

# Corporate governance report

The purpose of Swedbank's corporate governance is to strengthened profitability and ensure that the bank is governed with a focus on close customer relationships and advisory services. This is achieved through a decentralised business model where business decisions are made as close to the customer as possible. Corporate governance at Swedbank comprises carefully considered rules and principles on management, control and delegation of responsibility between the shareholders, the Board of Directors and the CEO. The goal is to maintain the trust of customers and the public, and to help the many households and businesses achieve a sound and sustainable financial situation.

Swedbank is a bank for the many. In other words, an inclusive rather than an exclusive bank whose core business offers a wide spectrum of financial products and services to individuals and businesses. Swedbank is firmly convinced that a traditional banking model focused on close customer relationships and advisory services best serves its purpose. Such advice is always based on customers' needs, not the bank's products.

The Swedbank Group has four geographical home markets – Sweden, Estonia, Latvia and Lithuania – in addition to operations in Finland, Norway, Denmark, the US, China, Luxembourg, Spain, Russia and Ukraine. Swedbank has over 9.6 million private customers and over 700 000 corporate customers and about 600 branches in Sweden (including the saavings banks) and over 220 branches in the Baltic countries.

Swedbank's shares have been listed on NASDAQ OMX Stockholm since 1995. As of 31 December 2010 there were 333 145 shareholders, the largest of which was an ownership group comprised of the insurance companies Folksam, KPA and Förenade Liv, with 9.3 per cent of the capital and votes. A total of 304 670 shareholders, or 91.5 per cent, had 1 000 shares or fewer. International shareholders owned 34.2 per cent of the shares. More information on shareholders and their holdings can be found on pages 47–49.

## Corporate governance at Swedbank

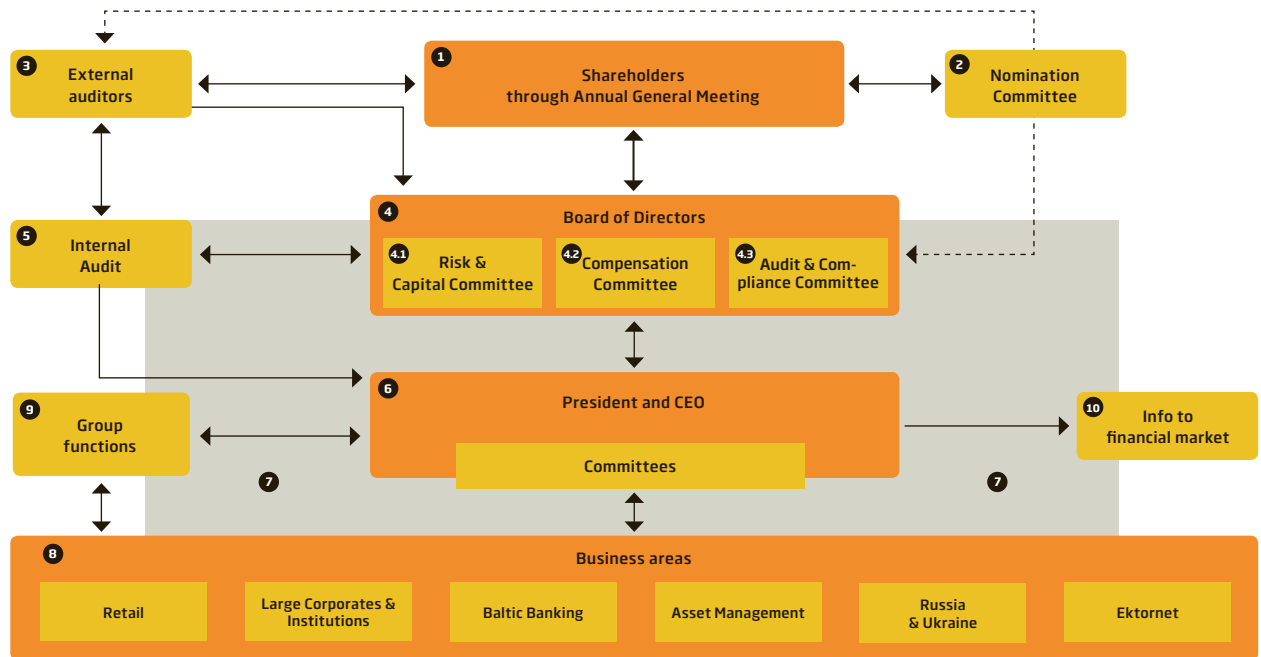
Good corporate governance is necessary in order to attain and retain public confidence in Swedbank. Its values – simplicity, openness and consideration – are the foundation for creating trust in the bank. These values are tied to the bank's purpose, goals and strategies, and provide guidance on how it is governed and how employees act on a day-to-day basis.

Corporate governance at Swedbank is based on current external regulations such as the Swedish Companies Act, the Annual Accounts Act and the Banking and Financing Business Act, the bank's Articles of Association, the Swedish Code of Corporate Governance ("the Code"), the Swedish financial supervisory authority's rules as well as internal policies and instructions. These specify the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. The Board has established the principles of corporate governance, which are reviewed annually to ensure that they are appropriate, effective and compatible with the latest developments in this area. The Board and the CEO in turn govern operations through a clearly-defined governance model that includes a number of policies and instructions. Their purpose is to describe the delegation of responsibilities in order to create strong, intra-Group processes whose goal is to maintain the trust of customers and the public and to help many households and businesses attain a sound and sustainable financial situation.

The structure for corporate governance and governance philosophy comprises:

- Shareholders through the Annual General Meeting
- Board of Directors
- CEO
- Business areas
- Group functions such as independent risk control and compliance
- Internal Audit

See the illustration on the next page for a more detailed description.



#### 1. Annual General Meeting

The shareholders of Swedbank exercise their influence at the Annual General Meeting (AGM), which is the bank's highest decision-making body. In addition, Extraordinary General Meetings can be called.

The AGM resolves, among other things, to:

- elect the Board of Directors and set their compensation,
- discharge the members of the Board and the CEO from responsibility,
- amend the Articles of Association
- elect the auditors
- adopt the income statement and balance sheet,
- dispose of the bank's profit or loss, and
- approve the compensation principles for the CEO and certain other senior executives by adopting the compensation guidelines for them.

#### 2. Nomination Committee

The members of the Board, including the Chair and Auditors, are nominated through the Nomination Committee. The Nomination Committee, which represents the AGM, is comprised of the Chair of the Board and ordinarily the four largest shareholders.

#### 3. External Auditor

The External Auditor is elected by the AGM and nominated by the Nomination Committee. The Auditor reviews Swedbank's annual report, corporate governance report and the administration of the Board and the CEO and prepares the Board of Directors' report. At the AGM, the Auditor presents the Auditor's report and describes the audit work.

#### 4. Board of Directors

The Board of Directors is elected by the shareholders at the AGM for a mandate of one year. The Board has overarching responsibility for managing Swedbank's affairs in the interests of the company and all shareholders. The Board's tasks include setting operational goals and strategies, appointing and evaluating the CEO, and ensuring that effective systems are in place to monitor and control operations, that laws and regulations are followed,

and that the information released to the public is distinguished by transparency and accuracy.

The overarching responsibility of the Board cannot be delegated. On the other hand, the Board has committees that monitor, prepare and evaluate issues within their respective areas for resolution by the Board.

#### 4.1 RISK AND CAPITAL COMMITTEE

prepares issues involving market risk, credit risk, liquidity, funding and capital.

#### 4.2 COMPENSATION COMMITTEE

prepares compensation issues and ensures, among other things, that compensation systems comply with effective risk management and do not encourage exaggerated risk-taking.

#### 4.3 AUDIT AND COMPLIANCE COMMITTEE

gives the Board, through its work and in dialogue with the External Auditor, the head of Internal Audit and the Group Executive Committee, greater access to information on any deficiencies in routines and organisation from the standpoint of corporate governance, risk management and control.

#### 5. Internal Audit

The Internal Auditor, directly subordinated to the Board, reviews and evaluates efficiency, governance, risk management and control in the Group. Internal Audit reports regularly to the Board, the Audit Committee, the CEO and the External Auditor, and takes preventive measures by suggesting improvements to internal control.

#### 6. President and Chief Executive Officer

The President and CEO is responsible for operating management of Swedbank in accordance with laws and regulations and within the framework established by the Board. Aside from the stipulations of the Swedish Companies Act, the delegation of responsibility between the Board and the CEO is mandated by the Board's rules of procedure and its instruction for the CEO, among other things. The CEO leads the work of the Group Ex-

ecutive Committee and makes decisions after consulting its members. The Group Executive Committee consists of the heads of Swedbank's business areas and Group functions.

#### 7. Corporate Culture

Swedbank's culture is based on simplicity, openness and caring. The business model focuses on advisory services, where decisions are made as close to customers and business as possible. The model is based on decentralisation with clear job descriptions and a delegation of authority and responsibility.

#### 8. Business areas

The CEO has decided that Swedbank will be organised in the above-mentioned six business areas. The head of each business area is responsible for its operations with the support of, among others, Group functions.

#### 9. Group functions

This includes the Group Executive Committee. The purpose of the Group functions is to draft Group-wide policies for decision by the Board and instructions for approval by either the Board or the CEO. The purpose of the Group-wide rules and processes is to support the CEO and the Group's business operations and to clarify Swedbank's vision, purpose and values. The Group functions are also responsible for compiling, analysing and providing information to the CEO and the Board. The control functions include Group Finance, Risk and Compliance, which continuously monitor operations.

#### 10. Information to the capital market

Swedbank shall provide shareholders, analysts and other stakeholders prompt, accurate, consistent and simultaneous information on the Group's operations and financial position. The Group's information policy includes the internal control environment and ensures that Swedbank meets the requirements for listed companies. Interim reports, annual reports, year-end reports and press releases are published on the Group's website.

The policies laid down by the Board apply to all companies in the Group after adoption by each company. The Board has established a comprehensive code of conduct and guidelines for internal governance and control. Policies and instructions at the Board and CEO level follow an established structure. The same applies to regulations issued by Swedbank's Group functions. In addition, the Board has established policies on ethics, financial reporting, risk management, and communication. A Group-wide system is in place for internal accounting principles, planning and monitoring processes, and reporting routines. At the company level, detailed instructions regulate practical account registration and reconciliation routines.

### Annual General Meeting

The Annual General Meeting (AGM) is the bank's highest decision-making body, where the shareholders exercise their rights.

The 2010 AGM was held on Friday 26 March in Stockholm. In total, 726 shareholders attended personally or by proxy. They represented nearly 53 per cent of the votes in the bank.

The AGM is normally held before the end of April, or under special circumstances not later than 30 June. The AGM is normally held in Stockholm. The time and location are published in Swedbank's year-end report and on its website. The notice of the AGM is usually published five weeks in advance in the Swedish dailies Dagens Nyheter and Svenska Dagbladet, as well as Post och Inrikes Tidningar (Official Swedish Gazette) and at least one other newspaper, usually Dagens Industri. The notice is also made available on the bank's website. The latest AGMs have also been announced in Göteborgs-Posten and Sydsvenska Dagbladet.

Swedbank is a VPC company, which means that its share register is maintained by Euroclear Sweden AB. All shareholders who are directly recorded in the register five working days prior to the meeting and who have notified Swedbank in time of their intention to participate are entitled to attend the meeting. Shareholders may attend the meeting in person or by proxy and may be accompanied. Shareholders are able to register for the meeting in several different ways: by telephone, email or letter. Swedbank has two classes of shares, common shares and preference shares, which carry equal voting rights.

Shareholders wishing to have an issue discussed at the AGM must submit a written request to that effect to the Board. Any such requests must reach the Board no later than seven weeks prior to the AGM.

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

Among the resolutions passed by the 2010 AGM are the following:

- Adoption of the annual report
- That no dividend be paid to the shareholders for the financial year 2009
- Election of the Board members and the Chair
- Election of Auditor
- Remuneration for the Board members and Auditor
- Share repurchases for securities operations
- Remuneration guidelines for senior executives
- Principles for appointment of the Nomination Committee

The 2010 AGM was attended by all the Board members and all members of the Group Executive Committee as well as the Chief Auditor.

### Nomination Committee

The Nomination Committee is the AGM's governing body, which nominates Board members and proposes remuneration, among other things. The 2010 AGM decided on the principles for the appointment of the Nomination Committee for the 2011 AGM. They include that the Committee will be comprised of five members: the Chair of the Board and one representative of each of the four largest shareholders based on known data on the last business day in August 2010. This assumes, however, that they wish to appoint a member. The largest shareholders may also consist of groups of shareholders under certain circumstances. If a member leaves the Nomination Committee before its work is completed, the Committee may decide to replace them with another person representing the same shareholder or with a person representing the next largest shareholder in size that has not already appointed a member to the Committee. The Nomination Committee appoints a Chair from among its members. The Chair of the Board may not be Chair of the Nomination Committee. The Committee's mandate is for the period until a new Nomination Committee has been constituted. Members of the Nomination Committee are not remunerated for their work or costs incurred. However, the Nomination Committee has the right, at the bank's expense, to engage a recruitment consultant or other external consultants which it deems necessary to fulfil its assignment.

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

- The election of a Chair of the AGM
- Fees for the Board members and Auditors
- The election of the Board members, Chair and Auditors
- Principles for appointing the Nomination Committee

In essence, the composition of the Board should reflect diversity and breadth regarding the competence, experience and background of its members. The composition also takes into account the bank's operations, stage of development and future direction. While it is important that the Board has the support of shareholders, the need for independence in relation to the bank and its management, as well as major shareholders, is important.

The Nomination Committee for the 2011 AGM consists of Lennart Anderberg, appointed by the owner-group Föreningen Sparbanksintressenter and Chair of the Nomination Committee; Christer Gardell, appointed by the owner-group Cevian; Anders Sundström, appointed by the owner-group Folksam and Board member of Swedbank; Rose Marie Westman, appointed by Alecta Pensionsförsäkring, and Lars Idermark, Chair of Swedbank's Board of Directors. Committee members have had numerous contacts in addition to their 10 meetings.

### The Nomination Committee's work during its mandate

- Studied an evaluation of the Board's work based on conversations between the Chair and each Board member as well as a written questionnaire.
- The auditor in charge has presented his view on the bank, the Board and the Group Executive Committee.
- Three Board members have separately, without the presence of the Chair of the Board or the Deputy Chair, presented their view on the business and the work of the Board of Directors.
- The Nomination Committee has reviewed competence needs and discussed the Board's composition in the light of Swedbank's strategies.
- Nominated Board members, including the Chair.
- Determined the candidates' independence.
- Presented remuneration proposals for the Board and Auditors.
- Reviewed and issued a proposal on the principles for appointing the Nomination Committee.

### Board of Directors

The Board of Directors has overall responsibility for managing Swedbank's affairs in the interests of the company and the shareholders. The Board consists of ten members elected by the AGM. The composition of the Board meets the requirements of the Code with respect to its members' independence. This means that the majority of members elected by the AGM are independent in relation to Swedbank and the Group Executive Committee and that at least two of the members who are independent in relation to Swedbank and the Group Executive Committee are also independent in relation to Swedbank's major shareholders. An ongoing even gender distribution is desirable; the distribution of the current Board is 50/50. The 2010 AGM resolved to expand the Board by two members compared with the number elected by the 2009 AGM. The 2010 AGM elected three new members: Lars Idermark, Göran Hedman and Siv Svensson. Lars Idermark was named the Chair of the Board of Directors by the AGM. The Board also includes two employee representatives and deputies in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreningen. Both unions also have one deputy member each.

The CEO is not a member of the Board, but attends the Board's meetings except when issues are discussed where the CEO has vested interests, or it is otherwise unsuitable that he attends, e.g. when the CEO's work is evaluated. The Head of Internal Audit and the Company Secretary, also Chief Legal Officer, attend the Board's meetings too. The deputies (employee representatives) normally do not.

For more information on the Board's composition, see pages 162–165.

### Delegation of responsibilities

The Board appoints/dismisses the CEO and is the ultimate decision-making body as regards the appointment/dismissal of the CFO and the CRO. The delegation between the Board, the Chair of the Board and the CEO is stipulated in the Board's rules of procedure and its instruction for the CEO. In addition, special instructions are in place for the Board's committees. More information on the work of these committees can be found in this report. The Board also has at its disposal an independent audit function, Internal Audit, directly subordinated to the Board.

The Chair of the Board has specific responsibilities, including:

- Overseeing the CEO's work and providing a discussion partner and support, as well as monitoring to ensure that the Board's decisions and instructions are implemented.
- Organising and managing the Board's work, encouraging an open, constructive dialogue within the Board and initiating the development of the Board's competence on issues of importance to operations, including the evaluation of the Board's work.

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

The Board conducts an annual evaluation of its work, working arrangements and related issues. The evaluation 2010 was conducted through a written questionnaire and in-depth interviews with the Chair of the Board and each Board member. The results are compiled and presented to the Board.

### The Board's work

In 2010 the Board had 19 meetings, three of which were held per capsulam. All the meetings except one were held in Stockholm. Each year the Board establishes an annual plan for its work, where it decides which issues will be treated in depth. The major issues in 2010 included the following:

- Remuneration issues with the goal of adopting a long-term focus.
- Further development of the bank's strategy for decentralisation, customer focus and the brand platform.
- The Groups's ongoing risks and capital situation, where the Internal Capital Adequacy Assessment Process (ICAAP) was a key element. This process ensures that Swedbank is adequately capitalised to cover risks and to manage and develop operations.
- A review of general corporate governance documents to further underscore the importance of internal control and risk management.
- The evaluation of the CEO, performance and results.

No objections were noted to any of the decisions during the year. Göran Hedman has chosen not to attend the Board discussions on the new savings bank agreement. In 2010 the

Auditor reported at four of the Board's meetings. At one of these meetings neither the CEO nor other members of the Group Executive Committee were present.

Prior to each meeting the proposed agenda is distributed together with detailed material. The documents are normally distributed one week in advance. The material from Board meetings is saved electronically, including documents that were not enclosed with the minutes.

The new members elected by the 2010 AGM – Göran Hedman, Lars Idermark and Siv Svensson – have undergone Swedbank's introductory training and attended stock market training.

### Risk and Capital Committee

The role of the Risk and Capital Committee is to support the Board in its risk management work. However, the Board has ultimate responsibility for the risks taken by the bank and for assessing its capital requirements. The Board ensures that operational risks are identified and defined and that risk-taking is measured and controlled according to current laws and the Group's policies on risks and capital. Through the risk and capital policy, the Board establishes guidelines for the CEO regarding risk control and management, risk and capital evaluation, and capital management within the bank. The policy describes the connection between risk and capital as well as how risk and capital management support the business strategy. The Committee's role is to prepare cases in these areas for resolution by the Board. In addition, the Committee recommends strategies in risk areas for resolution by the Board. The Committee monitors, prepares and decides, where appropriate, the following areas:

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

A more detailed description of the various risk areas can be found in the risk section beginning on page 35.

The Risk and Capital Committee consists of not more than five members appointed from among the Board's members. The CEO is not a member of the Committee, but normally attends the Committee's meetings. If any of those present expresses reservations about a decision, it is referred to the Board for a ruling.

When electing members of the Committee, special consideration is given to competence and experience with risks. For information on the members of the Committee, see pages 162–165.

### Issues in 2010

- Internal Capital Adequacy Assessment Process (ICAAP)
- Stress tests conducted on various loan portfolios
- Funding related issues
- Capital related issues

### Compensation Committee

The Board's Compensation Committee monitors, evaluates and prepares compensation issues for resolution by the Board. In addition, the Committee ensures that compensation models comply with effective risk management and are designed to reduce the risk of exaggerated risk-taking, and that they comply with the Code, current regulations from the Swedish Financial Supervisory Authority and other applicable rules.

The work of the Compensation Committee includes as follows:

- Salary, pension, variable staff costs and other benefits for senior executives according to the guidelines adopted by the AGM and for the Head of Internal Audit.
- The Board's proposal to the AGM with compensation guidelines for senior executives.
- The Board's remuneration policy for the Group and other related documents.
- Decisions according to policies in the compensation area.
- Other compensation issues that deviate from established policies or questions of principle.

The Committee consists of no fewer than two and no more than four Board members. For information on the members of the Committee, see pages 162–165.

### Issues in 2010

In 2010 the Committee dealt with the issue of introducing a performance and share based remuneration programme in order to harmonise the interests of employees with those of shareholders, encourage long-term value creation in the bank and create the conditions necessary to recruit and retain competent personnel. The Board has accepted the programme. Pending the approval of the 2011 AGM, the programme will apply from 1 January 2010. For more information, see page 46 and note G14. Further, the Committee treated issues concerning:

- A new remuneration policy for the Group
- Leadership planning and questions of principle concerning pensions and collective wage negotiations

For information on compensation to members of the Board of Directors, the CEO and other members of the Group Executive Committee, see pages 162–165 and note G14.

### Audit and Compliance Committee

The Audit and Compliance Committee is a drafting committee for the Board. The Committee's main task is to provide the Board with increased access to information on operations through its work and in consultation with the outside auditor, the Head of Internal Audit and the Group Executive Committee. The focus is on whether internal control and governance processes are sufficient and monitoring the effectiveness of Swedbank's internal audit. The information also comprises financial reporting, including the quality of the financial reports and that they are prepared in accordance with current laws, applicable accounting standards and other requirements for listed companies. In the area of compliance, the information includes activities within Swedbank and whether they comply with external laws and regulations as well as internal policies and instructions. The focus is primarily on identifying any deficiencies in routines and organisation in terms of governance, risk management and control. The Audit and Compliance Committee also reviews the Auditors' work to ensure that it has been conducted efficiently and in an otherwise satisfactory manner. Based on its review, the Committee proposes measures that are voted on by the Board where deemed necessary.

The Audit and Compliance Committee consists of not more than four Board members. The Head of Internal Audit is a co-opted member of the Committee. When selecting the members of the Committee, special consideration is given to competence and experience in the accounting field. Two members have specific accounting expertise through previous experience. For information on the members of the Committee, see pages 162–165.

### Internal Audit

Internal Audit, directly subordinated to the Board, is an audit function independent of the Group Executive Committee, which reports directly to the Board. Its purpose is to review and evaluate efficiency, governance, risk management and control in the Group. The function works proactively to propose improvements to internal control. Reviews are summarised quarterly in reports to the Board, the Audit Committee, the CEO and the external Auditor.

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

### Auditors

The external Auditor is elected by the AGM after being nominated by the Nomination Committee. The Auditor presented his review and comments to the Board four times during the current mandate, one of which was in the CEO's absence. In addition, the Auditor regularly meets the Chair of the Board and the Chair of the Audit and Compliance Committee. Swedbank's interim reports are reviewed by the bank's Auditor.

In accordance with its Articles of Association, Swedbank shall have no less than one and no more than two authorised public accountants. The appointed auditor is Deloitte AB, Sweden, with Authorised Public Accountant Svante Forsberg as Chief Auditor. Svante Forsberg has been in charge of auditing duties for Swedbank since 2010. Aside from Swedbank, he has auditing assignments for primarily the following companies: Alliance Oil, Black Earth Farming, Fabege, Lannebo Fonder, Max Matthiessen and Skandia Liv. Svante Forsberg has no assignments for other companies that affect his independence as an auditor of Swedbank. Compensation for the Group's auditors is reported in note G15. The Swedish Financial Supervisory Authority, under whose jurisdiction Swedbank lies, did not appoint an auditor for 2010.

### CEO and Group Executive Committee

The CEO is responsible for managing Swedbank's operations. The delegation of responsibility between the Board and the CEO is stipulated in, among other places, the Board's rules of procedure, the Board's instruction for the CEO, external rules and internal policies and regulations.

The CEO also establishes Group-level rules on internal control. To support internal control, the CEO has a number of monitoring units within the Group, mainly Group Finance, Risk and Compliance. Follow-ups are done monthly through written reports and detailed meetings with the heads of the various functions and with the business areas. For more information, see the Board of Directors' report on internal control of financial reporting on page 161.

The CEO leads the work of the Group Executive Committee and makes decisions after consulting its members. The Group Executive Committee consists of (I) the CEO, (II) the Head of Baltic Banking, (III) the Head of Retail, (IV) the Head of Large Corporates & Institutions, (V) the Head of Large Corporates & Institutions, (VI) the Head of Russia & Ukraine, (VII) the Head of Group Business Support, (VIII) the Chief Financial Officer, (IX) the Chief Risk Officer, (X) the Head of Human Resources, (XI) the Head of Corporate Affairs and (XII) the Chief Legal Officer, totalling twelve members. The Head of Group Compliance is a co-opted member of the Group Executive Committee. The Group Executive Committee normally meets four times a month.

The CEO ensures that an evaluation of other senior executives is performed as well as being responsible for and ensuring that the Group has a strategy for competence management.

In late 2009 Swedbank introduced a new management structure as a step towards shifting responsibility and authority closer to the bank's customers and thus making Swedbank a more customer-oriented bank.

At Group level there is also an Asset and Liability Committee, which handles issues concerning the balance sheet, liquidity and financial risk; a Group Risk and Compliance Committee, whose task is to improve efficiencies and handle operational

risk issues; as well as a Remuneration Committee, GecRemco, which drafts proposals of remuneration systems and recommends variable compensation for employees to the Board's Compensation Committee.

#### Major issues in 2010

- Strategy process for the bank as a whole and at the business area level.
- Lowering the risk level by reducing the share of lending in Russia, Ukraine and the Baltic countries.
- Continued work with the decentralised business model, which requires a higher level of governance and monitoring, efficient processes and stronger administrative support.
- A future funding strategy that reflects Basel 3 rules.
- Implementation of the purpose and values.
- Increased focus on the quality and effectiveness of products and IT by creating Group Business Support.

#### Business areas

The CEO decided that Swedbank would be organised in the following six business areas: Retail, Large Corporates & Institutions, Baltic Banking, Asset Management, Russia & Ukraine and Ektornet. The head of each business area is responsible for the business area's operations. The business areas receive support from a number of Group functions. Retail, Swedbank's dominant business area, is responsible for all Swedish customers except large companies and financial institutions. The bank's services are sold through its branch network, the Telephone Bank and the Internet Bank, as well as the savings banks' distribution network. The business area also includes a number of subsidiaries. In Large Corporates & Institutions, Swedbank has consolidated its offering for large Nordic and Baltic companies, financial institutions, organisations and banks. The business area offers products and services in the equity, fixed income and currency areas, as well as various financing solutions. First Securities, which has been wholly owned by Swedbank since November 2010, is part of the business area. Baltic Banking is responsible for private and corporate customers in the Baltic countries: Estonia, Latvia and Lithuania. The bank's products and services are offered through the bank's branch network, the Telephone Bank and the Internet Bank. Asset Management comprises the Swedbank Robur group with operations in fund management,

institutional and discretionary asset management. Asset Management is represented in Swedbank's four home markets. The Russia & Ukraine business area comprises the Group's Russian and Ukrainian banking operations. Ektornet, which is also an independent subsidiary of Swedbank, acquires, manages and develops the bank's repossessed assets, primarily real estate. The head office is located in Stockholm, and the repossessed properties are managed by local subsidiaries. For more information on Swedbank's business areas, see pages 22–33.

#### Group functions

Swedbank has Group functions in Accounting & Finance, Risk, Corporate Affairs (communication, strategic marketing and community affairs), HR, Legal Affairs, Compliance and Group Business Support, fully operational from 1 January 2011. Group Business Support, which will be responsible for the bank's products and production, IT, internal services and process efficiencies.

Among the roles of the Group functions are to create and monitor Group-wide processes. They are also responsible for compiling and analysing reports to the CEO and the Board. In this way the Group functions support the CEO in his efforts to ensure that governance and monitoring are based on, among other things, Swedbank's vision, purpose and values. Shared procedures provide support to business operations and facilitate knowledge transfers between the bank's various markets.

Part of the work of the Group functions is to draft written frameworks for operations. Group-wide frameworks are established by the Board or the CEO. More detailed rules are based on the bank's Code of Conduct, which was established by the Board. The rules are available to all employees on the intranet and are updated continuously.

#### Further information on corporate governance

On Swedbank's website, [www.swedbank.com](http://www.swedbank.com), under the tab "About Swedbank", is a separate section on corporate governance that includes:

- Swedbank's Articles of Association,
- The Nomination Committee's principles and work,
- Information on Swedbank's Annual General Meetings since 2002,
- Information on policies and guidelines,

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

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act, the statutes of the Swedish Financial Supervisory Authority and the Swedish Code of Corporate Governance. The code requires an annual independent report on how the internal control of financial reporting is organised. The purpose of the control is to provide reasonable certainty about the financial reporting, which comprises Swedbank's interim reports, year-end report and a large part of the annual report. The following information does not describe the quality of the control, however.

### Regulatory framework

Swedbank's internal control of financial reporting is based on the COSO model (The Committee of Sponsoring Organisations of the Treadway Commission), which comprises five internal control components: control environment, risk assessment, control activities, information and communication, as well as monitoring.

### Control environment

Ultimate responsibility for internal control of financial reporting rests with Swedbank's Board of Directors. The Board's Audit and Compliance Committee is tasked with monitoring the financial reporting and the effectiveness of Swedbank's internal control, internal audit and risk management. The Board reviewed the bank's policy documents covering corporate governance during the year to underscore the importance of good internal control and risk management. There is a special Group-level instruction for internal control established by the CEO, who is responsible for ensuring that the required organisation is in place. This, together with other operating governance documents, constitutes the bank's framework for the internal control of financial reporting.

### Risk assessment

The purpose of risk assessment of financial reporting is to identify significant risks that affect reporting in the Group's companies, business areas and processes. The key to risk assessment, from a balance sheet and income statement perspective, is materiality. From a process perspective, it is complexity. The risk assessment serves as the basis of measures to improve internal control over financial reporting processes. Based on the risk assessment, the control environment is reviewed through self-evaluations.

### Control activities

The Group has overarching control activities that are shared by several processes. Continuous work is done to evaluate, improve and document control activities in all significant processes. Control activities associated with financial reporting are performed on several levels. Group-level rules are in place for internal accounting principles, planning and monitoring processes, and reporting routines. The central accounting department is responsible for updating the bank's accounting instructions and for communicating and making them available to reporting units.

To ensure the correct application of the bank's accounting rules, finance managers regularly meet with local accounting managers, at which time current accounting and reporting issues are addressed as well. Swedbank has a central valuation group whose purpose is to ensure the consistent and accurate valuation of assets and liabilities at fair value. Local and central controller and accounting departments perform controls mainly through reconciliations between sub-ledgers and ledgers, through routines to ensure the existence of assets and liabilities and that assets, liabilities and business transactions have been correctly recorded. Analyses of financial results against budgeted figures are presented monthly to Swedbank's management.

### Information and communication

The main communication channel within Swedbank is its intranet, where the Group publishes policies, instructions, directives and manuals. The rules for financial reporting are available on the intranet. Each country also has its own intranet, where national accounting routines are available. A whistleblower procedure is in place for employees to anonymously report suspicions of fraud or other wrongdoing. Reports are handled by Group Compliance.

### Monitoring

Profitability, efficiency, risk, sales and market shares, customer satisfaction and employeeship are reported and evaluated. In addition, in-depth monitoring meetings are held monthly between the reporting units and the CEO, the CFO and the Chief Risk Officer. The internal control over financial reporting is monitored by Group Finance. The other control functions within Swedbank are Group Compliance and Group Risk Control, which regularly monitor internal control. On behalf of the Board, Internal Audit also reviews and evaluates how governance, risk management and internal control are organised and how well they work.

# Board of Directors

	Lars Idermark	Anders Sundström	Ulrika Francke
			
<b>Born</b>	Born 1957 Chair since 2010	Born 1952 Deputy chair since 2009	Born 1956 Board Member since 2002
<b>Shareholding</b>	Own and kindred's shareholding in Swedbank: 143 A shares and 0 preference shares	Own and kindred's shareholding in Swedbank: 11 000 A shares and 16 000 preference shares	Own and kindred's shareholding in Swedbank: 10 050 A shares and 3 300 preference shares
<b>In Swedbank as</b>	<ul style="list-style-type: none"> <li>■ Board of Directors, Chair</li> <li>■ Compensation Committee, Chair</li> <li>■ Risk and Capital Committee, Chair</li> </ul> <b>Attendance:</b> ■ 13/13 ■ 8/8 ■ 9/9 <b>Total fees:</b> ■ 1 350 000 ■ 100 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, Deputy Chair</li> <li>■ Compensation Committee, member</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 17/19 ■ 10/12 ■ 10/12 <b>Total fees:</b> ■ 675 000 ■ 100 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Audit and Compliance Committee, Chair</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 18/19 ■ 7/7 ■ 12/12 <b>Total fees:</b> ■ 400 000 ■ 175 000 ■ 250 000
<b>Board member's independence</b>	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Anders Sundström is CEO in Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring. The Nomination Committee is of the view that Anders Sundström – all aspects considered, and also taking into consideration the co-operation agreement between the bank and Folksam regarding property insurance and asset management among other things as well as the particular extent and nature and way in which these business relations are managed – is considered to be independent in relation to the bank, the management of the bank and the bank's major shareholders.	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders
<b>Education</b>	Master Business Administration	University studies in Social Sciences	University studies
<b>Bank specific experience</b>	Operative: 7 years. Board: 10 years	Operative: 3 years. Board: 8 years	Board: 16 years
<b>Employment experience</b>	<b>President and CEO, Posten AB from 1 March 2011</b> President and CEO, KF/Coop. • President and CEO, Second Swedish National Pension Fund • Deputy President and CEO, Capio AB • Executive Vice President and Deputy President and CEO, FöreningsSparbanken (Swedbank) • CFO and Executive Vice President, Föreningsbanken AB • President and CEO, LRF Holding AB	<b>CEO Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring</b> • Minister for Employment, Minister for Enterprise and Energy and Minister for Social Affairs • Local Government Commissioner, Piteå municipality • Member of Parliament • Chair of the Board of Directors, Sparbanken Nord (the Savings bank Nord) • CEO, Sparbanken Nord (the Savings bank Nord)	<b>President and CEO, Tyréns AB</b> President and CEO, SBC Sveriges Bostadsrättscentrum AB • City of Stockholm municipal government, Deputy • President, Fastighets AB Brommastaden
<b>Other assignments</b>	The foundation Chalmers University of Technology, Board member	Forsikrings-Aktieselskabet ALKA (DK), Board member • Bommersvik AB, Chair • Förenade Liv Gruppömsesidig AB (Group insurances for employees and for members of trade unions), Chair • Försäkringsförbundets Serviceaktiebolag SFAB (The Swedish Insurance Federation), Board member • The Swedish Insurance Federation, Board member • ICMIF (Great Britain), Board member • Arbetsgivarförbundet KFO, Board member • KFO-Service Aktiebolag, Board member • Konsumentkooperationens pensionsstiftelse, Chair • KPA AB, Chair • KPA Pensionsförsäkring AB, Chair • The foundation Nils Adlers Stipendiefond, Board Member	Hexagon AB, Board member • STD Svensk Teknik och Design (Swedish Technology and Design), Board member • Stockholm Stads Brandförsäkringskontor, Board member • The foundation Nils Adlers Stipendiefond, Board member • Stockholms Stadsteater (The Stockholm City Theatre), Chair • The City Council of Stockholm, Deputy • Tyréns AB, Board member

Göran Hedman	Berith Hägglund-Marcus	Anders Igel		
				
Born 1954 Board member since 2010	Born 1950 Board member since 2005	Born 1951 Board member since 2009	<b>Born</b>	
Own and kindred's shareholding in Swedbank: 85 A shares and 24 preference Shares	Own and kindred's shareholding in Swedbank: 450 A shares and 0 preference shares	Own and kindred's shareholding in Swedbank: 7500 A shares and 0 preference shares	<b>Shareholding</b>	
<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 13/13 ■ 9/9 <b>Total fees:</b> ■ 400 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Audit and Compliance Committee, member</li> </ul> <b>Attendance:</b> ■ 17/19 ■ 5/7 <b>Total fees:</b> ■ 400 000 ■ 125 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Compensation Committee, member</li> </ul> <b>Attendance:</b> ■ 19/19 ■ 12/12 <b>Total fees:</b> ■ 400 000 ■ 100 000	<b>In Swedbank as</b>	
Göran Hedman is the CEO of Sparbanken in Enköping. All aspects considered, Göran Hedman is not considered to be independent in relation to Swedbank based on the fact that the cooperation agreement signed between Swedbank and Sparbanken in Enköping was taken into account when making the assessment. Göran Hedman is considered to be independent in relation to the management of the bank and the bank's major shareholders.	Independent in relation to the Bank and the Bank's senior management and independent in relation to the Bank's major shareholders	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	<b>Board member's independence</b>	
High school degree	B.Sc. Business Administration and Economics	M. Sc. M Sc Electrical Engineering and B. Sc. Business and Economics	<b>Education</b>	
Operative: 36 years, Board: 8 years	Board: 17 years	Board: 2 years	<b>Bank specific experience</b>	
<b>CEO, Sparbanken in Enköping</b> <ul style="list-style-type: none"> <li>• Head of analysis at Group Credit, FöreningsSparbanken AB (Swedbank)</li> <li>• Deputy Chief Credit Officer, Föreningsbanken AB</li> <li>• Leading management positions, Föreningsbanken AB</li> </ul>	<b>Director HR Group Staff &amp; Functions AB Electrolux</b> <ul style="list-style-type: none"> <li>• Executive Vice President Electrolux IT</li> <li>• President and Board member Electrolux IT Solutions Sverige AB</li> <li>• Organisation and marketing manager Nordic region, Electrolux-Euroclean</li> <li>• Logistics manager Nordic region, Electrolux-Euroclean</li> <li>• Market support manager Nordic region, Electrolux-Euroclean</li> <li>• Finance and administration manager, Swedish Association of Graduate Engineers</li> <li>• Financial controller Bonnier Group - Åhlen&amp;Åkerlunds Förlag AB</li> </ul>	<b>Self-employed</b> <ul style="list-style-type: none"> <li>• President and CEO, Telia Sonera AB</li> <li>• President and CEO, Esselte AB</li> <li>• Executive Vice President, Telefonaktiebolaget LM Ericsson</li> </ul>	<b>Employment experience</b>	
Sparbanken i Enköping, Board member • Handelskammaren Uppsala, Board member	Muscito Group AB, Board member • The foundation Nils Adlers Stipendiefond, Board member	The foundation Nils Adlers Stipendiefond, Board member • Consultancy business in Telecom • Industrial advisor to EQT • Own business under development	<b>Other assignments</b>	

## Board of Directors, cont.

	Kristina Janson	Jimmy Johnsson	Helle Kruse Nielsen
			
<b>Born</b>	Born 1953 Employee representative since 2009	Born 1976. Employee representative since 2010	Born 1953 Board member since 2008
<b>Shareholding</b>	Own and kindred's shareholding in Swedbank: 700 A shares and 200 preference shares	Own and kindred's shareholding in Swedbank: 75 A shares and 0 preference shares	Own and kindred's share holding in Swedbank: 2 500 A shares, 5 000 preference shares
<b>In Swedbank as</b>	■ Board of Directors, member. Employee representative since 2009. Deputy member, employee representative 2007–2009 <b>Total fees:</b> No fees	■ Board of Directors, member. Employee representative since 2009. <b>Total fees:</b> No fees	■ Board of Directors, member ■ Compensation Committee, member <b>Attendance:</b> ■ 19/19 ■ 12/12 <b>Total fees:</b> ■ 400 000 ■ 100 000
<b>Board member's independence</b>	Not applicable	Not applicable	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders
<b>Education</b>	Upper Secondary School	Upper Secondary School	B. Sc. Economics and Business Administration
<b>Bank specific experience</b>	Operative: 38 years	Operative: 11 years	Board: 3 years
<b>Employment experience</b>		<b>Swedbank Försäkring AB, systems manager</b> Swedbank Robur AB, systems manager • Lux Svenska AB, sales manager • AB Norrtälje Bilcentral, sales manager	<b>Self-employed</b> Head of the European division "Food", Mars Inc • President of the Scandinavian companies within the Mars Group • Head of Marketing, Denofa and Lilleborg, Norway
<b>Other assignments</b>		FöreningsSparbanken ABs resultatandelsstiftelse Kopparmyntet, Board member • Stiftelsen Guldeken, Board member • SPK Sparinstitutens Pensionskassa, Board member	Aker BioMarine ASA, Board member • Oriflame Cosmetics SA, Board member • Gumlink A/S, Board member • New Wave Group AB, Board member • The foundation Nils Adlers Stipendiefond, Board member • Lantmännen, Board member

Pia Rudengren	Karl-Henrik Sundström	Siv Svensson	
			
Born 1965 Board member since 2009	Born 1960 Board member since 2009	Born 1957 Board member since 2010.	<b>Born</b>
Own and kindred's shareholding in Swedbank: 0 A shares, 0 preference shares	Own and kindred's shareholding in Swedbank: 9 750 A shares through Alma Patria AB and 0 preference shares	Own and kindred's shareholding in Swedbank: 1 500 A shares and 0 preference shares	<b>Shareholding</b>
<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 17/19 ■ 11/12 <b>Total fees:</b> ■ 400 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Audit and Compliance Committee, member</li> </ul> <b>Attendance:</b> ■ 17/19 ■ 5/7 <b>Total fees:</b> ■ 400 000 ■ 125 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Audit and Compliance Committee, member</li> </ul> <b>Attendance:</b> ■ 11/13 ■ 4/6 <b>Total fees:</b> ■ 400 000 ■ 125 000	<b>In Swedbank as</b>
Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	<b>Board member's independence</b>
B. Sc. Business and Economics	B. Sc. Business Administration	B. Sc. International economy	<b>Education</b>
Board: 2 years	Board: 2 years	Operative: 25 years, Board: 1 year	<b>Bank specific experience</b>
<b>Self-employed</b> <ul style="list-style-type: none"> <li>• Vice President W Capital Management AB</li> <li>• CFO Investor AB</li> </ul>	<b>CFO and Vice President, NXP Semiconductors</b> • CFO and Vice President, Telefonaktiebolaget LM Ericsson • Head of Global Services, Telefonaktiebolaget LM Ericsson • Head of Australia and New Zealand, Telefonaktiebolaget LM Ericsson	<b>President and CEO, Sefina Finance AB</b> • President and CEO, Sefina Svensk Pantbelåning AB • Vice President and Regional Head, Nordea AB • Group controller and Nordic Head of Global Operation Services, Nordea AB • Group Controller, Merita Nordbanken AB • Administrative Head, PK Fondkommission AB	<b>Employment experience</b>
Duni AB, Board member • Metso Oyj, Board member • Social Initiative AB, Board member • Tikkurila Oyj, Board member • WeMind Digital Psykologi AB, Board member • The foundation Nils Adlers Stipendiefond, Board member	Exencotech AB, Board member • The foundation Nils Adlers Stipendiefond, Board member	Svenska Pantbanksföreningen, Deputy Chair	<b>Other assignments</b>