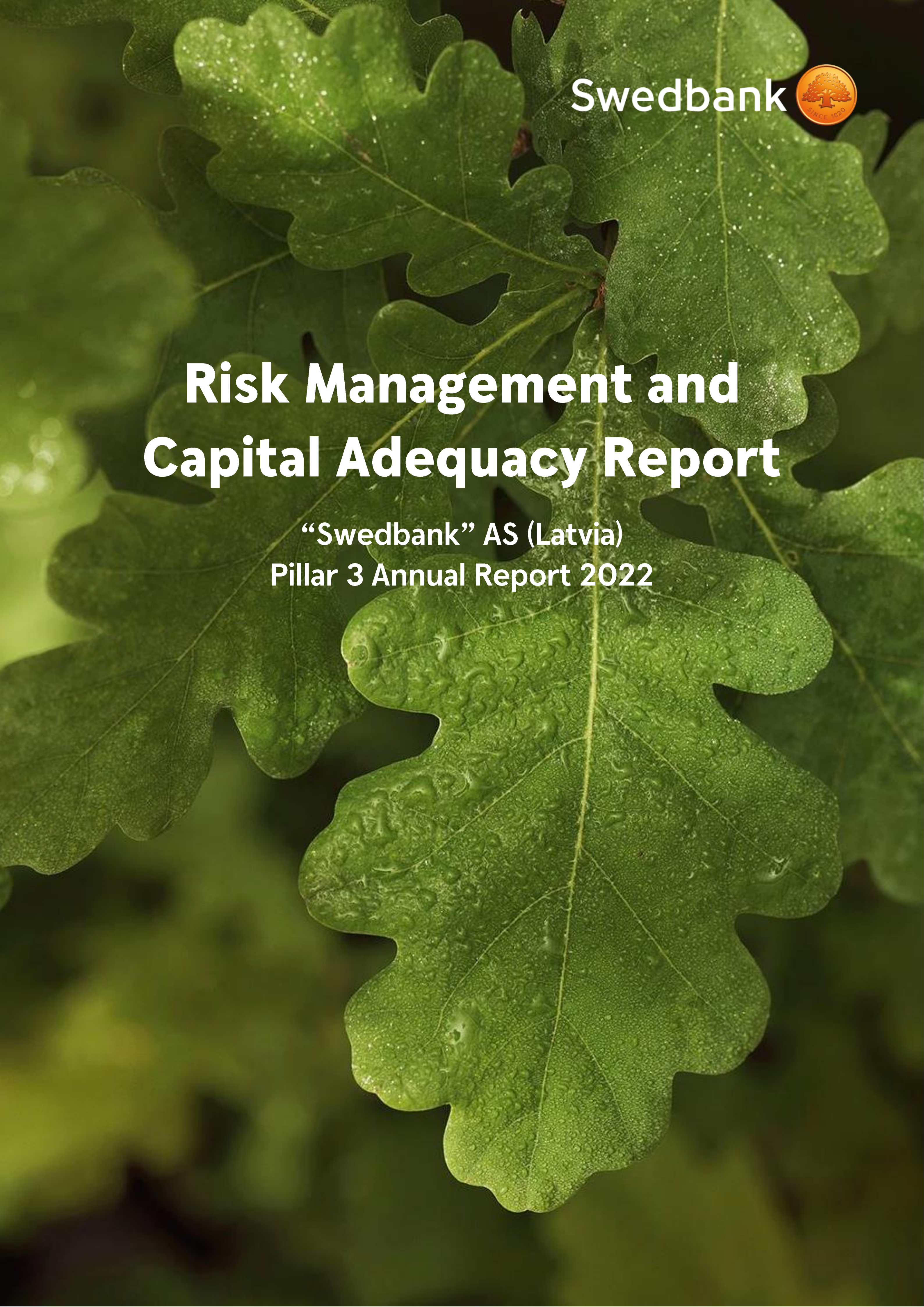

Risk Management and Capital Adequacy Report

"Swedbank" AS (Latvia)
Pillar 3 Annual Report 2022

Introduction

"Swedbank" AS (hereinafter referred to as "**the Bank**") is a credit institution in the form of a public limited liability company (AS) domiciled in Latvia with registration number 40003074764. "Swedbank" AS and its subsidiaries "Swedbank Līzings" SIA and "Swedbank Atklātais Pensiju Fonds" AS together are referred to as "**the Group**" or "**Swedbank Latvia**".

"Swedbank Baltics" AS is a financial holding company, which is parent of the Bank and owns 100% of the Bank's shares as of 31 December 2022, while the ultimate parent entity is Swedbank AB (publ). Throughout this Q4 2022 report "**Swedbank Group**" or "**Swedbank**" refers to Swedbank AB (publ) and its subsidiaries.

This Risk Management and Capital Adequacy Report Q4 2022 (annual) provides information on "Swedbank" AS risk management and capital adequacy. The report is based on regulatory disclosure requirements set out in the Regulation (EU) 575/2013 "Capital Requirements Regulation" (CRR).

Information in this report pertains to the conditions for the Bank as of period end if not otherwise stated. In line with European Central Banks's (ECB) decision as of November 2022, disclosures approach for "Swedbank" AS has changed and **in this report disclosures are made on an individual basis (i.e."Swedbank "AS solo level)**, and do not cover sub-consolidated level i.e.do not include Bank's subsidiaries.

Disclosures are made annually in conjunction with the publication of "Swedbank" AS Annual Report and semi-annually in conjunction with the Q2 reports.

This document has not been audited and does not form part of "Swedbank" AS audited financial statements.

The capital adequacy framework builds on three pillars:

Pillar 1 capital requirements represent minimum requirements calculated according to prescribed rules for credit risk, market risk and operational risk. For credit risk and market risk, the calculations can be done either by using prescribed standardised risk measures or by using the bank's own internal models. The Bank must fulfil certain requirements in order to apply its own internal risk measures and must seek approval from relevant supervisors in countries where Swedbank operates.

Pillar 2 ensures that institutions have adequate capital and liquidity to cover all the risks to which they are exposed. The identification and measurement of risks shall be documented in the internal capital and liquidity assessment process (ICAAP and ILAAP respectively). All significant sources of risks must be taken into account in the ICAAP, that is not only those already included in Pillar 1. Similarly, the analysis in the ILAAP should go beyond the minimum liquidity requirements. The Supervisory College assesses the bank in the Supervisory Review and Evaluation Process (SREP) and may impose additional measures.

Pillar 3 enables market participants to access information through regulatory disclosure requirements in order to increase transparency and confidence about an institution's exposure to risk and the overall adequacy of its regulatory capital. This report constitutes the required disclosure for the Bank.

Swedbank Group in brief

Swedbank Group is a full-service bank available to households and businesses in its home markets, having 7.1 million private customers and 620 000 corporate and organisational customers. The customers are served through 216 branches in Swedbank Group's four home markets – Sweden, Estonia, Latvia and Lithuania – and through presence in neighbouring markets in Denmark, Finland and Norway. Swedbank Group also operates in the United States, China and South Africa (it was decided to close Denmark and South African representative offices during 2023). Swedbank Group's vision is a financially sound and sustainable society where Swedbank Group empowers the many people and businesses to create a better future.

Swedbank Group's business operations are organised in three business areas: Swedish Banking, Baltic Banking and Large Corporates & Institutions.

Regulatory scope

4. Market risk

5. Liquidity risk

6. Operational risk

7. Compliance risk

8. ESG risk

1. Risk management

Swedbank Latvia's structure for risk management is founded in the Enterprise Risk Management framework and based on the principle of three lines of defence. With well-established processes, the purpose is to ensure professional risk management protecting Swedbank Latvia from undesired risk taking and to support the Bank's low risk appetite.

Internal control and risk management framework

Swedbank Latvia defines risk as a potential negative impact on the value of the Bank that may arise from current internal processes or from internal or external future events. The concept of risk combines the probability of an event occurring with the impact that event would have on profit and loss, equity and the value of the Bank.

Risk arises in all financial operations; hence a profound understanding and solid management of risks is central for any successful business. A robust risk culture throughout Swedbank Latvia is important for efficient risk management and, consequently, for a strong risk-adjusted return.

Enterprise Risk Management Policy (ERM Policy) is adopted by the Council and contains the Risk Strategy including fundamental principles for the risk management and the concept of three lines of defence. Risk appetite statements are defined by the Council for the main risk types in the Risk Taxonomy and expressed qualitatively and where possible quantitatively in the Risk Appetite Statement Policy, and further implemented by the Management Board through a risk limit framework. Limits and Key Risk Indicators (KRI) are tools for monitoring and controlling risk exposures and risk concentrations.

The Enterprise Risk Management framework aims to ensure risk awareness, support a strong risk culture, accountability and business acumen within all parts of Swedbank Latvia. The framework is aligned with strategy and business planning process, in which risk-based planning is an integrated part. Internal regulations and guidelines are developed to secure robust risk control and steering.

The Council has the ultimate responsibility to set the Risk Appetite to limit Swedbank Latvia's risk-taking. The Council has established a Council Risk Committee, an Audit Committee and a Nomination and Remuneration Committee. For further information on these committees, see Annual Report: Annual report - Swedbank

The activities of the risk organisation and compliance organisation are regulated in separate policies adopted by the Council. The Bank's risk organisation and compliance organisation are responsible for independently ensuring that key risks are identified, assessed and properly managed. The Council and the Management Board are regularly informed on changes in Swedbank Latvia's risk limit framework structure, the overall risk and the exposures for all risk types. Furthermore, the Council and the Management Board are also provided with information in case of a breach, and the actions needed to be taken to mitigate the breach.

The Management Board has overall operational responsibility for the management and control of Swedbank Latvia's risks including the responsibility for reporting to the Council. The Management Board is responsible for communicating and implementing the risk management and control defined by the Council, to ensure that there is an implemented and well-functioning internal control within the organisation. The Management Board has established the committees to support in the effective management and governance of Swedbank Latvia.

Swedbank Latvia has established the Policy on Diversity & Inclusion, where the Bank sets a high standard for equality, diversity and inclusion to be inherent parts of the organisation - all employees shall be treated equally which is followed up annually, and active measures are in place to increase gender balance and diversity where needed. In order to favour independent opinions and critical thinking the Council, the Management Board and the top management shall, with due consideration to local regulations, consist of sufficient diversity concerning for example gender, age, geographical origin, educational and professional background.

Three lines of defence

Successful risk management requires a strong risk culture and a common approach. Swedbank Latvia has built its risk management on the concept of three lines of defence, with clear division of responsibilities between the risk owners in the first line of defence responsible for managing risks and control functions, i.e. Risk Latvia, Compliance Latvia and Internal Audit Latvia.

Council

Management Board

Risk Management
First line of defence
Owns and manages risks in the day to day operations
- **Business and product areas**
- **Support functions**

Monitor and Control
Second line of defence
Establishes infrastructure, including risk management framework, monitors and assesses risks
- **Risk Latvia**
- **Compliance Latvia**

Evaluation
Third line of defence
Evaluates the governance, risk management and internal controls by the first and second lines of defence
- **Internal Audit Latvia**

First line of defence

First line of defence is accountable for the risks and risk management within their business and activities. It refers to all risk management activities carried out by the business operations within the business areas, product areas and group functions. Management, within their respective area of responsibility, are responsible for ensuring that there are appropriate processes and internal control structures in place that aim to ensure that risks are identified, assessed, managed, monitored, reported and kept within the boundaries of Swedbank Latvia´s risk appetite and in accordance with the risk management framework.

Second line of defence

Second line of defence are the independent risk management functions, the risk control organisation (Risk Latvia) and compliance organisation (Compliance Latvia). These functions define the risk management framework, covering all material risks that Swedbank Latvia faces. The second line challenges and validates the first line's risk management activities, control and analyse Swedbank Latvia's material risks and provides independent risk assessment and reporting to the Management Board and the Council. The second line of defence is organisationally independent from first line and shall not carry out operational activities in the business or the unit they monitor and control.

Third line of defence

Third line of defence refers to Internal Audit Latvia which is governed by and reports to the Council. Internal Audit Latvia is responsible for evaluating governance, risk management and the internal control processes within the first and second lines of defence. Internal Audit is organisationally independent from the first and second lines and shall not carry out operational activities in the other functions.

Risk statement

Swedbank Latvia strives to meet customers' expectations and financial needs and taking and managing risks is fundamental to Swedbank Latvia's business model and value creation. As part of the risk strategy, Swedbank Latvia aims to build long-term relationships with customers. Hence, Swedbank Latvia assumes risks in a conscious and controlled manner when supporting its customers. The work associated with Environmental, Social and Governance (ESG) risks enhances Swedbank Latvia's capability to further assume risk in accordance with the business model.

During 2022 there has been no transaction of material enough nature to impact Swedbank Latvia´s overall risk exposure.

EU REMA – Remuneration Policy

The Remuneration Policy states the foundations and principles for establishing remuneration within Swedbank Latvia, how the policy should be applied and followed-up as well as how Swedbank Latvia identifies which employees whose professional activities have a material impact on the risk profile (Material Risk Takers). For Swedbank Latvia to be able to identify, measure, direct and report internally and to control the risks its business involves in, the remuneration within Swedbank Latvia should be designed so that they are compatible with and encourage efficient risk management and counteract excessive risk taking. Remuneration to individual employees shall be aligned with the Bank's long-term strategy and not counteract Swedbank Latvia's long-term interests.

The Remuneration Policy is reviewed on an annual basis and at other times as necessary. The Bank's Council decision to introduce the Remuneration Policy is preceded by and based on an analysis of what risks are associated with Swedbank's remuneration system and policy. The most recent Swedbank Latvia Remuneration Policy was adopted on 31 May 2022. The adjustments mainly concerned (i) changes to Swedbank´s variable remuneration program Eken (ii) regulatory changes in EBA Guidelines on Sound Remuneration Policies 2021/04, EU Regulation 575/2013 and EU Regulation 2021/923. Based on Swedbank's current remuneration practices, variable remuneration levels and practices for identifying Material Risk Takers, the changes are not anticipated to lead to significant changes for Swedbank's remuneration practices.

Decision making process in Swedbank Latvia

The principles for variable remuneration are set out in the Remuneration Policy, which covers all employees within Swedbank Group.

Swedbank Group HR & Infrastructure is responsible for preparing Remuneration Policy proposals. Swedbank Group CEO together with Swedbank Group Executive Committee (GEC) recommends proposals for submission to Swedbank Group Board's Remuneration Committee. The Remuneration Policy is prepared by the Remuneration Committee prior to a decision by Swedbank Group Board of Directors.

Swedbank Latvia Remuneration Policy is based on Swedbank Group's Remuneration Policy. It is created considering the requirements of the applicable laws and regulations in force in the Republic of Latvia. The Management Board of the Bank pre-approves proposals for Remuneration Policy and after its pre-approval, based on recommendations of the Nomination and Remuneration Committee it is approved by the Council of the Bank.

The Nomination and Remuneration Committee has been created according to Latvian Financial and Capital Market Commission regulations, and the aim of this Committee is to assist the Council in fulfilling its responsibility for monitoring and ensuring that Swedbank Latvia have sound nomination, diversity, and remuneration policies.

The members of the Nomination and Remuneration Committee shall be elected by the Council of the Bank. The Nomination and Remuneration Committee shall consist of three members appointed among the members of the Council. The Chair and members of the Nomination and Remuneration Committee shall have appropriate knowledge, skills, and expertise to fully understand and monitor the nomination and remuneration process of Swedbank Latvia.

The Nomination and Remuneration Committee is a preparatory body that reports to the Council of the Bank and submits recommendations to the Council for approval.

The Nomination and Remuneration Committee had 15 meetings during 2022, including 13 e-voting decision meetings.

Remuneration in Swedbank Latvia

All employees in Swedbank Latvia are to be encouraged to perform according to Swedbank Latvia's goals and strategic direction. The remuneration shall also encourage employees to act according to Swedbank's values (open, simple and caring) since this is considered to be the foundation for a successful, sustainable and long-term business. Further, the total remuneration shall be designed in a way that makes Swedbank Latvia attract employees with the needed skills within the existing margins of cost.

Most of the Material Risk Takers have remuneration with one fixed and one variable part which, together with other benefits, make up the employee's total remuneration. The goal is to reach a healthy balance between the variable and the fixed part of the remuneration. Benefits are granted in accordance with Swedbank's principles and market practice in the country where each employee is permanently resident.

Variable remuneration

Swedbank Latvia does not have a separate Variable Remuneration program and therefore participates in Swedbank Group's Variable Remuneration programs which terms and conditions are set by Swedbank Group. Employees have the right to participate in the program on voluntary basis. Variable remuneration is a component of remuneration which aims to incentivise specific behaviours and desired results, create an alignment between the rewards and risk exposure to those of the shareholders and provide motivation and foster a performance driven culture in Swedbank Latvia.

Variable remuneration is tied to individual performance, Swedbank Group's total result and the business area result during the performance year. Variable remuneration is based on relevant, predetermined, and measurable criteria, set with the purpose of increasing Swedbank Group's long-term value. Both current and future risks will be taken into consideration as well as actual costs for capital and liquidity. Further, a multiple-year perspective shall be applied to ensure long term sustainability of profits considering underlying business cycles and risks at the time of pay-out. In the event that subjective assessments are used for adjusting profit based on risk, factors forming the basis for the adjustment must be well balanced and documented. Variable remuneration will primarily be based on a common risk-adjusted measure of profit. Allotments of variable remuneration are contingent on a positive economic profit (operating profit after deducting company tax and the cost of capital) at the business area and Swedbank Group levels.

Within Swedbank Latvia's Performance Development process, individual performance criteria are set to contribute and support Swedbank Latvia's overall strategic direction, in which sustainability is an important part. The individual performance criteria will include desired results as well as a behavioural part to ensure that individual behaviours are consistent with Swedbank's values (open, simple and caring). Further, sustainability risks are integrated in Swedbank Latvia's remuneration practices by including qualitative individual performance criteria as basis for allotment of variable remuneration for all employees, e.g. as adherence with Swedbank's values, as well as applying deferral periods and the delivery of variable remuneration in instruments for the majority of the employees. Lack of compliance with external or internal regulations or deficiencies in risk management capabilities are such circumstances that are considered inconsistent with Swedbank's values.

Swedbank currently has two variable remuneration programs in which Material Risk Takers in Swedbank Latvia may participate. (a) For the majority of the Material Risk Takers and other employees included in Swedbank Group common performance and share based program, Eken 2022, 100% of the variable remuneration will be deferred for three years and paid out in Swedbank AB (publ.) shares. Shares are chosen as the financial instrument as it contributes to the alignment between the rewards and risk exposure of shareholders and employees. (b) For employees included in the individual program, IP 2022, the variable remuneration is either based on Swedbank AB (publ.) shares and cash or solely on cash. For Material Risk Takers half of the variable remuneration is based on Swedbank AB (publ.) shares and half is cash based. At least 40% of the variable remuneration will be deferred for three years, followed by an additional one-year retention period for the share-based part (exception – Management Board members where 60% of variable remuneration will be deferred). For other IP participants the variable remuneration is fully cash based and deferral is applied in certain cases.

Any variable remuneration to employees in control functions will be determined based on objectives set in the respective control function, independently of the earnings in the business areas they oversee.

Eken is primarily based on the capital cost and risk-adjusted result for Swedbank Group, where Eken 2022 has been based on the target level of 15% Return of Equity (ROE) for Swedbank Group, which in average can give an allocation of one monthly salary as regards to employees in Swedbank Latvia. The allocation in Eken 2022 can amount to a maximum of 1.6 monthly salaries for employees in Swedbank Latvia if 18% ROE for Swedbank Group will be reached. In Eken 2022, the target fulfilment for Swedbank Group ROE was 13.3%, which can give an average allocation of 0.6 monthly salaries for employees in Swedbank Latvia.

Swedbank Group Board of Directors can withhold variable remuneration if Swedbank Group's financial position has been greatly weakened or there is a significant risk of this occurring, or if improper actions by individuals have adversely affected Swedbank's or a business area's results.

Variable Remuneration will only be delivered provided that delivery is justified considering: (a) the financial health of Swedbank Group and, if relevant, the subsidiary in which the employee is employed and the relevant business unit where the employee works; and (b) the relevant employee's performance against the individual performance criteria. Further, deferred variable remuneration may be cancelled during the deferral period for the aforementioned reasons. Swedbank Latvia has the right to reclaim any variable remuneration paid or delivered on the basis of information which is later turned out to be clearly erroneous or the result of fraudulent activities.

The maximum ratio between variable and fixed remuneration is set in accordance with legislation in force and may never exceed the variable remuneration cap as decided by the Annual General Meeting and/or applicable regulations. The variable remuneration shall not exceed 100% of the yearly fixed remuneration for each individual.

Material Risk Takers are defined in accordance with Commission Delegated Regulation (EU) No 2021/923 based on Art. 94.2 in Directive 2013/36/EU with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of employees whose professional activities have a material impact on an institution's risk profile. Material Risk Takers in Swedbank Latvia have been identified based on evaluated positions as of 31 December 2022. Identified staff based on other sectorial regulations covering employees within asset management, is not included in the definition of Material Risk Takers.

According to Latvian Financial and Capital Market Commission Regulation No.154 for the Basic Principles of Remuneration Policy it is prohibited to determine, calculate and pay dividends or other interest for deferred portion of the variable part of remuneration to which irrevocable right hasn't been acquired.

Guaranteed variable remuneration and severance pay

Guaranteed variable remuneration is only permitted in connection with new employment, and if exceptional reasons apply, in the form of sign-on remuneration and shall be paid during the first year of employment. Guaranteed variable remuneration may only be granted subject to prior approval from the Management Board of the Bank.

Severance pay should not be awarded if a Material Risk Taker voluntarily and unilaterally resigns from his/her position and leaves his/her employment within Swedbank Latvia or Swedbank Group, unless severance pay is required by national labour law. Severance pay can be awarded to Material Risk Takers in order to comply with national labour laws and employment contracts and/or in order to avoid a potential or actual labour dispute and to therefore avoid a decision by the courts. Severance pay to Material Risk Takers should be determined based on objective criteria such as job level and length of employment. Severance pay shall also be in line with national labour laws and market practice and determined in accordance with Swedbank Latvia's internal severance pay practices.

Table 1.1: EU REM1 - Remuneration awarded for the financial year, 31 December 2022

EURt		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	7	8	4	16
	Total fixed remuneration	84	1012	357	1010
	Of which: cash-based	84	1012	357	1010
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: other instruments				
	(Not applicable in the EU)				
	Of which: other forms				
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff	4	6	4	14
	Total variable remuneration		67	30	68
	Of which: cash-based		16	7	15
	Of which: deferred		7	3	6
	Of which: shares or equivalent ownership interests		51	23	53
	Of which: deferred		41	19	46
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: deferred				
	Of which: other instruments				
	Of which: deferred				
	Of which: other forms				
	Of which: deferred				
Total remuneration		**84**	**1079**	**387**	**1078**

Table 1.2: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff), 31 December 2022

EURt	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff				
Guaranteed variable remuneration awards -Total amount				
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff		1		1
Severance payments awarded during the financial year - Total amount		114		80
Of which paid during the financial year		114		80
Of which deferred				
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap		114		80
Of which highest payment that has been awarded to a single person		114		80

Table 1.3: EU REM3 - Deferred remuneration, 31 December 2022

Deferred and retained remuneration EURt	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function								
Cash-based								
Shares or equivalent ownership Interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
MB Management function	**425**	**96**	**330**			**-11**	**52**	
Cash-based	120	59	62				29	
Shares or equivalent ownership Interests	305	37	268			-11	23	
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Other senior management	**85**	**35**	**51**			**-7**	**24**	
Cash-based	24	13	11				6	
Shares or equivalent ownership Interests	61	22	39			-7	18	
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Other identified staff	**198**	**77**	**121**			**-23**	**69**	
Cash-based	20	13	7				6	
Shares or equivalent ownership Interests	178	64	114			-23	63	
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Total amount	**709**	**207**	**502**			**-41**	**145**	

Table 1.4: EU REM4 - Remuneration of 1 million EUR or more per year, 31 December 2022

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	
1 500 000 to below 2 000 000	
2 000 000 to below 2 500 000	
2 500 000 to below 3 000 000	
3 000 000 to below 3 500 000	
3 500 000 to below 4 000 000	
4 000 000 to below 4 500 000	
4 500 000 to below 5 000 000	
5 000 000 to below 6 000 000	
6 000 000 to below 7 000 000	
7 000 000 to below 8 000 000	
To be extended as appropriate if further payment bands are needed.	

Table 1.5: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff), 31 December 2022

	Management body remuneration			Business areas						
EURt	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**35**
Of which: members of the MB	7	8	15							
Of which: other senior management					1		3			
Of which: other identified staff				2	2		2	6	4	
Total remuneration of identified staff	**84**	**1079**	**1163**	**160**	**263**		**392**	**393**	**257**	
Of which: variable remuneration		67	67	11	42		18	15	10	
Of which: fixed remuneration	84	1012	1096	149	221		373	377	247	

2. Capital position

The Bank's capital position continues to be strong with solid buffers towards regulatory requirements, enabling the Bank to grow with its customers and withstand changes in the economic environment. Combined with its robust underlying profitability, the Bank is also well positioned to meet future changes in capital requirements.

Capital risk

The risk of insufficient level or composition of capital to cover applicable capital requirements and support business activities under normal economic environments or stressed conditions.

Highlights 2022

The Bank's capital adequacy ratio was 27.04% as of Q4 2022, which amounts to a 13.22 percentage point buffer above the full regulatory requirements (13.82%) thus making the Bank well positioned to meet both current and future capital demand.

The strong capital situation will enable the Bank to support its retail and corporate customers in the challenging post-pandemic environment and in their transition to more sustainable modes of operation.

Key figures

The Bank is subject to the capital requirements defined in the EU's regulatory acts: CRR and Capital Requirement Directive. The documents set up a multi-layered capital stack, which ensures that the institution always has an adequate risk bearing capacity. The stack starts with a minimum requirement of 8% of the total risk exposure amount (REA), which is complemented by an institution specific Pillar 2 requirement (P2R) meant to capture additional aspects of credit, operational and market risks, as well as other risks not covered by the 8% minimum requirement. These two components add up to a total supervisory capital requirement (TSCR) that must be met at all times. As of Q4 2022, the Bank's TSCR amounted to 9.8% of REA. On top of the TSCR is the combined buffer requirement (CBR) that consists of the capital conservation buffer (2.5% of REA), countercyclical buffer (0.02% of REA), other systemically important institution buffer (0% of REA) and a systemic risk buffer (0% of REA). These buffers serve different prudential purposes and can be reviewed by the supervisory authorities based on the established procedures. The TSCR and the CBR add up to an Overall Capital Requirement (OCR) that must be met by the institution under normal circumstances. Finally, on top of the OCR comes an institution specific Pillar 2 Guidance (P2G), which is an extra non-binding requirement meant to protect the institution in severely adverse stress scenarios. As of Q4 2022, the Bank's P2G amounted to 1.5% of REA (Q4 2021 for Swedbank Latvia: 1.5%, for Bank: 0%).

The Bank's own funds are comprised exclusively of CET1 instruments. At the end of the year, the CET1 capital ratio, i.e., the CET1 capital in relation to the REA, was 27.04% (34.42%). The capitalisation of the Bank is well above the capital requirements presented in the Table 2.2., with the regulatory overall capital requirement of 12.32% (12.5%).

In the 2022 Supervisory Review and Evaluation Process (SREP), the capitalisation of the Bank was assessed as adequate for both the current and forward-looking perspective of regulatory capital requirements.

In 2022, total REA increased by 35% reaching EUR 3.6bn. At the same time, CET1 capital increased from EUR 904m in Q4 2021 to EUR 960m due to addition of part of retained earnings for 2022.

In addition to the risk weighted capital requirements, the Bank is subject to a leverage ratio requirement of 3% of leverage exposure. As of Q4 2022, leverage ratio amounted to 10.71% (11.62%).

The Bank Recovery and Resolution Directive (BRRD), which allows the authorities to manage banks in distress, was established in the EU in 2014 and transposed to Latvian national laws on 1 July 2015. The directive includes a requirement on banks to hold a minimum level of own funds and eligible liabilities (MREL). An individual MREL requirement for Swedbank Latvia was first introduced by the Single Resolution Board (SRB) in 2019 and is updated on an annual basis. According to the current regulation, there are two MREL requirements that must be met by the Group in parallel: one is set as a % of REA and another - as a % of the leverage exposure. The requirements amounted to 22.2% and 5.9% respectively, while the corresponding MREL compliance ratios as of 31 December 2022 were 27.96% /12.37% for Swedbank Latvia and 28.75% / 12.39% for the Bank. An individual MREL requirement for the Bank is expected to be set starting from year 2024. Swedbank Latvia uses own funds and senior non-preferred liabilities to meet the MREL.

Table 2.1: EU OV1 - Overview of risk weighted exposure amounts, 31 December 2022

	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
EURt	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**
Credit risk (excluding CCR)	**3 228 279**	**2 312 295**	**258 263**
Of which the standardised approach	934 925	482 814	74 794
Of which the foundation IRB (FIRB) approach	1 031 171	825 022	82 494
Of which slotting approach	5 409	5 497	433
Of which equities under the simple riskweighted approach			
Of which the advanced IRB (AIRB) approach	1 256 774	998 962	100 542
Counterparty credit risk - CCR	**16 243**	**12 045**	**1 299**
Of which the standardised approach			
Of which internal model method (IMM)			
Of which exposures to a CCP			
Of which credit valuation adjustment - CVA			
Of which other CCR	16 243	12 045	1 299
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Settlement risk			
Securitisation exposures in the non-trading book (after the cap)			
Of which SEC-IRBA approach			
Of which SEC-ERBA (including IAA)			
Of which SEC-SA approach			
Of which 1250%/ deduction			
Position, foreign exchange and commodities risks (Market risk)	**648**	**11 555**	**52**
Of which the standardised approach	648	11 555	52
Of which IMA			
Large exposures			
Operational risk	**306 264**	**290 863**	**24 501**
Of which basic indicator approach			
Of which standardised approach	306 264	290 863	24 501
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Total	**3 551 434**	**2 626 758**	**284 115**

During 2022 risk exposure amount of the Bank increased by EUR 925m as compared to Q4 2021.

Increase of exposure under standardized approach is due to concluded intra Swedbank Group lending agreements with Swedbank AB (publ.). Underlying intent is to manage the liquidity within Swedbank Group as efficiently as possible.

Increase of exposure under IRB approach is mainly driven by solid lending growth, as well as model and methodology updates.

Table 2.2: EU KM1 - Key metrics, 31 December 2022

EURt	31 Dec 2022	31 Dec 2021*
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	960 267	904 233
Tier 1 capital	960 267	904 233
Total capital	960 267	904 233
Risk-weighted exposure amounts	3 551 434	2 626 758
Total risk-weighted exposure amount	3 551 434	2 626 758
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	27.04%	34.42%
Tier 1 ratio (%)	27.04%	34.42%
Total capital ratio (%)	27.04%	34.42%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8%	0.0%
of which: to be made up of CET1 capital (percentage points)	1.0%	0.0%
of which: to be made up of Tier 1 capital (percentage points)	1.4%	0.0%
Total SREP own funds requirements (%)	9.8%	8.0%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.02%	0.00%
Systemic risk buffer (%)	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%
Other Systemically Important Institution buffer (%)	0.00%	2.00%
Combined buffer requirement (%)	2.52%	4.50%
Overall capital requirements (%)	12.32%	12.50%
CET1 available after meeting the total SREP own funds requirements (%)	17.24%	25.42%
Leverage ratio		
Total exposure measure	8 961 997	7 779 909
Leverage ratio (%)	10.71%	11.62%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of leverage ratio total exposure amount)		
Additional own funds requirements to address the risk of excessive leverage (%)		
of which: to be made up of CET1 capital (percentage points)		
Total SREP leverage ratio requirements (%)	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)		
Overall leverage ratio requirement (%)	3.0%	3.0%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	3 435 897	3 305 956
Cash outflows - Total weighted value	981 173	931 823
Cash inflows - Total weighted value	269 333	205 403
Total net cash outflows (adjusted value)	711 840	726 420
Liquidity coverage ratio (%)	492.5%	456.5%
Net Stable Funding Ratio		
Total available stable funding	7 257 253	6 472 887
Total required stable funding	3 337 336	2 645 441
NSFR ratio (%)	217.5%	244.7%

* In line with the ECB's decision as of November 2022, disclosures approach for the Bank has changed and disclosures are made on an individual basis (i.e."Swedbank "AS solo level). Therefore, previous period is disclosed only for one year for data comparison.

Table 2.3: EU INS1 - Insurance participations, 31 December 2022

EURt	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds		

As of end 2022, the Bank had no participations in insurance businesses.

Table 2.4: EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio, 31 December 2022

EURt	
Supplementary own fund requirements of the financial conglomerate (amount)	
Capital adequacy ratio of the financial conglomerate (%)	

The Bank is not a financial conglomerate as it is defined in the Directive 2002/87/EC of the EU.

EU OVC - Internal Capital Adequacy Assessment Process (ICAAP)

Swedbank Latvia forms a part of Swedbank Group and its internal capital adequacy assessment process (ICAAP) is based on the same foundations as Swedbank Group's ICAAP, while also taking into account local legal and regulatory requirements. The key elements of Swedbank Latvia's ICAAP are approved at least on an annual basis by management bodies of Swedbank Latvia. The submission of ICAAP information to the competent supervisory authorities in March 2022 was done based on the sub-consolidated situation of Swedbank Latvia.

In the ICAAP under Pillar 2, Swedbank Latvia's solvency and capital need is assessed by applying the Economic Capital (EC) methodology and stress tests. Swedbank Latvia calculates the Pillar 2 capital for all relevant risk types. Strategic and reputational risks are managed indirectly within the capital adequacy assessment, as the capital buffer implicitly protects against such risks, and they are carefully monitored and managed. Liquidity constraints may arise as a result of an imbalance between risk and capital. The ICAAP is designed to ensure that such imbalances do not arise, and consequently, a conservative view of liquidity risk is important to the process.

Table 2.5: Risk types according to the ICAAP process

Risk type	Pillar 1 Capital is allocated?	Pillar 2 Contributes to calculated capital need?
Credit risk	Yes	Yes
Concentration risk	No	Yes
Market risk	Yes	Yes
Market risk: Interest rate risk in banking book	No	Yes
Operational risk	Yes	Yes
Risk type	**Pillar 1**	**Pillar 2**
		Identified and mitigated?
Reputational risk	No	Yes[1]
Liquidity risk	No	ILAAP[2]
Strategic risk	No	Yes[3]

1) Reputational risk is considered as part of the operation risk in the ICAAP context. The Scenario Simulation parameters can be adjusted to reflect reputational risk.

2) Liquidity needs are assessed annually in the internal liquidity adequacy assessment process (ILAAP).

3) Strategic risk is covered within the scope of the management buffer as part of the normal capital planning process. Economic Capital and adverse Scenario Simulation calculations can be adjusted to reflect forward looking perspective.

Stress tests

Swedbank Latvia uses macroeconomic scenario-based stress tests in the ICAAP for the purpose of forecasting its solvency and capital needs. The stress tests are an important means of analysing how Swedbank Latvia's portfolios are affected by adverse macroeconomic developments, including the effects of negative events on Swedbank Latvia's total capital and risk profile.

The Group-wide stress test methodology takes its starting point in the identification of systemic risks that may have an adverse impact on the Group's capital. The identified systemic risks are transformed into quantitative effects on key macroeconomic variables to build macroeconomic scenarios. When stressing credit risk, Swedbank Latvia uses statistical models that transform the adverse macroeconomic scenarios into loss levels for relevant balance-sheet items. Profit and Loss items such as net interest income and fees and commissions are also stressed in the scenario. After REA changes are accounted for, the total impact on capital adequacy is estimated. Finally, the stress test outcomes and the methodology are evaluated and discussed by Swedbank Latvia's experts and by management, to ensure consistency and reliability. The scenarios are presented to the Management Board and Council of the Bank for approval along with an assessment of the effects on the main risk types.

Economic Capital

EC models are used in conjunction with stress tests to provide an objective internal view of the capital required to manage potential risks affecting Swedbank Latvia. In contrast to the capital assessment within Pillar 1, the estimation of the EC is not limited by assumptions applied in the Basel framework. Consequently, the EC generates a more accurate assessment of the risk to which Swedbank Latvia is exposed.

Within the EC framework, credit risk, market risk and operational risk are considered, while strategic risk is evaluated separately. The strategic risk is assessed through stress tests performed in the ICAAP.

In general, Value-at-Risk (VaR) based models with a confidence level of 99.9% are used to calculate the EC for the different risk types. The confidence level, which corresponds to the confidence level used in the Basel IRB framework calibration, uses a one-year horizon.

EC models by risk type

Swedbank Latvia's EC model for credit risk is based on the similar theoretical foundation as the Basel IRB framework, but while the IRB framework is limited to a one-factor model, Swedbank's EC framework applies a multi-factor model. Accordingly, the actual portfolio setup can be used, and both concentration and diversification effects are taken into account.

Swedbank Group's operational loss model is a statistical and mathematical approach based on extreme value theory where historical operational loss data is used. The model has been developed primarily using internal loss data and is complemented with scenario information to capture areas where additional input is required beyond loss data. The main cause for internal operational losses is process risk followed by personnel risk. Since Swedbank is heavily dependent on solid IT-solutions, one of the main drivers for operational risk is also low frequency high impact losses related to information and technology risk which, together with external risk, creates an impact on clients, products and business practices. Swedbank Latvia's EC requirement is inferred from Swedbank Group's results.

The EC for market risk is primarily driven by interest rate risk in the banking book (IRRBB), where an economic value methodology is used. For risk stemming from the trading operations, Swedbank Latvia's internal assessment is in line with the view of market risk within Pillar 1. The main difference is that Swedbank Latvia uses a standardised approach to calculate specific interest rate risk in Pillar 1, while an internal model is applied within the EC framework. In addition to market risk in the banking and trading books, the EC assessment also accounts for CVA risk.

Table 2.7: EU CC1 - Composition of regulatory own funds, 31 December 2022

EURt		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	575 000	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	407 101	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	192	26 (1)
EU-3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**982 293**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-339	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-2 932	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-17 026	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
EU-20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
EU-20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 17,65% threshold (negative amount)		48 (1)
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a)
EU-25a	Losses for the current financial year (negative amount)		36 (1) (a)
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		36 (1) (l)
26	Empty set in the EU		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		36 (1) (j)
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	-1 729	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-22 026**	
29	**Common Equity Tier 1 (CET1) capital**	**960 267**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		486 (3)
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)

36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		56 (e)
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**960 267**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		486 (4)
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**		
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
54a	Empty set in the EU		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)
56	Empty set in the EU		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**960 267**	
60	**Total Risk exposure amount**	**3 551 434**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	27.04%	92 (2) (a)
62	Tier 1 capital	27.04%	92 (2) (b)
63	Total capital	27.04%	92 (2) (c)
64	Institution CET1 overall capital requirements	8.02%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.02%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.01%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**17.24%**	**CRD 128**
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		36 (1) (i), 45, 48
74	Not applicable		

75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 (5), 486 (4) & (5)

By the end of Q4 2022 Regulatory own funds of the Bank increased to EUR 960m (EUR 904m for Q4 2021) due to addition of part of retained earnings for 2022. Own funds are calculated in accordance with Regulation (EU) 575/2013 (CRR).

Table 2.8: EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements, 31 December 2022

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	EURt	As at period end	As at period end	
Assets - Breakdown by asset Classes according to the balance sheet in the published financial statements				
1	Cash and balances with central banks	2 509 644	2 509 644	
2	Treasury bills and other bills eligible for refinancing with central banks	202 927	202 927	
3	Loans to credit institutions	1 743 898	1 743 898	
4	Loans to the public	3 893 553	3 893 553	
5	Value change of interest hedged item in portfolio	0	0	
6	Bonds and other interest-bearing securities	765	765	
7	Shares and participating interests	300	300	
8	Investments in subsidiaries	112 126	112 126	
9	Derivatives	6 037	6 037	
10	Intangible fixed assets	2 932	2 932	8
11	Tangible assets	29 875	29 875	
12	Current tax assets	228	228	
13	Deferred tax assets			
14	Other assets	16 462	16 462	
15	Prepaid expenses and accrued income	1 460	1 460	
	Total assets	**8 520 207**	**8 520 207**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Amounts owed to Central Banks	1	1	
2	Amounts owed to credit institutions	2 164	2 164	
3	Deposits and borrowings from the public	7 263 806	7 263 806	
4	Derivatives	7 121	7 121	
5	Deferred tax liabilities			
6	Other liabilities	60 739	60 739	
7	Accrued expenses and prepaid income	2 302	2 302	
8	Provisions	970	970	
9	Subordinated liabilities	150 111	150 111	
	Total liabilities	**7 487 214**	**7 487 214**	
Shareholders' Equity				
1	Share capital	575 000	575 000	1
2	Other reserves	192	192	3
3	Retained earnings	354 731	354 731	
4	Profit for the year	103 070	103 070	
	Total shareholders' equity	**1 032 993**	**1 032 993**	

Table 2.9: EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments, 31 December 2022

1	Issuer	Swedbank AS, Latvia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	LV40003074764
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	Latvian
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo& (sub-) consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 Article 28
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 575m
9	Nominal amount of instrument	EUR 575m
EU-9a	Issue price	N/A
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

'N/A' if the item is not applicable

Table 2.10: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer, 31 December 2022

Breakdown by country	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
EURt	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Sweden	68	885				953	42			42	525	0.02%	1.00%
Estonia	2 955	842				3 797	84			84	1 050	0.04%	1.00%
Latvia	672 135	3 688 541	829			4 361 505	190 004	12		190 016	2 375 200	98.40%	0.00%
Lithuania	79	3 581	278			3 938	150			150	1 875	0.08%	0.00%
Norway	70	518				588	33			33	413	0.02%	2.00%
Finland	5	256				261	11			11	138	0.01%	0.00%
Denmark	31	40 951				40 982	1 570			1 570	19 625	0.81%	2.00%
USA	247	834				1 081	43			43	538	0.02%	
Great Britain	1 074	3 470				4 544	235			235	2 938	0.12%	1.00%
Luxemburg		635				635	36			36	450	0.02%	0.50%
Other countries	977	30 557				31 534	885			885	11 063	0.46%	0.00%
Total	**677 641**	**3 771 070**	**1 107**			**4 449 818**	**193 093**	**12**		**193 105**	**2 413 815**	**100.00%**	

The majority of relevant exposures are in the country of residence Latvia where the CCyB is set to 0%. There have not been significant changes in geographical distribution during 2022 as compared to Q4 2021.

Table 2.11: EU CCyB2 - Amount of institution-specific countercyclical capital buffer, 31 December 2022

EURt	
Total risk exposure amount	3 551 434
Institution specific countercyclical capital buffer rate	0.02%
Institution specific countercyclical capital buffer requirement	663

Table 2.12: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures, 31 December 2022

EURt	Applicable amount
Total assets as per published financial statements	8 520 207
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
(Adjustment for temporary exemption of exposures to central bank (if applicable))	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
Adjustment for eligible cash pooling transactions	
Adjustments for derivative financial instruments	
Adjustment for securities financing transactions (SFTs)	
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	385 868
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
Other adjustments	55 922
Total exposure measure	**8 961 997**

During 2022 Total ratio exposure measure has increased by EUR 1.182bn as compared to Q4 2021. Change is caused mainly by increase in total assets.

Table 2.13: EU LR2 - LRCom: Leverage ratio common disclosure, 31 December 2022

		CRR leverage ratio exposures	
		31 Dec 2022	31 Dec 2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	8 565 339	7 531 984
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-22 026	-26 493
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**8 543 313**	**7 505 491**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	8 446	9 047
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	24 370	20 738
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**32 816**	**29 785**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**		
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	969 608	641 707
20	(Adjustments for conversion to credit equivalent amounts)	-583 740	-397 074
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**385 868**	**244 633**

Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**		
Capital and total exposure measure			
23	**Tier 1 capital**	**960 267**	**904 233**
24	**Total exposure measure**	**8 961 997**	**7 779 909**
Leverage ratio			
25	Leverage ratio (%)	10.71%	11.62%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10.71%	11.62%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10.71%	11.62%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8 961 997	7 779 909
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8 961 997	7 779 909
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.71%	11.62%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.71%	11.62%

The Bank monitors and discloses its leverage ratio according to the requirements and as of Q4 2022 must meet a minimum leverage ratio requirement of 3% under the CRRII. The leverage ratio has slightly decreased to 10.71% during 2022 as compared to Q4 2021 (11.62%).

Table 2.14: EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures), 31 December 2022

EURt	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8 565 339
Trading book exposures	1 107
Banking book exposures, of which:	8 564 232
Covered bonds	
Exposures treated as sovereigns	2 692 843
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
Institutions	1 743 898
Secured by mortgages of immovable properties	1 818 164
Retail exposures	392 657
Corporate	1 598 785
Exposures in default	11 073
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	306 812

During 2022 the leverage ratio on-balance exposures of the Bank increased by EUR 1Bn as compared to Q4 2021. Change is mainly due to increase of balance sheet size due to attracted deposits and borrowing from the public and subordinated liabilities. Structurally part of liquid assets are placed with Swedbank AB (publ.), which caused decrease of exposures treated as sovereigns balance, simultaneously uplifting exposure to institutions.

EU LRA - Disclosure of LR qualitative information

According to the Bank’s procedures, the capital planning process is performed on a quarterly basis, which includes the assessment of the overall capitalisation versus the capital requirements and risk of excessive leverage. In case of a potential capital shortfall, capital injections or measures to reduce the risk exposure amount may be performed. In addition to injection of equity capital, the total capital of the Bank may also be strengthened through subordinated loans from the parent company (Swedbank AB (publ.)). As part of managing the risk of excessive leverage, other business steering or asset-and-liability management tools may be considered and used if any concerns emerge with respect to the observed dynamics of the leverage ratio.

The Bank is subject to a leverage ratio requirement of 3% of leverage exposure. As of Q4 2022, leverage ratio amounted to 10.71% (Q4 2021: 11.62%). Higher exposure value was behind this trend.

3. Credit risk

The Bank's loan portfolio is well-diversified by segments, with a significant part allocated to a low-risk segment - private mortgages. Conservative lending standards and close dialogue with customers are keys to the sustained high credit quality. Despite the challenging macro-economic situation, credit quality remained solid in 2022.

Credit risk

The risk that a counterparty fails to meet its obligations towards the Bank and the risk that the pledged collateral does not cover the claims.

Credit risk also includes concentration risk, country risk, and counterparty credit risk in trading transactions, including settlement risk.

Highlights 2022

The Bank's credit quality remained stable in 2022, despite the challenging macro-economic situation. Credit quality indicators, such as past-due loans, remained largely unchanged. High inflation, rising interest rates and a weaker economy, however, have created challenges that affected credit quality of some customers and could lead to further quality deterioration in the portfolio, which is reflected in the provisions.

Credit impairments in 2022 were EUR 1.0m (0.04m) and the credit impairment ratio was 0.03% (0.001%). Weaker macro-economic scenarios were the main drivers for the new credit impairment provisions.

The post-model expert credit adjustments, to cover potential future credit impairments, amounted to EUR 8.1m at the end of 2022 (10.7m at the end of 2021). The post-model adjustments cover private segment and six corporate industries: agriculture, manufacturing, transportation, construction, hotels, and retail.

The total share of loans in stage 2 remained stable despite the macroeconomic headwinds – approximately 13% (15%).

The share of loans in stage 3, gross, decreased to 0.4% (1.0%), mainly explained by decreased exposure to the hotel industry. The provision ratio for loans in stage 3 was 25% (12%).

The Bank's total lending increased to EUR 3 894m (3 607m) in 2022, with growth in both corporate and private loans.

Private mortgage loans constitute 47% of the Bank's total loan portfolio. The portfolio is of high quality, with strong loan amortization schedule and reasonable Loan-to-Value (LTV) ratios. Lending is based on the borrower's repayment capacity, including the ability to manage an increased interest rate and still be able to afford relevant loan amortisation and other costs of living. The Bank's growth in mortgage loans was 6.6% in 2022 driven by strong demand in H1 2022, before rapidly rising interest rates and costs had started to impact housing demand negatively in H2 2022. Nevertheless, house prices have shown strong resilience, although the number of housing transactions gradually decreased.

Lending to other financial corporations is the second largest concentration (10.9%) due to the intra-group exposure to Swedbank Līzings SIA. Lending to public sector constitutes the third largest exposure – 8.5% of the total loan portfolio. The loans are mainly granted to low-risk customers such as municipalities and state-related companies with a strong financial position. The Bank's underwriting criteria are focused on the customer's long-term ability to make interest payments and amortisations on the loan, with special attention to a stress of the future cash flow. The Bank's growth in public sector in 2022 was 12% and was mainly driven by infrastructure and energy related projects. The fourth largest concentration belongs to property management companies – 6.6% of total loan portfolio.

EU CRB - Additional disclosure related to the credit quality of assets

Past-due exposures refer to exposures where amounts due for payment have not been paid in accordance with the payment terms of the credit agreements.

Credit-impaired exposures are exposures for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank Latvia will not receive full payment. Credit-impaired exposures are moved to stage 3 according to the accounting framework IFRS 9.

The Bank's IFRS 9 definitions of default and credit-impaired exposures are aligned to its regulatory definition of default.

A credit exposure is regarded to be in default, and credit-impaired, if any of the following criteria are met:

- The borrower is past-due more than 90 days on any material credit obligation to the Bank.
- The Bank considers that the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security.

When assessing whether a borrower is unlikely to pay its obligations, the Bank assesses both qualitative and quantitative factors, including but not limited to, overdue status, non-payment on other obligations of the same borrower, bankruptcy filing, and breaches of financial covenants.

For sovereign and financial institutions exposure classes, the trigger of default and credit-impaired status is based on manual decisions rather than strictly 90 days past-due.

Methods for determining credit risk adjustments

Credit impairment provisions are measured according to an expected credit loss model in line with the accounting standard IFRS 9. All exposures, performing as well as non-performing, will carry a credit impairment provision (loss allowance) depending on their stage allocation.

The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage an exposure is allocated to, the provisions will be calculated according to the Bank's models. The key inputs used in the quantitative models are probability of default (PD), loss given default (LGD), exposure at default (EAD) and expected lifetime. Expected credit losses reflect both historical data and probability weighted forward-looking scenarios. For large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

More details about credit impairment provisions are found in the Annual Report, note 2 and note 3.

Forborne exposures

Forborne exposures refer to exposures where the contractual terms have been changed due to the customer's financial difficulties. The purpose of forbearance measures is to enable the borrower to make full payments again and to avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding exposures. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rate, forgiveness of all or part of the exposure, or issuance of new loans to pay overdue amounts.

Depending on when the forbearance measures are taken and the severity of the financial difficulties of the borrower, the forborne exposure could be classified either as performing or non-performing.

Table 3.1: EU CR1 - Performing and non-performing exposures and related provisions, 31 December 2022

EURt	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**2 451 877**	**2 451 877**					**-62**	**-62**							
Loans and advances	**5 622 776**	**5 109 606**	**512 116**	**14 930**		**14 740**	**-15 252**	**-6 466**	**-8 786**	**-3 925**		**-3 904**		**2 774 215**	**10 116**
Central banks															
General governments	73 405	73 405					-26	-26							
Credit institutions	1 712 076	1 712 076					-78	-78							
Other financial corporations	456 651	456 650	1				-33	-32	-1						
Non-financial corporations	1 274 731	1 124 396	150 335	1 973		1 973	-6 595	-3 832	-2 763	-502		-502		957 706	1 469
Of which SMEs	670 689	535 378	135 311	1 973		1 973	-5 577	-2 908	-2 669	-502		-502		651 002	1 469
Households	2 105 913	1 743 079	361 780	12 957		12 767	-8 520	-2 498	-6 022	-3 423		-3 402		1 816 509	8 647
Debt securities	**202 585**														
Central banks															
General governments	202 585														
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**969 619**	**877 596**	**45 442**	**191**		**191**	**944**	**671**	**273**	**26**		**26**		**592 548**	**143**
Central banks															
General governments	26	26													
Credit institutions	7 292	3 058	4 234				28	1	27					199	
Other financial corporations	56 050	48 795	5											11	
Non-financial corporations	663 599	607 616	16 652	118		118	590	489	101	12		12		500 558	91
Households	242 652	218 101	24 551	73		73	326	181	145	14		14		91 780	52
Total	**9 246 857**	**8 439 079**	**557 558**	**15 121**		**14 931**	**-16 258**	**-7 199**	**-9 059**	**-3 951**		**-3 930**		**3 366 763**	**10 259**

* The data were restated in accordance with ECB interpretation received on 2 October 2023.

Growth of loans and advances in 2022 was mainly affected by the intra-group transactions that the Bank closed with Swedbank AB (publ.) to manage the liquidity within Swedbank Group. Liquidity management within Swedbank Group is conducted using a centralized approach.

Loans to non-financial corporations and households were growing in 2022 thanks to strong new sales. New financing for non-financial corporations was affected by unexpectedly strong credit demand driven by high inflation and abnormally high energy prices. Quality of loans and advances remained strong, as non-performing exposure constituted only 0.3% of total portfolio. A significant YoY decrease in the non-performing exposure was explained by a large workout case. Coverage rates of performing portfolio were stable, while they increased for non-performing portfolio after the workout case.

In 2022, the post-model provision adjustment related to the Covid-19 pandemic was released and a new one created, which was motivated by the increased uncertainty due to extreme escalation of geopolitical risks.

Table 3.2: EU CR1a - Maturity of exposures, 31 December 2022

EURt	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	52 178	2 647 286	1 504 786	1 452 377		5 656 627
Debt securities		27 960	175 359	373		203 692
Total	**52 178**	**2 675 246**	**1 680 145**	**1 452 750**		**5 860 319**

A major part of loans and advances had a maturity over one year, mainly explained by corporate loans, where agreement maturity was from 3 to 5 years, and private mortgage loans, where agreement maturity was over 5 years.

Growth in maturity less than 1 year was mainly impacted by the increase in loans and advances to credit institutions. These were intra-group transactions that the Bank closed with Swedbank AB (publ.) to manage the liquidity within Swedbank Group.

Table 3.3: EU CR2 - Changes in the stock of non-performing loans and advances, 31 December 2022

EURt	Gross carrying amount
Initial stock of non-performing loans and advances	**44 334**
Inflows to non-performing portfolios	4 462
Outflows from non-performing portfolios	-33 865
Outflows due to write-offs	-1 648
Outflow due to other situations	-32 217
Final stock of non-performing loans and advances	**14 931**

Stock of non-performing loans and advances decreased by 66% in 2022. The outflow was strongly affected by a successfully finalized workout case, as well as amortizations and cases where customers have returned to performing status. Default rates remained low despite challenging economic situation.

Table 3.4: EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries, 31 December 2022

EURt	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances		
Inflows to non-performing portfolios		
Outflows from non-performing portfolios		
Outflow to performing portfolio		
Outflow due to loan repayment, partial or total		
Outflow due to collateral liquidations		
Outflow due to taking possession of collateral		
Outflow due to sale of instruments		
Outflow due to risk transfers		
Outflows due to write-offs		
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances		

According to CRR, EU CR2a is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. The Bank's NPL ratio is below 5%.

Table 3.5: EU CQ1 - Credit quality of forborne exposures, 31 December 2022

EURt	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits								
Loans and advances	**107 018**	**11 820**	**11 820**	**11 820**	**-1 490**	**-2 956**	**111 470**	**8 280**
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	84 249	1 771	1 771	1 771	-1 033	-444	84 351	1 327
Households	22 769	10 049	10 049	10 049	-457	-2 512	27 119	6 953
Debt Securities								
Loan commitments given	**257**	**81**	**81**	**81**	**1**	**15**	**318**	**62**
Total	**107 275**	**11 901**	**11 901**	**11 901**	**-1 491**	**-2 971**	**111 788**	**8 342**

* The data were restated in accordance with ECB interpretation received on 2 October 2023.

The forborne portfolio decreased by EUR 14m (10%) in 2022 due to returns to non-forborne status in the household segment and repayments in both household and non-financial corporation segments. There was no YoY growth in new forbearance in 2022 despite challenging economic situation.

Table 3.6: EU CQ2 - Quality of forbearance, 31 December 2022

EURt	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	

According to CRR, EU CQ2 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. The Bank’s NPL ratio is below 5%.

Table 3.7: EU CQ3: Credit quality of performing and non-performing exposures by past due days, 31 December 2022

EURt	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**2 451 877**	**2 451 877**										
Loans and advances	**5 622 775**	**5 620 595**	**2 180**	**14 930**	**11 084**	**588**	**957**	**543**	**1 137**	**62**	**559**	**14 930**
Central banks												
General governments	73 405	73 405										
Credit institutions	1 712 076	1 712 076										
Other financial corporations	456 651	456 651										
Non-financial corporations	1 274 731	1 274 729	2	1 973	1 593	52	61	149	118			1 973
Of which SMEs	670 688	670 686	2	1 973	1 593	52	61	149	118			1 973
Households	2 105 912	2 103 734	2 178	12 957	9 491	536	896	394	1 019	62	559	12 957
Debt securities	**202 586**	**202 585**										
Central banks												
General governments	202 586	202 585										
Credit institutions												
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	**969 619**			**191**								**191**
Central banks	0											
General governments	26											
Credit institutions	7 292											
Other financial corporations	56 050											
Non-financial corporations	663 599			118								118
Households	242 652			73								73
Total	**9 246 857**	**8 275 057**	**2 180**	**15 121**	**11 084**	**588**	**957**	**543**	**1 137**	**62**	**559**	**15 121**

The overall level of past due loans and advances remained low despite challenging economic situation, as only 0.2% (0.3% in 2021) of loans and advances were past due more than 30 days. Non-performing portfolio decreased in 2022 due to workouts and returns to performing status. Majority of non-performing loans were either not past due or past due less than 90 days.

Table 3.8: EU CQ4 - Quality of non-performing exposures by geography, 31 December 2022

EURt	Gross carrying/nominal amount				Accumulated impairment *	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	**5 840 290**		**14 930**		**-19 176**		
Sweden	1 706 253		2		-85		
Norway	585				-7		
Denmark	37 696				-1		
Finland	252				-1		
Estonia	6 950		1		-8		
Latvia	4 046 961		14 716		-18 828		
Lithuania	3 645		15		-11		
USA	1 074				-7		
Other countries	36 874		196		-228		
Off-balance-sheet exposures	**969 810**		**191**			**970**	
Sweden	5 330						
Norway	8						
Denmark	57 728						
Finland	20						
Estonia	877						
Latvia	900 641		191			940	
Lithuania	1 526					6	
USA	11						
Other countries	3 669					24	
Total	**6 810 100**		**15 121**		**-19 176**	**970**	

* The data were restated in accordance with ECB interpretation received on 2 October 2023.

Exposures were concentrated in the home market - 69% of on-balance and 93% of off-balance exposure was to Latvia. A significant on-balance exposure to Sweden in 2022 was a result of the intra-group transactions between treasuries of the Bank and its parent company in Sweden.

According to CRR, the columns "of which non-performing" and "of which subject to impairment" in EU CQ4, are applicable to institutions with a threshold ratio on Non-performing loans and advances (NPL ratio) of 5% or above. The Bank's NPL ratio is below 5%.

Table 3.9: EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry, 31 December 2022

EURt	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	135 824		460		-2 339	
Mining and quarrying	376				-10	
Manufacturing	217 145		109		-1 927	
Electricity, gas, steam and air conditioning supply	216 410				-6	
Water supply	23 099				-5	
Construction	8 759		206		-166	
Wholesale and retail trade	111 793		493		-811	
Transport and storage	77 295		3		-215	
Accommodation and food service activities	82 449				-973	
Information and communication	43 008				-13	
Financial and insurance actvities						
Real estate activities	286 494		183		-416	
Professional, scientific and technical activities	6 930		5		-24	
Administrative and support service activities	2 637		407		-94	
Public administration and defense, compulsory social security					0	
Education	2 144		103		-24	
Human health services and social work activities	15 000				-5	
Arts, entertainment and recreation	1 990				-49	
Other services	45 351		4		-21	
Total	**1 276 704**		**1 973**		**-7 098**	

Industry distribution in EU CQ5 is according to NACE industry classification and differs from the sector distribution used by Swedbank Latvia in annual and interim reports.

* The data were restated in accordance with ECB interpretation received on 2 October 2023.

Loans and advances to non-financial corporations concentrated mainly in real estate activities (22%), manufacturing (17%) and electricity, gas, steam and air conditioning supply (17%). Top 3 industries remained unchanged in 2022: share of real estate activities decreased from 24% to 22% due to repayments by several large customers; electricity, gas, steam and air conditioning supply increased from 13% to 17% (new financing driven by high energy prices); manufacturing remained stable.

According to CRR, the columns “of which non-performing” and “of which loans and advances subject to impairment” in EU CQ5, are applicable to institutions with a threshold ratio on Non-performing loans and advances (NPL ratio) of 5% or above. The Bank’s NPL ratio is below 5%.

Table 3.10: EU CQ6 - Collateral valuation - loans and advances, 31 December 2022

	Loans and advances											
		Performing		Non-performing								
						Past due > 90 days						
EURt			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount												
Of which secured												
Of which secured with immovable property												
Of which instruments with LTV higher than 60% and lower or equal to 80%												
Of which instruments with LTV higher than 80% and lower or equal to 100%												
Of which instruments with LTV higher than 100%												
Accumulated impairment for secured assets												
Collateral												
Of which value capped at the value of exposure												
Of which immovable property												
Of which value above the cap												
Of which immovable property												
Financial guarantees received												
Accumulated partial write-off												

According to CRR, EU CQ6 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. The Bank's NPL ratio is below 5%.

Table 3.11: EU CQ7 - Collateral obtained by taking possession and execution processes, 31 December 2022

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	440	23
Residential immovable property	425	23
Commercial Immovable property		
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other collateral	15	
Total	**440**	**23**

Portfolio of collaterals obtained by taking possession decreased from EUR 1.3m to EUR 0.4m in 2022, as several immovable properties were sold. There were no major revaluations in 2022.

Table 3.12: EU CQ8 - Collateral obtained by taking possession and execution processes – vintage breakdown, 31 December 2022

	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
EURt	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E												
Collateral obtained by taking possession other than that classified as PP&E												
Residential immovable property												
Commercial immovable property												
Movable property (auto, shipping, etc.)												
Equity and debt instruments												
Other collateral												
Total												

According to CRR, EU CQ8 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. The Bank's NPL ratio is below 5%.

Disclosure of exposures subject to measures applied in response to the Covid-19 crisis

Table 3.13: Information on loans and advances subject to legislative and non-legislative moratoria, 31 December 2022

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
EURt			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium															
of which: Households															
of which: Collateralised by residential immovable property															
of which: Non-financial corporations															
of which: Small and Medium-sized Enterprises															
of which: Collateralised by commercial immovable property															

There were no active moratoria graces, all agreements with moratoria graces had returned to normal payment schedules.

Table 3.14: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, 31 December 2022

EURt	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	2 997	129 409							
Loans and advances subject to moratorium (granted)	2 864	125 796	230	125 796					
of which: Households		103 633	230	103 633					
of which: Collateralised by residential immovable property		99 670	-	99 670					
of which: Non-financial corporations		22 163	-	22 163					
of which: Small and Medium-sized Enterprises		19 591	-	19 591					
of which: Collateralised by commercial immovable property		13 307	-	13 307					

There were no active moratoria graces, all agreements with moratoria graces had returned to normal payment schedules.

Table 3.15: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis, 31 December 2022

EURt	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes				
of which: Households				
of which: Collateralised by residential immovable property				
of which: Non-financial corporations				
of which: Small and Medium-sized Enterprises				
of which: Collateralised by commercial immovable property				

There were no newly originated loans subject to public guarantee schemes at the end of Q4 2022.

EU CRC – Qualitative disclosure requirements related to CRM techniques

Management and valuation of eligible collateral

Swedbank Latvia follows eligibility rules for different types of credit protection in order to achieve credit risk mitigation based on regulatory requirements laid down in CRR.

For collateral types which are eligible as part of the Bank's permissions to use own estimates of loss given default (LGD) parameter, the effect of those collateral types may be recognised through the use of modelled LGD. For other cases and collateral types where own LGD estimates are not used, the method for recognition used is the prescribed regulatory approach as set out by the CRR.

Collateral is valuable from a risk perspective even if the credit protection is not eligible for capital adequacy purposes. When granting credits, the Bank applies adequate credit protection, e.g., pledged collateral and guarantees. The collateral, its value and risk mitigating effect are considered through the credit process.

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part of the credit risk assessment. The establishment of the collateral value is part of the credit decision. The value of the collateral is regularly reviewed. In situations where the Bank has reason to believe that the value has deteriorated a new valuation is prepared. For financial collateral, such as tradable debt securities and equities, valuation is normally performed daily and reduced by haircuts when applicable.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence.

Real estate valuation shall be based on facts concerning the object, circumstances in the local market and an adequate estimation of all relevant factors which may affect the market value in a situation where the collateral is sold. The estimated value shall correspond to the market value and be based on fair assumptions, a conservative approach, and a reliable outlook. Uncertain conditions that may have an impact on the value must be reported in a sensitivity analysis that illustrates the impact that changes in these conditions may have on the proposed market value. Risks associated with sustainability and environmental issues, such as pollutions or contamination of a property, shall be taken into consideration when setting market value of the property.

For commercial real estate (cash-flow generating properties), the cash-flow shall be analysed to ensure that the property over time generates a positive net operating income that covers the financial costs. Cash-flow calculations shall be based on market rents and complemented with current rental agreements for the contract period.

For private residential real estate, the market valuation is normally based on sales comparison. This is made by an individual analysis and valuation based on qualitative and quantitative information about the objects and the sales on the market.

Main types of collateral

The most common types of pledged collateral used by the Bank are residential real estate, commercial real estate, commercial pledge and guarantees.

Credits without collateral are mainly granted for small loans to private customers, loans to large companies with very solid repayment capacity, as well as loans to local and central governments. For loans without collateral to corporate customers, special loan covenants are usually agreed which entitle the Bank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates or if the covenants are otherwise breached.

Guarantors and credit derivative counterparties

Main types of guarantees used in the credit risk mitigation are internal guarantees within a group of connected clients. Other guarantees include those issued by state related institutions for certain types of loans. For a guarantee to be effective in the credit risk mitigation, the creditworthiness of the guarantor must be superior to the obligor and the guarantor cannot be in default status.

Credit risk concentrations within mitigation instruments

Approximately 47% of the Bank's total loans have residential real estate as collateral indicating a high concentration. Another 17% of the loans have other types of real estate as collateral. This portfolio is spread over a large number of customers and different property segments. The use of guarantees is not considered as a significant concentration.

Table 3.16: EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques, 31 December 2022

EURt	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
Loans and advances	5 286 013	2 784 331	2 513 288	271 043	
Debt securities	202 585				
Total	**5 488 598**	**2 784 331**	**2 513 288**	**271 043**	
Of which non-performing exposures	889	10 117	9 797	320	
Of which defaulted	889	10 117			

Almost 80% of unsecured carrying amount of loans and advances were exposures to central banks and credit institutions (mainly intra-group transactions). Non-financial corporations and households were the main segments that had underlying collateral. 83% of loans and advances to households were collateralized by immovable properties (mainly by residential), as lending for housing purchase constituted the largest share of the household segment. Collateralization of non-financial corporations was more diverse and included immovable commercial properties (52%), financial guarantees (17%) and immovable residential properties (3%).

Table 3.17: EU CR4 - standardised approach - Credit risk exposure and CRM effects, 31 December 2022

Exposure classes EURt	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Exposure classes						
Central governments or central banks	2 637 696	23	2 670 176	8 704		0.0%
Regional government or local authorities	55 148		55 148			0.0%
Public sector entities	0	3	0	3	2	50.0%
Multilateral development banks			157			0.0%
International organisations						
Institutions	1 734 251	413	1 751 374	91 679	368 637	20.0%
Corporates	430 912	58 127	427 001	738	427 584	100.0%
Retail	29 783	6 483	19 392	939	12 486	61.4%
Secured by mortgages on immovable property	34 637	5	34 637	3	12 124	35.0%
Exposures in default	596		596		599	100.5%
Exposures associated with particularly high risk						
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	112 426		112 426		112 426	100.0%
Other items	3 431		3 431		1 067	31.1%
Total	**5 038 880**	**65 054**	**5 074 338**	**102 066**	**934 925**	**18.1%**

Increase in RWA was mainly affected by loans and advances to credit institutions. These were intra-group transactions that the Bank closed with Swedbank AB (publ.) to manage the liquidity within Swedbank Group (EUR 1 700m on-balance value).

Table 3.18: EU CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques, 31 December 2022

EURt	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Exposures under F-IRB	**992 402**	**992 402**
Central governments and central banks		
Institutions	4 666	4 666
Corporates	987 736	987 736
of which Corporates - SMEs	50 328	50 328
of which Corporates - Specialised lending	5 409	5 409
Exposures under A-IRB	**1 256 773**	**1 256 773**
Central governments and central banks		
Institutions		
Corporates		
of which Corporates - SMEs		
of which Corporates - Specialised lending		
Retail	1 256 773	1 256 773
of which Retail – SMEs - Secured by immovable property collateral	11 999	11 999
of which Retail – non-SMEs - Secured by immovable property collateral	910 373	910 373
of which Retail – Qualifying revolving		
of which Retail – SMEs - Other	75 825	75 825
of which Retail – Non-SMEs- Other	258 576	258 576
Total (including F-IRB exposures and A-IRB exposures)	**2 249 175**	**2 249 175**

Credit derivatives are not used as CRM techniques in the capital reporting of the Bank.

Table 3.19: EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques, 31 December 2022

A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
EURt		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks														
Institutions														
Corporates														
Of which Corporates – SMEs														
Of which Corporates – Specialised lending														
Of which Corporates – Other														
Retail	**2 311 193**	**0.00%**	**66.78%**	**66.78%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**1 256 602**	**1 256 773**
Of which Retail – Immovable property SMEs	12 301	0.00%	85.19%	85.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0,00%	0,00%	0,00%	11 972	11 999
Of which Retail – Immovable property non-SMEs	1 812 506	0.00%	84,04%	84.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0,00%	0.00%	0.00%	910 229	910 373
Of which Retail – Qualifying revolving														
Of which Retail – Other SMEs	140 838	0.00%	0.17%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	75 825	75 825
Of which Retail – Other non-SMEs	345 548	0.00%	2.74%	2.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	258 576	258 576
Total	**2 311 193**	**0.00%**	**66.78%**	**66.78%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**1 256 602**	**1 256 773**

F-IRB EURt	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks														
Institutions	**13 297**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**				**0.27%**	**0.00%**	**4 666**	**4 666**
Corporates	**1 314 049**	**0.06%**	**0.11%**	**0.11%**	**0.00%**	**0.00%**	**0.00%**				**18.32%**	**0.00%**	**1 011 193**	**987 736**
Of which Corporates – SMEs	45 147	1.01%	3.10%	3.10%	0.00%	0.00%	0.00%				14.30%	0.00%	50 328	50 328
Of which Corporates – Specialised lending	3 372	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				0.00%	0.00%	5 409	5 409
Of which Corporates – Other	1 265 530	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%				18.51%	0.00%	955 456	931 999
Total	**1 327 346**	**0.06%**	**0.11%**	**0.11%**	**0.00%**	**0.00%**	**0.00%**				**18.14%**	**0.00%**	**1 015 859**	**992 402**

The Bank mainly uses immovable property collaterals as credit risk mitigation technique. Exposures under A-IRB are covered by immovable property collaterals to 67%. This proportion was little changed since the end of 2021, when it amounted to 68%. Exposures under F-IRB are mainly to corporates, with low share covered by collateral, as commercial property is not recognised as eligible in the capital adequacy reporting.

Table 3.20: EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach, 31 December 2022

EURt	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**1 829 481**
Asset size (+/-)	271 981
Asset quality (+/-)	-31 674
Model updates (+/-)	188 847
Methodology and policy (+/-)	20 365
Acquisitions and disposals (+/-)	
Foreign exchange movements (+/-)	-484
Other (+/-)	14 838
Risk weighted exposure amount as at the end of the reporting period	**2 293 354**

REA reported under the IRB approach increased by EUR 464m in 2022. Increase in volumes was the major contributing factor driven by lending growth. Another important factor leading to higher REA was model and methodology updates triggered by the implementation of models for New Definition of Default that was applied during Q3 and had a significant impact on credit REA.

EU CR10 – Specialised lending and equity exposures under the simple riskweighted approach

The Bank reports specialised lending exposures only in income-producing real estate and high volatility commercial real estate (slotting approach). The Bank has no equity exposures under the simple risk-weighted approach.

Table 3.21: EU CR10.1 - Specialised lending: Project finance (Slotting approach), 31 December 2022

EURt		Specialised lending: Project finance (Slotting approach)					
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.22: EU CR10.2 - Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach), 31 December 2022

EURt	Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years		2	70%	2	2	
Category 2	Less than 2.5 years	1 591	408	70%	1 676	1 173	7
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years	1 694		250%	1 694	4 234	135
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**	**3 285**	**408**		**3 370**	**5 407**	**142**
	Equal to or more than 2.5 years		**2**		**2**	**2**	

Table 3.23: EU CR10.3 - Specialised lending: Object finance (Slotting approach), 31 December 2022

EURt	Specialised lending: Object finance (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.24: EU CR10.4 - Specialised lending: Commodities finance (Slotting approach), 31 December 2022

EURt	Specialised lending: Commodities finance (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.25: EU CR10.5 - Equity exposures under the simple risk-weighted approach, 31 December 2022

EURt	Equity exposures under the simple risk-weighted approach					
Categories	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Private equity exposures			190%			
Exchange-traded equity exposures			290%			
Other equity exposures			370%			
Total						

Table 3.26: EU CCR7 - RWEA flow statements of CCR exposures under the IMM, 31 December 2022

EURt	RWEA
RWEA as at the end of the previous reporting period	
Asset size	
Credit quality of counterparties	
Model updates (IMM only)	
Methodology and policy (IMM only)	
Acquisitions and disposals	
Foreign exchange movements	
Other	
RWEA as at the end of the current reporting period	

The Bank does not have an approved IMM for measuring EAD of exposures subject to the CCR framework and therefore the table EU CCR7 is not populated with any information.

4. Market risk

Majority of market risk in the Bank is structural or strategic in nature and emerges within Treasury. Market risk also arises in the daily market-making and client facilitation activities of the trading book.

Market risk

The risk to value, earnings, capital or exposure arising from movements of risk factors in financial markets. Value covers both economic value and accounting value and include valuation adjustments such as Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

Highlights 2022

The trend of inflation and interest rate volatility at the end of 2021 continued and accelerated during 2022. Geopolitical tensions also increased significantly with Russia's invasion of Ukraine in February. As a consequence, energy prices rose pushing inflation even higher. Central banks have responded to the increased inflation with significantly higher rates and reductions of their QE programs.

Qualitative disclosure related to market risk

The majority of the Bank's market risk is structural or strategic in nature and emerges within Treasury. Market risk also arises in the daily market-making and client facilitation activities of the trading book. The Bank's trading operations are managed within the Financial Institutions and Capital Markets Division Latvia primarily to fulfil the clients' transaction requirements in the financial markets.

The Bank has established strategies and processes for the overall management of the market risks that emerge within the trading and banking book, with the ERM Policy as the starting point. The Market Risk Instruction, which originates from the ERM Policy is reviewed and adopted at least annually by the Management Board. All internal regulations and processes are reviewed on a regular basis by the risk organisation, internal and external auditors, and supervisors.

The Bank's market risk-taking is limited via the risk appetite established by the Council. Using the risk appetites as starting points, a strict risk management framework has been adopted in order to prevent the Bank from unintentional losses. The Treasury Latvia, as well as Financial Institutions and Capital Markets Division Latvia, monitor and manage their market risks within the given mandates and have the possibility to use different types of derivative contracts, mainly interest rate swaps and foreign exchange forwards and swaps to mitigate currency and interest rate risks.

New products have to be pre-approved in the NPAP, where some of the key stakeholders besides the business are the risk, compliance, and finance organisations. The process is a way of ensuring, for example, that all positions in the trading book are tradable or can be hedged.

Risk Latvia ensures limit monitoring, in-depth analysis, frequent stress testing and reporting of the Bank`s market risks. Internal reporting of market risk exposure and follow-up on limit usage is performed on a daily basis and delivered to various stakeholders, such as the risk-taking units and the management of the Bank. Risk Latvia has established sound escalation principles for limit breaches in which the market risk-takers, as well as the Bank`s management, are informed of the incident as well as mitigation actions.

Measurement of market risk at the Bank uses a variety of risk measures, both statistical such as Value-at-Risk (VaR) as well as non-statistical measures - sensitivity analyses and stress tests. Materiality is considered when analysing and measuring the risks, paying extra attention to the largest exposures.

The risk system is subject to a continuous maintenance process and a yearly validation process to ensure that a relevant set of risk factors is being used as the nature and volume of trades may vary over time.

Table 4.1: EU MR2-B - RWEA flow statements of market risk exposures under the IMA, 31 December 2022

EURm	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
RWEAs at previous period end							
Regulatory adjustment							
RWEAs at the previous quarter-end (end of the day)							
Movement in risk levels							
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other							
RWEAs at the end of the disclosure period (end of the day)							
Regulatory adjustment							
RWEAs at the end of the disclosure period							

The Bank does not have approved internal models approach (IMA) for measuring market risk exposure and therefore table EU MR2-B is not populated with information.

5. Liquidity risk

The Bank's liquidity position remained strong with solid buffers above regulatory requirements, enabling the Bank to grow with its customers and withstand changes in the economic conditions.

Liquidity risk
The risk of not being able to meet payment obligations when they fall due without incurring considerable additional costs for obtaining funds or losses due to asset fire-sales.

Highlights 2022

Due to increasing inflation during the year, central banks have shifted from accommodative policies to restrictive, and begun quantitative tightening during 2022.

EU LIQA - Liquidity risk management

Strategies and processes in liquidity risk management

The liquidity risk that is acceptable for achieving the strategic goals of Swedbank Latvia, risk appetite, is defined by the Council. The risk appetite comprises both qualitative and quantitative statements. Swedbank Latvia has a low appetite for liquidity risk to ensure that the Group always should be able to continue to serve its customers and shall therefore maintain resilience towards both short-term and long-term liquidity stress without relying on forced asset sales or other business disrupting activities.

For ensuring that liquidity risk stays within the risk appetite, and ultimately for supporting the Group's strategic goals, the maintenance of a liquidity-generating capacity, together with risk identification, are key processes within liquidity risk management.

The liquidity-generating capacity is equivalent to the Swedbank Latvia's liquid assets, which comprise the liquidity reserve, i.e. liquid assets under the direct control of the Treasury unit function, as well as eligible unencumbered assets held elsewhere in the Group. The inclusion criteria for liquid assets correspond to the definition of Total High-Quality Liquid Assets (HQLA) in the Delegated regulation on the Liquidity Coverage Ratio (LCR). The size and currency distribution of the reserve is determined by the maturity structure and composition of asset and liabilities and internal and external requirements, e.g. risk appetite, limits, and regulations applicable for the Group.

Liquidity risk identification is mainly managed through two separate processes. Besides the New Product Approval Process (NPAP), there is the Risk Identification Process, which is an annual process where liquidity risk topics are discussed. As part of the Risk Identification Process, a gross risk inventory is established and maintained. Liquidity risk factors stemming from on- and off-balance sheet items are well known and covered by the risk inventory.

Structure and organisation of the liquidity risk management function

The independent risk management function, or the second line of defense, is constituted by the risk management function and the compliance organization. Risk Latvia is responsible for ensuring that liquidity risks are identified and properly managed by Treasury Latvia and for governance and strategies within the area of liquidity risk control. The division of responsibilities between Treasury Latvia and Risk Latvia with respect to liquidity risk management and control are regulated by internal policies.

Centralisation of liquidity management and interaction between the group's units

Swedbank Group ensures a centralised liquidity management, in the sense that regardless of where the liquidity reserve is located, Swedbank Group Treasury is responsible for monitoring and coordinating the management of the reserve in different legal entities. Regulatory requirements or other reasons are taken into account in the allocation of liquidity, therefore parts of the liquidity reserve may be held by different legal entities within Swedbank Group, such as the Bank, when deemed necessary.

The Treasury Latvia is established with responsibility for local liquidity management. Due to the centralised approach, the Treasury Latvia operates in close collaboration with Swedbank Group Treasury function.

Scope and nature of liquidity risk reporting and measurement systems

The liquidity position is regularly reported to the Bank`s management through a range of channels. The scope covers the key liquidity metrics, including point in time outcomes, historical comparisons and forward-looking perspectives. In addition, the ILAAP and the Risk

Management and Capital Adequacy reports are well anchored throughout the management lines. Besides the internal risk reporting, external reporting is made to supervisors and other stakeholders.

The liquidity systems provide with information required in supporting the liquidity risk management processes and cater for measurement of key external and internal liquidity metrics as well as for analysis data. The system solutions source relevant information, and logic for generating cash flows and for structuring and compiling the data in accordance with common rules is applied.

Mitigating liquidity risk

The Risk Limit Framework (RLF) aims to ensure that risks stay within appetite. The RLF comprises limits decided by the Management Board. The RLF and the risk appetite determines minimums for the liquidity reserve.
The risk appetite is limited by the regulatory metrics LCR and Net Stable Funding Ratio (NSFR), and by survival periods, as measured by the internal Survival horizon metric. The liquidity positions as captured by the limiting metrics are monitored daily.

The Survival horizon metric is central in the management of liquidity. The survival period in the Survival horizon gives answer to the question: "for how many days would the bank survive assuming liquidity was under severe pressure?". In addition to estimating the survival period itself, the liquidity position is evaluated at certain key horizons.

The survival period is determined by two factors. First, the liquidity reserve, which represents the current liquidity position. Second, the scenario-determined projected stressed cash flows. The projected cash flows cause the liquidity position to either increase or decrease over the scenario horizon. The survival period is defined as the number of consecutive days for which the liquidity position is non-negative. Cash flows are projected using stressed assumptions, e.g. that significant deposit withdrawals occur.

Stress testing

The risk appetite for liquidity risk is the range of adverse scenarios Swedbank Latvia shall have a capacity to withstand. The lower the risk appetite, the more adverse a scenario the Group must be able to manage.

In stress testing, scenarios that are more severe than envisioned in the risk appetite are imposed. The liquidity position in those severely adverse scenarios is compared to the risk appetite and limits. The assessment is an attempt to answer the question – "given the current risk appetite, how would Swedbank Latvia fare if the materialised stress was significantly more severe than envisioned in the metrics used for daily liquidity steering?".

The stress test also assesses whether and when recovery triggers and/or regulatory requirements are breached for metrics such as the Survival horizon, LCR and NSFR. In addition to the annual ILAAP stress test, quarterly stress tests (using the ILAAP scenario) and sensitivity analyses are conducted to continually attempt to identify weaknesses.

Risk declaration

Swedbank Latvia has, through its established risk management processes and governance framework, adequate arrangements for liquidity risk management and for maintaining the low-risk profile.

Risk statement

Risk appetite is the level of liquidity risk that is acceptable for achieving the strategic goals of Swedbank Latvia. The Group has a low appetite for liquidity risk to ensure that the Group always can continue to serve its customers and shall therefore maintain resilience towards both short-term and long-term liquidity stress without relying on forced asset sales or other business disrupting activities.

For the purpose of ensuring that liquidity risk stays within appetite, and ultimately for supporting Swedbank Latvia's strategic goals, the maintenance of a liquidity-generating capacity, including funding planning and risk identification, are central processes within Swedbank's liquidity risk management.

The risk appetite is limited by the regulatory metrics LCR and NSFR, and by survival periods, as measured by the internal Survival horizon metric. In an assumed adverse scenario, the Survival horizon metric displays the number of days with a positive net liquidity position, taking future cash flows from all aspects of the balance sheet into account. Throughout 2022 the Bank's liquidity position was strong with all key metrics remaining well above internal and regulatory requirements.

Table 5.1: EU LIQ1 - Quantitative information of LCR, 31 December 2022

	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY) EURt	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					3 435 897	3 625 459	3 507 155	3 423 472
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	5 543 373	5 432 362	5 319 635	5 198 641	353 814	346 114	338 943	332 487
Stable deposits	4 451 766	4 371 927	4 285 361	4 182 131	222 588	218 596	214 268	209 107
Less stable deposits	1 091 607	1 060 435	1 034 274	1 016 510	131 226	127 518	124 675	123 380
Unsecured wholesale funding	1 281 340	1 203 745	1 161 890	1 172 648	459 126	435 172	428 642	438 373
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1 140 097	1 071 607	1 034 713	1 001 773	360 658	341 558	332 382	318 312
Non-operational deposits (all counterparties)	141 243	132 138	127 177	170 874	98 468	93 614	96 260	120 061
Unsecured debt								
Secured wholesale funding								
Additional requirements	527 256	470 048	455 295	435 368	46 269	39 576	38 396	36 862
Outflows related to derivative exposures and other collateral requirements	6 837	5 639	5 570	5 683	6 837	5 639	5 570	5 683
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	520 420	464 410	449 725	429 684	39 433	33 938	32 825	31 179
Other contractual funding obligations	63 309	65 456	65 244	65 265	56 707	59 194	59 122	59 094
Other contingent funding obligations	270 164	267 879	259 258	261 027	65 258	67 935	65 541	66 838
TOTAL CASH OUTFLOWS					981 173	947 992	930 644	933 654
CASH - INFLOWS								
Secured lending (e.g. reverse repos)								
Inflows from fully performing exposures	234 725	212 106	203 512	190 236	201 171	178 352	168 295	155 170
Other cash inflows	68 162	65 197	67 674	70 373	68 162	65 197	67 674	70 373
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
TOTAL CASH INFLOWS	302 887	277 303	271 185	260 609	269 333	243 549	235 969	225 543
Fully exempt inflows								
Inflows subject to 90% cap								
Inflows subject to 75% cap	302 887	277 303	271 185	260 609	269 333	243 549	235 969	225 543
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					3 435 897	3 625 459	3 507 155	3 423 472
TOTAL NET CASH OUTFLOWS					711 840	704 444	694 675	708 111
LIQUIDITY COVERAGE RATIO (%)					493	516	506	485

EU LIQB on qualitative information on LCR, which complements template EU LIQ1

The LCR outcome depends on the underlying dynamics of a) the liquidity reserve and b) the net cash outflows. Net cash outflows have overall remained stable during the year. The size of the liquidity reserve has been increasing until Q4 2022, when intra-group transactions with Swedbank AB (publ.) were executed to manage the liquidity within Swedbank Group, resulting in reverting total weighted average LCR value to start of the year level.

The Bank is a retail bank maintaining a low level of concentration by the large and broad base of depositors. Major part of holdings in Bank`s liquidity reserve are central bank assets. Residual assets of size in the reserve are government bonds.

For assessing potential additional outflows from derivatives and other collateral requirements, the historical look-back approach (HLBA) is used.

The Bank actively monitors currency mismatches. There are no material items in the Bank’s LCR that are not captured in the disclosure template.

Table 5.2: EU LIQ2 - Net Stable Funding Ratio, 31 December 2022

EURt	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	**980 565**				**980 565**
Own funds	980 565				980 565
Other capital instruments					
Retail deposits		**5 822 670**			**5 473 129**
Stable deposits		4 654 506			4 421 781
Less stable deposits		1 168 164			1 051 347
Wholesale funding:		**1 430 951**	**936**	**151 000**	**803 560**
Operational deposits		861 173			430 586
Other wholesale funding		569 778	936	151 000	372 973
Interdependent liabilities					
Other liabilities:	**1 083**	**126 963**			
NSFR derivative liabilities	1 083				
All other liabilities and capital instruments not included in the above categories		126 963			
Total available stable funding (ASF)					**7 257 253**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					
Assets encumbered for more than 12m in cover pool					
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		**1 568 204**	**1 136 350**	**2 942 100**	**3 128 462**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut					
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1 116 222	757 774	306 637	797 146
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		392 126	314 829	926 956	1 127 795
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		271	10 210	67 977	49 426
Performing residential mortgages, of which:		57 790	63 748	1 707 741	1 202 665
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		52 398	57 801	1 548 422	1 061 574
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2 066		765	857
Interdependent assets					
Other assets:		**90 582**		**160 689**	**166 250**
Physical traded commodities					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
NSFR derivative assets					
NSFR derivative liabilities before deduction of variation margin posted		7 116			356
All other assets not included in the above categories		83 466		160 689	165 894
Off-balance sheet items		**134 615**	**155 588**	**508 243**	**42 624**
Total RSF					**3 337 336**
Net Stable Funding Ratio (%)					**217**

The Available Stable Funding (ASF) is mostly composed of retail deposits. The high level of retail deposits covers most of the Required Stable Funding (RSF) and comfortably exceeds the funding needed for the two largest categories in RSF: loans to non-financial corporate clients and residential mortgage loans. Main trends over the reporting period were available stable funding increased due to retail and corporate deposits inflows as well as growth in lending volumes and loans provided to financial institutions.

6. Operational risk

The ongoing digital transformation, evolving technological trends, remote access as well as organised crime and geopolitical tensions raised information security threats, including cyber and external fraud risk, requiring improved ways of protection.

Operational risk

The risk of losses, business process disruptions and negative reputational impact resulting from inadequate or failed internal processes, people and systems, or from external events. It also includes risk from external events not covered by any other risk type.

Operational risk is broken down into the following subtypes: Business Continuity risk, Third-Party risk, Information Security risk, IT risk, Legal & Internal Governance risk, Statutory Reporting & Tax risk, Processing & Execution risk, Physical Security & Safety risk, People risk, Data Management risk, Model risk, Internal Fraud risk and External Fraud risk.

Highlights 2022

The Bank's strategy is firmly based on being an available and accessible full-service bank in Latvia. To follow the Strategic Direction, Swedbank Latvia strives to meet the customers' interests in a secure, convenient, and continuously accessible way via channels customers choose to use. Swedbank Latvia ability to uphold the service promise to customers is dependent on the ability to achieve and maintain effective operations, stable and resilient IT-environment, including outsourced services.

While the war in Ukraine still has not had any major impact on Swedbank operations, the geopolitical tensions have escalated in 2022 compared to 2021 as the number of IT attacks against the financial industry have increased. During 2022, the Bank's external threat level has been assessed as elevated, but Swedbank's capacity to manage these risks is good as Swedbank has not been negatively affected by external cyber-attacks during 2022.

Vishing/phishing attacks (i.e. financial fraud where criminals defraud or mislead people by email or try to persuade people to share information over the phone by posing as a Swedbank's staff or other financial service employees) towards Swedbank Latvia customers were continuously observed in the region during the year. Swedbank Latvia is committed towards preventing financial crime and fraud and protecting our customers. The Security routines, prevention and detection capabilities and risk controls are always reviewed, and Swedbank Latvia ambition is to prevent fraud. Swedbank is currently increasing efforts on prevention strategies, such as Awareness, Intelligence, and Industry collaboration. However, it is expected that increased fraud level against the clients will request even more attention and efforts in the nearest and long-term future.

During 2022 Covid-19 pandemic effects no longer have had a major impact on the Bank's operations. Strengthening remote availability of our services has remained in focus. The remote access and ongoing digital transformation have raised certain information security threats including cyber risk and external fraud risk, requiring the implementation of new and improved ways of protection.

Risks and recurring incident events that continuously require a closer attention are associated with (but not limited to) Information Security & IT risks, Business Continuity risks, fraud risks and Third-Party risks connected to reoccurring disruptions in critical customer-facing services. There are ongoing initiatives to further improve operational resilience and to ensure acceptable levels of residual risks and a high level of availability for Swedbank's customers.

The Bank's operational risk losses in 2022 were on very low level (EUR 284t) compared to the income level and capital allocated for Operational risk.

7. Compliance risk

Swedbank has a low risk appetite for compliance risk and is committed to comply with the letter, spirit and intent of all applicable regulations, laws and standards of good market practice applicable to its licensed operations.

Compliance risk

The risk of failure by the Bank to fulfil and meet the external and internal regulations applicable to the Bank's licensed operations.

Highlights 2022

Heightened focus on Financial Sanctions risk

Extensive sanctions from multiple regimes, both financial and sectorial, have been imposed on the Russian Federation and Belarus following Russia`s invasion of Ukraine. This has impacted the Bank elevating the financial sanctions risk.

During 2022 the Bank has continued to focus on strengthening the controls to respond to new requirements. To ensure proper implementation of set restrictions the Bank has maintained close dialog with the authorities.

Developments concerning the risk of money laundering and terrorist financing

Based on historic shortcomings and to meet the expectations from regulators, as well as Swedbank's target of being in the forefront in the fight against financial crime, Swedbank Group has since 2020 conducted extensive anti-money laundering and counter-terrorist financing (AML/CTF) remediation programmes. The programmes have amongst other things improved also the Bank's key processes and IT systems connected to risk assessment, know your customer (KYC), customer risk classification, transaction monitoring, financial sanctions, as well as internal and external reporting. During 2022, the programmes have continued according to plan.

The U.S. authorities are continuing to investigate Swedbank Group's historical work and information disclosures concerning AML/CTF. The investigations are being conducted by the Department of Justice (DoJ), Securities Exchange Commission (SEC), Office of Foreign Assets Control (OFAC) and Department of Financial Services in New York (DFS). The investigations are at different stages and there is no information on when the investigations will be completed.

8. ESG risk

Swedbank Latvia continues introducing ESG risk management in the Bank's processes and policies to ensure the risks emerging from the physical impact of the climate change and the transition towards more sustainable economy are well understood and managed.

ESG risk

The risk that arises from the inability to properly identify and manage Environmental, Social or Governance ("ESG") related events that, if they occur, could cause material negative financial impact and/or material negative impact on the Bank's brand and reputation.

Highlights 2022

Swedbank Latvia has achieved several milestones with ESG Risk management integration in its business and risk management processes. As part of Swedbank Group's commitment to Science-based Targets Initiative (SBTi) and the Net-Zero Banking Alliance, the targets to reduce financed emissions were set for several portfolio segments. A series of workshops took place with selected Swedbank Latvia customers to continue an open dialogue and education on climate-related risks and opportunities industry-wide and in their respective businesses. The results published in a handbook about Climate-related risks management in 2023.

Being a challenge to all banks in Latvia, many activities are ongoing to improve the ESG related data availability. In collaboration with the Swedish Meteorological and Hydrological Institute (SMHI), Swedbank Latvia obtained physical risk maps for understanding of the physical impact of climate change on its portfolio and ensuring compliance with increasing regulatory reporting requirements. The projects to improve emissions calculation in the lending portfolio and ensure Energy Performance Certificates (EPC) data availability are ongoing.

Following the Bank's commitment to meet supervisory expectations, Swedbank Latvia has participated in ECB Climate Stress Test and a Thematic Review on Climate-related & Environmental risks.

Strategy and business processes

Swedbank Latvia Strategic Direction

Sustainability, including the management of ESG risk, is an integrated part of Swedbank Group and Swedbank Latvia's long-term Strategic Direction as outlined by Swedbank vision of "A financially sound and sustainable society". The vision subsequently cascades down into the strategy. The strategy is reviewed annually and assesses the external business environment, including, for example, customer demand and behaviour, the regulatory environment, and the macroeconomic environment. The strategy also outlines specific strategic priorities related to sustainability, for example, "Enable the sustainability transition" for corporate customers, which is further addressed in the annual Strategic Industry Planning process and integrated into activity planning of various units and functions. Several key elements are in place to realise the focus area's ambition for both corporate and private segments such as a Sustainable Funding Framework which includes green and social categories and various ESG-related financing offerings.

Climate targets for the lending portfolio

As part of the commitment to the Science-Based Targets initiative and the Net-Zero Banking Alliance, Swedbank has committed to setting decarbonisation targets aiming to achieve net-zero emissions from own operations as well as from lending and investment activities by 2050 at the latest. Further information on the targets can be found here: https://www.swedbank.com/sustainability/environment/environmental-targets/climate-targets.html.

In addition, Swedbank Group during the year adopted 2030 decarbonisation targets for the lending portfolio. The targets are in line with the goal to limit the global average temperature rise to 1.5° C and have been set for the following sectors: mortgages, commercial real estate, oil & gas, power generation and steel. The targets are seen as a strategic steering tool for Swedbank Group to help society in transition, conduct financially sound business, manage climate change-related risks, and capture opportunities in the portfolios.

The decarbonisation targets aim to ensure that Swedbank's future balance sheet is aligned with the expected sustainable development of society, thereby reducing the long-term risks of climate-related transition.

Swedbank has also set environmental targets for its own operations, including direct greenhouse gas emissions, energy consumption, waste and water consumption.

Credit strategy, engagement policies and business processes

Risk management is integrated in Swedbank's various processes. Policy on Enterprise Risk Management and Risk Appetite Statement Policy are established, where ESG risk is incorporated in Risk taxonomy as separate risk and driver for other risks.

In addition, there are established other policies and procedures related to the ESG risk management, including Environmental Policy, Sustainability Policy and Credit Policy.

Through its annual Credit Risk Outlook report the independent risk management function provides input to the business areas when setting their respective credit strategies. ESG risks and opportunities are central themes in the report which most recently focused on the European Union climate policy framework "Fit for 55" and its implications for different sectors and lending portfolios. The report also analysed how the climate transition is impacted by the Russian invasion in Ukraine, and the strive for energy independence in Europe.

The Position statement on climate change prohibits or sets out conditions for the engagement with companies with carbon-intensive activities, and states that the Bank shall advocate that its counterparties adopt a climate strategy and climate goals aligned with the Paris Agreement.

To support ESG risk assessment, Swedbank Latvia has implemented sector guidelines. The guidelines are tools to enable better insight into the sustainability issues faced by different industries, and to provide guidance on elements that can be discussed with clients, suppliers and other business partners.

In the procurement process all suppliers shall sign Swedbank´s Code of Conduct and undergo a Sustainability Assessment before entering a contract. All suppliers who do not accept Swedbank Code of Conduct are escalated to the Procurement Sustainability Committee. All new suppliers need to answer several questions covering different ESG factors. Suppliers with a high "sustainability risk" tier will get a corrective action plan.

Swedbank Latvia has a group-wide New Product Approval Process (NPAP) covering all new and/or revised products, services, activities, processes and/or systems as well as major operational and/or organisational changes. The purpose is to ensure that the Bank does not enter into activities that entail unintended risks or risks that are not immediately managed and controlled as part of the process. In addition, the Bank is able to assure quality when launching new and/or revised products and services.

Internal governance

The Council, with its overall responsibility for ensuring that the Bank's risks are managed and controlled, is responsible for the establishment of the risk framework, which includes policies covering risk appetite, risk management, and risk control. The Council has the responsibility to ensure that all relevant risks, including ESG risks, are identified, assessed, managed, monitored, internally reported, and controlled. The Council is responsible for the evaluation of the Bank's risk management and is responsible for regular review and evaluation of internal reports on risk exposure. As a risk type in Swedbank Latvia's Risk Taxonomy, ESG risk is integrated into the risk management process, with roles and responsibilities allocated in accordance with the three lines of defence concept.

The Council has assigned the Management Board with the general responsibility for the Bank's implementation of the Council's strategies, and for establishing and following up on the objectives for the Bank's operations. The Management Board is responsible for ensuring that the Bank's risk management, internal control, and governance processes are satisfactory and in accordance with laws, internal and external regulations, and generally accepted practices or standards. The Management Board is responsible for ensuring that all risks – including ESG risks – are identified, assessed, managed, monitored, internally reported, and controlled.

The Council and Management Board are updated at least on a quarterly basis on the status of the ESG risk related activities. The Council and Management Board oversee and monitor progress against development commitments, goals and targets for addressing ESG risk. Furthermore, strategy and business plans include ESG risk and are covered in the regular Council and Management Board meetings.

The Bank's risk organisation and compliance organisation are responsible for independent monitoring and reporting to ensure that key risks (including ESG risk) are identified, assessed and properly managed.

To drive and coordinate group-wide efforts in the overall sustainability area, Swedbank Group Sustainability has been established and is responsible for:

- Swedbank Sustainability Roadmap, a five-year transformation plan centred on operationalising the sustainability aspects of the Strategic Direction and on stronger sustainability management.
- The sustainability reporting, in the Annual- and Sustainability Report, including parts of the EU Taxonomy, Task Force on Climate-related Disclosures (TCFD)-reporting, and the Sustainable Bond Impact report.
- Coordinating the implementation of regulations stemming from the European Union's Sustainable Finance Action Plan.

Swedbank Group follows the Global Reporting Initiative (GRI) framework for sustainability reporting. The GRI report is linked to material topics, which have been identified by Swedbank in a materiality analysis, and how these material topics coincide with GRI's general and topic-specific disclosures. The materiality analysis is considered in Group

Internal Audit's annual risk assessment to ensure that relevant sustainability aspects are included in the audit plan.

Baltic Banking Sustainability Hub is responsible for coordinating the implementation of sustainability roadmap, related regulations and framework, securing competence in this area and following up and reporting in Baltic Banking with support to Swedbank Latvia. Baltic Banking Sustainability Hub cooperates with Swedbank Group Sustainability, Risk Baltic Banking, as well as Swedbank Latvia's sustainability area experts.

Sustainability Committee

Swedbank Latvia's Sustainability Committee is Management Board level committee that is led by the Head of Communication and Sustainability. The committee's goal is to guide and support the management on matters related to sustainability within Swedbank Latvia. Sustainability Committee handles areas involving human rights, tax issues, environmental challenges and ethical dilemmas, as well as provides opinion on financed corporate customers for whom high level of sustainability risk had been identified. Opinions of the Sustainability Committee are considered by the Credit Committee during making decisions. Swedbank Latvia Sustainability Committee following the same working principles and process as the Group Sustainability Committee.

Swedbank Group Sustainability Committee provides support to Swedbank Group in the day-to-day management of the sustainability matters, including environmental risks, that are referred to it. Swedbank Group Sustainability Committee's scope includes sustainability matters of the whole Swedbank Group. Any employee of Swedbank Group can submit matters to Swedbank Group Sustainability Committee that fall within the scope and duties of Swedbank Group Sustainability Committee.

Performance evaluation and remuneration

Sound risk-taking is incorporated in Swedbank's business strategy. There shall be an alignment between the rewards and risk exposure of shareholders and employees. Remuneration should counteract excessive risk-taking and incentivise employees to deliver sustainable performance that is consistent with strategic goals as well as healthy and effective risk management.

Swedbank integrates ethical, social, environmental and economic considerations in all its business decisions, operations and business development. Within Swedbank's Performance Development process, individual performance criteria are set to contribute to and support Swedbank's overall strategic direction, in which sustainability plays an important part.

Furthermore, sustainability is integrated in Swedbank's remuneration practices by including the fulfilment of performance management processes on an individual level which also comprises assessing a number of behaviours linked to the Bank's and Swedbank Group's values – open, simple and caring, as well as applying deferral periods to the delivery of variable remuneration in instruments for the majority of employees. Lack of compliance with external or internal regulations or deficiencies in risk management capabilities are circumstances that will be considered inconsistent with Swedbank's values.

In addition to the overall sustainability targets, on Swedbank Group level, Swedbank has sustainability KPIs and targets that are followed up in the performance management framework. The KPIs include prioritised sustainability areas and are linked to Swedbank's long-term sustainability performance, such as improving employee engagement and increasing the volume of sustainable financing. The overall Swedbank Group targets are cascaded to Swedbank Latvia and are applicable to each part of the organisation to enable Swedbank Group to deliver on the set Strategic Direction.

Risk management

Conceptual basis for ESG risk

ESG risk stems from direct or indirect exposure to ESG factors. Swedbank Latvia is primarily exposed to ESG factors indirectly (i.e., through its customers' and counterparties' exposure to ESG factors), but also directly through its own operations.

ESG risk always materialises as existing risk types in Swedbank Latvia's Risk Taxonomy through one or several transmission channels. Examples of transmission channels include the financial position of counterparties, real estate values, household wealth, operational failures, and employee or customer dissatisfaction.

Definitions of ESG factors, ESG risks, and their drivers and transmission channels are to a large extent aligned with the definitions provided by the EBA in the final report on ESG risk management.

Swedbank Group is also leveraging the Sustainability Accounting Standards Board (SASB) Materiality Map to identify financially material ESG issues on sector and industry level.

Risk type relevance assessment

All Risk Type in Swedbank Latvia Risk Taxonomy undergo an ESG risk relevance assessment with purpose of determining if the development of an ESG factors is likely to have a causal relationship with Swedbank Latvia's Risk Types. An ESG factor is deemed relevant if the development of the factor can have a negative impact on Swedbank Latvia's clients, counterparties, operations and/or real, financial and intangible assets, including Swedbank Latvia's reputation and brand name.

ESG factors are particularly relevant for Credit Risk and Operational Risk. The most significant transmission channels for Credit Risk have been identified as lower profitability, lower real estate value and lower household wealth. The most significant transmission channels for Operational Risk are increase cost from business disruption, of compliance, and increased legal costs with third parties leading to lower brand trust. ESG factors are relevant for other Risk Types as well, but to a lesser extent.

ESG risk assessment

The relevance assessment serves only as a first step in understanding the materiality of ESG factors and the effect of each on risk types. Defining the likelihood and size of impact will provide necessary foundation for the ESG risk assessment. While ESG risk assessment tools and methodologies are in various stages of progress, Swedbank Latvia is exploring all possibilities to develop both qualitative and quantitative ESG risk assessment.

Furthermore, Swedbank Latvia developed processes and methodologies within all of three categories, which are described in the following sections.

The portfolio alignment method - Swedbank Latvia is measuring financed emissions and has set decarbonisation targets for the lending portfolio

While the primary purpose of the decarbonisation targets is to contribute to combatting climate change by supporting our customers in their transition to more sustainable business models, it also allows Swedbank Latvia to manage the exposure to ESG risk as it steers the lending portfolio towards activities that are aligned with Bank´s strategic direction and the 1.5˚C climate goal.

The exposure method - the corporate customer ESG analysis

A sustainability assessment with the purpose of assessing sustainability aspects of the customer and ensuring that the operations of the borrower are in line with Swedbank Latvia's values and policies has been part of the credit origination process for corporates for a long time. This assessment is being complemented with the Corporate Customer ESG analysis tool which uses a quantifiable methodology to focus on the most material ESG factors for each sector. By providing industry- and customer-specific ESG scores, the new tool will enable Swedbank to manage ESG risks both on customer and portfolio level. The Corporate Customer ESG analysis tool planned to be launched in 2023 in Swedbank Latvia. The score is a result of (i) the identification of exposures to ESG factors (e.g., greenhouse gas (GHG) emissions, water & waste management, energy efficiency, employee health and safety) in each sector based on the customer's primary economic activity, and (ii) the assessment of the customer's ESG management capability based on a management questionnaire. The assessment leads to an ESG score and a classification of corporate customers into high, medium and low ESG exposure.

Risk framework method – forward looking risk identification and assessment

The Task Force on Climate-related Disclosures (TCFD) has identified industries that are more likely to be financially impacted than others due to their exposure to climate-related risks. These industries are grouped into four key areas: Energy; Transportation; Materials and Buildings; and Agriculture, Food, and Forest Products. A fifth group is the Financial group, which predominantly is exposed indirectly through the holding of assets in the other four groups. The TCFD groups are based on the industries' related value chains, which differs significantly from Swedbank's traditional classification which is based on primary economic activity.

Table 8.1: Material groups according to TCFD

Material groups according to TCFD EURt	Gross carrying amount 2022	Gross carrying amount 2021	Sectors according to TCFD	Gross carrying amount 2022	Gross carrying amount 2021
Financial	1 743 980	59 937	Credit institutions	1 743 976	58 420
			Insurance companies	-	1
			Asset owners and asset managers	4	1 516
Energy	216 581	167 095	Oil and gas	-	118
			Coal	-	-
			Utilities	216 581	166 977
Transportation	66 431	75 052	Air transport	6 718	7 665
			Shipping	1 022	1 214
			Rail transportation	2	1
			Heavy vehicles	53 992	61 985
			Automobiles	4 697	4 187
Agriculture, Food and Forest products	348 603	319 162	Agriculture	148 330	141 794
			Beverages, Packaged food and Meats	97 353	78 573
			Forestry	10 862	6 899
			Paper and forest products	92 058	91 896
Materials and Buildings	358 633	354 471	Metals & Mining	4 821	3 150
			Chemicals	5 052	2 306
			Construction materials (excl. wood)	6 309	2 032
			Capital goods	4 840	6 062
			Real estate management and development	337 611	340 921
Total	**2 734 228**	**975 717**	**Total**	**2 734 228**	**975 717**

Understanding the exposures to TCFD material groups is a starting point but to better understand the implications of possible future developments Swedbank has carried out scenario analyses with the purpose of identifying both risks and opportunities within the different groups.

Two different scenarios have been analysed; (i) the Sustainable Development Scenario (SDS <2°C temperature increase) and (ii) the Stated Policy Scenario (SPS ~ 3°C temperature increase), both from the International Energy Association (IEA). The IEA global scenarios were used as a basis and then developed to account for regional and sector level conditions.

A summary of the risks that were identified in the short, medium and long term are presented in the table below.

Risks		
Short term (1-5 years)	**Medium term (>5-15 years)**	**Long term (>15–25 years)**
Oil and gas asset values decline as investor risk appetite is reduced, which contributes to increased credit risk in the energy sector. Costly investments for the electrification, especially in the transport, energy and materials sectors. Along with uncertainty about different technologies this increases the transition risk. The planned reallocation of EU subsidies could be a financial issue for the agriculture and forestry sector. Areal support is reduced while sustainable farming methods are given increased funding. A wave of policy change emanating from the EU green deal push transformation in most sectors. Rapid changes in consumer preferences, i.e. increased demand for sustainable products create challenges for most sectors, notably manufacturers and retailers.	Major transformation of the agriculture and forestry sectors with new resource efficiency technologies, e.g. precision agriculture and new crops in farming. Forestry increases the carbon sink and helps preserving biodiversity, which negatively impacts the cash-flow of corporate customers. Adaptive measures to limit damage from acute and chronic weather events, such as storms, floods and temperature rise increase, especially in the agriculture and forest sectors. Lower demand for energy- intensive properties leads to price declines/lower valuations in the real estate sector. Investor risk appetite decreases more generally for assets with climate-related risks. Refinancing risk and credit risk go up. Reputational risk if the bank's own management of climate risks is seen as insufficient.	More extreme weather events such as heat waves, more frequent forest fires and heavy precipitation could lead to unusable land and infestations within the agricultural and forestry sector. Sea level rise in flood-prone areas could lead to price declines, loss of insurance and increased need for building protection and repairs in the real estate sector. Older, energy inefficient buildings in locations where land is not in high demand become stranded assets. Impacts from climate change on the global economy can increase systemic risks in the financial system. Investment and holding companies with insufficient management of climate risk may see their business model and assets being stranded.

TCFD scenario analysis was performed on Swedbank Group level and included also Swedbank Latvia' coverage.

Finance

Most of the lending in this group consists of loans to credit institutions, which primarily are short-term and related to Swedbank Group's liquidity management. The credit risk is low and expected to remain low in both scenarios, although in the stated policy scenario there is an increased risk for disruptions in the financial system in the long-term.

Lending to asset owners and asset managers such as investment firms and treasury companies of large industrials is moderate. These companies have an important role in society, and that they manage the climate-related risks in their investments professionally is a key priority. The risk is well diversified and Swedbank Group has not identified significant risks due to climate change in the scenarios.

Energy

The TCFD sector oil and gas shows increased credit risk in the sustainable development scenario in the short-term. Swedbank Group's lending to the sector have been significantly reduced since 2015 and are now minor. The Position statement on Climate change states that Swedbank Group will not directly finance any exploration of new oil and gas fields. Swedbank Group has no exposures in the coal industry.

The largest lending in this group is found in the utilities industry. The portfolio consists mainly of lending to large – often state / municipalities owned or controlled – companies supplying electricity and heat to the societies in the home markets. In sustainable development scenario a wide and far-reaching investment need related to electrification was identified. Production, storage and transmission of electricity require vast investments over the coming decades to meet an increasing demand, not least from transport and industry. In the Baltic economies a challenge of shifting from fossil fuelled electricity production to green production was identified in the SDS scenario. The SPS scenario is likely to increase costs for electricity transmission as acute weather events are likely to increase. This major transformation holds uncertainties and increased risks, but there is underlying demand, which strong customers with strong owners and Swedbank's advisory could turn into financial growth.

Transportation

In the short-term the sustainable development scenario entails rapid growth in electrification, where the transport sector is at the forefront with increased transition risk as a consequence. Most of the lending is related to road transport (heavy vehicles and automobiles). The transformation of this sector requires massive investments. To be able to shift the fleet of vehicles from fossil fuelled to electric and hydrogen it is important that companies have a robust financial standing. This is given special attention in Swedbank Group's strategy, which aims to provide support to this sector during its transition.

Shipping is exposed to both transition risk and physical risk, but lending volumes are moderate and diversified across many segments. There will be a need to invest in new technologies to reduce emissions, notably in the sustainable development scenario. Moreover, insurance premiums rise due to a higher frequency of extreme weather events, notably in the stated policy scenario.

Swedbank Group's strategy in this sector is to support customers transitioning in line with climate goals using advisory tailored for each customer.

Agriculture, Food, and Forest products

The agriculture and forestry industries represent a large portion of Swedbank's lending portfolio and is impacted throughout both scenarios. Short and medium term in the sustainable development scenario there is significant transition risk, and long term in the stated policy scenario there is significant physical risk from both acute and chronic events. The anticipated credit risk increase is moderate since this is a group with relatively low financial risk and stable demand. Swedbank is working closely with its customers and the climate related advisory is important to assure a continued low risk transformation given local and individual conditions.

Materials and Buildings

Real Estate management and development is Swedbank Group's largest TCFD sector. It is exposed both to transition risk and physical risk. The overall impact on credit risk is assessed to be low to moderate in both scenarios. The transition risk in the sustainable development scenario is primarily related to the pressure from policy makers and from the market to improve energy efficiency. This means increased investment cost, but also a lower sensitivity to rising energy costs. As long as properties are in high demand costs can be fully or partially transferred on to tenants, which is often allowed contractually. This means cash flows would be only moderately impacted. For properties with low underlying demand this may not be the case and would negatively impact the value of the property. In the stated policy scenario there are increasing physical risks, especially from flooding due to heavy rainfall. Exposed properties may need to invest to mitigate these risks and there is also a risk of higher insurance premiums or loss of insurance. This would impact cash flows and ultimately the value of the property. An important part of Swedbank Group's risk management strategy is to provide tailored climate advisory and support customers in their transition.

Conclusions from the scenario analysis

Climate-related risks are increasing in both scenarios but are likely to be contained given that they are managed in a professional way. The sustainable development scenario entails more transition risk in the short to medium term, while the stated policy scenario entails physical risks in the long term. Swedbank will closely manage these risks together with our customers while at the same time support them in the transition, and in this way build a sustainable lending portfolio. An extensive development work is ongoing both among companies and financial sector to enhance capabilities to manage climate-related risks.

The scenarios used in the exercises, will be continuously updated or exchanged. One option for future scenario exercises is to build on the scenarios developed by the Network for Greening the Financial System. These scenarios were used by the ECB in 2022 EU-wide Climate Stress Test exercise where Swedbank Baltics participated.

Monitoring climate-related risks in the credit portfolio

Swedbank Latvia has implemented Key Risk Indicators (KRI) to monitor the lending exposure to corporate segments where significant transition risk has been identified. The identification and materiality assessment has mainly been made through the TCFD scenario exercises and supported by GHG emission data. Consequently Energy, Transportation and Materials and Buildings are in scope for this KRI.

ESG risk in the Internal Capital Adequacy Assessment Process (ICAAP)

Climate-related transition risk is explored from a macroeconomic perspective in the stressed ICAAP scenarios by deploying a module that consider fiscal stimulus measures. The simulated stimulus packages are calibrated so that the investments made are, by and large, done in accordance with the pledges made under the Paris Agreement. The stimulus packages are further assumed to be deployed in accordance with the EU's Green Deal as they stretch over a 30-year decarbonization horizon. The investments are deployed linearly such that about 1/30th of the investment amount is spent each year.

The size of the rational investment amounts suggests huge annual fiscal spending. Either the green investments made are done effectively, avoiding crowding out or harming private initiatives. Alternatively, the investments made result in no relief as a large chunk of the investments are done ineffectively, with significant shares of private investment initiatives being crowded out directly. This results in that the investments made in general are harmful. Both scenarios have been explored in Swedbank's ICAAP. This results in a macroeconomic impact absent of other activity which, together with qualitative assumptions on where the investments are needed the most, can be used for assessing the climate related transition risk.

In Swedbank Latvia's simulated stressed ICAAP scenarios, it was postulated that strong, and to some extent disorderly, public policy actions to combat climate change can introduce stress on Swedbank Latvia's loan assets. For base-line scenarios, climate risks are not expected to lead to such significant deterioration of credit quality to warrant increases in PD or LGD, but this is an area subject to further analysis and improvement of risk modelling within Swedbank.

ECB climate stress test

In 2022 ECB launched Climate Stress Test to assess the banks' progress on integrating climate and environmental risks in its risk management and stress testing. The goal of the Climate Stress Test was twofold: to encourage banks to develop relevant capabilities in projecting risk parameters over the long run under transition scenarios and understand the bank's strategic thinking behind the evolution of its business mix in each scenario.

The macro-financial scenarios ECB developed were based on the Network for the Greening of the Financial System (NGFS) climate scenarios (2021) covering three periods: 2030, 2040, 2050. Each scenario among other factors addressed the changes in policy, technology, carbon price, CO2 emissions, and temperature rise.

Based on the scope of the submitted data, the results of the Climate Stress Test showed a small impact on credit losses. The Climate Stress Test included mortgages and non-collateralized corporates and three scenarios: short-term transition and physical risks and long-term transition risks. In Swedbank Latvia, the effect of transition risks short-term (Disorderly scenario) was limited. Due to the methodology scope limitations, there was no stress performed for transition risk long-term (Orderly, Disorderly, Hot House world scenarios). The stress test of the physical risks effect on losses also had only a limited impact.

Financed emissions

Swedbank Group is developing methods for measuring financed emissions according to the methodology provided by the Partnership for Carbon Accounting Financials (PCAF). In 2022 the work focused on the asset classes Mortgage and Commercial Real Estate. The main inputs were building Energy Performance Certificates and actual building area in combination with PCAF proxies for different building types.

In 2023 the work will focus on Business Loans & Unlisted Equity and Vehicles. The sources are expected to be mainly economic activity-based emissions using the PCAF emissions factor database for assets and revenues. For some emission intensive sectors like Oil & Gas, Iron & Steel and Power Generation, estimates will be based on physical activity data where available. This will be complemented by reported emissions for the largest companies in CO_2 intensive sectors. During 2023 the current calculations for Private Mortgages and Commercial Real Estates will continue to be improved as better data quality, such as more Energy Performance Certificates becomes available.

Swedbank Latvia Consolidation as of 31 December 2022

Subsidiaries	Registration Number	Address	Business profile	Share (%)	Method on consolidation
"Swedbank" AS	40003074764	Balasta dambis 15, Rīga LV-1048	Banking operations		
"Swedbank Lizings" SIA	40003240524	Balasta dambis 15, Rīga LV-1048	Leasing company	100%	Full*
"Swedbank atklatais pensiju fonds" AS	40003606528	Balasta dambis 15, Rīga LV-1048	Pension funds	100%	Full*

*Consolidation is not included in this report.

Terminology and abbreviations

"AFC"	Anti-Financial Crime
"ASF"	Available Stable funding
"A-IRB"	Advanced Internal Ratings-Based Approach
"AML"	Anti-Money Laundering
"AT1"	Additional Tier 1 capital
"Bank"	"Swedbank" AS (see definition below)
"BRRD"	Bank Recovery and Resolution Directive 2014/59/EU
"CBR"	Combined Buffer Requirement
"CCF"	Credit Conversion Factor
"CCP"	Central Counterparty
"CCR"	Counterparty Credit Risk
"CCyB"	Countercyclical Capital Buffer
"CET1"	Common Equity Tier 1
"CRR"	Capital Requirements Regulation (EU) No 575/2013
"CTF"	Counter-Terrorist Financing
"CVA"	Credit Value Adjustment
"DFS"	Department of Financial Services (in New York)
"DVA"	Debit Valuation Adjustment
"DoJ"	Department of Justice
"EAD"	Exposure at Default
"EBA"	European Banking Authority
"EC"	Economic Capital
"ECB"	European Central Bank
"ERM (Policy)"	Enterprise Risk Management (Policy)
"EPC"	Energy Performance Certificates
"ESG (risk)"	Environmental, Social and Governance (risk)
"EU"	European Union
"F-IRB"	Foundation Internal Ratings Based Approach
"FSA"	Financial Supervisory Authority
"GEC"	Swedbank Group Executive Committee
"GHG"	Greenhouse Gas
"GRI"	Global Reporting Initiative
"Group"	"Swedbank Latvia" (see definition below)
"G-SII"	Global Systemically Important Institution
"HQLA"	High Quality Liquid Assets
"ICAAP"	Internal Capital Adequacy Assessment Process
"IFRS"	International Financial Reporting Standards
"ILAAP"	Internal Liquidity Adequacy Assessment Process
"IMA"	Internal Models Approach
"IMM"	Internal Model Method
"IEA"	International Energy Association
"IRB"	Internal Ratings Based Approach
"IRRBB"	Interest Rate Risk in the Banking Book
"KRI"	Key Risk Indicators
"KYC"	Know Your Customer
"LCR"	Liquidity Coverage Ratio
"LGD"	Loss Given Default
"LTV"	Loan-To-Value
"MDB"	Multilateral Development Bank
"MREL"	Minimum level of own funds and eligible liabilities
"NPAP"	New Product Approval Process
"NPL"	Non-performing loans and advances
"NSFR"	Net Stable Funding Ratio
"OFAC"	Office of Foreign Assets Control
"OCR"	Overall Capital Requirement
"O-SII"	Other Systemically Important Institution
"Own funds"	The sum of Tier 1 and Tier 2 capital
"PD"	Probability of Default
"PP&E"	Property, Plant and Equipment
"PSE"	Public Sector Entity
"REA"	Risk Exposure Amount
"RLF"	Risk Limit Framework
"ROE"	Return on Equity
"RSF"	Requires stable funding
"RWA"	Risk Weighted Assets (same as REA, Risk Exposure Amount)
"SA"	Standardised Approach
"SA-CCR"	Standardised Approach for Measuring Counterparty Credit Risk Exposures
"SASB"	Sustainability Accounting Standards Board
"SBTi"	Science-based Targets Initiative
"SDS"	Sustainable Development Scenario
"SEC"	Securities Exchange Commission
"SPS"	Stated Policy Scenario
"SFT"	Securities Financing Transaction
"SME"	Small and Medium-Sized Enterprises
"SMHI"	Swedish Meteorological and Hydrological Institute
"SREP"	Supervisory Review and Evaluation Process
"SRB"	Single Resolution Board
"SVaR"	Stressed Value-at-Risk
"Swedbank"	"Swedbank Group" (see definition below)
"Swedbank" AS	Credit institution in the form of a public limited liability company (AS) domiciled in Latvia.
"Swedbank Baltics" AS	Financial holding company, fully owned by Swedbank AB (publ)
"Swedbank Group"	Swedbank AB (publ) and all its underlying legal entities (regardless of percentages of holding)
"Swedbank Latvia"	"Swedbank" AS and its subsidiaries "Swedbank Līzings" SIA and "Swedbank atklatais pensiju fonds" AS
"T2"	Tier 2 capital
"TCFD"	Task Force on Climate-related Disclosures
"TSCR"	Total Supervisory Capital Requirement
"VaR"	Value-at-Risk

Signature of the Management Board

The Management Board hereby attest that the disclosures in “Swedbank” AS Risk Management and Capital Adequacy Report (Pillar 3), provided according to Part Eight of Regulation (EU) No 575/2013, have been prepared in accordance with the internal controls and procedures set out in Policy on Pillar 3 disclosure requirements, approved by the Management Board. The Policy on Pillar 3 disclosure requirements stipulates the general principles that apply for the control processes and structures regarding the disclosure of risk and capital adequacy information in “Swedbank” AS. The policy ensures that the disclosed information is subject to effective, timely and adequate internal controls and monitoring structures. Furthermore, the policy outlines the distinguished responsibilities in the process and the frequency of the reporting.

This Risk Management and Capital Adequacy Report Q4 2022 was approved by the Management Board on 27 March 2023.

Rīga, 27 March 2023

On behalf of the Management Board

/Digitally signed/
Lauris Mencis
Chairman of the Management Board