	800 419	6 306	732 125	726 275	5 850
Financial liabilities for which the customers bear the investment risk	136 843	136 843		125 548	125 548	
Subordinated liabilities	18 364	18 377	-13	10 072	10 159	-87
Derivatives	57 129	57 129		55 011	55 011	
Short positions securities	30 405	30 405		17 519	17 519	
Other financial liabilities	40 201	40 201		24 987	24 987	
Total	**1 936 698**	**1 930 405**	**6 293**	**1 707 454**	**1 701 728**	**5 726**
Non-financial liabilities		**13 538**			**12 669**	
Total		**1 943 943**			**1 714 397**	

Group 30 Jun 2014 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	29 604	35 627		65 231
Loans to credit institutions		18 592		18 592
Loans to the public		365 248		365 248
Bonds and other interest-bearing securities	92 451	39 767		132 218
Financial assets for which the customers bear the investment risk	134 553			134 553
Shares and participating interests	9 836	80	77	9 993
Derivatives	1 089	74 605	100	75 794
Total	**267 533**	**533 919**	**177**	**801 629**
Liabilities				
Amounts owed to credit institutions		10 566		10 566
Deposits and borrowings from the public		30 726		30 726
Debt securities in issue	18 494	24 391		42 885
Financial liabilities for which the customers bear the investment risk		136 843		136 843
Derivatives	1 754	55 375		57 129
Short positions, securities	30 405			30 405
Total	**50 653**	**257 901**		**308 554**

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

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

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

The Group has a continuous process whereby financial instruments that indicate a high level of internal estimates or low level of observable market data are captured. The process determines the way to calculate how the internal assumptions affect the valuation. In cases where internal assumptions have a material impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis and evaluation based on the quality of the valuation data, if a type of financial instrument is to be transferred between levels. There were no transfers of financial instruments between valuation levels 1 and 2 during the quarter.

Group 31 Dec 2013 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	29 265	26 994		56 259
Loans to credit institutions		7 718		7 718
Loans to the public		371 354		371 354
Bonds and other interest-bearing securities	92 285	32 347		124 632
Financial assets for which the customers bear the investment risk	122 743			122 743
Shares and participating interests	6 912	140	57	7 109
Derivatives	93	64 126	133	64 352
Total	**251 298**	**502 679**	**190**	**754 167**
Liabilities				
Amounts owed to credit institutions		8 123		8 123
Deposits and borrowings from the public		24 407		24 407
Debt securities in issue	27 950	26 294		54 244
Financial liabilities for which the customers bear the investment risk		125 548		125 548
Derivatives	762	54 230	19	55 011
Short positions, securities	17 519			17 519
Total	**46 231**	**238 602**	**19**	**284 852**

Changes in level 3	Assets				Liabilities
Group SEKm	Debt securities	Equity instruments	Derivatives	Total	Derivatives
January-June 2014					
Opening balance 1 January 2014	**0**	**57**	**133**	**190**	**19**
Purchases		21		**21**	
Transferred from Level 2 to Level 3			34	**34**	
Transferred from Level 3 to Level 2			-98	**-98**	-25
Gains or losses		-1	31	**30**	6
of which in the income statement, net gains and losses on financial items at fair value		-1	31	**30**	6
of which changes in unrealised gains or losses for items held at closing day		-1	13	**12**	
Closing balance 30 June 2014	**0**	**77**	**100**	**177**	**0**

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

To estimate the sensitivity in the volatility of the illiquid options, two types of shifts have been used. The shifts are based on the type of product and are considered reasonable changes. A decrease in volatility of 20 per cent would reduce the fair value of all options in level 3 by approximately SEK 25m. An increase in volatility of 20 per cent would raise the fair value of all options in level 3 by approximately SEK 30m. The corresponding pair of value changes arises for financial instruments reported in level 2.

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

Changes in level 3	Assets				Liabilities
Group SEKm	Debt securities	Equity instruments	Derivatives	Total	Derivatives
January-June 2013					
Opening balance 1 January 2013	**342**	**14**	**63**	**419**	
Settlements	-342			**-342**	
Transferred from Level 2 to Level 3			120	**120**	26
Gains or losses			-24	**-24**	-4
of which in the income statement, net gains and losses on financial items at fair value			-24	**-24**	-4
of which changes in unrealised gains or losses for items held at closing day			-24	**-24**	-4
Closing balance 30 June 2013	**0**	**14**	**159**	**173**	**22**

Note 20 Pledged collateral

Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Loan receivables	752 899	740 215	2	724 664	4
Financial assets pledged for policyholders	129 578	118 627	9	109 954	18
Other assets pledged	60 604	41 376	46	35 885	69
Pledged collateral	**943 081**	**900 218**	**5**	**870 503**	**8**

Note 21 Offsetting financial assets and liabilities

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

	Assets			Liabilities		
Group SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2014	31 Dec 2013	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	153 007	128 021	20	101 718	94 332	8
Offset amount	-7 455	-10 454	-29	-7 455	-10 454	-29
Net amounts presented in the balance sheet	**145 552**	**117 567**	**24**	**94 263**	**83 878**	**12**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	74 702	59 977	25	74 702	59 977	25
Financial Instruments, collateral	45 476	40 093	13	13 204	14 455	-9
Cash, collateral	17 057	10 757	59	6 356	7 440	-15
Total amount not offset in the balance sheet	**137 235**	**110 827**	**24**	**94 262**	**81 872**	**15**
Net amount	**8 317**	**6 740**	**23**	**1**	**2 006**	**-100**

Note 22 Capital adequacy consolidated situation

Capital adequacy Basel 3[1)] SEKm	30 Jun 2014	31 Dec 2013	% or pp	30 Jun 2013	% or pp
Common Equity Tier 1 capital	84 898	80 826	5	79 197	7
Tier 1 capital	89 922	86 371	4	85 387	5
Total capital base	102 687	91 026	13	90 164	14
Risk exposure amount	406 674	440 620	-8	459 470	-11
Common Equity Tier 1 capital ratio, %,	20.9	18.3	2.5	17.2	3.7
Tier 1 capital ratio	22.1	19.6	2.5	18.6	3.5
Total capital ratio, %	25.3	20.7	4.6	19.6	5.7

Capital adequacy[2)] SEKm	Basel 3 30 Jun 2014	Basel 2 31 Dec 2013	Basel 2 30 Jun 2013
Shareholders' equity according to the Group's balance sheet	107 631	109 540	101 250
Non-controlling interests	35	165	153
Anticipated dividend	-6 068	-11 100	-5 245
Deconsolidation of insurance companies	-1 694	-1 982	-2 285
Associated companies consolidated according to purchase method		2 251	2 136
Value changes in own financial liabilities	80	92	81
Cash flow hedges	189	139	58
Goodwill	-12 104	-11 198	-11 060
Deferred tax assets	-218	-399	-437
Intangible assets	-1 674	-1 943	-1 840
Net provisions for reported IRB credit exposures	-1 279	-959	-893
Common Equity Tier 1 capital	**84 898**	**84 606**	**81 918**
Tier 1 capital contributions	5 024	5 536	6 027
Shares deducted from Tier 1 capital		-1 527	-1 495
Total Tier 1 capital	**89 922**	**88 615**	**86 450**
Tier 2 instrument	12 765	4 643	4 561
Net provisions for reported IRB credit exposures		-959	-893
Shares deducted from Tier 2 capital		-1 527	-1 495
Total Tier 2 capital	**12 765**	**2 157**	**2 173**
Total capital base	**102 687**	**90 772**	**88 623**
Capital requirement for credit risks, standardised approach	3 797	1 936	2 008
Capital requirement for credit risks, IRB	21 900	28 041	28 283
Capital requirement for credit risk, default fund contribution	3		
Capital requirement for settlement risks	5	3	13
Capital requirement for market risks	1 478	1 688	1 629
Trading book	1 263	1 095	1 040
of which VaR and SVaR	616	530	519
of which risks outside VaR and SVaR	647	565	521
FX risk other operations	215	593	589
Capital requirement for credit value adjustment	607		
Capital requirement for operational risks	4 745	4 486	4 486
Capital requirement	**32 535**	**36 154**	**36 419**
Risk exposure amount credit risks	321 250	374 711	378 637
Risk exposure amount settlement risks	57	40	163
Risk exposure amount market risks	18 475	21 103	20 361
Risk exposure amount credit value adjustment	7 582		
Risk exposure amount operational risks	59 310	56 077	56 077
Risk exposure amount	**406 674**	**451 931**	**455 238**
Common Equity Tier capital 1 ratio, %,	**20.9**	**18.7**	**18.0**
Tier 1 capital ratio, %,	**22.1**	**19.6**	**19.0**
Total capital ratio, %,	**25.3**	**20.1**	**19.5**

Capital adequacy Basel 1 floor SEKm	30 Jun 2014	31 Dec 2013	% or pp	30 Jun 2013	% or pp
Capital requirement Basel 1 floor	65 853	64 768	2	63 395	4
Own funds Basel 3 adjusted according to rules for Basel 1 floor	103 966	92 690	12	90 409	15
Surplus of capital according to Basel 1 floor	**38 113**	**27 922**	**36**	**27 014**	**41**

[1)] Figures for 2013 according to Swedbank's previous calculations under the new framework. From 1 Jan, 2014 according to current regulations (Basel 3).
[2)] Reporting as of 30 June 2014 according to current regulation (Basel 3). Comparative figures as of 2013 according to previous regulation (Basel 2).

The consolidated situation for Swedbank as of 30 June 2014 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

Additional periodic information which must be provided 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 1423/2014 of the European Commission can be found on Swedbank's website http://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm.

Swedbank Consolidated situation [1] Credit risk, IRB SEKm	Exposure value Basel 3 30 Jun 2014	Basel 2 31 Dec 2013	Average risk weighting, % Basel 3 30 Jun 2014	Basel 2 31 Dec 2013	Capital requirement Basel 3 30 Jun 2014	Basel 2 31 Dec 2013
Institutional exposures	131 836	121 698	15	13	1 572	1 294
Corporate exposures	418 520	436 375	41	57	13 760	19 752
Retail exposures	897 953	896 994	8	9	5 827	6 226
of which mortgage lending	796 360	825 644	6	6	3 707	3 916
of which other lending	101 593	71 350	26	40	2 120	2 310
Securitisation	854	941	10	11	7	8
Exposures without counterparties	62 310	11 890	15	80	734	761
Total credit risks, IRB	**1 511 473**	**1 467 898**	**18**	**24**	**21 900**	**28 041**

[1] Reporting as of 30 June 2014 according to current regulation (Basel 3). Comparative figures as of 2013 according to previous regulation (Basel 2).

Credit risks

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

The standardised approach is applied for exposures, excluding capital requirements for foreclosure reserves, which are not calculated according to IRBA.

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 Swedish Financial Supervisory Authority (SFSA). The parent company has received such approval and uses its internal VaR model for general interest rate risks, general and specific share price risks and currency risks in the trading book. The approval also covers the operations in the Baltic countries with respect to general interest rate risks and currency risks in the trading book. Exchange rates risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model. These risks are instead estimated according to the standardised approach, as per the Group's internal approach to managing these risks.

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

Credit valuation adjustment

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

Operational risk

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

Basel 1 floor

The transition rules state that the minimum capital requirement must not fall below 80 per cent of the requirement according to the Basel 1 rules. Swedish authorities have previously announced that this floor will be eliminated in connection with the introduction of the new, higher capital requirements under CRR. In March 2014, however, SFSA decided not to eliminate the Basel 1 floor.

Note 23 Risks and uncertainties

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

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

Note 24 Business combination

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

Group **SEKm**	**Carrying amount in the Group at acquisition date 20 May 2014**
Cash and balances with central banks	20
Loans to credit institutions	4 461
Loans to the public	16 331
Interest-bearing securities	1 973
Shares and participating interests	33
Investments in associates	60
Derivatives	26
Intangible fixed assets	205
Tangible assets	113
Other assets	219
Prepaid expenses and accrued income	134
Group of assets classified as held for sale	10 503
Total assets	**34 078**
Amounts owed to credit institutions	2 841
Deposits and borrowings from the public	11 596
Debt securities in issue	2 028
Derivatives	49
Deferred tax liabilities	176
Other liabilities	1 363
Subordinated liabilities	947
Liabilities directly associated with group of assets classified as held for sale	11 417
Total liabilities	**30 680**
Total identifiable net assets	**3 398**
Acquistion cost, cash	**2 938**
Bargain purchase, reported as other income	**461**

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

Group **SEKm**	**Carrying amount in the Group at acquisition date 20 May 2014**
Cash flow	
Cash and cash equivalents in the acquired company	20
Acquistion cost, cash	-2 938
Net	**-2 918**
Acquired loans, fair value	16 331
Acquired loans, gross contracutal amounts	16 654
Acquired loans, best estimate of the contractual cash flows not expected to be collected	258

As from the acquisition date the acquired company contributed SEK 78m to income and SEK -9m to profit after tax, excluding the bargain purchase gain. If the company had been acquired at the beginning of the 2014 financial year, consolidated income for the first half-year 2014 would have amounted to SEK 20 285m instead of SEK 19 775m. The Group's profit after tax would have amounted to SEK 8 099m instead of SEK 8 101m.

Note 25 Discontinued operations

Group SEKm	Jan-Jun 2014 Russia	Ukraine	Lithuania	Total	Jan-Jun 2013 Russia	Ukraine	Lithuania	Total
Profit from discontinued operations								
Income	44		139	**183**	81	22	116	**219**
Expenses	53		134	**187**	69	65	112	**246**
Profit before impairments	-9		5	**-4**	12	-43	4	**-27**
Impairments	-20			**-20**	-56	-2		**-58**
Operating profit	-29		5	**-24**	-44	-45	4	**-85**
Tax expense	-10			**-10**		24	-1	**23**
Post-tax profit for the period of discontinued operations	**-39**		**5**	**-34**	**-44**	**-21**	**3**	**-62**
Post-tax profit for the period recognised on the measurement at fair value less sale costs						-340		**-340**
Reclassification adjustments to income statement	-223			**-223**		-1 875		**-1 875**
of which exchange differences foreign operations	-508			**-508**		-1 875		**-1 875**
of which hedging of net investments in foreign operations	365			**365**				
of which income tax	-80			**-80**				
Profit for the period from discontinued operations, after tax	**-262**		**5**	**-257**		**-2 236**		**-2 277**

Group of assets classified as held for sale	30 June 2014 Russia	Ukraine	Lithuania	Total	30 June 2013 Russia	Ukraine	Lithuania	Total
Loans to the public	915			**915**	1 653			**1 653**
of which impaired loans, gross	403			**403**	387			**387**
of which individual provisions	-227			**-227**	-227			**-227**
of which impaired loans, net	176			**176**	160			**160**
of which portfolio provisions	-19			**-19**	-40			**-40**
Non-current tangible assets			100	**100**	5		103	**108**
Other assets	129		107	**236**	496		131	**627**
Total assets	**1 044**		**207**	**1 251**	**2 154**		**234**	**2 388**
Liabilities directly associated with group of assets classified as held for sale								
Amounts owed to credit institutions					79		33	**112**
Other liabilities	59		75	**134**	190		73	**263**
Total liabilities	**59**		**75**	**134**	**269**		**106**	**375**

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

Note 26 Related-party transactions

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

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

Note 27 Swedbank's share

	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
SWED A					
Share price, SEK	177.20	181.00	-2	153.80	15
Number of outstanding ordinary shares	1 102 253 654	1 099 005 722		1 099 005 722	
Market capitalisation, SEKm	**195 319**	**198 920**	**-2**	**169 027**	**16**

Number of outstanding shares	30 Jun 2014	31 Dec 2013	30 Jun 2013
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-29 752 068	-33 000 000	-33 000 000
Swedbank's share of associates' holding of shares			
SWED A		-1 599 000	-1 599 000
Number of outstanding shares on the closing day	**1 102 253 654**	**1 097 406 722**	**1 097 406 722**

Within Swedbank's share-based compensation programme, Swedbank AB has during the first quarter 2014 transferred 3 236 372 shares and during the second quarter 2014 transferred 11 560 shares, at no cost to employees.

Earnings per share	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013
Average number of shares					
Average number of shares before dilution	1 101 384 228	1 099 162 387	1 097 346 722	1 100 279 445	1 097 356 722
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	7 370 491	8 888 554	8 068 879	8 271 614	7 715 503
Average number of shares after dilution	1 108 754 719	1 108 050 941	1 105 415 601	1 108 551 059	1 105 072 225
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	4 139	3 953	1 592	8 092	5 117
Preference dividends on non-cumulative preference shares declared in respect of the period					1 722
Earnings for the purpose of calculating earnings per share	4 139	3 953	1 592	8 092	3 395
Earnings per share, SEK					
Earnings per share before dilution without dividends on non-cumulative preference shares	3.75	3.60	1.45	7.35	4.66
Earnings per share after dilution without dividends on non-cumulative preference shares	3.73	3.57	1.44	7.30	4.63
Earnings per share before dilution [1]	3.75	3.60	1.45	7.35	3.09
Earnings per share after dilution [1]	3.73	3.57	1.44	7.30	3.07

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

Note 28 Effects of changes in accounting policies

Balance sheet, condensed Group SEKm	New reporting 30 Jun 2013	IFRS 10	Previous reporting 30 Jun 2013	New reporting 31 Dec 2013	IFRS 10	Previous reporting 31 Dec 2013
Assets						
Cash and balance with central banks	199 879		199 879	59 382		59 382
Loans to credit institutions (note 10)	73 100		73 100	82 278		82 278
Loans to the public (note 10)	1 245 820		1 245 820	1 264 910		1 264 910
Value change of interest hedged item in portfolio hedge	-234		-234	62		62
Interest-bearing securities	135 550		135 550	182 399		182 399
Financial assets for which customers bear the investment risk	114 571	3 791	110 780	122 743	3 295	119 448
Shares and participating interests	4 600		4 600	7 109		7 109
Investments in associates	3 267		3 267	3 640		3 640
Derivatives (note 18)	71 470		71 470	64 352		64 352
Intangible fixed assets (note 14)	13 485		13 485	13 658		13 658
Investment properties	1 439		1 439	685		685
Tangible assets	3 904		3 904	3 140		3 140
Current tax assets	629		629	895		895
Deferred tax assets	484		484	417		417
Other assets	8 319		8 319	9 578		9 578
Prepaid expenses and accrued income	7 742		7 742	6 992		6 992
Group of assets classified as held for sale	2 388		2 388	1 862		1 862
Total assets	**1 886 413**	**3 791**	**1 882 622**	**1 824 102**	**3 295**	**1 820 807**
Liabilities and equity						
Amounts owed to credit institutions (note 15)	124 002		124 002	121 621		121 621
Deposits and borrowings from the public (note 16)	672 882	-293	673 175	620 608	-245	620 853
Debt securities in issue (note 17)	744 829	-1 423	746 252	726 275	-1 431	727 706
Financial liabilities for which customers bear the investment risk	117 187	5 507	111 680	125 548	4 971	120 577
Derivatives (note 18)	59 862		59 862	55 011		55 011
Current tax liabilities	635		635	1 893		1 893
Deferred tax liabilities	2 645		2 645	2 383		2 383
Short positions, securities	15 649		15 649	17 519		17 519
Other liabilities	18 752		18 752	14 269		14 269
Accrued expenses and prepaid income	12 676		12 676	14 194		14 194
Provisions	4 931		4 931	4 698		4 698
Subordinated liabilities	10 585		10 585	10 159		10 159
Liabilities directly associated with group of assets classified as held for sale	375		375	219		219
Equity	101 403		101 403	109 705		109 705
of which non-controlling interests	153		153	165		165
of which attributable to shareholders of Swedbank AB	101 250		101 250	109 540		109 540
Total liabilities and equity	**1 886 413**	**3 791**	**1 882 622**	**1 824 102**	**3 295**	**1 820 807**

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

For more information, see note 1 Accounting policies.

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Interest income	4 560	4 270	7	4 883	-7	8 830	9 974	-11
Interest expenses	-2 012	-1 917	5	-2 345	-14	-3 929	-4 662	-16
Net interest income	**2 548**	**2 353**	**8**	**2 538**	**0**	**4 901**	**5 312**	**-8**
Dividends received	2 629	5 069	-48	4 591	-43	7 698	4 679	65
Commission income	1 710	1 781	-4	1 588	8	3 491	3 144	11
Commission expenses	-389	-402	-3	-373	4	-791	-678	17
Net commission income	**1 321**	**1 379**	**-4**	**1 215**	**9**	**2 700**	**2 466**	**9**
Net gains and losses on financial items at fair value	165	629	-74	367	-55	794	793	
Other income	319	335	-5	341	-6	654	644	2
Total income	**6 982**	**9 765**	**-28**	**9 052**	**-23**	**16 747**	**13 894**	**21**
Staff costs	1 953	1 946		1 845	6	3 899	3 672	6
Other expenses	1 105	1 068	3	1 008	10	2 173	1 963	11
Depreciation/amortisation	129	136	-5	129		265	259	2
Total expenses	**3 187**	**3 150**	**1**	**2 982**	**7**	**6 337**	**5 894**	**8**
Profit before impairments	**3 795**	**6 615**	**-43**	**6 070**	**-37**	**10 410**	**8 000**	**30**
Impairment of financial fixed assets	23	200	-89	1 548	-99	223	1 973	-89
Credit impairments	34	3		114	-70	37	245	-85
Operating profit	**3 738**	**6 412**	**-42**	**4 408**	**-15**	**10 150**	**5 782**	**76**
Appropriations	-16	-15	7	-5		-31	-2	
Tax expense	607	520	17	790	-23	1 127	1 202	-6
Profit for the period	**3 147**	**5 907**	**-47**	**3 623**	**-13**	**9 054**	**4 582**	**98**

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2014	Q1 2014	%	Q2 2013	%	Jan-Jun 2014	Jan-Jun 2013	%
Profit for the period reported via income statement	**3 147**	**5 907**	**-47**	**3 623**	**-13**	**9 054**	**4 582**	**98**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-3					-3		
Income tax	1					1		
Total	**-2**					**-2**		
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains/losses arising during the period	-5	-4	25	-18	-73	-9	-23	-61
Reclassification adjustments to income statement, net interest income	4	5	-20	25	-84	9	47	-81
Income tax				-3			-7	
Total	**-1**	**1**		**4**		**0**	**17**	
Other comprehensive income for the period, net of tax	**-3**	**1**		**4**		**-2**	**17**	
Total comprehensive income for the period	**3 144**	**5 908**	**-47**	**3 627**	**-13**	**9 052**	**4 599**	**97**

Balance sheet, condensed

Parent company SEKm	30 Jun 2014	31 Dec 2013	%	30 Jun 2013	%
Assets					
Cash and balance with central banks	151 628	32 439		183 221	-17
Loans to credit institutions	407 882	388 521	5	327 805	24
Loans to the public	359 495	346 320	4	347 264	4
Interest-bearing securities	183 099	166 735	10	130 866	40
Shares and participating interests	68 678	63 197	9	60 499	14
Derivatives	88 295	83 323	6	89 051	-1
Other assets	23 525	19 645	20	15 075	56
Total assets	**1 282 602**	**1 100 180**	**17**	**1 153 781**	**11**
Liabilities and equity					
Amounts owed to credit institutions	186 655	195 096	-4	157 323	19
Deposits and borrowings from the public	561 823	501 294	12	562 222	
Debt securities in issue	306 451	214 605	43	242 735	26
Derivatives	79 079	74 408	6	78 233	1
Other liabilities and provisions	62 420	34 006	84	37 993	64
Subordinated liabilities	17 352	10 083	72	10 510	65
Untaxed reserves	6 274	6 305		6 296	
Equity	62 548	64 383	-3	58 469	7
Total liabilities and equity	**1 282 602**	**1 100 180**	**17**	**1 153 781**	**11**
Pledged collateral	56 619	38 819	46	44 790	26
Other assets pledged	5 244	3 206	64	1 519	
Contingent liabilities	521 983	538 949	-3	525 648	-1
Commitments	196 839	180 548	9	169 798	16

Statement of changes in equity, condensed

Parent company SEKm	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
January-June 2013						
Opening balance 1 January 2013	**24 904**	**13 206**	**5 968**	**-32**	**20 459**	**64 505**
Dividend					-10 880	-10 880
Share based payments to employees					212	212
Deferred tax related to share based payments to employees					33	33
Total comprehensive income for the period				17	4 582	4 599
Closing balance 30 June 2013	**24 904**	**13 206**	**5 968**	**-15**	**14 406**	**58 469**
January-December 2013						
Opening balance 1 January 2013	**24 904**	**13 206**	**5 968**	**-32**	**20 459**	**64 505**
Dividend					-10 880	-10 880
Share based payments to employees					418	418
Deferred tax related to share based payments to employees					73	73
Total comprehensive income for the period				25	10 242	10 267
Closing balance 31 December 2013	**24 904**	**13 206**	**5 968**	**-7**	**20 312**	**64 383**
January-June 2014						
Opening balance 1 January 2014	**24 904**	**13 206**	**5 968**	**-7**	**20 312**	**64 383**
Dividend					-11 133	-11 133
Share based payments to employees					233	233
Deferred tax related to share based payments to employees					13	13
Total comprehensive income for the period					9 052	9 052
Closing balance 30 June 2014	**24 904**	**13 206**	**5 968**	**-7**	**18 477**	**62 548**

Cash flow statement, condensed

Parent company SEKm	Jan-Jun 2014	Full-year 2013	Jan-Jun 2013
Cash flow from operating activities	31 187	-39 750	80 925
Cash flow from investing activities	3 083	5 045	5 364
Cash flow from financing activities	84 919	-42 754	-12 966
Cash flow for the period	**119 189**	**-77 459**	**73 323**
Cash and cash equivalents at beginning of period	32 439	109 898	109 898
Cash flow for the period	119 189	-77 459	73 323
Cash and cash equivalents at end of period	**151 628**	**32 439**	**183 221**

Capital adequacy

Capital adequacy, Parent company[1)] SEKm	Basel 3 30 Jun 2014	Basel 2 31 Dec 2013	Basel 2 30 Jun 2013
Common Equity Tier 1 capital	**59 736**	**56 147**	**56 047**
Tier 1 capital	**64 753**	**60 188**	**60 615**
Total capital base	**77 072**	**62 748**	**63 150**
Capital requirement	**23 563**	**25 831**	**26 104**
Risk exposure amount	**294 541**	**322 882**	**326 302**
Common Equity Tier 1 ratio, %	**20.3**	**17.4**	**17.2**
Tier 1 capital ratio, %	**22.0**	**18.6**	**18.6**
Total capital adequacy ratio, %	**26.2**	**19.4**	**19.4**

Capital adequacy transition rules Basel 1 floor SEKm	2014 30 Jun	2013 31 dec	% or pp	2013 30 Jun	% or pp
Capital requirement Basel 1 floor	24 797	25 831	-4	26 104	-5
Own funds Basel 3 according to rules for Basel 1 floor	77 472	63 723	22	64 082	21
Surplus of capital according to Basel 1 floor	**52 675**	**37 892**	**39**	**37 978**	**39**

[1)] Reporting as of 30 June 2014 according to current regulation (Basel 3). Comparative figures as of 2013 according to previous regulation (Basel 2).

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the interim report for January-June 2014 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 17 July 2014

Anders Sundström Chair	Lars Idermark Deputy Chair

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

Michael Wolf
President

Review report

Introduction

We have reviewed the interim report for Swedbank AB (publ) for the period 1 January to 30 June 2014. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this 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, 17 July 2014
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Publication of financial information

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

Swedbank will publish financial results on the following dates in 2014:

Interim report for the third quarter 2014 on 21 October 2014

Swedbank will publish financial results on the following dates in 2015:

Year end report 2014 on 28 January 2015

For further information, please contact:

Michael Wolf
President and CEO
Telephone +46 8 585 926 66

Göran Bronner
CFO
Telephone +46 8 585 906 67

Gregori Karamouzis
Head of Investor Relations
Telephone +46 8 585 930 31
+46 72 740 63 38

Cecilia Hernqvist
Head of Communications
Telephone +46 8 585 907 41

Anna Sundblad
Group Press Manager
Telephone +46 8 585 921 07
+46 70 321 39 95

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

Swedbank AB (publ)

Registration no. 502017-7753
Landsvägen 40
105 34 Stockholm
Telephone +46 8 585 900 00
www.swedbank.com
info@swedbank.se