

A photograph of two young women hugging outdoors. One woman has blonde hair and is smiling, while the other has dark hair tied up and is also smiling. They are surrounded by greenery and flowers.

Swedbank



2020

Annual and Sustainability Report

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Financial information 2021

Q1 Interim report	27 April
Q2 Interim report	16 July
Q3 Interim report	21 October

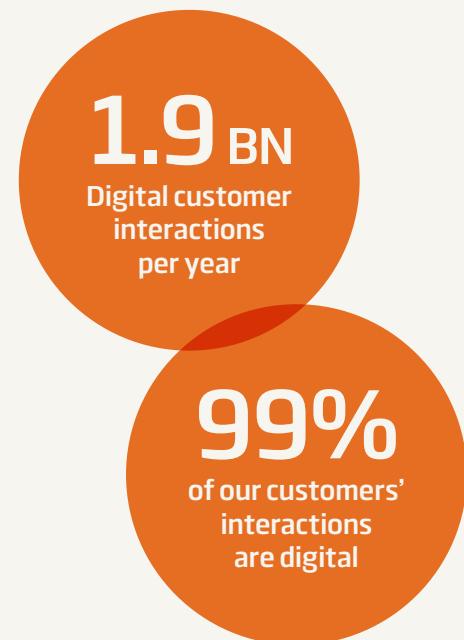
Annual General Meeting 2021

The Annual General Meeting will be held on Thursday, 25 March 2021. For more information, see the notice of the AGM at www.swedbank.com. The proposed record day for the dividend is 29 March 2021. The last day for trading in Swedbank's shares including the right to the dividend is 25 March 2021. If the Annual General Meeting adopts the Board of Directors' proposal, the dividend is expected to be paid by Euroclear on 1 April 2021. While every care has been taken in the translation of this annual and sustainability report, readers are reminded that the original annual and sustainability report, signed by the Board of Directors, is in Swedish and in European single electronic format (Esef). The annual and sustainability report in ESEF is published on www.swedbank.com.

Swedbank is a digital bank with physical meeting points

With over seven million private customers and 550 000 corporate customers, Swedbank is the leading bank for the many households and businesses in our four home markets: Sweden, Estonia, Latvia and Lithuania. We are active mainly in lending, payments and savings. We are available 24 hours a day through our digital channels and our customers can also meet us in any of our physical meeting points.

Purpose	We empower the many people and businesses to create a better future.
Vision	A financially sound and sustainable society.
Values	Simple, open and caring.



Digital channels



APP AND INTERNET BANK
Everyday banking services
Sales
Virtual assistants

Physical meeting points



BRANCHES
159 in Sweden
82 in Baltic countries

CONTACT CENTER
Telephone, email, chat, social media

FLEXIBLE MEETING PLACES
Video meetings
Pop-up branches
Partners

COMPETENCE HUBS
Complex questions
Specialists

Learn more about Swedbank



On our website
www.swedbank.com



In our interim reports
www.swedbank.com/ir



In our risk and capital adequacy reports
www.swedbank.com/ir

The year in brief

A selection of key events.

10 January

Swedbank Robur adopts new climate strategy and increases focus on climate change and sustainability

The ambition is that aggregate fund capital managed by Swedbank Robur will align with the Paris Agreement's target by 2025 and will be carbon-neutral by 2040.

31 March

Swedbank Robur acts as Joint Lead Manager on new bond to mitigate the impact of Covid-19

The European Investment Bank (EIB) sought Swedbank's help to set up a new Sustainability Awareness Bond to fund the fight against Covid-19.

13 May

Swedbank acts as structuring advisor to K2A in the development of a new green equity framework

A new green equity framework makes K2A the first company in the world that will be able to call its shares, both current and future, green.

3 July

Swedbank Robur's climate report 2019

The climate report for 2019 shows that the overwhelming majority of Swedbank Robur's equity funds still outperform their comparative indexes on carbon efficiency.

2 September

Swedbank acts as Joint Lead Manager for Sweden's first sovereign green bond

24 September

Swedbank Robur classifies several funds as Paris Aligned

12 October

Swedbank Robur launches fund focused on energy transition

Swedbank Robur's Råvarufond was converted to a new thematic fund focused on solar and wind power and energy transition, Swedbank Robur Transition Energy.

13 November

Swedbank qualifies for the Dow Jones Sustainability Index 2020

The Dow Jones Sustainability Index 2020, one of the world's most prestigious sustainability indexes, annually ranks of the world's most sustainable companies.

16 December

Bloomberg ranks 3 of Swedbank Robur's funds among Europe's top 10

Bloomberg's list of the strongest performing funds in 2020 included three funds from Swedbank Robur: Ny Teknik ranked number one among equity funds in Western Europe, closely followed by Småbolag Sverige in second and Småbolag Norden as tenth best.

28 October

Swedbank the savings bank idea celebrate 200 years

Everyone should have the opportunity to build up the finance resources for a better life – that was the idea behind opening the very first Swedish savings bank in 1820. Since then, the concept of the savings bank has been a guiding force for what came to be Swedbank. Our history is not just a story about a bank; it is about Sweden too, and how people have strived to build their economy to both achieve their dreams and manage their everyday lives. Today, 200 years later, the idea of financial security still guides us. We want to be a bank where our customers always feel welcome, where they can build up your finances, and where they can go when they want to invest in an idea or realise a dream.

Read more on <https://swedbank.com/about-swedbank/our-history>

**Forward then.
Forward now.**
WE ARE CELEBRATING 200 YEARS

Stable underlying profit in difficult times

- Higher lending volumes and lower resolution fee raised net interest income
- Lower card income due to Covid-19 reduced net commission income
- Expenses weighed down by administrative fine and increased staff costs
- Higher credit impairments tied to the impact of Covid-19 and oil-related exposures
- Strong capitalisation and liquidity position
- Dividend of SEK 4.35 per share proposed for 2019 and SEK 2.90 per share for 2020

Financial information, SEKm	2020	2019
Total income	45 676	45 960
Net interest income	26 853	25 989
Net commission income	12 770	12 984
Net gains and losses on financial items	2 655	3 629
Other income ¹	3 398	3 358
Total expenses	24 560	19 984
of which administrative fine	4 000	
Profit before impairments	21 116	25 976
Impairment of intangible and tangible assets	2	87
Credit impairment	4 334	1 469
Tax expense	3 851	4 711
Profit for the year attributable to the shareholders	12 929	19 697
Earnings per share, SEK, after dilution	11.51	17.56
Return on equity, %	8.9	14.7
Return on equity excl. administrative fine, %	11.4	14.7
Cost/income ratio	0.54	0.43
C/I ratio excl. administrative fine	0.45	0.43
Common Equity Tier 1 capital ratio, %	17.5	17.0
Credit impairment ratio, %	0.26	0.09

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

Sustainability information	2020	2019
Sustainable financing, SEK bn	23.7	15.8
of which Swedish Banking	2.8	1.5
of which Baltic Banking	3.2	0.6
of which LC&I	17.7	13.7
Asset management, Swedbank Robur		
Engagement work, participation in annual general meetings	593	429
Engagement work, dialogues on governance and sustainability issues	948	645
Climate footprint from equity fund portfolios based on ownership interests in the portfolio companies, total emissions, million tonnes CO ₂ e	2.4	3.5
Climate impact		
Direct climate impact, total emissions, million tonnes CO ₂ e	0.01	0.03
Societal engagement		
Financial literacy, number of presentations	2 101	3 797
Liquidity loans, Covid-19, SEK bn ¹	1	

1) Offered to companies that want to apply for a government loan guarantee. The loan aims to help companies overcome short-term financial difficulties encountered due to the spread of Covid-19.

A challenging and eventful anniversary year

Can you describe 2020 for you and the bank?

2020 was in Swedbank's case a year of transition. We had thought that it would mainly be dominated by internal work to protect the bank against money laundering and other financial crime. Now when we look back we see that we have succeeded in managing the pandemic and at the same time taken important steps to strengthen our anti-money laundering work.

The bank has adapted in a way we had not thought possible. More than half of employees at the head office are working from home. Branch employees who cannot work remotely have done everything they can to safely stay open for customers. Special open hours for risk groups, safety precautions at our branches, and opportunities to talk to branch employees by phone and video chat have enabled us to continue to provide an important service to society.

Swedbank is contributing to a financially sustainable society, including by providing information on how our customers can access government support. We are giving advice to people in difficult situations – people who have lost their job or whose company has lost a large share of its revenue. At the same time, there are other companies that are greatly expanding with all the challenges that presents.

We have managed to reach out to many people – digitally and in social media. We have helped those who have lost loved ones to deal with the financial issues that arise. We have granted customers amortisation exemptions. We have helped them to rebalance their portfolios when the markets have been turbulent. In short, we have been there and given advice at a difficult time.

In our corporate business, we have also given liquidity support to companies. Firstly, we mainly provided support to large companies, but later we saw that decline and a large part of these loans was paid back. There simply has not been much desire to invest due to the uncertain outlook. And for that reason our loan portfolio decreased during the year.

In this situation, we have also seen people choose to save more in their accounts. It is natural given the situation that people consume less and that the Riksbank injects liquidity into the financial system. Card transactions have gone down as customers have chosen to change their spending behaviour in favour of staples.

As regards digitisation, the pandemic has meant a fast-forward. We have improved the functions in our app and internet bank. For example, we relaunched the app for young customers and created a new QR login for the internet bank. Security and the bank's ability to meet customers in new ways have also improved.

Are you satisfied with how the business is going?

Fundamentally, we have an excellent business, even though it was a tough year. We have stable income in a turbulent time. Profit on the other hand is being weighed down by several factors. For example, we allocated just over SEK 4 billion for expected credit impairments, we were fined SEK 4 billion by the Swedish Financial Supervisory Authority, and the return on equity was weighed down because we were unable to pay a dividend in the calendar year.

In addition, our margins are being squeezed and competition in the mortgage market is tightening. This is in addition to the downward pressure on interest rates and increased competition in corporate lending, partly because the bond market is being affected by the Riksbank's asset buying program, which is generating a large flow of capital that companies can take advantage of.

We are showing strength in new sustainable funding instruments. It is gratifying to see Swedbank in the top three among arranger of green, social and sustainability bonds, what we call ESG bonds, in the Nordic region. This is a growing business.

Banking is an industry in rapid transition. What are the most important strategic issues?

The most important strategic issue is digitalisation. It affects our entire business. Swedbank has historically been a leader in digitising. This includes ATMs, telephone banking, internet banking and our successful app. But you can never rest on your laurels. The transition continues with strong momentum. We are proud to call ourselves a digital bank with a physical presence. Because even if our customers want to do more digitally, they still want to meet us when it comes to important decisions and events in their financial lives.

Another strategic issue is sustainability. Swedbank's origin is sustainability. When we started our business more than 200 years ago, it was to make it possible for ordinary people to save. Our vision is a society that is financially sound and sustainable. And our purpose is to provide the many people and companies the opportunity for a better future. Here we have a large responsibility, and looking ahead I see the bank taking further steps during the year on our sustainability journey.

Swedbank is active in a number of markets. I would like to highlight two areas that I see as critical for us and our customers. We must be even better at advising all our customers. Some of that will be done digitally as well as through face-to-face meetings. We must continue to fight for our strong position in the mortgage market. Our customers have an advantage in that we are located throughout Sweden, have been around for 200 years and are a full-service bank.

Lastly, I would like to mention our outstanding fund management company, Robur, which in addition to being at the forefront of the transition has delivered an above-average return and some of its funds are in the top ten in Europe. I am extremely proud of this.

Have you now resolved all the money laundering issues?

No, we will never stop working to prevent money laundering, because this is a crime that unfortunately will never stop. Cash is slowly but surely disappearing, which means that all financial flows will go via the financial system. Criminals will try to exploit our platforms, because that is where the money is stored and transferred.

We had a tough year in terms of both being clear about our historical shortcomings and working to stay at the forefront in the fight against financial crime. The Clifford Chance report showed that during the period 2007 to 2019 our internal gover-

“The bank has adapted in a way we didn’t think possible.”

Jens Henriksson,
President and CEO



nance and control were inadequate, due to which suspected money launderers could have exploited the bank. We received a fine from the Swedish FSA and a presept from the Estonian FSA. We are still being investigated by US authorities. I dare say, however, that we are now at the beginning of the end of the work to address the bank's historical shortcomings.

At the same time, we are working feverishly to reduce the risk of being exploited. We have worked with an action plan to address the shortcomings as regards money laundering risks and internal governance and control, as the authorities and our own investigations have pointed out.

Governance and control are an issue where the bank has had shortcomings. How are you as CEO working with this?

Governance in a large organisation is easy and hard at the same time. You cannot underestimate the importance of governance. It has to be easy to understand, and it has to be transparent and clear how it works. It also has to be obvious that everyone involved in a decision-making forum can and should make their arguments known when the decision is taken.

I have seen proof that internal governance and control at Swedbank needs to be better after the FSA's investigations, the Clifford report and the bank's corporate culture review. In my role as CEO of the bank, it is especially important that I practise what I preach. The company's management team holds weekly meetings where members have a place because they are responsible for important areas of operation. Everyone in management will share information on their areas of responsibility, make their voices heard and express their opinions. The best argument in the team wins, but the CEO makes all formal decisions. Clarity in responsibility, in other words.

If we look at it structurally, it is at the Group level that we decide on norms, principles, structure and policy. How activities are de facto carried out is decided locally.

You have evaluated the culture at Swedbank. What did you conclude?

That it essentially is good. Employees feel proud to work at Swedbank and our values point us in the right direction. But it is also obvious that there have been shortcomings in internal governance and control, which the authorities pointed out, but also shortcomings when it comes to taking responsibility and uncertainty surrounding our desired position and how we will reach it. Now we are remedying that.

Talk about what you have done with the conclusions?

After the culture review, the Group Executive Committee updated the vision, purpose, customer promise and values. Then we asked all our employees for feedback after dialogues throughout the bank. At that point, we realised that many of the conclusions from the review were correct. Now we have a revised strategic direction we are very proud of, with a clear connection to the bank that originated from the savings bank movement. We see that if we make clearer what we have to do more of, it will also become clearer what we have to do less of. In addition, we have worked through our basic strategies for customers, digitisation and leadership. I feel that we are well equipped to move forward now.



There is an increasing focus on sustainability issues and the financial industry's role. What is Swedbank doing in the sustainability area?

We need to progress within the sustainability area. We have decided to reduce our carbon dioxide emissions by 60 percent by 2030. We as a company have to make sure that we reach our Climate targets and do things right. Work is underway to increase the share of lending that goes to transforming the energy sector in a sustainable direction. As regards ESG bonds issued in the Nordic region we are, as mentioned, among top three of arrangers.

Robur was the first fund company during the year to launch a Paris Aligned fund, which invests in companies whose goal is to reduce their emissions by 7 per cent per year, in line with the Paris Agreement. Nearly 60 per cent of revenues can be tied to the UN Sustainable Development Goals in the companies that Robur's Global Impact fund invests in. Robur's climate goals are ambitious and total fund assets under management must align with the Paris Agreement by 2025 and by 2040 must be carbon neutral. That we were the only Nordic bank to qualify for the Dow Jones Sustainability Index during the year is a mark of quality and shows that we are doing the right things. This is an important milestone for us at the bank.

You have a master's degree in electrical engineering. What is your view of the bank's digitisation?

I think that Swedbank in many ways is and has been a leader in how we meet customers. Now we have launched a major program to increase stability in the bank's IT environment. We are investing in this. At the same time, we have a number of projects to increase security for, and the quality of, our customer data. Data will be protected, but it can also be used to personalise various products. We are experts at managing assets. In the same way, our customers have to be able to trust that we, in a secure way, can take care of their data.

By and large everything we do comes from our values. We understand that it is essential to protect privacy. It is an important part of our work with sustainability.

Swedbank is celebrating 200 years this year. What does the bank's history mean to you as CEO?

It was unfortunate that we could not celebrate this in person with everyone in the bank. Personally, I have a life-long history with the bank. When I was born I was given a bank book in Torna, Bara and Harjagers Härdas Savingsbank with SEK 15 deposited on it. It then continued in my local savings bank in Lund where I was student council chairman in high school to when we bought our first apartment in Hjorthagen in Stockholm and borrowed money from Swedbank. When I studied abroad, I called and got help from the telephone bank and later when working abroad I have been able to take care of all my banking through the internet bank. And now I have the opportunity to work with all these fantastic employees. It is an important job that I am extremely proud to have.

What to do you wish for looking ahead to 2021?

To begin with, I want to thank all our employees for their fantastic performance. I also want to thank our owners and customers for the continued confidence they have placed in us. In 2021, I want to preserve this. Swedbank is the bank for the many people and companies. Now we are taking the best of our 200-year tradition, based on our roots in the savings bank movement, and looking ahead. We are strongly equipped for the future. With our focus on the customer we will continue our journey!

I also hope that the pandemic begins to ease, that vaccinations are successful and that we all can return to a more normal life. Imagine going to a restaurant again with friends, hearing the sounds of other guests and staying a little late. Going to a concert, a museum, the theatre or a sporting event. Or having a work meeting with colleagues around a table to solve a problematic issue. That's what I look forward to.

Stockholm February 2021


Jens Henriksson
President and CEO

Swedbank's strategic direction

We empower the many people and businesses to create a better future. Our purpose is firmly anchored in our 200-year heritage. Since the start of the savings banks movement, we have believed in everyone's opportunity to improve their financial situation. We have the same purpose today, where we believe that by providing the right advice, services and products to the many customers in our home markets everyday, we will have a positive impact on their lives and on society. In 2020, we reviewed our vision, our customer promise, our values, and our common foundation.

A financially sound and sustainable society

Our vision is based on a belief that Swedbank, with our large customer base, can continue to drive and greatly impact our society. We envision a society that is sustainable from an environmental, social, financial and ethical perspective. We believe that a sustainable bank with sustainable customers will contribute to a sustainable society.

We make your financial life easier

We promise our customers to advise them on their terms, help them with sustainable decisions and make the difficult simple. Our customers are key to our success, and we are there for them throughout their lifetime.

Open, Simple, Caring

Our values are at the centre of our identity and the basis for our culture. We are a straightforward, honest and reliable partner. We are accessible and easy to understand in order to create an uncomplicated banking experience. We are committed, helpful and attentive to our customers' needs.

Our foundation

The key building blocks are of great importance to deliver on our purpose, vision and customer promise. We always have to ensure that we offer an attractive workplace for employees with a culture based on inclusion and accountability. We have to be an efficient, profitable and compliant bank and financial services platform. It is also fundamental that we have a standardised, scalable and stable infrastructure.

Strategic direction

Our purpose	We empower the many people and businesses to create a better future		
Our vision	A financially sound and sustainable society		
Our customer promise	Together, we make your financial life easier	<ul style="list-style-type: none"> • By providing guidance on your terms • By helping you to be sustainable • By supporting you in a proactive way • By making the difficult simple 	
Our values	Open Simple Caring		
Our foundation	Together, we create:	<ul style="list-style-type: none"> • An attractive workplace for employees with a culture based on inclusion and accountability • An efficient, profitable and compliant bank and financial services platform • A standardised, scalable and stable infrastructure 	

Sustainable value creation for our customers, owners and society

We focus on sustainable value creation for our stakeholders and therefore aim for competitive return on invested capital and market leading cost efficiency with sound risk management and an excellent customer experience, in combination with a strong commitment to sustainability.

Competitive return on invested capital and market leading cost efficiency

Shareholder value is created through predictable, long-term, profitable growth and efficiency. We value consistent profitability over fast growth, since it creates stability and predictability for our customers and owners as well as society. Therefore, we do not follow short-term market trends and instead price our products based on risk and capital requirements. A strong financial performance is further upheld by a market leading cost efficiency. It allows us to continuously invest in our products and channels and offer competitive prices to our customers.

Sound risk management

A strong and sound risk management in our operations is the basis for building trust and our long-term survival. It allows us to finance our operations through deposits from the public and funding from the capital market in order to lend money to households and businesses at competitive prices, even during difficult economic times. It further enables us to take informed and sound decisions balancing risks, return and market shares. With the transition towards digital solutions we also target high stability, availability and information security in all our systems to secure long-term customer relationships and trust.

An easier financial life for our customers

Customer value is created by servicing our customers with proactive, timely and relevant offerings based on our customers' needs in our customers' preferred channel. We focus on having a stable infrastructure and solid digital performance to enable accessibility to products and services when and where needed. Delivering high value towards our customers is a precondition to sustainable profitability and our customers' choice of Swedbank as a trusted partner for their financial growth.

Strong commitment to sustainability

Swedbank's strong commitment to sustainability is fundamental to our business. We support the green transition in society by minimising our own carbon footprint and through our investments, financing activities and services to our customers. We maintain a high engagement in our society and communities and take responsibility for our structural importance in the financial system by maintaining a strong financial position, robust asset quality and strong capitalisation.

New risk policy and risk appetite policy

Taking and managing risk in a conscious and controlled manner is fundamental to our business model and value creation. Our view of risk and risk management is anchored in our values and strategy with an aim toward our financial targets, such as the ROE target, cost target, stable earnings and strong capitalisation. Risk management is not a separate activity; it is part of everything we do. It is based on a generic process in which risk identification, risk assessment, risk mitigation, monitoring and reporting are important steps that will be strengthened through risk-based financial management and incentives.

The Board of Directors is ultimately responsible for and oversees risk management through its Enterprise Risk Management (ERM) Policy and Risk Appetite Statement

Policy, which have recently been extensively revised. The link between the bank's overarching strategy, risk strategy and day-to-day risk management has strengthened. Roles and responsibilities have been clarified with a greater emphasis on the importance of a strong risk structure. Each business unit owns and is responsible for the risks its operations give rise to. Sound risk management is characterised by an attention to detail, proactivity and compliance.

Swedbank has a low risk appetite and has built its business on long-term relationships with customers in our four home markets. Risk is classified by type, including credit risk, market risk and operational risk; each risk type has specific rules as well as a qualitative and/or quantified risk appetite.

Enhanced strategic focus

We have identified four strategic focus areas across the group on which we focus our efforts:

Customer value creation

Swedbank is a relationship-driven bank with a competitive advantage in being a digital bank with a physical presence and an ability to create value for customers based on their needs. Success has been built on long-term relationships and an offering that allows customers to entrust their whole financial situation with Swedbank. It is important to remain an attractive choice for the many customers and ensure that Swedbank delivers on their expectations and remains a reliable partner throughout their lives. This is achieved through a strategic focus on customer relationships and experience with a customer-centric mindset. The focus will be on delivering an "easier financial life" in line with the customer promise, with focus on proactivity, advice, sustainability and simplicity.

Operational efficiency

Our focus is to reduce complexity, standardise products and offerings and increase efficiency in processes and the ways we work in order to simplify for our customers and realise the value of our investments and resources. New technology and automation is a key lever to enable further efficiencies and release capacity for the most value-adding tasks. This will allow for Swedbank to profitably serve the many, leverage economies of scale, continue to meet the expectations of our customers and keep up with competition.

Core business

Swedbank will focus on growing the strong and profitable core business in Latvia, Estonia, Lithuania and Sweden, our home markets. Swedbank primarily serves the many private customers and small to medium-sized corporates as well as a selected number of large companies within our core product segments: lending, financing, savings, insurance and daily banking. Partnerships and collaborations will be leveraged to address customer needs and the savings banks will remain our most important partner. Further, sustainability is an important part of Swedbank's core and Swedbank will continue to take lead in the sustainability transformation.

Fundamentals

To enable Swedbank's strong and profitable core business, the foundation on which the bank stands must be stable and resilient to ensure long-term shareholder value. It is strategically important therefore to focus on the fundamentals relating to regulatory compliance, internal governance and controls, stable and resilient technological infrastructure and being an attractive workplace with a culture based on inclusion and accountability. These areas are critical to ensure Swedbank's license to operate, sound risk management, customer trust and satisfaction, employee engagement and cost efficiency, but they are also central to further transformation in other strategic areas.

A business model for a financially sound and sustainable society

Swedbank offers its customers secure and effective solutions to manage their savings and at the same time meet their financing needs. With the overarching goal of a financially sound and sustainable society, we give the many people and businesses the opportunity for a better future.

An important part of society

As part of the financial system, Swedbank plays an important role in society. By promoting savings and lending money to households and businesses, we contribute to our customers' financial security and support the national economy. Our business is affected by a number of factors, the most important of which are:

- **Customer behaviour** – Customers are increasingly choosing to bank digitally. At the same time, many still seek personal assistance for more complex issues. Our aim is to make all day-to-day banking digital, but still offer personal help at our physical meeting places.
- **Competition** – Our competition consists of traditional banks as well as new firms. To stay relevant for our customers, we must continuously improve our offerings in among other ways by analysing our large customer base to design more tailored services and products for example.
- **Macroeconomic development** – As an integral part of the economy, we are dependent on economic development globally and locally. To stay competitive and relevant, we must be able to quickly adapt to changing market conditions.
- **Regulation** – The banking sector is subject to a number of regulations, which are designed to among other things increase financial stability and improve customers position. This affects the competitive landscape and how we price our products.
- **Financial crime** – Banks are often being targeted by financial criminals. To increase security for our customers we therefore have to continuously improve our processes and routines. Our aim is to strive for international best practices.

Net interest income is our largest income source

Swedbank's main income source is interest income from lending. The lending is financed through deposits from businesses and private customers and through funding from the capital market. Net interest income is the difference between interest income and interest expenses on deposits and funding.

To maintain a low risk level, we have to correctly understand and price our lending. The margin we earn must therefore be high enough to cover credit impairments for borrowers who cannot pay their interest or amortise their loans. The margin must also cover expenses and provide a return on shareholders' equity.

It is important for us that the money we lend contributes to sustainable development, and as a bank we play an important role in the transition to a sustainable society.

Net interest income and credit impairments are both strongly tied to economic development, and to survive difficult economic

times and continue to support our customers we maintain capital reserves for unforeseen losses. The size of this capital, which largely consists of shareholders' invested capital, is determined by various regulations and depends in part on how risky our assets are considered to be.

Funds and cards are important to net commission income

Net commission income is our second largest income source and is comprised of fees on products and services such as asset management and cards. Our asset management company, Robur, managed approximately SEK 1 220bn at year-end. Income from asset management is generated from a fee on assets under management and is therefore affected in part by the stock market's performance. Demand for sustainable investments is increasing and today we offer various forms of sustainable savings. For example, the Access Edge funds were classified as Paris Aligned in 2020, which means that they are managed in line with the Paris Agreement.

Card fees account for the large share of payment income, and our income is generated from customers who use our cards to make purchases and from stores and restaurants that use our terminals. The income consists of annual fees, but is also based on transaction volume.

Personnel and IT are our largest operating expenses

Swedbank's largest expense is salaries. IT and properties and rents are also a large expense, since we have a distribution network in the form of both digital channels and physical meeting places. Swedbank is also a major taxpayer in the markets where we operate.

Credit impairments vary over time

Swedbank's credit impairments are normally low, since we have long maintained low risk-taking. In 2020, however, they were the highest in the last decade due to the pandemic. Credit impairments are recognised in accordance with IFRS 9, which is based on an assessment of expected future credit impairments. This means that the provisions for expected credit impairments can change either up or down over time, depending on how the future outlook changes. Although the outlook improved in the latter part of 2020, Swedbank made the determination that the uncertainty surrounding the economic recovery is still so high that it would be inappropriate to reduce the provisions for a macroeconomic slowdown allocated in the first part of 2020.

Simplified income statement, SEKm

+ Our income	
Net interest income (interest income – interest expenses)	26 853
Lending generates interest income and interest expenses are incurred for deposits and the bank's funding.	
Net commission income	12 770
Fees charged for services such as card usage, payments and asset management.	
Net gains and losses on financial items	2 655
Result of the market valuation of assets held by the bank. Also arises through trading in financial instruments by customers and the bank itself and as a result of valuation effects.	
Other income	3 398
Share of result from associated companies, services sold to savings banks and net insurance.	
Total income	45 676
- Our expenses	
-Staff costs	11 873
As customers' needs change, we have to continue to develop relevant services and provide professional advice. We also have to ensure that we meet both internal and external compliance requirements. For this we are dependent on attracting and developing people with the right skills.	
- Other expenses	8 687
A relevant customer offer generates development, production and distribution expenses, which together comprise other expenses.	
- Administrative fine	4 000
In March, the Swedish FSA imposed an administrative fine on Swedbank against the backdrop of the shortcomings in anti-AML work as well as in governance and control. The sanction is not tax deductible.	
Total expenses	24 560
= Profit before impairment	21 116
- Impairments	4 334
Credit impairments are natural for a bank as all lending carries a risk. Provisions for expected credit losses are estimated using a 3-stage model and reflect changes in credit risk or macroeconomic variables.	
- Tax	3 851
Swedbank is one of the biggest corporate taxpayers in Sweden. Together with the country's other banks, we account for about 10 per cent of total corporate income tax collected.	
= Our profit attributable to shareholders	12 929
Earnings distribution	
Swedbank's dividend policy is to distribute 50 per cent of profit to shareholders, who demand a competitive return on the capital they invest. The remaining 50 per cent is used to weather economic slowdowns in difficult times and to finance investments in increased customer value and growth.	
Dividend according to policy	Equity

Simplified balance sheet, SEKm

Our assets	
Cash, treasury bills and bonds	490 977
Swedbank maintains a liquidity buffer in the form of cash and liquid securities to meet its commitments even if access to funding is closed for an extended period.	
Loans to the public	1 680 987
About half of Swedbank's lending to the public consists of mortgages in Sweden. Swedbank is one of the largest lenders to private and corporate customers in its four home markets.	
Loans to credit institutions	47 954
Swedbank also offers lending and deposits to other banks and credit institutions.	
Derivatives	52 177
To protect the bank and its customers against unwanted movements in interest or exchange rates, for example, the bank uses and offers various types of derivatives, which are reported on both the asset and liability sides of the balance sheet.	
Other assets	322 547
Total assets	2 594 642
Our liabilities and equity	
Deposits and borrowings from the public	1 148 240
Customer deposits fund a significant share of lending. Swedbank has a large, stable base of deposits.	
Debt securities in issue	733 814
Lending not funded with deposits is funded through the capital markets. Swedbank's market funding is almost exclusively long-term and mainly consists of covered bonds.	
Derivatives	54 380
See comment under assets above.	
Other liabilities	504 015
→ Equity	155 193
Equity ensures that the bank can operate well even under unfavourable conditions.	
Total liabilities and equity	2 594 642

For more detailed information on Swedbank's income statement and balance sheet, see pages 58 and 60.

Focus on sustainable value creation for customers, employees, owners and society

Swedbank's strong commitment to sustainability is fundamental to our business. We are now integrating a sustainability perspective as a natural element in everything we do, because we believe that sustainability is profitable in the long term for customers, employees, owners and society as a whole. Our ambition is to be a leading bank in sustainability.

Swedbank has signed and is actively committed to the UN Principles for Responsible Banking. The bank wants to contribute to the UN Sustainable Development Goals and the Paris Agreement. As part of this, Swedbank Robur has set a goal that by 2025 its aggregate fund capital will align with the Paris Agreement's target to limit global warming to 1.5°C and by 2040 will be placed in carbon-neutral investments. A number of Paris Aligned funds

were launched during the year, where management and analysis are based on the EU Sustainable Finance climate benchmark.

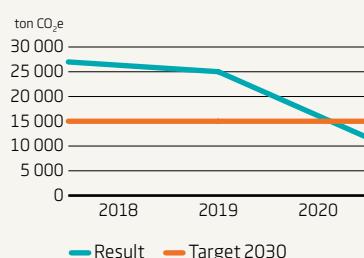
In July 2020, Swedbank adopted a new climate target to reduce GHG emissions by 60 percent from 2019 to 2030. In 2021, the bank's goal is to develop climate targets for the real estate sector aligned with the Paris Agreement.

Sustain-ability goal:

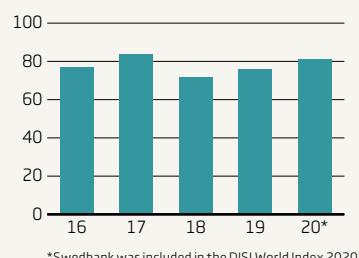
Reduce the bank's climate impact

Why? Swedbank sees that climate change is one of the greatest challenges of our time for society. Given our history, our purpose and our vision, we are determined to enable a climate transition in line with the Paris Agreement and to contribute to meeting the UN Sustainable Development Goals (SDGs) in Agenda 2030. This dual commitment will guide our work and our impact towards 2030 and onwards.

GHG emissions



Dow Jones Sustainability Index Score



Result:

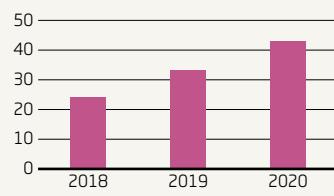
- Swedbank demonstrates a good development towards achieving the Group's climate target of direct emission reductions. During the years 2019–2020, the bank has reduced emissions by 53 percent, which can largely be explained by the reduction in the number of flights as a result of the global pandemic.
- The carbon footprint of Swedbank Robur's funds has decreased by 60 percent since 2018. The reduction is a result of ambitious time-bound climate targets, a new climate strategy and systematic work in fund management.
- Included in Dow Jones Sustainability Index with the result 93 out of 100 in the Environmental Dimension category.

Employee goal:

Increased employee engagement

Why? Engaged and proud employees contribute to a successful business and satisfied customers. This requires that they have an opportunity to develop, feel that they have an influence, contribute to the bank's purpose and goals, and are proud of Swedbank as an employer. Sustainable staffing is fundamental for Swedbank to continue to offer products and services of high quality. We work continuously to develop and monitor these areas.

Recommendation index



Result: The willingness to recommend Swedbank as an employer, the so-called eNPS score, further improved during the year.



Overall, Swedbank's digital services had a

99.73 %

availability in Sweden and

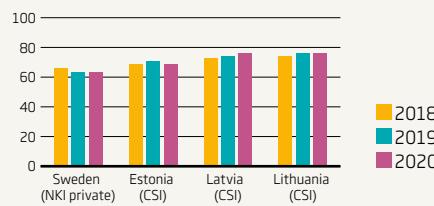
99.66 %

in the Baltics during 2020

Increased customer value

Why? Customer value, along with customer satisfaction, trust and a positive brand image, explains why customers choose our products and services. High customer value, with focus on proactivity, advice, sustainability and simplicity, is a precondition for sustainable value creation and profitability. We track customer value through our own and public surveys to measure satisfaction, among other things.

Customer satisfaction, private customers



Customer goal:

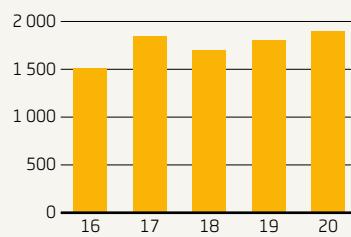
Innovation goal:

Digital interactions increase



Why? Banks in Sweden and internationally are living under intense pressure to change. Digital contact with our customers is greatly increasing in terms of both scope and importance. To remain relevant for our customers and stay competitive with established rivals as well as startups, Swedbank continues to invest in personalised and sustainable solutions. Modern, innovative ways of working with a strong focus on new technology and availability will enable us to meet our customers on their terms in the future.

Digital customer interactions, million



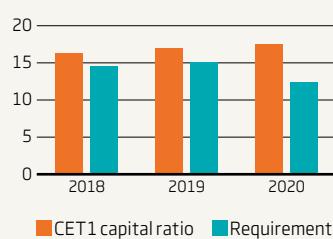
Result: The number of digital interactions between Swedbank and our customers continued to increase during the year to a total of 1.9 billion.

Financial goal:

Solid capitalisation

Why? Swedbank's capitalisation will ensure that the bank can withstand difficult times. The CEO has therefore proposed a buffer of 1–3 percentage points relative to the regulators' requirement. Strong capitalisation is also necessary to guarantee access to competitive capital market funding. Regulators' capital requirements are continuously becoming stricter, but Swedbank's profitability and solid capitalisation position it well to meet future changes.

Swedbank's Common Equity Tier 1 capital ratio, %



Result: The Common Equity Tier 1 capital ratio as of 31 December 2020 was 17.5 per cent (17.0). This compares with a total Common Equity Tier 1 capital requirement of 12.4 per cent. Due to the Covid-19 contagion and the strain it has put on society, the Swedish FSA decided during the year to reduce the countercyclical buffer, which lowered the capital requirements.

Credit impairment ratio, %

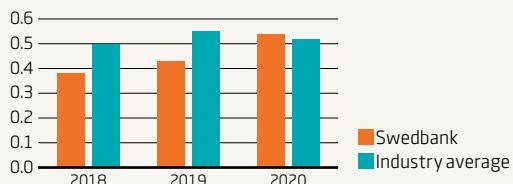


Financial goal:

Market-leading cost efficiency

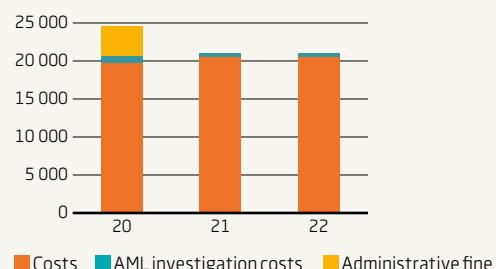
Why? Digitisation is increasing competition and transparency in parts of the banking sector while banking products and services are becoming more standardised. As a result, the price of our services is becoming more important. To remain competitive in the long term requires continuous improvements to cost efficiency and internal processes, which create opportunities to invest in increased customer value.

Swedbank's cost/income ratio compared with industry average



Result: Costs rose in 2020 to SEK 20.5bn (19.9), adjusted for the Swedish FSA's administrative fine, mainly due to higher staff and IT costs. Staff costs increased due to a higher number of employees, annual salary increases and higher pension costs. The increase in the number of employees has mainly been in the area of AML, but also in IT. Swedbank's C/I ratio in 2020 was 0.54 (0.43). The average for the three other major banks in Sweden – Nordea, SEB and Handelsbanken – was 0.51. The goal in 2021 and 2022 with regard to costs is SEK 20.5bn excluding money laundering-related investigative costs.

Cost goal 2021 and 2022

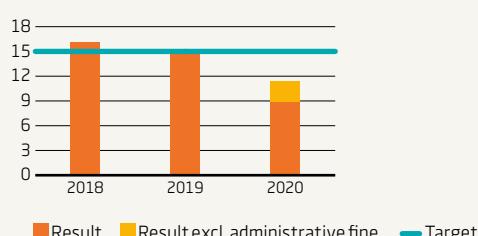


Underlying costs increased in 2020 due to intense efforts to better protect the bank against money laundering and other financial crime, but also because we continued to invest in IT development. In 2021 and 2022, underlying costs will continue to rise, partly because we recruited around 1 000 new employees in 2020 and partly because we continue to invest in combatting financial crime and improving stability and security in our IT systems. Our goal is that underlying costs will not exceed SEK 20.5bn in 2021 or 2022. In addition to the underlying costs, there are costs for money laundering-related investigations, which are hard to estimate, but our hope is that they will not exceed SEK 500m per year in 2021 and 2022.

Return on equity of at least 15 per cent

Why? Swedbank's shareholders demand a competitive return on the capital they invest. At the same time, the bank has to be profitable to stay competitive in the long term and create investment opportunities. We also have to ensure that the bank can withstand periods of major economic stress, which is largely determined by our earning capacity, risk level and capitalisation.

Return on equity, %



Result: The return on equity was 8.9 per cent (14.7) during the year. Excluding the administrative fine, the return on equity was 11.4 per cent, compared with the target of 15 per cent.

Financial goal:

Sustainability: A theme for our time

This year Swedbank can look back at 200 years of sustainability work. The idea to make it possible for everyone to open a bank account and begin saving marked the start of the savings banks and eventually Swedbank. Educating both private and corporate customers on building a stable financial situation has been a consistent theme in the bank's operations since 1820.

Society is facing major challenges that demand change. Climate change, digitisation and most recently, the pandemic have underscored the importance of adapting and transitioning to a new reality. Our sustainability work is designed with this in mind and it is a natural part of the entire bank's operations aiming to create a better future for customers, employees, owners and society. For this to happen, the bank must develop in the right direction and guide customers to make sound and sustainable choices, to offer products and services that elevate the transition to a society that addresses economic, social and environmental concerns. Swedbank also adds an ethical perspective, where policies, frameworks and position statements are important parts of the bank's work.

Interest in sustainability is growing around the world and among the bank's stakeholders, which raise the demand for openness and transparency. Future regulations and new laws are also contributing to a greater sustainability focus in the financial sector. The UN's Sustainable Development Goals and Principles for Responsible Banking help guide the efforts to achieve the bank's vision a financially sound and sustainable society.

Responsible commitments

Swedbank undertook with the signing of the UN's Principles for Responsible Banking to develop the bank's operations in accordance with Paris Agreement and the UN Sustainable Development Goals. This has during the year evolved to an operational phase, where the principles are implemented. They require among other things an impact analysis of the bank's entire operations, which has therefore been performed to identify and present the bank's impacts on the environment.

Through their operations, banks and other financial institutions have a major opportunity to contribute to the necessary changes by financing the investments needed to meet the Paris Agreement's targets and the Sustainable Development Goals.

The EU is developing common rules on sustainability in the financial sector, part of which is a taxonomy to classify which investments are environmentally sustainable and which are not. The taxonomy will provide common guidelines on which investments will be beneficial for customers and investors alike. It will facilitate the identification and comparison of the investments required to achieve a sustainable economy and, thereby, benefit the bank's stakeholders.

The common rules create greater transparency and knowledge about the bank's operations in general, and is something Swedbank supports. GDPR, MiFID and PSD2 are other examples of rules that set concrete requirements for corporate openness and accounting.

Risk management for a sustainable development

Sustainability risks as described in the risk management framework, rise due to an inability to identify and manage environmental, social or governance related aspects that, if they were to occur, would have a significant economic impact and/or a significant impact on the Group's brand and reputation. Sustainability risk also affects several other types of risks, mainly compliance, credit, operational and strategic risk.

Managing sustainability risks responsibly is important to Swedbank and for maintaining trust in the brand. At Swedbank, risk management and sustainability are integrated in the business, and the framework for risk and governance provides support to manage sustainability risks.

Swedbank is working on several fronts to identify and manage sustainability risks, especially climate related risks that the bank may be exposed to through its credit portfolio and products. In the future, climate change is likely to cause more frequent and more serious weather events such as floods, droughts and storms, which could pose a potential risk to the bank's credit portfolio. Over time, physical assets are also likely to be exposed to greater risk due to changing weather patterns, which could potentially impact credit risk in sectors such as property management, agriculture and forestry. In the transition to a climate neutral society, political actions such as the introduction of carbon taxes, or technological progress such as new production processes, will affect us and our customers, giving rise to transition risks. Changes in laws and regulations, and social activism against unsustainable business models could also impact the bank's reputation and become a potential risk.

Sustainability risk assessment is integrated in existing processes such as the New Product Approval Process and the credit process, where corporate loans require a sustainability analysis.

Financing a sustainable society

Lending is the bank's core business, i.e. financing investments by private customers and businesses. For this core to remain sound long-term, and the bank successful, responsible lending is a key. In recent years, interest has increased in sustainable choices, and here the bank supports its customers by offering sustainable financial and investment solutions, advice and analysis. Doing business more sustainably creates value-added for the individual customer, the company and society, and is the foundation for sustainable financial value creation. A big responsibility rests on the bank's employees, who perform the sustainability assessments. It is important to know the customer, their business, its future prospects and the impact on society. Swedbank conducts a more

Historical background

1820	1980	1998	2003	2013	2014	2015	2016	2017	2018	2019	2020
The first savings bank is established in Sweden	The first ethical fund is launched	Swedbank acquires holding in Hansabank in the Baltic countries	Swedbank is the first listed Nordic bank to receive ISO 14001 environmental certification	The Group's first sustainability report according to GRI G4 is published	The sustainability report is integrated with the annual report	The goal to reduce carbon emissions by 50 percent from 2010 is achieved	Exclusion of companies that generate over 30 per cent of their revenue from coal production	First green bond is issued	The sustainable equity fund Swedbank Robur Global Impact is launched	Signed the UN Principles for Responsible Banking	Launch of funds aligned with the Paris Agreement

comprehensive sustainability analysis based on social and environmental aspects when the credit limit exceeds SEK 8m in Sweden and EUR 0.8m in the Baltic countries. The analysis raises sustainability related issues such as human rights, the environment and climate, taxes and corruption. Swedbank also has Group-level policies, instructions and sector guidelines when it comes to principles and guidance. Swedbank updated its strategic direction in 2020 and placed sustainability at the core of the business strategy. As a consequence of the updated business strategy, the bank has decided not to grant new financing for the prospecting of new oil and gas fields or for unconventional extraction of fossil fuels. In addition, the bank has also decided not to directly finance coal-fired power plants or companies that derive more than 5 percent of their revenue from coal production. In the event an ethical dilemma arises, e.g. related to the bank's sustainability framework, Swedbank's ethics committee will provide further recommendations.

Swedbank encourages sustainable business models and strives to offer financing products and services that contribute to the transition to a more sustainable society. During the year, a green lending offer was developed for private and corporate customers of Baltic Banking. Loans for solar panels, green car loans and green mortgages are now available to private customers in all of Swedbank's home markets.

Since 2017, Swedbank has issued green bond and, can thereby target and support financing for sectors that are transitioning to a more sustainable society. Swedbank Debt Capital Markets also provides advice on green, social and sustainability bonds. This benefits issuers in search of green financing, e.g. companies and municipalities, as well as investors who are seeking sustainable investments e.g. insurance companies and pension managers.

Sustainable investments

Sustainability is also integrated in the investments the bank makes and in the products and services we offer. The commitment to and interest in sustainability are increasing, and so is demand for sustainable savings.

Swedbank's subsidiary Swedbank Robur is one of the leading asset managers in the Nordic region, with a vision to be a world leader in sustainable value creation. During the year, its funds have had holdings in around 3 000 companies in and outside Sweden. This represents a big responsibility and at the same time an opportunity to impact and drive development forward. An important part of the fund management company's work to promote sustainable companies is active ownership by participating in nomination committees and voting at annual meetings.

One way to work with sustainability, in addition to advocacy work with the companies, is to join various initiatives. Swedbank Robur has issued a number of public statements and supports several initiatives, such as the Principles for Responsible Investment (PRI), the International Corporate Governance Network (ICGN) and TCFD.

Swedbank Robur has adopted two climate targets, presented on page 12, and will continue to collaborate with other investors in encouraging companies and issuers to transition to sustainable solutions through networks such as Climate Action 100+, Green Bond Principles and International Investors Group on Climate Change. In addition, Swedbank Robur has joined the Net-zero asset manager initiative, a commitment to achieve carbon dioxide neutrality in asset management by 2050 through its own strategies and by influencing companies in which its funds invest.

The development of Swedbank Robur's responsible investment policy has continued. It serves as the basis for the sustainability work of all of the company's funds and today is an integral part of their management. During the year, a number of innovative and sustainable funds were launched as part of the Access Edge fund family as well as the Transition Energy fund. Five of Swedbank Robur's funds satisfy the Nordic Swan's eco-label criteria, which means they meet stringent sustainability requirements and exclude fossil fuels.

Focus on climate change

Climate change is a major societal challenge affecting every company, though to varying degrees. The financial sector has a big responsibility to redirect capital flows to achieve a more sustainable economy, to help companies make the necessary climate adjustments. Through its own operations, Swedbank has both a direct and indirect impact, i.e. directly through its own operations – mostly travel and heating of premises – and indirectly through its product and service offerings.

It is important for Swedbank to channel capital to sustainable investments and promote creative solutions that can meet society's challenges, as well as to integrate sustainability in its risk assessment processes in a structured way. Progress was made during the year in implementing TCFD's recommendations based on climate risks and opportunities, and the bank scenario-tested all the major TCFD groups for the lending and investment portfolio. Transparency on climate related information is important as it increases understanding of which measures are needed in governance, risk management and business models for the necessary transition.

Swedbank has pledged to set climate goals in line with the Science Based Targets initiative. The method for setting science-based climate targets for the financial sector's exposures to selected asset classes were finalised during the year and Swedbank is now developing climate targets related to its mortgage business and commercial real estate lending aligned with the Paris Agreement.

For its own operations, Swedbank has set targets to reduce resource consumption and promote a stable climate and energy transformation. In the period 2010–2020, Swedbank's direct

greenhouse gas emissions were reduced by 84 per cent; the Covid-19 pandemic contributed significantly to the decrease in 2020. Nevertheless, these numbers are the result of active efforts to reduce travel and energy consumption in the branches. Swedbank is also working to promote circularity and IT equipment is reused to reduce the environmental impact. During the year it is estimated that this routine has led to emission savings of 1 756 tonnes. The aim of Swedbank's climate related targets is to further reduce direct emissions. To complement these efforts, Swedbank buys carbon offsets for all its direct emissions.

To reduce the bank's own environmental impacts as well as those of customers and suppliers, environmental work is carried out through a structured approach based on an environmental management system that has been ISO 14001 certified since 2003. Compliance with the environmental management system is monitored annually through internal and external audits.

A value-based approach

Swedbank's greatest strength is its employees, who together shape the bank's corporate culture. The bank's employees take responsibility and comply with regulations and guidelines to build trust. The ambition is to drive the bank forward by developing successful collaborations and sustainable customer relationships. Based on a Cultural Review Assessment completed in 2020, we have begun to build strong leadership and clearer accountability and responsibility, where the expectations on leaders as well as on employees as self-leaders are clear. The aim is an engaging and sustainable performance culture that is linked to our values: Open, Simple and Caring.

Covid-19 - an extraordinary challenge

The pandemic has been a huge challenge during the year, but also a driver of rapid development in several areas such as digitisation and work environment, where new needs have arisen for technological solutions and working arrangements have risen. A rapid transition has been necessary, along with an adjustment to new changes and regulatory requirements. The focus has been on keeping all employees continuously updated and informed. Because of the critically important role we play in the economy, it has been essential to maintain the bank's services for customers with a high level of quality during this turbulent and extraordinary time. Swedbank also offered employees with healthcare experience an opportunity to support the healthcare sector while retaining their salary.

Culture review - for a stronger corporate culture

A comprehensive review of Swedbank's corporate culture was started during the year to identify strengths and areas of improvement. A large number of Group employees have provided their opinions and participated in surveys and focus groups. The review concluded in spring 2020 and resulted in a focus on developing a clear strategy, creating effective governance, strengthening leadership and reshaping performance management to strengthen the corporate culture.

Work environment and health - strategically important area

The strategic importance of the work environment and health has been especially evident during this challenging time, which has forced us to adjust the ways we work and meet internally, but also how we safely and securely meet customers. The flexible work arrangements Swedbank established back in 2014 have facilitated this adjustment. During the pandemic, around half of all employees have worked from home. For those who work in an office, a number of measures have been taken to create a safe place to work and meet with customers.

Diversity and gender equality - essential to our business

Swedbank is an inclusive bank - for the many, both customers and employees. Swedbank's goal is to be a leader in gender equality and diversity in all our home markets. A focus that provides new perspective and helps to increase employee competence and understanding for others and the varying needs of all our customers. The goal is to have a staff that reflects the diversity of the local community and thereby meet customers' needs and identify new business opportunities. At the end of the year, women constituted 40 percent of the board.

Information security is growing in importance

A high priority for banks and other financial firms is information security, and to ensure a stable infrastructure and a reliable digital performance that provide access to products and services when and where needed. As society becomes increasingly digital, companies become more vulnerable to online and cloud services. Major resources, financial and otherwise, are being invested to prevent violations, cyber threats and fraud, and the misuse of existing and new technology. The work with information security, with the goal of protecting both customers and the bank's data and other sensitive information, is one of the most important issues for Swedbank. Ultimately, it is a question of trust and economic value for the bank.

During the last year, the bank worked with a comprehensive action plan to improve routines, system support and processes in order to prevent all types of financial crime. To prevent the bank's payment systems from being used as a tool for criminal activity, internal rules, processes, collaborations and support functions have been put in place. The purpose is to comply with current laws and regulations in this area.

The fight against money laundering

Money laundering is a global problem and a threat to society. It undermines the integrity and stability of the entire financial system. Money laundering (ML) is criminal in its own right, but it is also closely related to other forms of serious and organised crime as well as the financing of terrorism. The global scale of money laundering is significant. The United Nations Office on Drugs and Crime (UNODC) estimates that between USD 800 billion and USD 2 trillion is laundered each year.

Combatting money laundering is a sustainability concern and is, expressed in UN Sustainable Development Goal 16.4: "By 2030 significantly reduce illicit financial and arms flows, strengthen

recovery and return of stolen assets, and combat all forms of organised crime."

Swedbank has a responsibility to society – shareholders, customers, regulators and employees – to prevent the Group from being used to facilitate the movement of criminal proceeds or transfer of funds destined to finance terrorism. Like all financial institutions, Swedbank is at risk of being targeted for money laundering and terrorist financing and has therefore established Group-wide processes to identify and manage these risks across all jurisdictions in which the bank operates. Fighting money laundering and terrorism financing (together called financial crime) is essential to Swedbank's vision of "a financially sound and sustainable society".

The management leads the way

Swedbank's Board of Directors and senior management have acknowledged the seriousness and complexity of legacy issues related to the Anti Money Laundering/Counter Terrorist Financing (AML/CTF), including financial sanctions. Swedbank has during the year been timely and transparent in its communication with external stakeholders and the general public about legacy AML/CTF-related issues and the need to move forward.

Senior managers, including the President and CEO of Swedbank Jens Henriksson, repeatedly acknowledged the shortcomings and lack of sufficient internal controls and governance within the bank. The Executive Management has also publicly stated that combatting financial crime is a responsibility of all employees of the bank, not only the bank's management.

The comprehensive remediation plan that has addressed the identified shortcomings since 2019 included a 244-point action plan that specified remedial actions regarding AML/CTF and the sanctions framework in the bank. As of October 2020, the action plan contained 244 items. Key action items include the following:

- revising and updating the AML/CTF framework
- updating policies and procedures
- defining AML/CTF assessment standards with new frameworks in place
- Revising and updating reporting procedures and responsibilities.

Significant progress was made towards the action plan during the year. More than 90 per cent of the items in the plan were completed on time and the remaining measures are transferred to the bank's change programme.

Investigations

In 2019 and 2020, Swedbank co-operated extensively with the relevant authorities in various jurisdictions regarding the findings of their investigations.

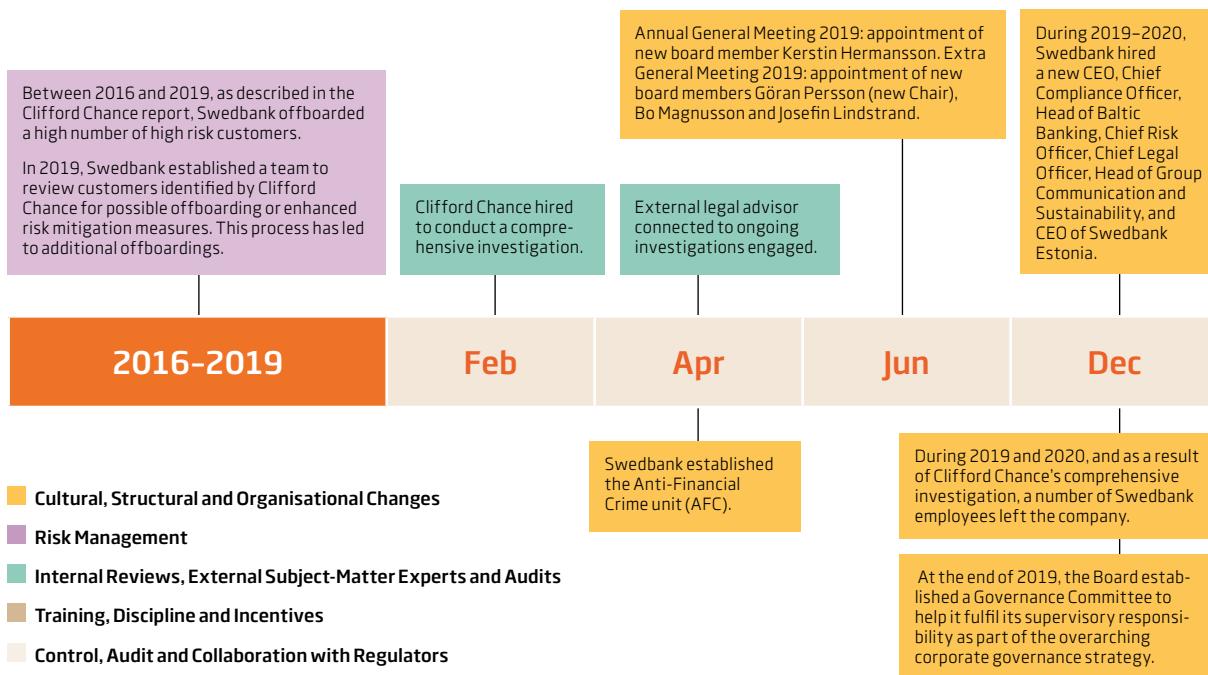
The money laundering-related investigations that started in 2018 and 2019 by the Swedish and Estonian FSAs were concluded on 19 March 2020. The FSAs stated that Swedbank had serious shortcomings in the anti-money laundering work in its Baltic operations. The bank also had shortcomings in the disclosure of information to the authorities. Shortcomings were found

in the Swedish operations as well. The Swedish FSA issued a warning and an administrative fine of SEK 4bn. The Estonian FSA issued a precept requiring Swedbank to take certain measures to strengthen AML processes and routines. On 23 March, the international law firm Clifford Chance presented its final investigative report. It stated that Swedbank had had serious deficiencies in its management of money laundering risks, but also that major improvements were made in 2016–2019.

Estonian precept

Swedbank AS, Swedbank's Estonian subsidiary bank, submitted a final report to the Estonian FSA on 19 November 2020. The report consisted of all measures taken to address the shortcomings listed in the precept from March 2020. The actions were described in detail and Swedbank AS believes that it has addressed the identified shortcomings. This was confirmed on 28 January 2021, when the Estonian FSA announced that it had

Timeline of Swedbank's response



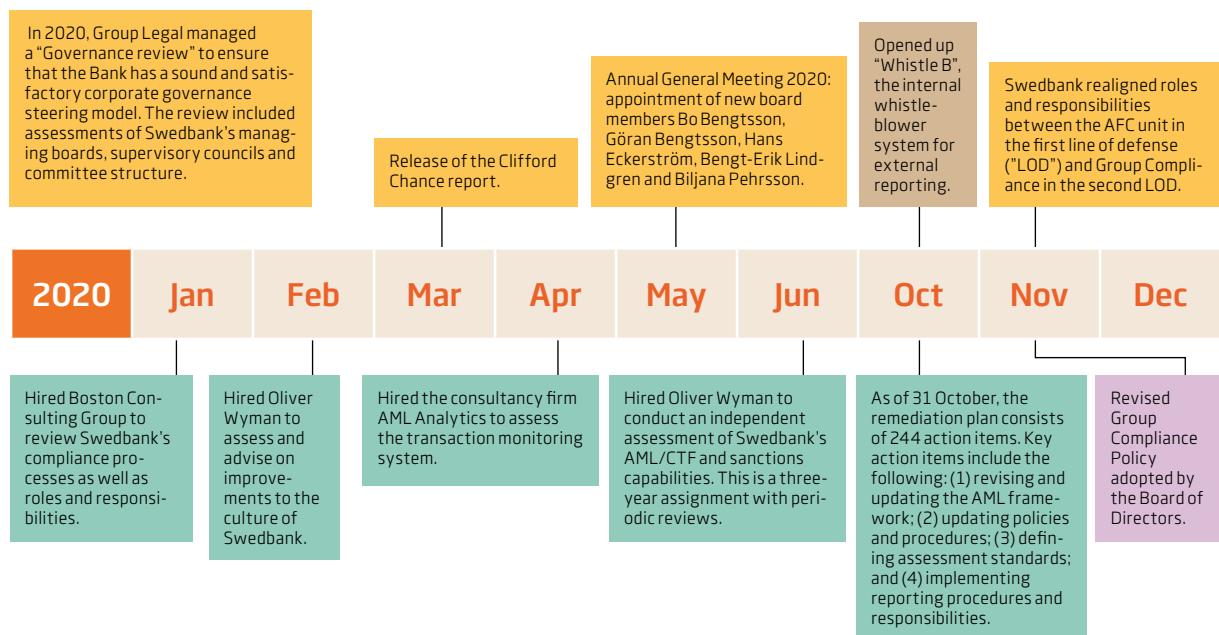
Additional measures taken since 2019

Cultural, Structural and Organisational Changes The CEO has established a new Group Executive Committee ("GEC") with weekly GEC meetings. Across 2019 and 2020, there have been several personnel changes at the senior management level (incl. Board of Directors).	Risk Management Added qualified resources to the Board of Directors, committees, and senior management, including recruitment of new individuals to key roles. Added extensive resources across the Compliance function. Established the Group Financial Crime Committee and the Business Area Financial Crime Committee – to ensure effective governance and management of sanctions risk. Established a Special Task Force to manage the day-to-day operations related to ongoing investigations of historical shortcomings within the AML area. Updated Group risk management framework, including by developing Key Risk Indicators in accordance with legal and industry best practices. Revised Enterprise Risk Management policy with more in-depth and clearer definitions and descriptions of Swedbank's risk strategy and risk appetite.	Updated Group AML/CTF (Anti Money Laundering / Counter Terrorist Financing) and sanctions standards, including policies, procedures and controls, by incorporating international best practices. Developed and implemented a new risk classification model. Reviewed and improved risk scoring, media screening and customer flagging processes. The risk assessment process has been centralized including the introduction of a group-wide process which also includes creating a Group risk assessment repository. Improved KYC policies and procedures across the Group. Defined due diligence policies and procedures specifically for risk clients. Implemented new onboarding procedures that require the risk assessment results to be assessed and reviewed by senior management.
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assessed the final report. It considered the actions taken to be sufficient and stated that it has no further strictures. In its assessment, the Estonian FSA took into consideration the action plan and developments that Swedbank had presented. Going forward, Swedbank's AML/CFT work will therefore be subject to the Estonian FSA's regular supervision.

Swedbank AS has further increased its AML/CFT expertise within the subsidiary's management board as well as the aware-

ness among its employees of the importance of improving the AML culture and framework. The organisational structure has been revised to clearly allocate responsibilities within the AML/CFT area. The Compliance function has been strengthened and has established a new unit with a comprehensive overview of the AML/CFT work. Additionally, Swedbank AS has substantially increased human resources in the AML/CFT area.



AML and Sanctions Controls and Monitoring

Updated tool for monitoring transactions, process management with new technology and policy requirements. Included sanctions-related components to the customer risk rating. Implemented automated filters used to screen transaction data. Upgraded the AML detection algorithm and improved the alert management process and annual model validation. Created a sanctions governance structure.

Revised and updated policies and procedures related to sanctions to clearly define assessment standards, reporting procedures and responsibilities. Updated sanctions screening system to improve efficiency. Tasked dedicated Financial Sanctions Officers with reviewing transactions and relationships that might involve, directly or indirectly, exposure to sanctions risk. Updated policies to ensure that annual sanctions risk assessments are completed.

Engagement with Authorities

Extensive cooperation with a range of authorities (civil, criminal and regulatory) in various jurisdictions pertaining to legacy issues. Updated and improved process for periodic reporting to local regulators.

Training, Discipline and Incentives

Implemented a sanctions training programme that includes mandatory online sanctions-related training for all employees. Increased frequency of enhanced AML training for all employees. Work is underway to implement a mandatory training programme on Corporate Governance rules.

An Estonian criminal investigation

Part of the Estonian FSA's investigation was handed over to the Estonian Prosecutor's Office, which is investigating whether money laundering or other criminal activities have taken place in Swedbank AS.

New notification from the Swedish FSA

In September 2020, Swedbank received notification from the Swedish FSA that it was investigating the bank for suspected breaches of the regulation on market abuse (MAR). The investigation covers the period 20 September 2018 to 20 February 2019 and pertains to disclosure of insider information and the obligation to establish an insider list (articles 17 and 18) in connection with the disclosure of suspected money laundering within the bank.

US authorities

US authorities continue to investigate Swedbank's historical AML/CTF work and historical disclosure of information. The investigations are progressing and Swedbank is in dialogue with all relevant authorities through its US legal counsel. It cannot, at this stage, be predicted when the investigations will be concluded, nor the outcome of the investigations.

Economic Crime Authority

The Swedish Economic Crime Authority (EBM) is investigating whether a crime was committed in connection with historical disclosure of information. The bank has no information on when EBM's investigation will be completed.

Corporate Governance Review

In December 2019, a Governance Committee was established within the Board of Directors. The main purpose of the committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding Swedbank's overall management of corporate governance of the bank and its subsidiaries. The Governance Committee submits recommendations to the Board for decision.

In 2020, Group Legal managed a project aimed at ensuring that the bank, as a parent company, has a sound and satisfactory corporate governance steering model that is clear, consistent and aligned with best practices, taking into consideration the size, complexity and strategy of the Group (the "Governance Review"). The project included a gap analysis and identified a number of areas of improvement and made numerous recommendations on how to address those areas. This included assessing the Baltic subsidiary banks' supervisory councils, committee structures and management boards, as well as examining how best to navigate potentially conflicting regulations in Sweden and the Baltic countries related to steering and controls.

The change in corporate governance is in an execution phase, with several ongoing subprojects and workstreams that will be fully implemented in 2021. An evaluation of the Baltic Banking governance structure and the general framework for governance is underway as well.

The subproject for Baltic Banking will also ensure that governance and control of the business area is strengthened, both within the subsidiary banks themselves and from the parent company.

Swedbank will implement a mandatory training program on corporate governance for senior managers, board members of material subsidiaries and for employees involved in the governance process.

Changes in the Board of Directors

New members of the Board are Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt-Erik Lindgren and Biljana Pehrsson who were all elected at the Annual General Meeting on May 28. The Board now consists of Göran Persson, Bo Magnusson, Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Kerstin Hermansson, Bengt Erik Lindgren, Josefina Lindstrand, Anna Mossberg and Biljana Pehrsson.

Management changes

The transformation of the Group Executive Committee includes the appointment of Charlotte Rydin as Chief Legal Officer and Head of Group Legal (9 July). She will take up office at the beginning of 2021. Jon Lidefelt was appointed Head of Baltic Banking (9 July). He had been acting Head of Baltic Banking since 1 January 2020. During the year, Erik Ljungberg, Head of Group Communication and Sustainability (1 July), and Rolf Marquardt, Chief Risk Officer (1 October), also took up office at Swedbank.

Risk management

The Group risk management framework was updated in 2020, including the development of Key Risk Indicators (KRIs) in accordance with legal demands and best industry practices. The Group's AML/CTF and sanctions standards, including policies, procedures and controls, were updated as well.

Swedbank has revised its ERM policy with more in-depth and clearer definitions and descriptions of the risk strategy and risk appetite with a special focus on risk management, risk culture and risk awareness.

Between 2016 and 2019, as described in the Clifford Chance investigative report, Swedbank offboarded numerous high-risk customers. In 2020, Swedbank continued to offboard high risk customers and to update and improve Know Your Customer (KYC) profiles for existing customers.

AML, sanctions controls and monitoring

Swedbank worked intensely in 2020 to remedy the historical shortcomings across the AML/CTF and sanctions capabilities that were described by the Swedish FSA, the Estonian FSA as well as the Clifford Chance investigative report.

Swedbank has added qualified resources to the Board of Directors, committees, and senior management, including the recruitment of new individuals to key roles (see above). The bank has also added extensive resources across Compliance, within Anti Financial Crime and AML/CTF resources across all business areas.

Two types of committees were during the year established within the Group's Business Area's in order to ensure effective governance and management of sanctions risk – the Group Financial Crime Committee and Financial Crime Committees.

Dedicated Financial Sanctions Officers have reviewed alerts generated by the transaction screening system with a focus on

sanctions risks as well as reviewed relationships that might, directly or indirectly, expose the bank to sanctions risks.

According to the bank's routines, all policies are reviewed annually, and if necessary updated, including policies that require the completion of sanctions risk assessments which identify sanctions risks, and evaluate the effectiveness of Swedbank's controls.

Swedbank has updated the transaction monitoring tool, including new technologies and models, to adopt the measures required to manage AML/CTF risks. A new Target Operating model has been defined, including governance processes, based on best industry practices and Swedbank policy requirements.

In addition, to increase the quality of risk assessments and scenario monitoring Swedbank has also developed and implemented a new AML/CTF customer risk classification model in Swedish Banking that consists of rule-based scenarios and predictive models. The risk classification model is continuously updated and improved. The next step is to establish a Group-wide structure with the Baltic risk classification system.

Engagement of external consultants

To safeguard and assess the quality of improved systems and processes Swedbank has engaged external resources.

In January 2020, the bank engaged Boston Consulting Group ("BCG") to review whether Swedbank's compliance processes were consistent with best industry practices. BCG also reviewed the roles and responsibilities of Group Compliance as a control function in the 2nd line of defense and AFC as a central risk management function in the 1st line of defense.

In February 2020, the bank engaged Oliver Wyman to assess and advise on improvements to the culture of Swedbank.

In April 2020, the bank cooperated with consultancy firm AML Analytics on a tool to test financial sanctions screening systems. AML Analytics provides the bank with a monthly benchmark assessment where the bank can analyse the performance of the systems.

In June 2020, Oliver Wyman was also engaged to conduct an independent assessment of Swedbank's AML/CTF and sanctions capabilities, including a review of Swedbank's policies and procedures. This is a three-year assignment with periodic reviews.

Going forward

The significant improvements made in 2020 have laid the foundation for Swedbank to be at the forefront in the fight against financial crime. It is especially important to have a thorough understanding of our risk exposure and customers, and to work relentlessly to detect and prevent illicit transactions. This includes understanding the bank's exposure to corruption internally and what our customers are exposed to. To this end, Swedbank undertakes to implement effective and efficient processes and strives to attain international best practices.

The work to reach this goal will take several years and produce higher efficiency. At the same time, we will ensure that our banking services are accessible and easy to use for customers in our home markets. We expect continuous development in the fight against financial crime and will adjust our targets accordingly. The bank will closely monitor the development of industry best practices by regional peers with a similar geographical footprint.

Stability and resilience in difficult times create value for our shareholders

Despite that profit for the year was weighed down by higher costs to strengthen the AML work, provisions for expected credit impairments tied to the effects of Covid-19, and the Swedish FSA's administrative fine, stable earnings contributed to strong capitalisation and a stable underlying result. The Board of Directors therefore intends, as soon as there is more clarity in the consequences of the pandemic and if conditions are right, to propose additional dividends for 2019 and 2020 in accordance with the bank's policy of distributing 50 per cent of the annual profit.

Swedbank's strategy – to be an available full-service bank with personalised offers, high cost efficiency and low risk – aims to create stability and predictability for our shareholders. Last year was defined, however, by considerable uncertainty, a lower profit and higher credit impairments due to the Covid-19 outbreak. The return was also negatively affected by the Swedish FSA's administrative fine and increased costs to strengthen the AML work. In 2020, the return on equity was 8.9 per cent, compared with the target of 15 per cent. The widespread uncertainty due to the pandemic also contributed to increased volatility in the markets. The share price rose during the year by 3.4 per cent compared with the OMX Nordic Banks index, which fell by 2.5 per cent, and the OMX 30 Large Cap index, which rose by 5.8 per cent. The total return on the Swedbank share was +6.5 per cent and the market capitalisation was SEK 161.4bn at year-end 2020, compared with SEK 155.9bn at year-end 2019.

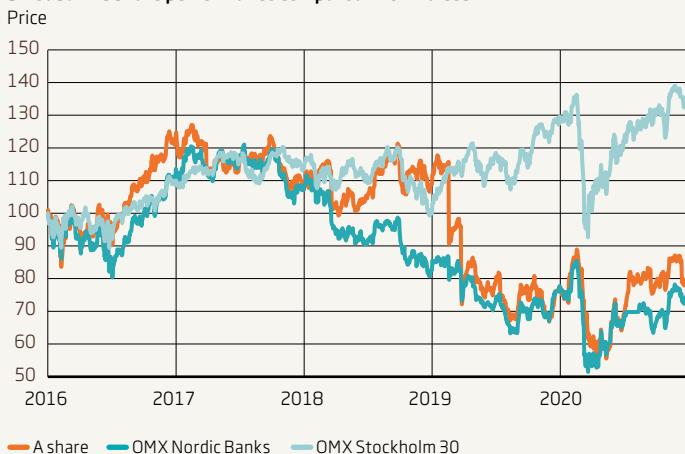
In light of the Swedish FSA's recommendation that banks be restrictive with dividends and share buybacks until 30 September 2021, the Board of Directors, after consultation with the Swedish FSA, has resolved to propose a dividend for the financial year 2019 of SEK 4.35 per share. The Board of Directors' dividend proposal corresponds to approximately 25 per cent of net profit for the financial year 2019. Furthermore, the Board of Directors pro-

poses a dividend of SEK 2.90 per share for the financial year 2020. The proposal corresponds to a pay-out ratio of 25 per cent of net profit for the financial year 2020. When there is more clarity in the consequences of the Covid-19 pandemic, and if conditions are right, the Board of Directors intends to propose additional dividends based on the profits for 2019 and 2020 in accordance with the bank's policy to distribute 50 per cent of the annual profit.

Trading on several markets

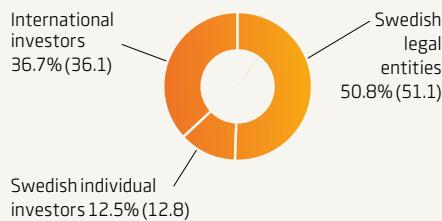
Swedbank has one class of share, ordinary shares (A shares), which have been listed on NASDAQ OMX Stockholm's Large Cap list since 1995. The bank also has an American Depository Receipt (ADR) programme, which enables investors, through depositary receipts, to invest in the Swedbank share on the US OTC market without having to register with Euroclear or buy SEK. Swedbank's shares are traded on a number of marketplaces, with Nasdaq OMX Stockholm generating the highest turnover. On average, Swedbank shares with a value of SEK 632m were traded per day on Nasdaq OMX Stockholm. Today there are a number of mutual funds and stock indices for companies that meet sustainability criteria. Two examples of indices that include Swedbank are Dow Jones Sustainability Index 2020 and FTSE4Good. The former is one of the world's most prestigious sustainability indices, which

Swedbank's share performance compared with indices



Shareholder categories, %

as of 31 December 2020, figures in brackets refer to 2019



Source: Euroclear Sweden AB

classifies yearly the world's most sustainable companies, and the latter was created to facilitate investments in companies that demonstrate globally recognised levels of responsibility. Other examples can be found on the website under Investor Relations/ Swedbank The share.

Ownership and information

Swedbank had 1 132 005 722 shares in issue at year-end 2020, of which 36.7 per cent was owned by international investors and 63.3 per cent by Swedish investors, whereof 12.5 per cent were individual investors.

Holding of own shares

Swedbank held 12 013 947 of its own shares as of 31 December 2020 to secure the commitments in its performance and share-based remuneration programmes. Remuneration in the form of deferred shares is designed to build long-term employee engagement through share ownership. In total, 1 687 386 shares were transferred in 2020, corresponding to a dilution effect of about 0.15 per cent based on the number of outstanding shares and votes as of 31 December 2019.

The 2020 AGM resolved to adopt new performance and share-based remuneration programmes for 2020 and to transfer ordinary shares under these and previously approved programmes. The programmes for 2020 are expected to result in the transfer of approximately 0.5 million ordinary shares, corresponding to a total dilution effect of about 0.05 per cent based on the number of outstanding shares and votes as 31 December 2019. To continuously adapt the bank's capital structure to prevailing capital requirements, the Board was authorised by the 2020 AGM to resolve to repurchase up to 10 per cent of the total number of shares (including shares repurchased by the securities operations; see below). The Board was also authorised to issue promissory notes that can be converted to shares. In 2015, 2016 and most recently in August 2019, the bank utilised the Board's mandate and issued promissory notes that can be converted to shares in the event that the bank's Tier 1 capital falls below a certain level. The issues helped to meet the capital requirements set by the

Largest shareholders, 31 December 2020, by owner group

Share of capital and votes, %	2020
Sparbanksgruppen	11.04 %
Folksam	7.03 %
Norges Bank	4.96 %
AMF Pension & Funds	4.64 %
Alecta Pension Insurance	4.56 %
Swedbank Robur Funds	4.05 %
BlackRock	3.64 %
Sparbanksstiftelser – Ej Sparbanksgruppen	3.50 %
Vanguard	2.65 %
SEB Funds	1.94 %
Total number of shareholders	358 422

Source: Modular Finance AB/Euroclear Sweden AB

Number of shareholders, 31 December 2020

Size of holding	No. of shareholders	Holding. %
1–500	296 784	82.8 %
501–1 000	31 983	8.9 %
1 001–5 000	25 349	7.1 %
5 001–10 000	2 300	0.6 %
10 001–15 000	614	0.2 %
15 001–20 000	323	0.1 %
20 001–	1 069	0.3 %
Total	358 422	100 %

Source: Euroclear Sweden AB

Swedish FSA for Swedish banks. In its capacity as a securities institution, Swedbank engages in securities operations, including trading in financial instruments on its own account. In this business, the bank needs to acquire its own shares. Accordingly, the 2020 AGM resolved that the bank, until the 2021 AGM, may acquire its own shares on an ongoing basis such that the total holding does not exceed at any time 1 per cent of outstanding shares, and that this is done at the prevailing market price.

For more information on Swedbank's share, visit www.swedbank.com/ir

Data per share

SEK	2020	2019	2018	2017	2016
Earnings per share before dilution	11.55	17.62	18.96	17.38	17.6
Earnings per share after dilution	11.51	17.56	18.89	17.3	17.5
Equity per share	138.5	123.9	123	119.8	116.6
Cash dividend per ordinary share	2.90 ¹	4.35	14.2	13	13.203
P/E	12.5	7.9	10.5	11.4	12.5
Price/equity per share	1.04	1.13	1.61	1.65	1.89

1) Board of Director's proposal.

Share statistics, A share	2020	2019	2018	2017	2016
High price, SEK	162.7	214.8	221.7	231.4	229.3
Low price, SEK	99.14	120.75	177.15	194.2	150.8
Closing price, 31 Dec., SEK	144.12	139.45	197.75	197.9	220.3
Average number of trades per listed day ¹	11 420	10 622	6 733	6 090	5 413
Average turnover per listed day, SEKm, ¹	632	655	597	538	526
Total market capitalisation, 31 Dec., SEKbn	161	156	221	224	245
ISIN code A share: SE0000242455					

1) Turnover data include turnover on Nasdaq Stockholm.

Sources: NASDAQ OMX, www.nasdaqomxnordic.com

Financial analysis

Highlights of the year

28 January

Year-end report 2019

Increased mortgage volumes in Sweden and broad lending growth in the Baltics gave support to net interest income.

18 March

Swedbank introduces amortisation exemptions for private and corporate customers

Companies with liquidity problems and individuals who are laid off are all impacted by Covid-19. With over four million customers in Sweden, Swedbank plays an important role in society, and for us it is only natural in various ways to help the people and companies that are affected financially.

8 April

Swedbank introduces loans with a state guarantee

In the wake of Covid-19, many companies today are in a difficult financial situation. Therefore, Swedbank welcomes the government's introduction of a loan guarantee to help the banks to support companies that have been affected by the crisis. As of today, Swedbank offers the government guaranteed loans

8 April

AML-related measures and Covid-19 effects lead to increased expenses and credit impairments

The expected cost increase is mainly due to higher investigative costs, further strengthening of AML work and increased efforts to mitigate the impact of the Covid-19 for our customers.

23 April

Interim report first quarter 2020

Higher net interest income due to lower resolution fund fee and higher interest rates, but due to the impact of Covid-19 also higher provisions for expected credit impairments

17 July

Interim report second quarter 2020

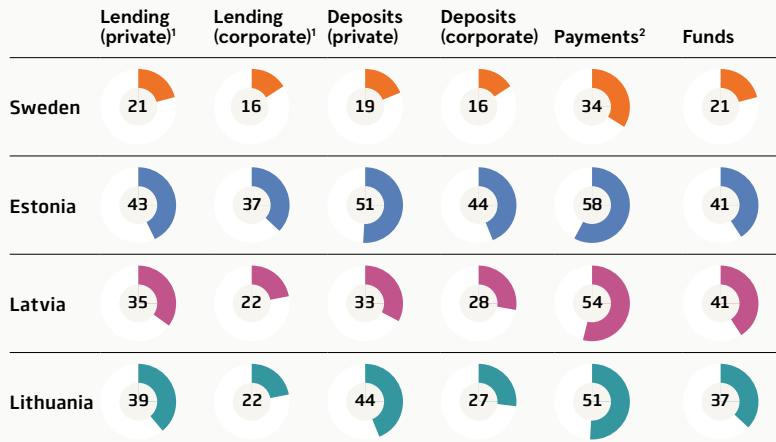
Lower income from cards and asset management and lower provisions for expected credit impairments related to the effects of Covid-19.

20 October

Interim report third quarter 2020

Stronger income from cards and asset management positively affects net commission income.

Market shares, %

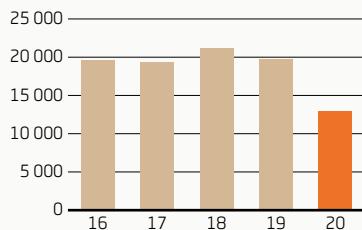


^{1) Excluding the Swedish National Debt Office and repurchase agreements.}

^{2) Bank Giro transactions (Sweden) and domestic payments (Estonia, Latvia and Lithuania).}

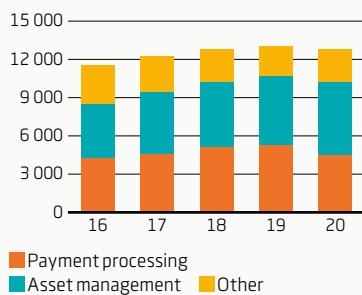
Key financial data

Profit for the year, SEKm



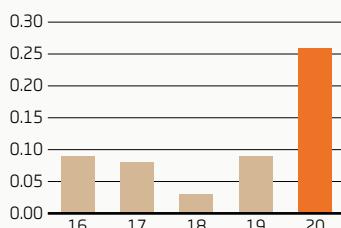
Swedbank's profit amounted to SEK 12 929m, compared with SEK 19 709m in the previous year. The decrease is mainly due to higher expenses, including the Swedish FSA's administrative fine, and credit impairments.

Net commission income, SEKm



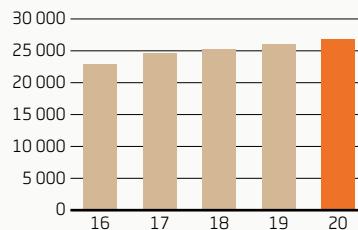
Net commission income decreased by 2 per cent. Income mainly from cards decreased due to Covid-19, while income from asset management increased.

Credit impairment ratio, %



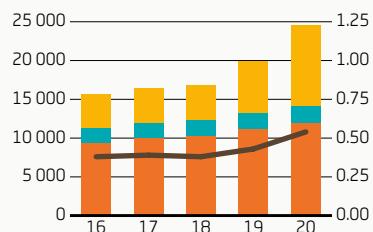
Credit impairments for the year amounted to SEK 4 334m (1 469). The increase is due to increased provisions for a few large counterparties in oil-related industries, negative risk class changes in pandemic-affected sectors and expert credit adjustments due to the uncertainty surrounding the future economic impact of Covid-19.

Net interest income, SEKm



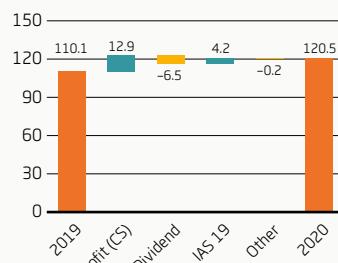
Net interest income increased by 3 per cent to SEK 26 852m, mainly due to a lower resolution fund fee and higher deposit and lending volumes.

Expenses, SEKm



Total expenses increased to SEK 24 560m mainly due to the Swedish FSA's administrative fine of SEK 4 000m, higher staff costs and IT expenses.

Change in Common Equity Tier 1 capital, 2020, SEKbn*



Profit after deducting the proposed dividend positively affected the Common Equity Tier 1 capital ratio by SEK 6.4bn. The revaluation of the estimated pension liability according to IAS 19 increased Common Equity Tier 1 capital ratio by approximately SEK 4.2bn.

*Swedbank consolidated situation

Financial analysis

The annual report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the annual report can be found on page 198.

Higher expenses and credit impairments affected profit

Swedbank's profit decreased to SEK 12 929m (19 709) due to higher expenses including the Swedish FSA's administrative fine, higher credit impairments, and lower net gains and losses on financial items. Adjusted for the Swedish FSA's administrative fine, profit amounted to SEK 16 929bn. Foreign exchange effects negatively affected profit before impairment by SEK 66m year-over-year. The return on equity was 8.9 per cent (14.7) and the cost/income ratio was 0.54 (0.43). Adjusted for the Swedish FSA's administrative fine, the return on equity was 11.4 per cent and the cost/income ratio was 0.45.

Income decreased to SEK 45 676m (45 960) and was negatively impacted by lower net gains and losses on financial items and net commission income. Foreign exchange effects reduced income by SEK 163m, while higher net interest income positively affected income.

Net interest income increased by 3 per cent to SEK 26 853m (25 989). The increase was mainly due to a lower resolution fund fee, higher lending and deposit volumes, higher mortgage margins, and lower funding costs.

Net commission income decreased by 2 per cent to SEK 12 770m (12 984). Income primarily from cards decreased due to Covid-19, while asset management income increased due to a higher average volume of assets under management.

Net gains and losses on financial items decreased to SEK 2 655m (3 629). The main reason was a lower appreciation of the shareholdings in Visa and Enento this year. The Visa holding was hedged in the second quarter and the Enento holding was divested in the third quarter. The result within Large Corporates & Institutions, which was largely negatively affected by derivative value adjustments (CVA/DVA), also contributed to a lower result.

Other income amounted to SEK 3 398m (3 358) and was stable.

Expenses increased to SEK 24 560m (19 984), mainly due to the Swedish FSA's administrative fine of SEK 4 000m. Adjusted for the administrative fine, expenses rose by 3 per cent and were mainly affected by higher staff costs and IT expenses. Staff costs increased due to a higher number of employees, annual wage increases and higher pension expenses. The increase in the number of employees was mainly in the AML area but also in the IT area. Consulting expenses to manage money laundering related investigations decreased by SEK 252m to SEK 852m, while other consulting expenses increased by SEK 160m. Foreign exchange effects reduced expenses by SEK 97m during the year.

Credit impairments for the year amounted to SEK 4 334m (1 469), corresponding to a credit impairment ratio of 0.26 per cent (0.09). The increase is a result of increased provisions for a few large oil-related counterparties, negative risk class changes in pandemic affected industries, and expert credit adjustments due to the uncertainty surrounding future economic impacts of Covid-19. The main part of the credit impairments was in Large Corporates & Institutions.

The tax expense amounted to SEK 3 851m (4 711), corresponding to an effective tax rate of 22.9 per cent (19.3). The effective tax rate for 2020 was negatively affected by the Swedish FSA's administrative fine, which is not tax-deductible, and positively by a deferred tax asset from previous years. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

Continued volume growth and good credit quality

Swedbank's main business is organised in three product areas: lending, payments and savings.

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, increased during the year by SEK 10bn, corresponding to annual growth of just over a half per cent. The biggest contributor to the increase was mortgage lending in Sweden, which grew by SEK 31bn. A decrease in lending to tenant-owner associations had a negative impact of SEK 7bn. Corporate lending decreased by SEK 16bn. Foreign exchange effects reduced the value of lending volumes by SEK 12bn compared with the previous year.

The total number of Swedbank cards in issue at the end of the year was 8.1 million, in line with the end of the previous year. In Sweden 4.3 million cards were in issue and in the Baltic countries 3.8 million. The number of card purchases in Sweden was affected by the Covid-19 outbreak and decreased by 7 per cent from the previous year. Despite the negative impact of Covid-19, the number of card purchases increased by 3 per cent in the Baltic countries thanks to good underlying growth and government support measures. The total number of card transactions acquired by Swedbank decreased by 5 per cent year-over-year.

Total deposits within the business segments increased during the year by SEK 177bn, corresponding to growth of 19 per cent. Corporate deposits rose by SEK 120bn and private deposits by SEK 57bn. All business segments contributed to the increase. Exchange rates negatively affected deposits by SEK 15.3bn during the year.

Assets under management by Swedbank Robur rose to SEK 1 220bn at year-end, compared with SEK 1 083bn at year-end 2019. The change corresponds to an increase of just under 13 per cent and is largely due to value appreciation, but net inflows contributed as well. Of the assets under management, SEK 1 163bn related to Sweden and SEK 64bn to the Baltic business. By assets under management Swedbank Robur is the largest player in the

Swedish and Baltic fund markets. As of 31 December, the market share in Sweden was 21 per cent. The market share in Estonia and Latvia was 41 per cent respectively and in Lithuania 37 per cent.

Swedbank's credit quality remained good and the economic impact from Covid-19 on the majority of Swedbank's lending remained small. The credit quality of Swedbank's large mortgage portfolio remained very high and stable. The segments that were hardest hit by the pandemic, such as hotels, restaurants, some retail, passenger transport and oil-related commitments, account for a small share of Swedbank's lending. Swedbank's oil-related portfolio is small and is being reduced and restructured.

The quality of Swedbank's mortgage portfolio, which accounts for just over half of total lending, is high and historical credit impairments are very low. Customers' long-term repayment capacity is a critical factor and ensures high quality and low risks for both the customer and the bank. The average loan-to-value ratios for the mortgage portfolio are 53 per cent in Sweden, 48 per cent in Estonia, 76 per cent in Latvia and 57 per cent in Lithuania.

Swedbank's lending in property management accounts for approximately 15 per cent of the total loan portfolio and is mainly to real estate companies with strong finances and good collateral with low loan-to-value ratios. Segments with low risk and low cyclical sensitivity such as residential and public properties, as well as logistics properties in prime locations, account for about 40 per cent of the real estate portfolio. Swedbank's lending to retail and hotel properties represents a smaller share of the total loan volume in property management. Swedbank focuses its lending to commercial properties with stable cash flows and the customer's long-term ability to pay off interest and principal. Loan-to-value ratios in lending to property management companies are generally low and average 57 per cent (57) in Sweden.

The total share of loans in stage 2, gross, at year-end was 6.4 per cent (6.4), of which 3.9 per cent (4.7) was for personal loans and 12.2 per cent (10.2) for corporate loans. During the year, sectors hard hit by Covid-19, such as hotels and restaurants, saw the largest increase in the share of loans in stage 2. The share of loans in stage 3, gross, was 0.6 per cent (0.8).

Strong liquidity position but lower ratings

Funding activity was lower in 2020 than in the previous year due to large deposit inflows. Covered bond issues in particular were down and the focus was on issuing unsecured bonds to meet the regulatory requirements adopted by the authorities. For the full-year 2020, Swedbank issued SEK 78bn in long-term debt. The total issuance need for the full-year 2021 is expected to be in line with issuance volume in 2020. The issuance need is affected by the current liquidity situation, future maturities and changes in deposit and lending volumes and is therefore adjusted over the course of the year. Maturities in 2021 amount to SEK 124bn.

As of 31 December, short-term funding and commercial paper included in debt securities in issue amounted to SEK 127bn. Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 315bn and the liquidity reserve amounted to SEK 485bn. The Group's liquidity coverage ratio (LCR) was 174 per cent and for USD, EUR and SEK was 145, 263 and 134 per cent respectively. The net stable funding ratio (NSFR) was 125 per cent. For more information on funding and liquidity, see the fact book available on swedbank.com/ir.

During the year, Moody's, S&P and Fitch changed Swedbank's ratings against the backdrop of shortcomings in AML work and compliance.

On 26 March 2020, Standard & Poor's downgraded Swedbank's long- and short-term issuer credit ratings to A+/A-1 from AA-/A-1+ due to regulators finding anti-money-laundering (AML) deficiencies and regulatory misconduct. The outlook was revised from negative to stable reflecting the belief that the bank's solid franchise, profitability, and capital should shield it from current worsening economic conditions and the outcome of other pending investigations

On 2 April 2020, Moody's downgraded Swedbank's long-term rating to Aa3 and short-term rating to P-1 as a result of the investigations that showed deficiencies in Swedbank's management of money laundering risks. The outlook was changed from negative to stable reflecting the view that additional financial penalties arising from the continued investigations are unlikely to materially impact the bank's creditworthiness.

On 3 April 2020, Fitch downgraded Swedbank's Long-Term Issuer Default Rating (IDR) to A+ and the short-term IDR to F1, driven by the confirmation of deficiencies in anti-money laundering controls. The outlook is set to stable reflecting expectations that the bank will progressively strengthen its controls to effectively combat and prevent money laundering and that Swedbank enters the economic downturn from the Covid-19 outbreak from a relative position of strength at its rating level.

Strong capitalisation

Swedbank's Common Equity Tier 1 capital ratio was 17.5 per cent at year-end (17.0 per cent as of 31 December 2019). This compares with the requirement of 12.4 per cent (15.1). Common Equity Tier 1 capital increased during the year by SEK 10.4bn, to SEK 120.5bn (110.1). Profit after deducting the proposed dividend positively affected Common Equity Tier 1 capital by SEK 6.4bn. The revaluation of the pension liability according to IAS 19 increased Common Equity Tier 1 capital by approximately SEK 4.2bn.

Swedbank's leverage ratio as of 31 December 2020 was 5.1 per cent (5.4 per cent as of 31 December 2019).

In 2020, the risk exposure amount (REA) increased by SEK 40.4bn, to SEK 689.6bn (SEK 649.2bn as of 31 December 2019). The increase was mainly attributable to REA for credit risk

(excluding the additional risk exposure amount according to article 458 CRR (the mortgage floor), which rose by SEK 33.3bn. This was largely due to the LGD parameter, which raised REA for credit risk by SEK 16.3bn mainly because of an update of the LGD model for large corporates in the third quarter. PD migrations to corporate exposures increased REA for credit risk by an additional SEK 7.2bn. Moreover, increased exposures including foreign exchange effects raised REA for credit risk of SEK 6.4bn, mainly through higher other assets. Counterparty credit risk increased REA for credit risk by SEK 4.0bn mainly due to increased corporate exposures. The mortgage floor increased REA by SEK 12.3bn.

The quarterly review of additional REA for article 3 of the Capital Requirements Regulation (CRR) resulted in an increase in REA of SEK 10.8bn, mainly due to probability of default in the model for large corporates.

REA for market risk increased by SEK 1.0bn and REA for credit value adjustments (CVA) decreased by SEK 0.3bn in 2020. REA for operational risk increased by SEK 5.0bn in 2020 due to increased income.

Other events

On 13 January, it was announced that Erik Ljungberg had been recruited as the new head of Group Communications and would take up his position in July.

On 14 March, it was announced that Rolf Marquardt had been recruited as the new Chief Risk Officer and would take up his position in October.

On 20 March, Swedbank announced that the Annual General Meeting scheduled for 26 March had been postponed until 28 May due to the pandemic.

On 23 March, the Board of Directors decided to unilaterally cancel the severance agreement with former CEO Birgitte Bonnesen against the backdrop of the information presented in the investigations conducted by the Swedish and Estonian FSAs and the international law firm Clifford Chance.

Swedbank decided to review strategic alternatives for its merchant payment business (Swedbank Pay and Payex operations), with the objective of optimising the offering for its customers as well as creating value for Swedbank's shareholders. There is no

definitive timetable to complete this review and no decision has been taken on any particular alternative. It is also not certain that any alternative will be undertaken.

On 2 April, Mattias Persson was recruited as Chief Economist and Global Head of Macro Research. He began his new role in September.

On 11 May, Liza Jonson, CEO of Swedbank Robur, was named Chair of the Swedish Investment Fund Association, which has 47 member companies that together manage about 90 per cent of all fund savings in Sweden.

The Annual General Meeting on 28 May elected Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson as new members and re-elected Kerstin Hermansson, Josefin Lindstrand, Bo Magnusson, Anna Mossberg and Göran Persson. The Annual General Meeting elected Göran Persson as Chair of the Board of Directors. Discharge of liability for 2019 was granted to the members of the Board of Directors and the CEOs, with the exception of former CEO Birgitte Bonnesen, who was not discharged. Shareholders representing more than 10 percent of all shares in the bank also voted against discharge of liability for the previous Chairs of the Board Lars Idermark and Ulrika Francke. The Board of Directors proposed that a decision on the dividend not be made at the Annual General Meeting, but instead when the consequences of Covid-19 are clearer.

On 9 July, it was announced that Charlotte Rydin would become the new Chief Legal Officer and Head of Group Legal and that Jon Lidefelt would become the Head of Baltic Banking. Jon Lidefelt had served as acting Head of Baltic Banking since the start of the year.

On 17 July, it was announced that Gregori Karamouzis would become Head of Group Treasury and that Annie Ho was appointed Head of Investor Relations. Gregori Karamouzis was formerly Head of Investor Relations.

On 18 September, Swedbank received notification from the Swedish FSA that the authority is investigating Swedbank for suspected breaches of the regulation on market abuse. The investigation encompasses the period 20 September 2018 until 20 February 2019 and pertains to disclosure of insider information

Income statement, SEKm	2020 excl. administrative fine		2019
	2020	2019	
Net interest income	26 853	26 853	25 989
Net commission income	12 770	12 770	12 984
Net gains and losses on financial items	2 655	2 655	3 629
Share of profit or loss of associates	582	582	822
Other income ¹	2 816	2 816	2 536
Total income	45 676	45 676	45 960
Total expenses	24 560	20 560	19 984
whereof administrative fine	4 000		
Impairments	4 336	4 336	1 556
Operating profit	16 780	20 780	24 440
Tax expense	3 851	3 851	4 711
Profit for the year attributable to the shareholders of Swedbank AB	12 929	16 929	19 697
Return on equity	8.9	11.4	14.7
Cost/Income ratio	0.54	0.45	0.43

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

and the obligation to establish an insider list (articles 17 and 18) in connection with the disclosure of suspected money laundering within the company.

In September, additional steps were taken to transition to more sustainable funds. Among other things, Robur ensured that its Access Edge funds are managed in line with the Paris Agreement. In addition, Robur's Råvarufond was converted to a new themed fund focusing on solar, wind and energy transition.

On 5 October, it was announced that Swedbank's Annual General Meeting will be held on Thursday, 25 March 2021.

In November, Swedbank announced that it had qualified for the Dow Jones Sustainability Index 2020, one of the world's most influential sustainability indices. Each year the index ranks the world's most sustainable companies and being selected is proof of Swedbank's consistent and effective work in terms of environmental, economic and social criteria.

In November and December respectively, Swedbank's Board of Directors approved a new risk policy and new risk appetite policy that are better adapted to Swedbank's specific needs, and which clarify the connection between the risk strategy and the bank's overarching targets and strategy. Risk management and the desired risk culture have been clarified as well. A new risk taxonomy and low risk appetite have been established, which means among other things that risk-taking will be related to customers in Swedbank's four home markets, including the other Nordic countries where the bank has operations.

In December, Swedbank's Board of Directors approved a revised strategic direction for the bank, which is described in detail on pages 7–9.

Events after 31 December 2020

On 15 January, it was announced that Björn Meltzer had been appointed acting head of the business area Large Corporates & Institutions. Björn Meltzer had until then been CFO of Large Corporates & Institutions. The recruitment of a permanent head has begun.

On 15 February, Swedbank held an Extraordinary General Meeting to decide on a dividend for the financial year 2019 of

SEK 4.35 per share. The dividend corresponds to approximately 25 per cent of profit for the financial year 2019.

On 28 January, the Estonian FSA announced that it had assessed the final report on measures regarding AML/CTF that Swedbank AS submitted on 19 November 2020. The Estonian FSA considers the measures taken to be sufficient and it has no further remarks. In its assessment, the Estonian FSA also took into account the action plan for development presented by Swedbank. The supervision of Swedbank's continued work in the AML/CTF area will thus take place within the framework of regular supervisory work.

On 1 February 2021, it was announced that Swedbank's Board of Directors had decided to establish a Baltic subsidiary in the form of a holding company headquartered in Riga, where ownership of the current subsidiary banks in Estonia, Latvia and Lithuania will be placed. The measures, which are a result of the corporate governance evaluation, strengthen both Swedbank's internal governance and the Baltic subsidiary banks. The decision will not result in any changes for the bank's customers in its home markets of Estonia, Latvia, Lithuania and Sweden.

The Board of Directors decided on 25 February not to file claims against the former CEOs and board members for the time they were employed in the financial year 2019. The likelihood of success was considered extremely low.

In 2020, Swedbank updated its strategic direction and placed sustainability at the core of its business strategy. Consequently, the bank has decided to prohibit all new financing for unconventional fossil fuels: shale oil and gas, Arctic oil and gas, and oil sands. Nor will we grant new financing for the prospecting of new oil and gas fields, unless the company can supply and demonstrate a transition plan for its entire value chain that aligns with the Paris Agreement.

Sustainability report

Swedbank's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 200 and 236.

Swedish Banking

Sweden is Swedbank's largest market, with around 4 million private customers and over 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through digital channels, the Telephone Bank and our branches, and through the cooperation with the savings banks and franchisees, we are always available. Swedbank is part of the local community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created thousands of trainee positions for young people, has played an important part in recent years. Swedbank has 159 branches in Sweden.

Result 2020

Profit decreased to SEK 12 439m (13 685), mainly due to higher expenses and credit impairments.

Net interest income was stable at SEK 16 276m (16 254). Higher average market interest rates positively affected deposit margins, but were offset by lower lending margins.

Net commission income increased to SEK 7 922m (7 854). Higher income from asset management and securities trading was offset by lower card commissions.

Other income decreased mainly due to a one-off effect in the fourth quarter 2019 when Entercard divested a credit portfolio.

Expenses increased by 9 per cent to SEK 10 035m (9 236), mainly due to increased expenses related to compliance.

Credit impairments for the full-year amounted to SEK 664m (154) and were a result of negative risk class changes in pandemic-affected industries as well as experienced credit judgments due to the uncertainty surrounding future economic impacts of Covid-19.

Condensed income statement, SEKm	2020	2019
Net interest income	16 276	16 254
Net commission income	7 922	7 854
Net gains and losses on financial items	351	433
Other income	1 596	1 816
Total income	26 145	26 357
Staff costs	3 127	2 998
Other expenses	6 908	6 238
Total expenses	10 035	9 236
Profit before impairments	16 110	17 121
Impairments	664	154
Profit before tax	15 446	16 967
Tax expense and non-controlling interests	3 007	3 270
Profit for the year attributable to: Shareholders in Swedbank AB	12 439	13 685

Business volumes, SEKbn

Lending ¹	1 211	1 196
Deposits ¹	646	571

Key ratios

Return on allocated equity, %	18.5	21.2
Cost/income ratio	0.38	0.35
Credit impairment ratio ² , %	0.06	0.01
Full-time employees	3 991	3 644

1) Excluding Swedish National Debt Office and repurchase agreements.

2) For more information about the credit impairment ratio see page 43 of the Fact book.

Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.2 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most loved brand in the Baltic countries. Through digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 18 branches in Estonia, 22 in Latvia and 42 in Lithuania.

Result 2020

Profit decreased to SEK 4 326m (4 916), mainly due to increased expenses, lower income and higher credit impairments. Foreign exchange effects reduced profit by SEK 35m.

Net interest income increased by 3 per cent in local currency, mainly due to increased lending volumes. Foreign exchange effects reduced net interest income by SEK 40m.

Lending increased by 2 per cent in local currency. Household lending increased by 6 per cent at the same time that corporate lending decreased by 4 per cent. Foreign exchange effects reduced lending growth by SEK 6.8bn.

Deposits increased by 22 per cent in local currency. Deposits increased in all markets. Foreign exchange effects reduced deposits by SEK 10.6bn.

Net commission income decreased by 7 per cent in local currency, mainly due to lower income from cards and asset management. Changing consumption patterns and lower management fees explain the decrease.

Net gains and losses on financial items decreased by 14 per cent in local currency, largely due to higher unrealised losses in the asset management and insurance businesses.

Other income decreased by 2 per cent in local currency due to positive valuation effects in 2019 which were not repeated in 2020. At the same time, the insurance operations reported an improved result.

Expenses increased by 5 per cent in local currency, mainly due to higher staff costs and expenses related to AML work as well as increased expenses for risk management and compliance.

Expenses and investments in digital solutions increased as well.

Credit impairments for the full-year amounted to SEK 237m (3) and were mainly explained by experienced credit judgments due to the uncertainty surrounding future economic impacts of Covid-19.

Condensed income statement, SEKm	2020	2019
Net interest income	5 354	5 232
Net commission income	2 430	2 627
Net gains and losses on financial items	337	396
Other income	876	899
Total income	8 997	9 154
Staff costs	1 239	1 161
Other expenses	2 324	2 250
Total expenses	3 563	3 411
Profit before impairments	5 434	5 743
Impairments	239	11
Profit before tax	5 195	5 732
Tax expense and non-controlling interests	869	816
Profit for the year attributable to: Shareholders in Swedbank AB	4 326	4 916
Business volumes, SEKbn		
Lending ¹	182	186
Deposits ¹	284	241
Key ratios		
Return on allocated equity, %	17.5	19.6
Cost/income ratio	0.40	0.37
Credit impairment ratio ² , %	0.12	0.00
Full-time employees	3 769	3 689

1) Excluding Swedish National Debt Office and repurchase agreements.

2) For more information about the credit impairment ratio see page 43 of the Fact book.

Large Corporates & Institutions

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

Result 2020

Profit decreased to SEK 1 026m (2 251) due to higher credit impairments.

Net interest income increased by 2 per cent to SEK 3 834m (3 769), mainly due to a lower resolution fee and higher deposit volumes.

Net commission income increased by 1 per cent to SEK 2 436m (2 411). Higher advisory commissions from stock market related deals and higher lending commissions contributed to the increase. Income from card acquiring decreased due to lower transaction volumes in the wake of Covid-19.

Net gains and losses on financial items decreased to SEK 1 897m (2 085). Increased income from strong underlying client-driven trading and risk management was offset by revaluations of bond holdings in the trading book as well as derivative valuation adjustments (CVA/DVA) due to the market concerns that have arisen in connection with the pandemic.

Total expenses increased by 1 per cent to SEK 4 103m (4 052), partly due to an increased number of employees.

Credit impairments for the full-year amounted to SEK 3 425m (1 312), driven by increased individual provisions for a few oil-related counterparties, negative risk class changes in pandemic-affected industries, and experienced credit adjustments due to the uncertainty surrounding the future economic impacts of Covid-19.

Condensed income statement, SEKm	2020	2019
Net interest income	3 834	3 769
Net commission income	2 436	2 411
Net gains and losses on financial items	1 897	2 085
Other income	116	111
Total income	8 283	8 376
Staff costs	2 426	2 372
Other expenses	1 677	1 680
Total expenses	4 103	4 052
Profit before impairments	4 180	4 324
Impairments	3 425	1 391
Profit before tax	755	2 933
Tax expense and non-controlling interests	-271	682
Profit for the year attributable to: Shareholders in Swedbank AB	1 026	2 251

Business volumes, SEKbn

Lending ¹	223	223
Deposits ¹	200	142

Key ratios

Return on allocated equity, %	3.2	8.3
Cost/income ratio	0.50	0.48
Credit impairment ratio ² , %	1.16	0.47
Full-time employees	2 385	2 273

1) Excluding Swedish National Debt Office and repurchase agreements.

2) For more information about the credit impairment ratio see page 43 of the Fact book.

Group functions & Other

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

Result 2020

Profit decreased to SEK -4 862m (-1 155), largely due to the Swedish FSA's administrative fine.

Net interest income increased to SEK 1 417m (735). Group Treasury's net interest income increased to SEK 1 573m (875), mainly due to lower funding costs, effects from the bank's internal pricing model, and a one-off effect that raised net interest income by SEK 103m in the second quarter 2020.

Net gains and losses on financial items decreased to SEK 71m (716). Net gains and losses on financial items within Group Treasury decreased to SEK 3m (695), mainly due to lower appreciation of the shareholdings in Visa and Enento in the year. The holding in Visa was hedged in the second quarter and the holding in Enento was divested in the third quarter.

Expenses increased to SEK 7 029m (3 440), mainly due to the Swedish FSA's administrative fine and higher staff costs. The increase was largely offset by one-off expenses for retroactive VAT and fraud in 2019. Consulting expenses to manage money laundering related investigations totalled SEK 852m (1 104). Staff costs increased due to annual salary increases and a higher number of employees.

Condensed income statement, SEKm	2020	2019
Net interest income	1 417	735
Net commission income	-137	-13
Net gains and losses on financial items	71	716
Other income	1 070	790
Total income	2 421	2 228
Staff costs	5 095	4 589
Other expenses	1 934	-1 149
Total expenses	7 029	3 440
Profit before impairments	-4 608	-1 212
Impairments	8	
Profit before tax	-4 616	-1 212
Tax expense and non-controlling interests	246	-57
Profit for the year attributable to: Shareholders in Swedbank AB	-4 862	-1 155
Full-time employees	6 068	5 612

Corporate Governance Report 2020

A sampling of important events in 2020:

13 January

Erik Ljungberg recruited as Head of Group Communications and Sustainability

Erik Ljungberg took up his position in July and is responsible for branding, marketing and sustainability issues. He is also a member of the Group Executive Committee.

11 March

Swedbank notified OFAC of potential sanction violations

Swedbank presented a report on a number of transactions to the U.S. Treasury's Office for Foreign Assets Control (OFAC) for further investigation.

14 March

Rolf Marquardt recruited as Chief Risk Officer

Rolf Marquardt took up his position in October and is a member of the Group Executive Committee.

18 March

Estonian FSA's precept announced

The precept demanded that Swedbank AS (Estland) take measures to strengthen AML processes and routines.

19 March

Swedish FSA announced administrative fine

Swedbank was warned and received an administrative fine of SEK 4bn for serious shortcomings in AML work.

23 March

Clifford Chance presented its report

The international law firm Clifford Chance presented the results of its investigation of the bank's AML work conducted at the behest of Swedbank's Board of Directors.

28 May

Swedbank's Annual General Meeting held

Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson were elected as new members of the Board of Directors.

Göran Persson was re-elected by the AGM as Chair of the Board. At the subsequent statutory meeting, Bo Magnusson was appointed as Deputy Chair.

9 July

Management changes

Charlotte Rydin was recruited as Chief Legal Officer and took up her position in January 2021.

Jon Lidefelt was appointed Head of Baltic Banking and took up his position on 1 August 2020. He had been Acting Head of Baltic Banking since the start of 2019.

18 September

Swedish FSA announced it is investigating suspected breaches of the regulation on market abuse

19 November

Swedbank submitted its final report to the Estonian FSA

Swedbank AS (Estonia) submitted its final report describing the actions taken to comply with the precept of the Estonian Financial Supervision and Resolution Authority (EFSA) issued on 18 March 2020.



“ The Board of Directors is firmly convinced that thorough and intelligent corporate governance processes are critical to ensuring an environment with efficient oversight and clear accountability. They are also fundamental to a corporate culture based on integrity.

A key element in the Board's ongoing efforts to maintain confidence in the bank is to make sure such processes are in place.

For this reason, a new Board committee was established to focus on corporate governance.”

Göran Persson
Chair

Corporate Governance Report 2020

Swedbank plays an important role in society as a bank for the many households and businesses. The bank has a strong foundation in the savings bank movement and in the countries where it is active. Swedbank promotes a sound and sustainable financial situation for our customers and shareholders as well as society as a whole. This requires confidence in the financial system and in the banks, which makes a corporate governance model with clearly defined responsibilities and efficient internal governance and control, risk management and compliance fundamental. In addition, it is imperative that a sound risk culture is maintained.

In 2020, Swedbank's highest priority was to retain and protect the trust of customers, shareholders and society in the bank. A comprehensive action plan was established to remedy the shortcomings in anti-money laundering and counter-terrorist financing (collectively referred to "financial crime") that were identified in 2019. During the year, the bank significantly expanded its resources and invested in improved routines, processes and system support to strengthen the bank's ability to identify and mitigate financial crime. Swedbank has evaluated and reinforced the corporate governance model and framework to ensure that the model is suitable with efficient governance, control and risk management across the entire Group. Additionally, the evaluation was conducted to ensure that the subsidiaries have efficient and suitable internal control and risk management. A Compliance Transformation Program has been implemented by the bank's compliance function. The purpose of the program has been to improve and strengthen how the compliance function works and proactively ensure that compliance and regulatory requirements are met. The bank has also assessed the internal corporate culture and how it can be improved. Taken together, these measures better equip Swedbank to combat financial crime, but they are also essential to run a successful business in a better, more efficient and more sustainable way.

Importance of corporate governance

Sound corporate governance means that the Group, on the basis of Swedbank's strategies, goals and values, is governed as sustainably, efficiently and responsibly as possible. This is important to retain the trust of Swedbank's shareholders, customers, employees and other stakeholders, and to ensure efficient and sound risk management and internal steering and control. Sound corporate governance also contributes to efficient and transparent internal and external information disclosure. Decision-making processes shall be simple and transparent with clear lines of responsibility. There must be clear rules and routines to manage conflicts of interest and efficient tools for internal steering, risk management and control. The corporate culture shall be characterised by transparency, integrity, compliance and risk awareness. Swedbank's values provide a foundation for decision-making on a daily basis and for employees' daily work.

Regulations

Swedbank is a Swedish public banking company listed on Nasdaq Stockholm and will comply with the following regulations:

- Swedish Companies Act
- Banking and Financing Business Act
- Securities Market Act
- Market Abuse Act
- Annual Accounts Act
- Nasdaq Stockholm Rules for Issuers
- Swedish Code of Corporate Governance
- Rules and guidelines of the Swedish Financial Supervisory Authority and other authorities

The bank also follows a large number of regulations adopted at the EU level, including:

- The Capital Requirements Regulation ("CRR") of the European Parliament and of the Council
- The Market Abuse Regulation ("MAR") of the European Parliament and of the Council
- The General Data Protection Regulation ("GDPR") of the European Parliament and of the Council
- The EBA's guidelines on internal governance ("GL 11")
- The EBA's guidelines on outsourcing
- The ESMA and EBA's guidelines on the assessment of suitability of members of the management body and key function holders ("GL 12")

In recent years, regulations have become more extensive and detailed. Taken together, this requires that a greater effort is required from the bank to ensure that it lives up to all relevant regulations. Laws and regulations that apply to Swedbank are implemented through the Group's own internal regulations. Through the internal and external regulations, responsibility for steering, risk management and control, and monitoring the operations is divided between the shareholders, the Board and the CEO. Certain of the internal regulations that are adopted by the Board include the following overarching policies:

- Governance Policy
- Rules of procedure for the Board and instructions for the Board's committees

- Internal Audit Policy
- Instruction for the CEO
- Group's Enterprise Risk Management (ERM) Policy and Policy for Operational Risks
- Credit policy
- Policy and Instruction on Anti-Money Laundering and Counter-Terrorist Financing
- Remuneration Policy
- Compliance Policy
- Risk Policy
- Code of Conduct and Policy for managing conflicts of interest
- Anti-corruption Policy
- Policy on gender equality, diversity and inclusion
- Sustainability Policy and Environmental Policy
- Policy for Financial Reporting

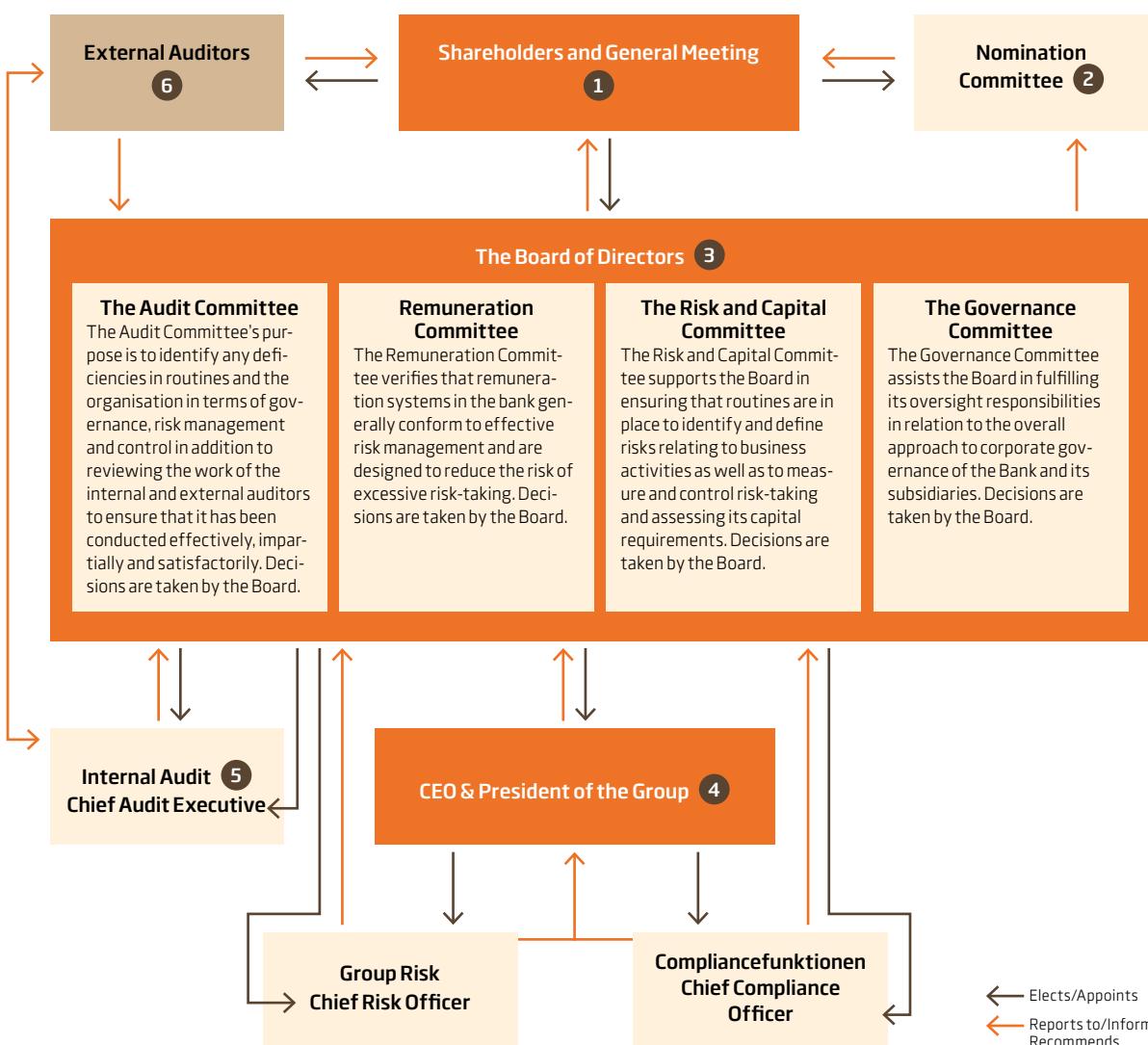
No non-compliance with the Swedish Corporate Governance Code (the Code) or the rules of the stock exchange (NASDAQ OMX Stockholm) were reported in 2020.

The Swedbank Group consists of the parent company, Swedbank AB (publ), and several subsidiaries, including the subsidiary banks in the Baltic countries, Swedbank Robur, Swedbank Mortgage and Swedbank Insurance. Board members of subsidiaries are appointed and evaluated through an internal nomination process.

The Group is governed through a matrix organisation that complements its legal structure. The organisational structure ensures that the bank can continuously exercise oversight and control, ensure good internal reporting and maintain control over the risks that the Group is or can be exposed to. The matrix organisation also facilitates efficient collaboration within the Group and ensures that operations are carried out efficiently. The bank's governance model sets out the division of responsibilities within the Group, with mandates and role descriptions designed to

The illustration below shows the formal corporate governance structure.

The number of each box refers to the corresponding numbered section in the corporate governance report.



create a clear and transparent division of functions and areas of responsibility.

In 2020, a review was conducted of the bank's corporate governance model, the purpose of which was to ensure that the bank has an efficient and satisfactory model that is clear, consistent and aligned with current corporate governance principles. An evaluation of the boards, committee structures and executive managements of the Baltic subsidiaries has been conducted, in addition to how the bank handles potential conflicts between laws and regulations on steering and control in Sweden and the Baltic countries. The review resulted in among other things updates to several key policy documents within the Group that clarify the division of responsibilities, roles and reporting lines. Furthermore, the bank's overarching risk framework has been revised. The bank has also improved the process for communicating and monitoring implementation of the Group's internal rules by the subsidiaries. The bank will in addition provide training in 2021 on corporate governance matters for decision makers in the organisation.

1 Shareholders and general meetings

The shareholders exercise their influence through participation in the general meeting. According to the bank's Articles of Association, the Annual General Meeting (AGM) shall be held before the end of April, or under special circumstances not later than 30 June. Resolutions by the AGM are made by acclamation or voting. Swedbank has only one class of shares, ordinary shares, also called A shares. The shares carry one vote each.

The AGM's resolutions include:

- Election of the Board of Directors and remuneration for Board members, including for committee work
- Discharge from liability for Board members and the CEO
- Amendments to the Articles of Association
- Election of the Auditor
- Adoption of the income statement and balance sheet
- Disposition of the bank's profit or loss
- Remuneration principles and guidelines for the CEO and certain other senior executives

Annual General Meeting 2020

The 2020 AGM was held later than planned due to the Covid-19 pandemic. The AGM was held on 28 May in Stockholm. A total of 873 shareholders (of whom fewer than 50 attended in person), representing about 56 per cent of the votes in the bank, were represented at the AGM. At the time of the AGM, there was a major risk that the novel coronavirus would spread and a number of precautions were taken. Among other things, shareholders were given the option of voting by mail and following the proceedings through an electronic link. The Board members who were nominated for re-election and new members followed the meeting digitally, as did the Group Executive Committee. The Chief Auditor attended the AGM, however. A board quorum was present.

Among the 2020 AGM resolutions were as follows:

- Adoption of the annual report
- That the total profit at the disposal of the AGM, shall be carried forward. In connection with this decision, the Chair of the AGM announced that when the impacts of the pandemic are better understood, the Board, if conditions are appropriate, intends to call an Extraordinary General Meeting so that the shareholders can then take up the issue of a dividend
- The number of Board members shall be ten. Five Board Members were re-elected and five new members were elected
- Göran Persson was elected as the Chair
- Remuneration to the Board members and the Auditor
- Acquisition of own shares to facilitate the bank's securities operations and authorisation of the Board to resolve on acquisition of own shares to adjust the bank's capital structure to prevailing capital requirements
- Remuneration guidelines for top executives
- Group-level performance- and share-based remuneration programmes for 2020. As a result of this and previously approved programmes, it was resolved to transfer ordinary shares (or other financial instruments in the bank) to employees covered by the programmes
- Principles for appointing the Nomination Committee
- Discharge of liability was granted to the members of the Board of Directors. More than half of the votes cast voted to discharge Board members Lars Idermark and Ulrika Francke from liability, but shareholders representing more than 10 percent of all shares in the company voted against discharge of liability
- Former CEO Birgitte Bonnesen was not discharged from liability for the period ending 28 March 2019
- Former Acting CEO Anders Karlsson was discharged from liability for the period 28 March 2019 to 1 October 2019
- CEO Jens Henriksson was discharged from liability as of 1 October 2019

Discharge from liability is granted if shareholders at the AGM representing a majority of the votes vote in favour of discharge from liability. If the AGM decides to grant a discharge from liability, it generally means that a claim for damages for the bank may not be brought against the persons discharged from liability. A claim for damages for the bank may still be brought, however, if shareholders representing more than 10 per cent of all shares in the bank vote against a discharge from liability even though the majority of votes at the AGM were cast for a discharge from liability. The claim for damages shall in such case be brought within one year of the AGM. If information has been provided to the general meeting in the annual report, the auditors' report or otherwise, in a way that cannot materially be deemed as accurate and complete, the deadline can be extended, though for no longer than five years from the conclusion of the financial year in question. A decision on discharge from liability does not prevent shareholders from bringing a claim in their own name on their own behalf*.

The Board of Directors is the highest decision-making body after the AGM, and the highest executive body within the bank. In addition to appointing the Board, Swedbank's AGM decides whether to discharge the Board and CEO from liability for the financial period covered in the accounting documents presented to the AGM. This means that the AGM will decide whether to discharge the Board and CEO from liability.

* For more information regarding filing of claims see Events after 31 December 2020 page 31.

2 Nomination Committee

The AGM adopted the instruction for the Nomination Committee's work prior to the 2021 AGM, which among other things states that the Board shall at all times be composed of members with diversity and breadth in terms of competence, experience and background. Gender parity is encouraged over time. The bank's operations, stage of development and future direction should be taken into account. It is important that the Board has the support of shareholders, at the same time that it has to be independent in relation to the bank, the executive management and the bank's major shareholders.

The 2020 AGM decided on the principles for the appointment of the Nomination Committee prior to the 2021 AGM. They include that the committee comprise six members, including representatives of the five largest shareholders as of 31 August 2020, on the condition that they wish to appoint a member. The right to appoint a member otherwise goes to the next largest shareholder. The Chair of the Board is a member of the Nomination Committee. The members of the Nomination Committee receive no remuneration.

As part of its work, the Nomination Committee has had a personal conversation with each Board member to ask for their input on the Board's performance. The Chair of the Board was not present during these conversations. Based on the Board evaluation, oral statements and other information, the Nomination Committee has discussed the Board's composition, which competencies shall be represented in the Board and the Board's size. The Nomination Committee has conducted an internal suitability assessment of the proposed candidates and among other things evaluated their experience, competence, reputation, any conflicts of interest and suitability.

During its term, the Nomination Committee also:

- Taken part of the Chair's and the CEO's views on the bank's operations and the challenges that the bank faces in coming years as well as the need for complementary competence on the Board
- Reviewed competence needs and discussed the Board's composition in view of Swedbank's strategies, future challenges and the requirements of the Companies Act
- Considered the rules limiting the number of directorships a member of a bank of Swedbank's size may hold and whether the candidates were able to devote sufficient time to the Board's work
- Evaluates the candidates' independence and any conflicts of interest
- Evaluates the collective knowledge and expertise of the Board

The current composition of the Nomination Committee prior to the 2021 AGM.

Member	Representing
Lennart Haglund, Chair of the Nomination Committee	Sparbankernas Ägareförening
Ylva Wessén	Folksam
Hans Sterte	Alecta
Anders Oscarsson	AMF and AMF Fonder
Peter Karlström	Sparbanksstiftelserna
Göran Persson, Board	Swedbank AB (publ)

3 The Board of Directors

The Board of Directors has overarching responsibility for Swedbank's organisation, operations and management. This is done sustainably with a focus on the customer and sound risk taking to ensure the bank's long-term survival and to maintain trust in the bank.

The Board currently consists of ten members elected by the AGM for one year. It also includes two employee representatives and two deputies. The Board meets the requirements of Swedish Corporate Governance Code (the Code) with respect to its members' independence. All members except Göran Bengtsson and Bo Bengtsson are considered independent in relation to the bank and the executive management. All members are considered independent in relation to the bank's major shareholders. The current gender distribution is 40 per cent women and 60 per cent men. The CEO, the CFO and the Company Secretary attend Board meetings but are not members of the Board. The composition of the Board is presented on pages 50–53.

The Board's obligations and division of responsibilities

The Board is the highest decision-making body after the AGM, and the highest executive body. In accordance with its established rules of procedure, the Board decides on goals, strategies, operational frameworks and the business plan. The Board appoints, dismisses and evaluates the CEO; verifies that efficient systems are in place to monitor and control operations and that laws and regulations are followed; and ensures transparent and accurate information disclosures. The Board is also ultimately responsible for ensuring that the bank has an efficient organisation and corporate governance.

The Board appoints/dismisses the heads of Group Risk, Group Compliance and Group Internal Audit, and decides on their remuneration. Internal Audit is directly subordinate to the Board.

The Board is responsible for ensuring that operations are organised in accordance with external and internal rules, so that accounting, treasury, operational risks and the bank's economic conditions otherwise are managed satisfactorily.

The Chair of the Board has certain specific responsibilities, which include the following:

- Lead Board meetings and work and encouraging an open and constructive discussion
- Ensure that the Board of Directors is evaluated annually and that Board members receive necessary training. Oversee the CEO's work, serve as a sounding board and support to the CEO and monitor that the Board's decisions and instructions are implemented.
- Represent the bank on ownership and other key matters with investors and other stakeholders.

The Board's overarching responsibility cannot be delegated. The Board has appointed committees, however, to monitor, prepare and evaluate matters within specific areas for resolution by the Board. See below. In autumn 2019, the Board began a review of the Board committees, which was completed in early 2020 and resulted in among other things the establishment of a new committee, the Governance Committee.

The division of responsibility between the Board, the Chair of the Board and the CEO is determined annually, amongst other through the Board's rules of procedure, the Governance Policy and the instruction for the CEO, among other things. In October 2020, an evaluation of the Board's performance was conducted. A summary of the results was presented to the Board and Nomination Committee.

The Board's work

In 2020, the Board held 23 meetings, five of which were per capsulam. A large share of Board meetings have been digital due to the pandemic. The Board was unanimous in its decisions, and no dissenting opinions were noted on any matter during the year. Potential conflicts of interest for Board members are reported at each meeting and mean that the board member may not take part in discussions or decisions on the particular matter.

Important matters in 2020 included:

- Annual plan for the Board's work and determination of important areas that the Board will address
- The bank's strategic plan with underlying strategies
- Measures to improve customer satisfaction and restore confidence in the bank
- Sustainability matters in the bank's operations and Business Areas
- A stronger focus on customers and digital channels
- Cybersecurity and information security matters
- Corporate governance and other regulatory matters
- Matters regarding financial crime
- Ongoing authority investigations of historical events tied to the Group's work on prevention of financial crime
- Annual policy review
- Macroeconomic developments and their impact on the bank and its limits and exposures
- Capital and liquidity matters with an emphasis on new capital requirements
- Liquidity strategies and funding issues
- The current risk and capital situation, including the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests
- Credit decisions where the Group's total credit limit exceeds a certain amount as well as limits for credit risk concentrations and loans to certain bank officials/related party transactions
- Major ongoing projects within the bank
- Competition and business intelligence
- Internal control
- Remuneration matters
- Dividend matters
- Succession planning

In 2020, the Board also focused on the impact of Covid-19 on individuals, businesses and society as a whole, in Sweden and globally. The Board received regular updates on the pandemic's impacts, including on the bank and its customers, and took the necessary decisions to address them.

The Board's competence

Each year the Board establishes a training plan. In 2020, the Board members received extended training in cybersecurity, capital adequacy matters and financial control. The Board has also received a thorough presentation of the Markets in Financial Instruments Directive (MiFID), the Insurance Distribution Directive (IDD), how these regulations have been implemented in the bank's operations, the Market Abuse Regulation (MAR) and sustainability in the financial sector.

New Board members have also attended introductory training with in-depth information on the bank's organisation and operations, the control functions and the framework and model for corporate governance. In addition, the Board usually holds an annual board seminar with in-depth reviews of one or more areas. Against the backdrop of Covid-19, the review in 2020 was held virtually. The strategy day held in November 2020 covered an in-depth sector analysis, strategic trend analysis, the bank's financial situation, and private and corporate strategy.

The Board's Committees

The Board has appointed a number of committees to prepare issues and facilitate in-depth discussions in certain areas. The committees assist the Board by preparing board issues. The Board's committees, which have no decision-making power of their own, instead recommend decisions to the Board. All committee minutes and all material prepared by the committees is available to the entire Board.

Governance Committee

The Governance Committee, which was established in December 2019, assists the Board of Directors in monitoring the bank's governance model and processes and evaluating whether they are efficient and appropriate and have been established in the organisation in a way that ensures efficient steering and control throughout the Group. The committee also ensures that clear and consistent principles are applied for reporting, escalation and division of responsibilities.



“ The Governance Committee was established in response to the Board of Directors' requirement to further strengthen the Group's corporate governance. The committee's main task is to assist the Board in fulfilling its oversight role and responsibility as regards the Group's governance model and processes for corporate governance and internal control.”

Josefin Lindstrand, Chair

Through the committee, more time is allocated for detailed preparations of corporate governance matters, including recurring reviews and evaluations of the Board's overarching corporate governance principles as well as internal control and monitoring of the implementation of the Group's internal rules by the subsidiaries. The committee also monitors and coordinates regulators' investigations with an overall impact on the Group's operations.

The Governance Committee's work includes:

- Monitor and evaluate that the Group's internal rules on corporate governance are aligned with industry best practices and that the bank's core values and the rules have been implemented satisfactorily in the Group
- Monitor and evaluate that the corporate governance structure, including the organisational structure, result in a well-defined chain of command and clear division of responsibilities
- Monitor developments in corporate governance, inform the Board about material regulatory changes and new industry practices in regard to corporate governance, and issue recommendations on revising the governance strategy
- In dialogue with representatives of the Board's various committees, annually evaluate the Board's committee structure and instructions from a corporate governance perspective
- Monitor material changes in the organisational structure to ensure that the Group complies with regulatory obligations and its internal framework for corporate governance
- Monitor that the Group's matrix organisation complements the legal structure in a way that involves the use of expertise, knowledge transfers and transparency (e.g. regarding reporting and escalation) between subsidiaries and the parent company, at the same time that specific legal requirements that apply for each legal entity are observed

Members of the Governance Committee

Since the 2020 AGM

Josefin Lindstrand, Chair
Bo Bengtsson
Kerstin Hermansson
Bo Magnusson
Göran Persson

Focus in 2020

Focus in 2020 was to oversee a comprehensive ongoing review of the Group's structures for corporate governance and all related processes, including the division of roles, responsibilities and principles for escalation, internal steering and control. In addition, focus was on the ongoing investigations of Swedbank's historical shortcomings in steering and control of measures against money laundering in the bank's Baltic subsidiaries. For more information, see Swedbank's sustainability report.

Audit Committee

The Audit Committee, through its work and in consultation with the external auditor, the head of Internal Audit, the CEO and the Group Executive Committee, assists the Board by reviewing the reliability and efficiency in the financial reporting, identify potential weaknesses in the internal control of the financial reporting and ensure that the external auditor conducts its work efficiently and impartially.



It is the job of the Audit Committee to support the Board of Directors in ensuring that the bank has sound internal control and high-quality financial reporting, which are basic preconditions for well-functioning steering and a successful banking business."

Kerstin Hermansson, Chair

The Audit Committee's work is to ensure that the bank's CEO establishes and maintains efficient routines for risk management and steering and control of the Group's financial reporting. These routines must be designed to provide assurance with respect to the financial reporting compliance and the suitability and efficiency of the bank's administrative processes and the protection of its assets. The Audit Committee informs the Board of the results of the external audit and how the audit has contributed to the reliability of the financial reporting. Furthermore, the committee prepares recommendations that are approved by the Board regarding shortcomings that have been observed in the internal control and financial reporting. The majority of the members must be independent in relation to the bank and its executive management. At least one member must also be independent in relation to the bank's major shareholders. At least one member must have competence in accounting or auditing. The head of Internal Audit is a co-opted member of the committee.

The work of the Audit Committee also includes:

- Review and evaluate the Group's financial reporting process
- Responsibility for the quality of the company's reporting and that the reporting meets current requirements
- Responsibility for ensuring that interim and year-end reports are audited or reviewed by the external auditor
- Meet the external auditor on each reporting date
- Review and monitor the external auditor's impartiality and independence with particular attention if the auditor provides other services than auditing
- Assist in the establishment of proposals to the general meeting on appointment of external auditor
- Evaluate the head of Internal Audit
- Review Internal Audit's budget, policy, instruction and annual plan and recommend them for approval by the Board
- Review Internal Audit's quarterly reports and suggested improvements
- Monitor Internal Audit's annual plan and strategic priorities
- Monitor the external auditor's annual plan and discuss coordination between external audit and internal audit and its view of the Group's risks
- Review of the committee's areas of responsibility

Focus in 2020

The Audit Committee's focus in 2020 was to, on behalf of the Board, monitor the financial reporting and internal control as well as the external audit and its independence. In 2020, a new Head of Internal Audit was appointed. In addition, a decision was taken to increase resources for Internal Audit. The committee has in particular focused on monitoring observations made by the external and internal audit's and that there has been an efficient control of the financial reporting.

Members of the Audit Committee:

Since the 2020 AGM

Kerstin Hermansson, Chair
Bo Bengtsson
Göran Bengtsson
Bo Magnusson
Anna Mossberg

Risk and Capital Committee

The Risk and Capital Committee supports the Board of Directors in its work to ensure that routines are in place to identify and define risks relating to business activities as well as to ensure that risks are measured and monitored. The members of the committee have special competence and experience working with risk and capital matters as well as compliance.



” 2020 was an extraordinary year from a risk and compliance perspective. The committee's work was largely impacted by the Covid-19 pandemic and its effect on the bank's risk exposure, as well as the authorities' criticism of the bank's compliance, which resulted in among other things a warning and administrative fine from the Swedish FSA.”

Bo Magnusson, Chair

The work of the Risk and Capital Committee also includes:

- Internal Capital Adequacy Assessment Process (ICAAP) and the bank's capitalisation
- The bank's credit limits and exposures
- Funding-related matters and strategies
- Monitor and follow-up on the reporting from the Compliance function
- Review the Group's overall risk framework (ERM Policy) and policy for Operating Risks
- Monitor and prepare the monthly risk report from Group Risk, which amongst other contains a report on the Group's risks. A more detailed description of the Group's risks can be found in note G3
- Monitor and prepare the Compliance function's quarterly report on the Group's compliance risks and non-compliance.
- Monitor and prepare the Compliance and Risk functions' annual plans

Focus in 2020

An important task in 2020 was management of the Covid-19 pandemic's impact on the bank's risk exposure. Large focus was also on drafting a new risk framework for risk management, Enterprise Risk Management Policy, which was adopted by the Board of Directors in December. In addition, the committee focused on the ongoing improvements in the compliance area, especially as regards financial crime.

Members of the Risk and Capital Committee:

Since the 2020 AGM

Bo Magnusson, Chair
Göran Bengtsson
Bengt-Erik Lindgren
Josefin Lindstrand
Göran Persson

Remuneration Committee

The Board's Remuneration Committee verifies that the bank's remuneration systems generally conform to efficient risk management practices and legal requirements. Remuneration systems must comply with applicable rules, such as the Swedish Corporate Governance Code (the Code), the Swedish FSA's guidelines and the European Banking Authority's guidelines for senior executives.

The committee's members must have relevant practical experience regarding executive compensation, variable remuneration and risk management. Moreover, the committee's members must have the knowledge and experience of risk analysis necessary to independently evaluate the suitability of the bank's remuneration Policy. The members must be independent in relation to the bank and its executive management. Learn more about remuneration at Swedbank further down in the corporate governance report and in G13.

The work of the Remuneration Committee includes:

- Salaries, pensions, variable remuneration and other benefits for the Group Executive Committee in accordance with the guidelines adopted by the AGM and the Head of Internal Audit
- The Board's proposal to the AGM regarding remuneration guidelines for top executives
- Allocation and evaluation of the bank's performance- and share-based remuneration programmes and other issues associated with the programmes.
- Swedbank's Remuneration Policy
- Decisions pursuant to or deviations from remuneration policies
- Annual review and evaluation of the efficiency of the remuneration instructions
- Preparation and recommendation to the Board on remuneration to consultants where total remuneration exceeds a certain amount
- Review to ensure that salary differences are not arbitrary
- Questions concerning the process for nomination of

Members in the Remuneration Committee:

19 June 2019 - 28 May 2020	Since 28 May 2020
Göran Persson, Chair	Göran Persson, Chair
Bodil Eriksson	Bo Magnusson
Bo Magnusson	Anna Mossberg
Anna Mossberg	Biljana Pehrsson
	Hans Eckerström

4 President and CEO

The President and CEO is responsible for managing the bank's day-to-day operations and is the officer ultimately responsible for ensuring that the Board's strategic direction and that other decisions are implemented and followed by the Business Areas and subsidiaries, and that risk management, governance, IT systems, the organisation and processes are satisfactory. The CEO represents the bank externally on various matters, leads the work of the Group Executive Committee and makes decisions after consulting its members.

The CEO has the possibility to delegate duties to subordinates or Group committees, although ultimate responsibility is retained by the CEO. The committees do not have any collective decision-making authority; instead, decisions are made by the Chair of each committee or escalated to the CEO. The Board's view of the CEO's special areas of responsibility is set out in, among other places, the Board's corporate Governance Policy and instructions for the CEO. The CEO is responsible for ensuring that the Board's decisions, policies and instructions are followed by the businesses and that they are evaluated annually.

The CEO establishes Group-wide rules on internal control. To support internal control, the CEO has a number of monitoring units within the Group, primarily Group Finance, Group Risk and Group Compliance. Monitoring is performed regularly through written reports and in-depth reviews with the heads of the various Group Functions and with the Business Areas. For more information, see the Board of Directors' report on internal control of financial reporting on page 49. The CEO is also responsible for ensuring that the Group has a strategy for competence management.

Group Executive Committee, other committees and forums

The Group Executive Committee (GEC) is the CEO's preparatory decision forum and consisted until the yearend of 14 members.

The GEC consists of the Chief Executive Officer, the Heads of the Business Areas. The Group Executive Committee (GEC) is the CEO's preparatory decision forum and consisted until the yearend of 14 members, i.e. Swedish Banking, Baltic Banking and Large Corporates & Institutions, the Chief Financial Officer, the Chief Credit Officer, the Heads of Anti Financial Crime, Group Financial Products and Advice, Digital Banking and IT, Group Risk, Group Compliance, Group Human Resources and Infrastructure, Group Communication and Sustainability, and Group Legal. The Head of the Special Task Force is a co-opted member of the GEC. A large number of the members have direct business responsibility and the GEC therefore also plays an important role as a forum for

sharing information and ideas. The GEC normally meets weekly. Among the purposes of the weekly meetings is to ensure a uniform overview and transparency in matters of importance to the bank and the Group.

The GEC drafts proposals for remuneration systems and recommends variable remuneration for employees to the Board's Remuneration Committee. The view is that remuneration shall be individually based as far as possible and encourage employee performance in line with Swedbank's goals, strategy and vision. It also contributes to sound risk-taking.

The GEC is complemented by the following committees: Group Asset Allocation Committee (GAAC), Group Risk and Compliance Committee (GRCC), Group Investment Committee (GIC), Swedbank Business Ethics Committee and Group Crisis Management Team (GCMT).

GAAC is led by the CFO. The purpose of GAAC is amongst other to consolidate financial steering of capital, liquidity, financing and tax matters as well as governance matters.

The GRCC is led by the Head of Group Risk, who together with the Head of Compliance, after consulting the other members of the GRCC, issues recommendations to the Board and the CEO. The GRCC contributes to the strategic planning of the Group's risk appetite to ensure harmonisation from a risk perspective.

The GIC is led by the CFO. The GIC plans and prioritises the Group's strategic investments and ensures that they conform with the bank's strategy.

The GCMT is led by the head of operational risks and is convened as needed to manage crisis situations.

Similar committees to those mentioned above have also been formed at other levels of the organisation.

Priority issues for the GEC in 2020

In 2020, the GEC addressed a number of matters, including the following:

- Assisted our customers during the Covid-19 pandemic
- Ensured that the bank's employees can work from home as far as possible during the pandemic
- Evaluation of Swedbank's culture
- Comprehensive action plan to improve routines, system support and processes to prevent all types of financial crime
- Regulators' investigations on the bank's work to prevent financial crime
- Investments to increase customer confidence and value
- Internal control and risk management, e.g. updated policies for all of the Group's risks
- Capital and liquidity matters
- Investor meetings
- Sustainability matters, e.g. that Swedbank qualified for the Dow Jones Sustainability Index in 2020
- Internal and external communication in conjunction with Swedbank's 200th anniversary celebration
- Further work with IT development and security
- Articulate the bank's strategic direction

Internal control and risk management

The basis for efficient risk management is a strong, shared risk culture. The bank's functions for internal control and risk management are based on three lines of defence.

First line of defence – risk management by business operations

The first line of defence refers to all risk management activities carried out by the business operations within the Business Areas, Product areas and Group Functions. The business operations take, or are exposed to, risks and are responsible for continuous and active risk management. The operations own the risks within their respective area of responsibility and are also responsible for ensuring that structures for internal control and reliable processes are in place so that risks are identified, assessed, managed, monitored, reported and kept within the boundaries of the Group's risk appetite and in accordance with the Risk Management Framework. First line responsibilities also include establishing a relevant governance structure to ensure compliance with external and internal requirements. An important part of the revised Risk Management Framework has been to clarify the first line's ultimate risk management responsibility.

Second line of defence – independent control functions

The second line of defence refers to the independent control functions, the risk organisation (Group Risk) and the compliance organisation (Group Compliance). These functions define the risk management framework, which covers all material risks within the Group. The framework determines how risks are identified, assessed, measured, managed, monitored and reported. The second line of defence also monitors and assesses the efficiency of the risk management processes and controls implemented by relevant risk owners. The second line of defence challenges and validates the first line's risk management activities, controls and analyses the Group's material risks, and provides the CEO and the Board with independent risk reporting.

The second line of defence is organisationally independent from first line and does not carry out operational activities in the business or the unit they monitor and control.

Group Risk



*Rolf Marquardt,
Chief Risk Officer*

Swedbank has an independent risk control function, Group Risk, which works with the Group's risk management. The Head of Group Risk is directly subordinate to the CEO and reports to the CEO and the Board. Group Risk provides a holistic view of all risks, is responsible for the Group's risk management framework, and provides assurance to the Board and CEO that the Group's risk management processes are adequate and sufficient in relation to the risk appetite as set by the Board. Group Risk also guides and supports the business operations to drive and maintain a strong and sustainable risk culture. Group Risk prioritises resources to the areas with the most significant risks.

The Board's Policy on Enterprise Risk Management (ERM) and Policy for Group Risk contains frameworks and describe roles and responsibilities pertaining to risk management and control.

Group Compliance



*Ingrid Harbo,
Chief Compliance Officer*

Swedbank has an independent compliance function, Group Compliance, which manages the Group's compliance risks. The Head of Group Compliance is directly subordinate to the CEO and reports to the CEO and the Board on the Group's compliance.

Group Compliance's task is to propose and define minimum standards in the areas of money laundering, terrorist financing, financial sanctions and customer protection (including data protection) and monitors management of compliance within the Group. Group Compliance's main activities are continuous monitoring of the Group's compliance and advice and support to the business operations to ensure that decisions are consistent with the Board of Directors' risk appetite and tolerance levels as regards compliance risks.

The purpose of Group Compliance's work, which is governed by the bank's Policy for Group Compliance, is risk-based and is planned based on an annual risk assessment of business's compliance risks.

5 Third line of defence – Internal Audit



*Ana Maria Matei,
Chief Audit Executive*

Swedbank has an independent Internal Audit function. The Head of Internal Audit is appointed by and reports to the Board and thus is independent of the executive management.

The purpose of Internal Audit's reviews is to create improvements in operations by independently evaluating the bank's governance, risk management and internal control processes.

All of the bank's activities and Group companies under the supervision of a financial supervisory authority as well as other Group companies that the Board of Directors considers material from time to time are the purview of Internal Audit. The assignment is based a policy established by the Board and performed using a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors (IIA). Internal Audit prepares an annual risk analysis and an audit plan that are approved by the Board, but which can be revised and updated as needed. Audit reports are submitted to management and the conclusions, together with the measures that will be taken and their status, are compiled in quarterly reports and presented to the Audit Committee and the Board.

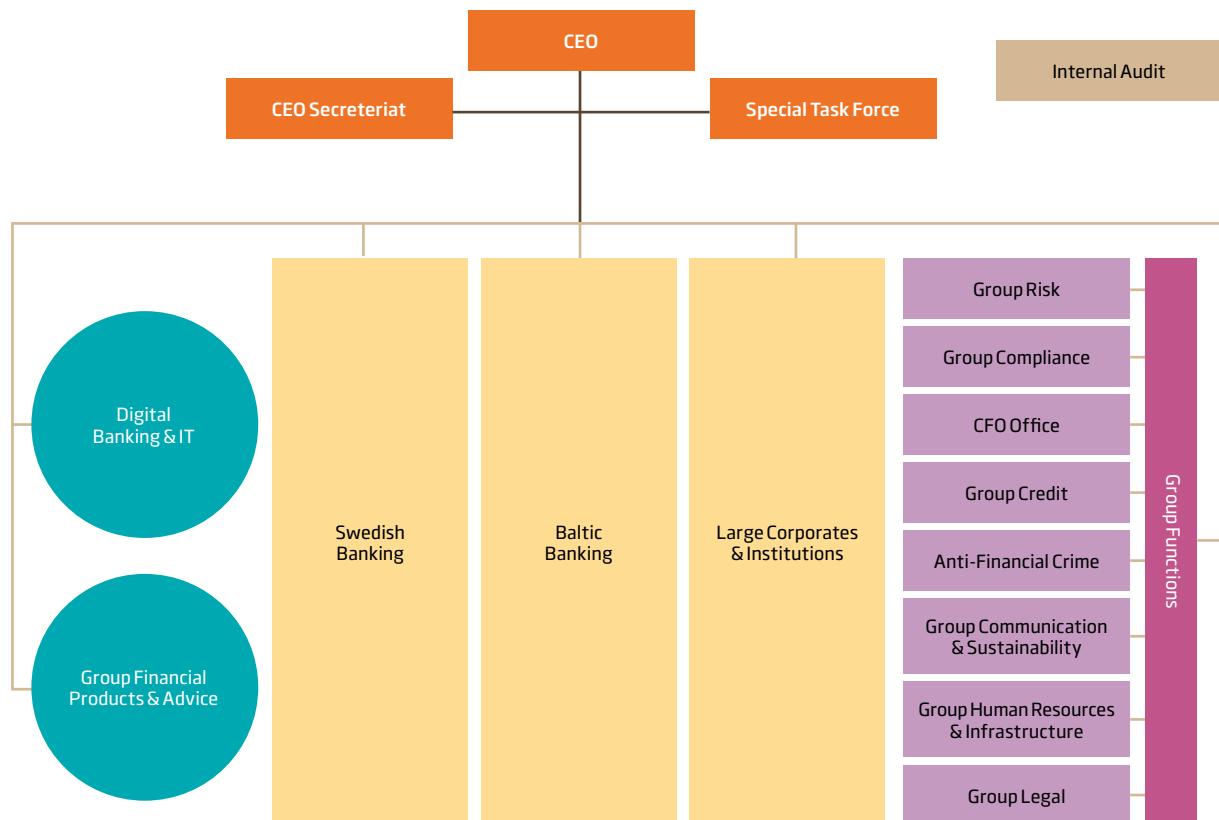
6 External auditor

The external auditor is elected by the AGM for a period that concludes at the end of the next AGM. The external auditor is an independent reviewer of the bank's financial accounts and determines whether they are materially accurate and complete and provide a fair view of the bank and its financial position and results. The auditor also ensures that they are prepared according to current laws and recommendations. Moreover, the auditor reviews the Board of Directors and the CEO's management of the bank.

According to the Articles of Association, the bank shall have no less than one and no more than two auditors. A registered auditing firm may also be appointed as auditor. The Chief Auditor is Authorised Public Accountant Anneli Granqvist. PwC is the accounting firm since its election by the 2019 AGM. At the AGM the Auditor presents the Auditors' report and describes the audit work.

In 2020, the external auditor reported to the Audit Committee on six occasions. The Auditor also participated in a Board meeting at which a summary of the year's audit was presented. The Auditor has met on a regular basis with the Chair of the Audit Committee, the executive management and other operating managers. Swedbank's interim reports are reviewed briefly by the Auditor. The sustainability report has been briefly reviewed as well.

Swedbank Group



Remuneration to the Group's Auditor reported in note G14. The Audit Committee annually evaluates the Auditor's objectivity and independence. The Auditor annually reaffirms its independence in the audit report.

Group structure

An efficient operating structure is important to the bank's governance. The Group structure provides a framework for various roles, functions and reporting channels within the bank. The bank's Group structure is divided into Business Areas, product areas and Group Functions. The CEO decided in December 2019 on a new Group structure that took effect on 1 January 2020. The organisational change resulted in among other things the merger of the Group Functions Digital Banking and Group IT into one unit which also took over responsibility for consumer payments and card operations. Digital Banking and IT also develop and manage the digital channels as well as CRM tools. The Customer Value Management (CVM) unit was dissolved and large parts of it were integrated into the Business Area Swedish Banking, which has thereby taken over coordination of customer strategies, development of customer offers and management of campaigns. The functions for cash management, PayEx and payment infrastructure were integrated into the Business Area Large Corporates & Institutions. The bank's financial products were brought together in a new unit, Group Financial Products and Advice, as a result of which the previous units Group Savings and Group Lending and Payments were dissolved. The new unit is responsible for providing products and services in savings, insurance and lending, as well as ensuring an effective advisory process and supporting employees who meet customers.

Business Areas

The bank's operations are conducted in three Business Areas: Swedish Banking, Baltic Banking and Large Corporates & Institutions. The Business Area managers are directly subordinate to the CEO. They have overarching responsibility for their operations and report continuously to the CEO.

The head of each business area is responsible for:

- Implementing the Group's strategies as well as compiling a business plan for each Business Area and ensuring that it is implemented and reported to the CEO
- Creating and maintaining reporting and escalation routines to highlight matters for information or decision by the CEO or Board level
- Ensure that policies and instructions are implemented within the business area
- The customer offering and product development
- Integrating sustainability in business decisions and procedures
- Profitability and financial stability in the Business Area
- Monitoring, supervising and managing the business area's assets, liabilities and profitability
- Maintaining a sound internal control system to identify and manage risks in accordance with the bank's risk appetite
- Efficient implementation of the bank's corporate governance model within the Business Area

Group Functions

The Group Functions' tasks are to support the CEO and the Group's business operations as well as to create consistent routines, ensure efficient steering, control and monitoring within the Group, and clarify Swedbank's vision and strategy. Among the roles of the Group Functions is to develop Group-wide policies and instructions for the Board and CEO to adopt. They also propose other Group-wide internal rules, which are approved by the manager of each Group Function. The purpose of these Group-wide rules and processes is to support the CEO and the Group's business operations, to clarify Swedbank's vision, purpose, values and strategy, and to minimise risks in the business operations. Additionally, the Group Functions create and monitor Group-wide routines, which serve as support for the business operations and facilitate the sharing of experience between the bank's various markets. They are responsible for compiling and analysing reports for the CEO and the Board, as well as proposing solutions to matters that require immediate action within their respective area and thereby creating an efficient solution to the problem. The head of each Group Function has unrestricted insight into the business operations in order to fulfil their obligations.

Further information on Swedbank's corporate governance

On Swedbank's website, www.swedbank.com, under the tab "About Swedbank", is a special section on corporate governance matters, which contains, among other things:

- Swedbank's Articles of Association
- The Nomination Committee's principles and work
- Information on Swedbank's Annual General Meetings since 2011
- Information on remuneration in Swedbank and an evaluation of the remuneration guidelines for Swedbank's top executives
- The bank's code of conduct

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

The Board of Directors is ultimately responsible for ensuring that the financial reporting complies with external regulations and is responsible for monitoring internal control of financial reporting (ICFR). ICFR is based on the following five internal control components.

Control environment: The Board of Directors and executive management establish the foundation for internal control. To support reliable reporting, Swedbank's internal control is rooted in the bank's organisational structure and the policies and instructions established by the Board. Furthermore, a directive has been specifically prepared for ICFR by the bank's CFO.

A Group-wide ICFR framework is in place based on the bank's vision, purpose and values (see page 1). The purpose of the framework is to provide reasonable assurance of the reliability of the financial reporting.

Risk analysis: Risk assessment based on materiality and complexity

Risk management is an integral part of business activities. Every unit manager has primary responsibility for risk management and assessment in their operations and in the financial reporting process.

Risk assessment within the ICFR framework is conducted at the Group level to identify and create an understanding of the risks in the financial reporting with regard to materiality and complexity. The risk assessment is also used to decide which areas should be covered by the framework.

Control activities: Controls at different levels

Controls are performed at various levels of the bank to ensure the reliability of the financial reporting. They are categorised according to the ICFR framework's structured controls as follows: Group-level controls, controls at the process/transaction level, and general IT controls.

Communication – Follow-up and assessment

Follow-up on the ICFR framework controls is regularly performed through self-assessment to ensure reliability of the financial reporting process. The results of the self-assessment are used to monitor the reliability of the financial reporting.

Communication - Analysis and reporting

The self-assessment result is compiled and analysed by the ICFR department to identify any material risks of misstatement in the financial reporting. The results of the analysis are reported to Swedbank's CFO and Audit Committee on a quarterly basis.



Board of Directors



Göran Persson

Year of birth
Born 1949
Chair since 2019

Shareholdings in Swedbank¹
Own and closely related parties: 35 000

In Swedbank as
■ Board of Directors, Chair
■ Remuneration Committee, Chair
■ Risk and Capital Committee, member
■ Governance Committee, member
Attendance: ■ 23/23 ■ 10/10
■ 11/11 ■ 8/8
Total annual fees: ■ 2 630 000
■ 105 000 ■ 250 000 ■ 240 000

Göran Persson has extensive experience leading the boards of both state-owned and private enterprises. He contributes his social engagement and large network as well as broad experience with national and international economic issues and sustainable development.

Board member's independence
Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

Education
University studies in Sociology and Political science

Bank specific experience
Board: 6 years (2015)

Professional experience
Sveaskog, Chair • Scandinavian Air Ambulance, Chair • Swedish Prime Minister • Swedish Finance Minister • Wiklöf Holding AB, Board member

Non-executive assignments
JKL Group, Senior advisor • LKAB, Chair • Scandinavian Biogas Fuels International AB, Chair • Greengold, Chair

Bo Magnusson

Born 1962
Vice chair 2019

Own and closely related parties: 20 000

In Swedbank as
■ Board of Directors, Vice Chair
■ Remuneration Committee, member
■ Risk and Capital Committee, member
■ Audit Committee, Chair
■ Governance Committee, member
Attendance: ■ 22/23 ■ 10/10
■ 11/11 ■ 6/6 ■ 17/17
Total annual fees: ■ 885 000
■ 105 000 ■ 430 000 ■ 240 000
■ 240 000

Bo Magnusson has many years of experience in the financial industry in Sweden and internationally both as a senior executive and director. In addition to broad competence from the financial sector, he contributes his skills from the real estate industry.

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

Higher banking training

Operational: 29 years
Board: 8 years (2013)

SBAB Bank AB and Sveriges Säkerställda Obligationer AB, Chair • Carnegie Holding AB and Carnegie Investment Bank AB, Chair • NS Holding AB and Fastighetsbolaget Norrporten AB, Chair • 4T-WyWallet, Chair • SEB, Deputy Chair

Rikshem AB, Chair • Rikshem Intressenter AB, Chair • KBC Bank NV (Belgium), Board member

Bo Bengtsson

Born 1966
Board member since 28 May 2020

Own and closely related parties: 2 500

In Swedbank as
■ Board of Directors, member
■ Audit Committee, member
■ Governance Committee, member
Attendance: ■ 11/11 ■ 3/3 ■ 8/8
Total annual fees: ■ 605 000
■ 240 000 ■ 240 000

Bo Bengtsson brings to the Board a wealth of experience in the banking and financial industry and has held a number of senior positions in the Swedish savings bank movement, including many years as CEO. Bo is currently CEO of Sparbanken Skåne.

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

Higher educational studies, leadership training, etc.

Operational: 22 years
Board: 1 year (since 28 May 2020)

Sparbanken 1826, CEO • Kristianstads Sparbank, CEO • Kristianstads Sparbank, Marketing Director • Ikanobanken, Deputy Bank Manager responsible for marketing and product development

Sparbanken Skåne, CEO

1) Holdings as of 31 December 2020



Göran Bengtsson

Born 1967
Board member since 28 May 2020

Own and closely related parties: 1 000

■ Board of Directors, member
■ Risk and Capital Committee, member
■ Audit Committee, member
Attendance: ■ 11/11 ■ 6/6 ■ 3/3
Total annual fees: ■ 605 000
■ 250 000 ■ 240 000

Göran Bengtsson brings to the Board his extensive experience in the banking and financial industry. Göran has held a number of senior positions at Swedbank in the credit area and is currently CEO of Falkenbergs Sparbank.



Hans Eckerström

Born 1972
Board member since 28 May 2020

Own and closely related parties: 50 000

■ Board of Directors, member
■ Remuneration Committee, member
Attendance: ■ 10/11 ■ 6/6
Total annual fees: ■ 605 000
■ 105 000

Hans Eckerström, who has an extensive background as a partner and employee of Nordic Capital as well as a director of investment companies, brings to the Board his business skills and experience in the financial industry.



Kerstin Hermansson

Born 1957
Board member since 2019

Own and closely related parties: 1 000

■ Board of Directors, member
■ Audit Committee, member
■ Governance Committee, member
Attendance: ■ 23/23 ■ 6/6 ■ 17/1
Total annual fees: ■ 605 000
■ 395 000 ■ 240 000

Kerstin Hermansson brings to the Board mainly her expertise in securities and compliance issues. She is an attorney with many years of experience in the European securities market.

Year of birth

Shareholdings in Swedbank¹

In Swedbank as

Board member's independence

Education

Bank specific experience

Professional experience

Non-executive assignments

Dependent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

Bachelor's Programme in Business and Economics, University of Borås

Operational: 31 years
Board: 1 year (since 28 May 2020)

Regional Head of Credit, Swedbank AB • Head of Corporate Business, Sparbanken Sjuhärad AB

Falkenbergs Sparbank, CEO • Destination Falkenberg AB, Board member

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

M.Sc. Mechanical Engineering, Chalmers University of Technology
M.Sc. Business Administration, University of Gothenburg School of Business

Board: 1 year (since 28 May 2020)

Nobia, Chair • Nordstjernan AB, Board member • Employee and Partner, NC Advisory AB, Nordic Capital • Manager, Arthur D. Little

Henri-Lloyd Group AB, Chair • Profoto Holding AB, Chair • Profoto Invest AB, Chair • Thule Group AB, Board member

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

LLM, Lund University

Operational: 9 years
Board: 2 years (2019)

CEO, Swedish Securities Dealers Association (Svenska Fondhandlarföringen)
• Global Head of Legal & Compliance, Enskilda Securities AB (subsidiary of SEB Group) • Securities lawyer, SEB • Attorney, Jacobsson & Ponsbach Fondkommission AB • Member of the Securities and Markets Stakeholder Group of the European Securities and Markets Authority (ESMA)

Linnaeus University, Chair • Swedsec Licensiering AB, Board member

1) Holdings as of 31 December 2020

Board of Directors



Bengt Erik Lindgren



Josefin Lindstrand



Roger Ljung

Year of birth	Born 1950 Board member since 28 May 2020	Born 1976 New board member since 19 June 2019	Born 1967 Employee representative since 2015
Shareholdings in Swedbank¹	Own and closely related parties: 2 500	Own and closely related parties: 1 400	Own and closely related parties: 102
In Swedbank as	<ul style="list-style-type: none"> ■ Board of Directors, member ■ Risk and Capital Committee, member ■ Governance Committee, member Attendance: ■ 11/11 ■ 6/6 Total annual fees: ■ 605 000 ■ 250 000	<ul style="list-style-type: none"> ■ Board member ■ Risk and Capital Committee, member ■ Governance Committee, member Attendance: ■ 23/23 ■ 11/11 ■ 17/17 Total annual fees: ■ 605 000 ■ 250 000 ■ 395 000	<ul style="list-style-type: none"> ■ Board of Directors, member, employee representative Total annual fees: No fees
Board member's independence	Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders	Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders	Not applicable
Education	Uppsala University, 2-year combined education (Business administration, Sociology, Human resource management)	LLM, University of Stockholm • University Diploma in Business Administration, University of Stockholm	Upper secondary school
Bank specific experience	Operational: 35 years Board: 1 year (since 28 May 2020)	Operational: 11 years Board: 5 years (2016)	Operational: 34 years
Professional experience	Prevas AB, Chair • Lansa Fastigheter AB, Board member • Länsförsäkringar Bergslagen ömsesidigt, Chair • Länsförsäkringar Bank AB, Board member • Deputy CEO, Regional Director Stockholm and Head of Large Customers, Swedbank • Deputy CEO and Regional Director Region Mid-Sweden, Swedbank • CEO, Spintab AB and senior positions at Föreningssparbanken and in the Swedish savings bank movement	Specialist Counsel, Advokatfirman HammarSKIÖLD & Co • BNP Paribas, member of the board of SevenDays Finans AB • Sörmlands Sparbank, vice chairman • Intertrust Group, Business Unit Director, Compliance Services • Citi, senior positions in Legal and Compliance • Swedbank AB, Legal Counsel	Retail advisor, branch manager, Swedbank AB
Non-executive assignments		Specialist adviser in Risk Management, Compliance and Corporate Governance, through own practice, Josefin Lindstrand Advisory AB	Corporate advisor, Swedbank AB • Finansförbundets koncernklubb Swedbank, First Deputy Chair • Finans och försäkringsbranschens A-kassa, Board member • SPK, Deputy Chair

1) Holdings as of 31 December 2020



Anna Mossberg

Born 1972
Board member since 2018

Own and closely related parties: 1 800

■ Board of Directors, member
■ Remuneration Committee, member
■ Audit Committee, member
Attendance: ■ 22/23 ■ 9/10 ■ 6/6
Total annual fees: ■ 605 000
■ 105 000 ■ 240 000

Anna Mossberg contributes with her experience and expertise in digital change. She has a long background in the internet and telecom industries, including as Business Area Manager at Google, and many years in various senior roles at Telia and Deutsche Telekom AG.

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

Executive MBA, IE University, Spain • Executive MBA, Stanford University, USA • MSc, Luleå University of Technology

Board: 3 years (2018)

Google Sverige AB, Business Area Manager • Bahnhof AB, CEO • Deutsche Telekom AG, SvP, Strategy and Portfolio Management • Telia AB, Director Internet Services • Telia International Carrier AB, Vice President

SwissCom AG, Board member • Schibsted ASA, Board member • Orkla ASA, Board member



Biljana Pehrsson

Born 1970
Board member since 28 May 2020

Own and closely related parties: 6 000

■ Board of Directors, member
■ Remuneration Committee, member
Attendance: ■ 9/11 ■ 5/6
Total annual fees: ■ 605 000
■ 105 000

Biljana Pehrsson is currently CEO of Kungsleden AB and has an extensive background in senior management and board positions in real estate and private equity. Biljana brings to the Board her expertise and experience in strategy, leadership and change as well as the real estate and financial industries.

Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders

M.Sc. Engineering, Stockholm Royal Institute of Technology

Board: 1 year (since 28 May 2020)

East Capital Baltic Property Fund (ECBPF I & II & III), Board member • Einar Mattsson AB/Fastighets AB Stadshus, Board member • East Capital Private Equity, Deputy CEO and Head of Real Estate • Centrumutveckling, CEO

Kungsleden AB, CEO • Kungliga Dramatiska Teatern AB, Board member • Stadsutvecklarna i Värtahamnen AB, Board member



Åke Skoglund

Born 1959
Employee representative since 2020 and deputy since 2018

Own and closely related parties: 1 084

■ Board of Directors, member, employee representative

Total annual fees: No fees

Åke Skoglund is an employee representative with broad experience within Swedbank.

Year of birth

Shareholdings in Swedbank¹

In Swedbank as

Board member's independence

Education

Bank specific experience

Professional experience

Non-executive assignments

1) Holdings as of 31 December 2020

Group Executive Committee



Jens Henriksson

President and CEO

Born 1967. Employed since 1 October 2019

Shareholdings in Swedbank:¹

20 000

Education: BA Economics, MSc Electrical Engineering, Control Theory, and Fil. Lic. Economics



Mikael Björknert

Head of Swedish Banking.

Born 1966. Employed since 2010

Shareholdings in Swedbank:¹

4 118. **Education:** BSc Business Administration and Economics

Directorships: NASDAQ Nordic, Board member • Bankgirot, Chair



Lars-Erik Danielsson

Chief Credit Officer

Born 1962. Employed since 1990

Shareholdings in Swedbank:¹

8 029. **Education:** Studies in business and economics



Anders Ekedahl

Head of Anti-Financial Crime Unit

Born 1960. Employed since 1987

Shareholdings in Swedbank:¹

22 887. **Education:** MSc, Stockholm School of Economics



Ingrid Harbo

Chief Compliance Officer

Born 1959. Employed since 2011

Shareholdings in Swedbank:¹

1 500. **Education:** Master of Laws, LL.M.



Anders Karlsson

Group Financial Officer (CFO)

Born 1966. Employed 1999–

2008 and since 2010

Shareholdings in Swedbank:¹

22 848. **Education:** MSc Economics



Jon Lidefelt

Head of Baltic Banking

Born 1973. Employed since 2013

Shareholdings in Swedbank:¹

1 796. **Education:** MSc Engineering Physics



Erik Ljungberg

Head of Group Communication and Sustainability

Born 1971. Employed since 2020

Shareholdings in Swedbank:¹

850. **Education:** M.Sc. in Business administration



Lotta Lovén

CIO and Head of Digital Banking & IT

Born 1967. Employed 1986–

1999 and since 2004

Shareholdings in Swedbank:¹

3 645. **Education:** Market economist.

¹) Holdings as of 31 December 2020



Rolf Marquardt

Chief Risk Officer

Born 1964. Employed since 2020
Shareholdings in Swedbank:¹ 2 000

Education: PhD in Business Administration



Björn Meltzer

Acting Head of Large Corporates & Institutions*

Born 1961. Employed since 2010
Shareholdings in Swedbank:¹ 555

Education: Economist

*Ola Laurin was Head of Large Corporates & Institutions in 2020



Charlotte Rydin

Chief Legal Officer and Head of Group Legal*

Born 1968. Employed since 2021
Shareholdings in Swedbank:¹ No holding but participates in the profit-sharing scheme Kopparmyntet

Education: Master of Laws, LL.M.

*Stefan Frisk was acting Chief Legal Officer and Head of Group Legal in 2020



Carina Strand

Head of HR & Infrastructure

Born 1964. Employed since 2017
Shareholdings in Swedbank:¹ 0

Education: Economist



Kerstin Winlöf

Head of Group Savings

Born 1966. Employed since 2019
Shareholdings in Swedbank:¹ 700

Education: MSc in Business Administration and Economics

¹) Holdings as of 31 December 2020

Proposed disposition of earnings and statement of the Board of Directors

SEK 54 484m is at the disposal of the Annual General Meeting. Earnings in accordance with the balance sheet of Swedbank AB to SEK 59 355m less dividends paid on the 22 February 2021 of SEK 4 871m.

The Board of Directors recommends that the earnings should be disposed as follows:

SEKm	2020
Retained earnings in accordance with the balance sheet	59 355
Paid dividend 22nd of February 2021	4 871
Left to dispose of the Annual General Meeting 2021	54 484
A cash dividend of SEK 2.90 per ordinary share	3 252
To be carried forward to next year	51 232
Total disposed	54 484

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 119 991 775 outstanding ordinary shares at 31 December of 2020, plus 1 272 063 outstanding ordinary shares entitled to dividends which have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 25 March 2021 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day.

Unrealised changes in the value of assets and liabilities at fair value have had a negative effect on equity of SEK 480m.

The proposed record day for the dividend is 29 March 2021. The last day for trading in Swedbank's shares with the right to the dividend is 25 March 2021. If the Annual General Meeting accepts

the Board's proposal, the dividend is expected to be paid by Euroclear on 1 April 2021. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 44 746m. The surplus in Swedbank AB was SEK 80 114m.

The business conducted in the parent company and the Group involves no risks beyond what occur or can be assumed will occur in the industry or the risks associated with conducting business activities. The Board of Directors has considered the parent company's and the Group's consolidation needs through a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet their obligations. The assessment has also been done based on currently expected regulatory changes.

Given the financial position of the parent company and the Group, there can be no assessment other than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities in both the short and long term and have the ability to make the necessary investments. It is the assessment of the Board of Directors that the size of the equity, even after the proposed dividend, is reasonable in proportion to the scope of the parent company's and the Group's business and the risks associated with conducting the business.

The assessment of the Board of Directors is that the proposed dividend is justifiable given the demands that are imposed due to the nature, scope and risks associated with the business and the Group's business on the size of the parent company's and the Group's equity as well as on the parent company's and the Group's balance sheets, liquidity and financial positions.

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Income statement, Group

SEKm	Note	2020	2019
Interest income on financial assets at amortised cost		32 020	32 810
Other interest income		1 771	2 560
Interest income		33 791	35 370
Interest expense		-6 938	-9 381
Net interest income	G8	26 853	25 989
Commission income		19 476	19 472
Commission expense		-6 706	-6 488
Net commission income	G9	12 770	12 984
Net gains and losses on financial items	G10	2 655	3 629
Net insurance	G11	1 518	1 465
Share of profit or loss of associates and joint ventures	G27	582	822
Other income	G12	1 298	1 071
Total income		45 676	45 960
Staff costs	G13	11 873	11 119
Other general administrative expenses	G14	7 107	7 314
Depreciation/amortisation of tangible and intangible assets	G15	1 580	1 551
Administrative fine		4 000	
Total expense		24 560	19 984
Profit before impairment		21 116	25 976
Impairment of intangible assets	G30		79
Impairment of tangible assets	G16	2	8
Credit impairment	G17	4 334	1 469
Profit before tax		16 780	24 420
Tax expense	G18	3 851	4 711
Profit for the year		12 929	19 709
Profit for the year attributable to:			
Shareholders of Swedbank AB		12 929	19 697
Non-controlling interests		0	12
Earnings per share, SEK	G19	11,55	17,62
Earnings per share after dilution, SEK	G19	11,51	17,56

Statement of comprehensive income, Group

SEKm	Note	2020	2019
Profit for the year reported via income statement		12 929	19 709
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	G39	5 166	-3 866
Share related to associates and joint ventures, remeasurements of defined benefit pension plans		96	-127
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	G46	6	17
Income tax	G20	-1 065	793
Total		4 203	-3 183
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations:			
Gains/losses arising during the year		-1 838	739
Reclassification adjustments to income statement,			
Net gains and losses on financial items		-2	
Hedging of net investments in foreign operations:	G29		
Gains/losses arising during the year		1 523	-600
Reclassification adjustments to income statement, Net gains and losses on financial items		9	
Cash flow hedges:	G29		
Gains/losses arising during the year		-358	159
Reclassification adjustments to income statement, Net gains and losses on financial items		349	-154
Foreign currency basis risk:			
Gains/losses arising during the year		-42	-18
Share of other comprehensive income of associates and joint ventures:			
Exchange rate differences, foreign operations		-84	32
Income tax:	G20		
Gains/losses arising during the year		-229	134
Reclassification adjustments to the income statement, Tax expense		-77	33
Total		-749	325
Other comprehensive income for the year net of tax		3 454	-2 858
Total comprehensive income for the year		16 383	16 851
Total comprehensive income for the year attributable to:			
Shareholders of Swedbank AB		16 383	16 839
Non-controlling interests		0	12

Balance sheet, Group

SEKm	Note	2020	2019	1/1/2019
Assets				
Cash and balances with central banks				
Cash and balances with central banks		293 811	195 286	163 161
Treasury bills and other bills eligible for refinancing with central banks, etc.	G21	137 191	137 094	99 579
Loans to credit institutions	G22	47 954	45 452	36 268
Loans to the public	G23	1 680 987	1 652 296	1 627 368
Value change of interest hedged item in portfolio hedge		1 774	271	766
Bonds and other interest-bearing securities	G24	59 975	57 367	53 312
Financial assets for which the customers bear the investment risk	G25	252 411	224 893	177 868
Shares and participating interests	G26	17 215	6 568	4 921
Investments in associates and joint ventures	G27	7 287	6 679	6 088
Derivatives	G28	52 177	44 424	39 665
Intangible assets	G30	18 361	17 864	17 118
Tangible assets	G31	5 421	5 572	6 217
Current tax assets		1 554	2 408	2 065
Deferred tax assets	G18	124	170	164
Other assets	G32	16 483	8 859	13 970
Prepaid expenses and accrued income	G33	1 917	3 025	1 709
Total assets		2 594 642	2 408 228	2 250 239
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	G34	150 313	69 686	57 218
Deposits and borrowings from the public	G35	1 148 240	954 013	920 750
Financial liabilities for which the customers bear the investment risk	G36	253 229	225 792	178 662
Debt securities in issue	G37	732 814	855 754	804 360
Short positions securities	G38	23 300	34 345	38 333
Derivatives	G28	54 380	40 977	31 316
Current tax liabilities		424	836	1 788
Deferred tax liabilities	G18	2 784	1 571	1 576
Pension provisions	G39	3 665	8 798	4 979
Insurance provisions	G40	1 859	1 894	1 897
Other liabilities and provisions	G41	30 610	28 807	34 182
Accrued expenses and prepaid income	G42	4 038	4 383	3 385
Senior non-preferred liabilities		10 359	10 805	
Subordinated liabilities	G43	23 434	31 934	34 184
Total liabilities		2 439 449	2 269 595	2 112 630
Equity				
Non-controlling interests		25	25	213
Equity attributable to shareholders of the parent company		155 168	138 608	137 396
Total equity	G44	155 193	138 633	137 609
Total liabilities and equity		2 594 642	2 408 228	2 250 239

Statement of changes in equity, Group

SEKm	Equity attributable to shareholders of Swedbank AB										
	Share capital	Other contributed equity ¹	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserve	Foreign currency basis reserves	Own credit risk reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1 January 2020	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633
Share-based payments to employees								178	178		178
Deferred tax related to share-based payments to employees								7	7		7
Current tax related to share-based payments to employees								-8	-8		-8
Total comprehensive income for the year			-1 924	1 211	-7	-29	5	17 127	16 383	0	16 383
of which reported through profit or loss								12 929	12 929	0	12 929
of which reported through other comprehensive income, before tax			-1 924	1 532	-9	-42	6	5 262	4 825		4 825
of which income tax reported through other comprehensive income				-321	2	13	-1	-1 064	-1 371		-1 371
Closing balance 31 December 2020	24 904	17 275	4 355	-2 669	1	-62	0	111 364	155 168	25	155 193

1) Other contributed equity consists mainly of share premiums.

SEKm	Equity attributable to shareholders of Swedbank AB										
	Share capital	Other contributed equity ¹	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserve	Foreign currency basis reserves	Own credit risk reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609
Dividends								-15 878	-15 878	-15	-15 893
Share-based payments to employees								272	272		272
Deferred tax related to share-based payments to employees								-34	-34		-34
Current tax related to share-based payments to employees								13	13		13
Business disposals										-185	-185
Total comprehensive income for the year			771	-436	4	-14	13	16 501	16 839	12	16 851
of which reported through profit or loss								19 697	19 697	12	19 709
of which reported through other comprehensive income, before tax			771	-600	5	-18	17	-3 993	-3 818		-3 818
of which income tax reported through other comprehensive income				164	-1	4	-4	797	960		960
Closing balance 31 December 2019	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633

1) Other contributed equity consists mainly of share premiums.

Statement of cash flow, Group

SEKm	Note	2020	2019 ¹
Operating activities			
Profit before tax		16 780	24 420
Adjustments for non-cash items in operating activities	G48	447	4 952
Taxes paid		-4 331	-5 981
Increase (-) /decrease (+) in loans to credit institution		-2 708	-9 130
Increase (-) /decrease (+) in loans to the public		-39 022	-27 282
Increase (-) /decrease (+) in holdings of securities for trading		-15 081	-43 187
Increase (-) /decrease (+) in other assets		-17 957	-678
Increase (+) /decrease (-) in amounts owed to credit institutions		82 381	12 249
Increase (+) /decrease (-) in deposits and borrowings from the public		203 526	33 488
Increase (+) /decrease (-) in debt securities in issue		-104 629	40 561
Increase (+) /decrease (-) in other liabilities		-10 169	8 556
Cash flow from operating activities		109 237	37 968
Investing activities			
Business disposal			52
Acquisitions of and contributions to joint ventures		-54	-81
Disposals of shares in associates		76	184
Dividends from associates and joint ventures		2	529
Acquisition of other fixed assets and strategic financial assets		-364	-224
Disposals of/maturity of other fixed assets and strategic financial assets		1 723	535
Cash flow from investing activities		1 383	995
Financing activities			
Amortisation of lease liabilities	G3.2.8	-723	-718
Issuance of senior non-preferred liabilities	G3.2.8		11 266
Redemption of senior non-preferred liabilities	G3.2.8	-95	
Issuance of subordinated liabilities	G3.2.8		4 909
Redemption of subordinated liabilities	G3.2.8	-7 880	-7 711
Dividends paid			-15 893
Cash flow from financing activities		-8 698	-8 147
Cash flow for the year		101 922	30 816
Cash and cash equivalents at the beginning of the year			
Cash flow for the year		101 922	30 816
Exchange rate differences on cash and cash equivalents		-3 397	1 309
Cash and cash equivalents at end of the year		293 811	195 286

1) Events during the year is described further in note G49.

Presentation of the cash flow statement has been updated, see more in note G57.

Notes

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

G1 Corporate information

The consolidated financial statements and the annual report for Swedbank AB (publ) for the financial year 2020 were approved by the Board of Directors and the CEO for publication on 24 February 2021. The parent company, Swedbank AB, maintains its registered office in Stockholm at the following address: Ländsvägen 40, 172 63 Stockholm, Sweden. The company's shares are traded on the NASDAQ OMX Nordic Exchange in Stockholm in the Nordic Large Cap segment. The Group offers financial services and products in its home markets of Sweden, Estonia, Latvia and Lithuania. The operations are described more extensively in the Board of Directors' report.

The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 25 March 2021.

G2 Accounting policies

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1 BASIS OF ACCOUNTING

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

Complete financial reports refer to:

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

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

The financial statements are prepared using several measurement bases. Financial assets and liabilities are measured at amortised cost, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value. The carrying amounts of financial assets and liabilities subject to fair value hedge accounting are adjusted for changes in fair value attributable to the hedged risk. Non-monetary items are measured on a historical cost basis. Pension liabilities are measured at their present value.

The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless indicated otherwise.

2 CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

Changes in IFRS and Swedish regulations

New or amended IFRS or interpretations or Swedish regulations which have been adopted during 2020 have had no or immaterial impacts on the Group's financial position, results, cash flows or disclosures.

Changed presentation of cash flow statement

From 2020 the cash flows from issued interest-bearing securities and commercial papers, excluding senior non-preferred liabilities and subordinated liabilities, have been transferred from financing activities to operating activities. Cash flows within the financing activities will going forward be split into senior non-preferred liabilities, subordinated liabilities, leasing liabilities and dividend. The changes are made to the cash flow statement to be more representative of the Group's business model and to align it with our balance sheet. Comparative figures have been restated, see note G57.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of financial statements (IAS 1)

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

3.2 Consolidated financial statements (IFRS 3, IFRS 10)

The consolidated financial statements comprise the parent company and those entities (including special purpose vehicles) over which the parent company has control. The parent company has control when it has power and is capable of managing the relevant activities of another entity, is exposed to variable returns and is able to use its

power to affect those returns. These entities, subsidiaries, are included in the consolidated financial statements in accordance with the acquisition method from the day that control is obtained and are excluded from the day that control ceases. According to the acquisition method, the acquired entity's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria are recognised and measured at fair value upon acquisition. The surplus between the cost of the business combination, transferred consideration measured at fair value on the acquisition date and the fair value of the acquired share of identifiable assets, liabilities and reported contingent liabilities is recognised as goodwill. If the amount is less than the fair value of the acquired company's net assets, the difference is recognised directly in the income statement as bargain purchase within Other income. The transferred consideration (purchase price) includes the fair value of transferred assets, liabilities and shares which, in applicable cases, have been issued by the Group as well as the fair value of all assets or liabilities that are the result of an agreement on contingent consideration. Acquisition-related costs are recognised when they arise. For each acquisition, the Group determines whether all non-controlling interests in the acquired company should be recognised at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets. A subsidiary's contribution to equity includes only the equity that arises between acquisition and disposal. All intra-Group transactions and intra-Group gains are eliminated.

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

3.3 Assets and liabilities in foreign currencies (IAS 21)

The consolidated financial statements are presented in SEK, which is also the parent company's functional currency and presentation currency. An entity's functional currency is the currency in which the entity primarily generates and expends cash. Each entity within the Group determines its own functional currency according to its primary economic environment. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities in foreign currency and non-monetary assets in foreign currency measured at fair value are translated at the rates prevailing at the closing date. All gains and losses on the translation of monetary items, and non-monetary items measured at fair value are recognised in the income statement in Net gains and losses on financial items as changes in exchange rates. Assets and liabilities in subsidiaries and associates with a functional currency other than SEK are translated to the presentation currency at the closing date exchange rate. The income statement is translated at the exchange rate for each transaction. For practical purposes, the average rate for the period is generally used. Exchange rate differences that arise are recognised in other comprehensive income. As a result, exchange rate differences attributable to hedges of net investments in foreign operations are also recognised in other comprehensive income, net of deferred tax. This is applied when the requirements for hedge accounting are met. Ineffectiveness in hedges is recognised directly in the income statement in Net gains and losses on financial items. When subsidiaries and associates are divested, cumulative translation differences and exchange rate differences are recognised in the income statement.

3.4 Financial instruments (IAS 32, IFRS 9, IAS 39)

3.4.1 General

Financial instruments represent the largest part of the Group's balance sheet. A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Cash and contractual rights to receive cash are examples of financial assets, whereas a contractual obligation to deliver cash or another financial asset is an example of a financial liability. A derivative is a financial instrument that is distinguished by the fact that its value changes in response to the change in a specified variable, such as foreign exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date.

Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific counterparty or it is listed on the market, the instrument is classified on the balance sheet as securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. Senior non-preferred liabilities that fulfil the minimum requirements for own funds and eligible liabilities (MREL) are presented on a separate row in the balance sheet.

Recognition and derecognition

Financial assets and liabilities are recognised on the balance sheet on the trade date, which is the date when the Group becomes a party to the instrument's contractual provisions, with the exception of financial assets measured at amortised cost, which are recognised on the settlement date. Financial assets are derecognised when the right to receive cash flows from a financial asset has expired or the Group has transferred substantially all the risks and rewards of ownership to another party.

When a financial asset is modified, the Group assesses whether the modification results in derecognition. A financial asset is considered modified where the contractual terms governing the cash flows are amended versus the original agreement, for example due to forbearance measures being applied, changes in market conditions, customer retention reasons or other factors unrelated to the credit deterioration of a borrower. Modified financial assets are derecognised from the balance sheet and a new loan recognised where an agreement is cancelled and replaced with a new agreement on substantially different terms or where the terms of an existing agreement are substantially modified. Modifications due to financial difficulties, including forbearance measures, are not considered substantial on their own.

Financial liabilities are derecognised when the obligation in the agreement has been discharged, cancelled or expired.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect such that some of the cash flows vary in a manner similar to a stand-alone derivative. Derivatives embedded in financial liabilities, financial assets not in scope of IFRS 9, such as lease receivables and insurance contracts, or non-financial items are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Financial assets in the scope of IFRS 9 are not assessed for the existence of embedded derivatives, but rather the entire contract, including any features which alter the contractual cash flows, is assessed for classification.

Repurchase transactions

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

Securities loans

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

Offsetting

Financial assets and financial liabilities are offset and recognised net in the balance sheet if there is a legal right of set-off both in the normal course of business and in the event of bankruptcy, and if the intent is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Net interest income

Interest income on financial assets and interest expense on financial liabilities include interest payments received or paid, change in accrued interest and amortisation of any difference between the initial amount and the maturity amount during the period, which produces a constant rate of return over the instrument's life, referred to as the effective interest rate. The effective interest rate is the rate that discounts future cash flows to the gross carrying amount of a financial asset or to the amortised cost of a financial liability, taking into account transaction costs, premiums or discounts and fees paid or received that are an integral part of the return.

Interest income on financial assets is generally calculated by applying the effective interest rate to the gross carrying amount, with two exceptions. Where financial assets measured at amortised cost have become credit-impaired subsequent to initial recognition (Stage 3 financial assets), interest income is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount less credit impairment provisions. If such financial assets are no longer credit-impaired, the calculation of interest income reverts back to the gross carrying amount basis. Where financial assets measured at amortised cost are credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost until the financial asset is derecognised from the balance sheet. The credit-adjusted effective interest rate is calculated based on the amortised cost of the financial asset rather than the gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest expense is calculated by applying the effective interest rate to the amortised cost of financial liabilities.

Interest income and interest expense on financial instruments which are held for trading financial instruments and related interests within the LC&I segment are excluded from Net interest income and reported as Net gains and losses on financial items to better reflect the character of the business.

The Group holds some financial assets and liabilities at amortised cost with negative yield, which are presented in note G8.

3.4.2 Classification and measurement

Financial assets are classified as measured at either amortised cost or fair value through profit or loss, based on the business model for managing the assets and the asset's contractual terms. The Group does not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model).

The business model reflects how the Group manages portfolios of financial assets in order to generate cash flows. The factors considered in determining the business model for a portfolio of financial assets include past experience on how the cash flows have been collected, how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed and how compensation is linked to performance.

The Group assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of a financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is not compliant with the solely payments of principal and interest criterion.

Financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

Financial assets at amortised cost

Financial assets which are debt instruments are classified as measured at amortised cost if they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially recognised at fair value including transaction costs that are directly attributable to the acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus repayments of principal, plus accrued interest, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit impairment provisions. Accounting policies regarding credit impairment provisions are disclosed in section 3.4.3.

Financial assets at fair value through profit or loss

Financial assets classified as measured at fair value through profit or loss are comprised of financial assets mandatorily measured at fair value through profit or loss. The mandatory classification includes:

- Debt instruments that are held in a business model other than held to collect contractual cash flows, including those that are held for trading and those that are managed and whose performance is evaluated on a fair value basis
- Debt instruments with contractual cash flows that are not solely payments of principal and interest
- Equity instruments
- Derivative assets that are not designated for hedge accounting

Financial instruments held for trading are acquired for the purpose of selling in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit taking.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are expensed in profit or loss. The fair value of financial instruments is determined based on quoted prices in active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are based on observable market data, such as quoted prices in active markets for similar instruments or quoted prices for identical instruments in inactive markets. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so-called 'day 1 profits or losses', are recognised in the income statement only when the valuation model is based entirely on observable market data.

Changes in fair value and share dividends are recognised through profit or loss in Net gains and losses on financial items. Changes in fair value due to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss line.

Financial liabilities at amortised cost

Financial liabilities classified as measured at amortised cost include those that are not classified as fair value through profit or loss. Such financial liabilities are recognised on the trade date at fair value, which is typically the amount borrowed including transaction costs that are directly attributable to the issuance, and subsequently measured at amortised cost using the effective interest method. The amortised cost measurement is analogous to that which is applied to financial assets, however it does not include adjustments for credit impairment provisions.

Financial liabilities at fair value through profit or loss

Financial liabilities classified as measured at fair value through profit or loss are comprised of:

- Financial liabilities held for trading
- Derivatives that are not designated for hedge accounting
- Financial liabilities designated at fair value through profit or loss at initial recognition

The Group applies the option to irrevocably designate financial liabilities at fair value through profit or loss for:

- Investment contract liabilities in insurance operations, where the customer bears the investment risk and the corresponding financial assets are measured at fair value through profit or loss. The contractual amount due to investors is determined on the basis of the fair value of the corresponding financial assets.
- Debt securities in issue, which have fixed contractual interest rates, and for which the portfolio's aggregate interest rate risk is essentially eliminated with derivatives that are measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are initially recognised at fair value on the trade date and subsequently measured at fair value. The determination of fair value and the accounting for gains or losses on initial recognition are analogous to financial assets at fair value through profit or loss. Changes in fair value are recognised in profit or loss within Net gains and losses on financial items, except for changes in fair value due to changes in the Group's own credit risk. Such changes are presented in other comprehensive income, with no subsequent reclassification to the income statement.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets unless the business model under which the financial assets are held changes, which is expected to be very exceptional. Financial liabilities are never reclassified.

3.4.3 Credit impairment

Credit impairment provisions are recognised on the following financial instruments: financial assets that are measured at amortised cost, lease receivables, irrevocable loan commitments issued, and financial guarantee contracts issued. Credit impairment provisions are measured according to an expected credit loss model and reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering all reasonable and supportable information available without undue cost or effort at the reporting date. Such provisions are measured according to whether there has been a significant increase in credit risk since initial recognition of an instrument.

- Stage 1 includes financial instruments that have not experienced a significant increase in credit risk since initial recognition and those within the Group's policy to assess for low credit risk at the reporting date, which is defined as having an investment grade equivalent rating.
- Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment.
- Stage 3 includes financial instruments which are credit-impaired and for which there is objective evidence of impairment.

12-month expected credit losses are recognised on instruments in Stage 1 and lifetime expected credit losses are recognised on instruments in Stage 2 and Stage 3. The lifetime expected credit losses represent losses from all possible default events over the remaining life of the financial instrument. The 12-month expected credit losses are losses resulting from the default events that are possible within 12 months after the reporting date and consequently represent only a portion of the lifetime expected credit losses.

Measurement of expected credit losses

Expected credit losses are measured for each individual exposure as the discounted product of a probability of default (PD), an exposure at default (EAD), and a loss given default (LGD). The PD represents the likelihood that a borrower will default on its obligation. The EAD is an expected exposure at the time of default, taking into account scheduled repayments of principal and interest, and expected further drawdowns on irrevocable facilities. The LGD represents the expected loss on a defaulted exposure, taking into account such factors as counterparty characteristics, collateral and product type.

Expected credit losses are determined by projecting the PD, LGD and EAD for each future month over the expected lifetime of an exposure. The three parameters are multiplied together and adjusted for the probability of survival, or the likelihood that the exposure has not been prepaid or has not defaulted in an earlier month. This effectively calculates monthly expected credit losses, which are discounted back to the reporting date using the original effective interest rate and summed. The sum of all months over the remaining expected lifetime results in the lifetime expected credit losses and the sum of the next 12 months results in the 12-month expected credit losses.

When estimating expected credit losses, the Group considers at least three scenarios (a base case, an upside and a downside), represented by relevant macroeconomic variables, such as GDP, house prices, and unemployment rates. The risk parameters used to estimate expected credit losses incorporate the effects of the macroeconomic forecasts and associated expected probabilities, to measure an unbiased probability weighted average. In cases where the impacts of relevant factors are not captured in the modelled expected credit loss results, the Group uses its experienced credit judgement to incorporate such effects.

The Group assesses material credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios.

Definition of default and credit-impaired assets

Default is an input to the PD, which affects both the identification of a significant increase in credit risk and the measurement of the expected credit losses. Financial assets classified as credit-impaired are included in Stage 3.

The Group's IFRS 9 definitions of default and credit-impaired assets are aligned to the Group's regulatory definition of default, as this is what is used for risk management purposes. Default and credit-impaired are triggered when one of the following occurs: an exposure is more than 90 days past due, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, the Group takes into account both qualitative and quantitative factors including but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. The Group has elected to rebut the presumption that instruments which are 90 days past due are in default or credit-impaired for instruments in the sovereign and financial institutions exposure classes only, due to that default is triggered based on manual decisions.

An instrument is no longer considered to be in default or credit-impaired when it no longer meets any of the default criteria for at least three consecutive months. Where a loan is in default due to a non-performing forbearance measure having been applied, longer probation periods are applied.

Determining a significant increase in credit risk since initial recognition

The Group assesses changes in credit risk using a combination of individual and collective information and reflects significant increases in credit risk at the individual financial instrument level. For financial instruments with an initial recognition date of 1 January 2018 or later, the primary indicator used to assess changes in credit risk is changes in the forward-looking lifetime probability of default since initial recognition, which incorporates the effects of past and current forecasted economic conditions. Changes in Swedbank internal credit ratings since initial recognition, where each rating corresponds to a 12-month probability of default, is used as a secondary indicator of significant increase in credit risk. The estimation of the forward-looking lifetime probabilities of default for initial recognition dates prior to the adoption of IFRS 9 would not

have been possible without the use of hindsight and would have required undue cost and effort. Consequently, for those instruments with an initial recognition date prior to 1 January 2018, changes in Swedbank internal credit ratings since initial recognition is used as the primary indicator.

Qualitative indicators are also considered in the stage allocation assessment; for example, whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Furthermore, a significant increase in credit risk is considered to have occurred for all financial instruments which are 30 days past due.

The Group considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only.

A financial instrument is no longer considered to have experienced a significant increase in credit risk when all indicators are no longer breached.

Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime expected credit losses. The expected lifetime is generally limited by the maximum contractual period over which the Group is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Group. For the mortgage portfolio, the Group uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

The only exception to this general principle applies for credit cards, where the expected lifetime is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by risk management actions. This so-called behavioural life is determined using product-specific historical data and ranges up to 10 years.

Modifications

Where a loan is modified but is not derecognised, significant increases in credit risk continue to be assessed for impairment purposes as compared to the initial recognition credit risk. Modifications do not automatically lead to a decrease in credit risk and all quantitative and qualitative indicators will continue to be assessed. Further to this, a modification gain or loss is recognised in the income statement within Credit impairments, which represents the difference in the present value of the contractual cash flows, discounted at the original effective interest rate.

Where a loan is modified and derecognised, the date of the modification is the initial recognition date of the new loan for credit impairment purposes, including the assessment of significant increases in credit risk. Where the new loan is considered to be credit-impaired on initial recognition, it is classified as a purchased or originated credit impaired asset and therefore lifetime expected credit losses are calculated until the loan is repaid or written-off.

Purchased or originated credit impaired assets

Instruments which are credit impaired on initial recognition are accounted for as purchased or originated credit-impaired assets. The expected credit losses for such assets are always measured at an amount equal to the lifetime expected credit losses. However, the expected credit loss on initial recognition are considered as part of the gross carrying amount and therefore the recognised credit impairment provision represents only the changes in the lifetime expected credit losses from the initial recognition date. Favourable changes in the lifetime expected credit losses are recognised as an impairment gain, even if those changes are more than the amount previously recognised as credit impairments.

Presentation of credit impairments

For financial assets measured at amortised cost, credit impairment provisions are presented in the balance sheet as a reduction of the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, such provisions are presented as a liability within Other liabilities and provisions. Where a financial instrument includes both a loan and a loan commitment component, such as revolving credit facilities, the Group recognises the credit impairment provisions separately for the loan and the loan commitment components.

A write-off reduces the gross carrying amount of a financial asset. Credit impairment losses and write-offs are presented as Credit impairments in the income statement. Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Any subsequent recoveries of write-offs or impairment provisions are recognised as gains within Credit impairments.

3.4.4 Hedge accounting (IFRS 9, IAS 39)

Fair value hedges (IFRS 9)

Fair value hedge accounting is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the individual hedged item is also measured at fair value. The value of the hedged risk in an individual financial asset or financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument, and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

Portfolio fair value hedges (IAS 39)

Portfolio fair value hedge accounting is applied by the Group in certain cases where the interest rate exposure in loan portfolios is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. The item is recognised in connection with Loans to the public. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in Net gains and losses on financial items.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in the fair value of the hedged risk.

Cash flow hedges (IFRS 9)

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in exchange rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative hedging instrument, is recognised directly in other comprehensive income. Where the derivative hedging instrument is a cross currency basis swap, the Group excludes the foreign currency basis spread from the hedging relationship. The changes in fair value of the cross currency basis swap are recognised in other comprehensive income; however the changes related to the effective portion of the hedge relationship and the foreign currency basis spread component are recognised separately in the cash flow hedge reserve and the foreign currency basis reserve, respectively. The amounts accumulated in the respective reserves are subsequently reclassified to profit or loss in the same periods that the hedged future cash flows or the foreign currency basis spread cash flows affect profit or loss. Any ineffective portion is recognised through profit or loss in Net gains and losses on financial items.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument, and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

Hedging of net investments in foreign operations (IFRS 9)

Hedges of net investments in foreign operations are applied to protect the Group from translation differences that arise from the translation of operations in a functional currency other than the presentation currency. Financial liabilities reported in the foreign operation's functional currency are translated at the closing date exchange rate. The portion of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss in Net gains and losses on financial items. When a foreign operation is divested, the gain or loss from the hedging instrument is reclassified from other comprehensive income and recognised in profit or loss.

In order to apply hedge accounting, the hedge relationship has been formally designated and documented. The hedge's effectiveness is proven to remain prospectively effective.

3.5 Leases (IFRS 16)

Lessee

Where the Group act as a lessee, the standard requires that right-of-use assets and lease liabilities arising from most leases are recognised on the balance sheet. Right-of-use assets are presented within Tangible assets and lease liabilities within Other liabilities. Depreciation of the right-of-use assets and interest expenses related to lease liabilities are recognised in the income statement. In the cash flow statement payments

for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities.

The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The right-of-use asset is initially measured at cost i.e. the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. The right-of-use asset is thereafter depreciated over the lease term. Lease payments are discounted using the incremental borrowing rate. The Group applies the exemptions afforded by the standard regarding short-term leases and leases for which the underlying asset is of low value. Expenses related to these lease agreements are recognised as Other expenses. After the commencement date, the carrying amount of the lease liability is remeasured to reflect any reassessment or modification of a lease agreement. The remeasurement of the lease liability is adjusted against the right-of-use asset. Gains or losses relating to modifications are recognised in the income statement.

Lessor

When acting as a lessor all leases shall be classified as either an operating lease or a finance lease. In a finance lease, the economic risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. Operating leases are those leases where the lessor bears the economic risks and benefits.

The Group's leasing operations, as a lessor, consist of finance leases and are therefore recognised as loans and receivables. The carrying amount corresponds to the present value of future lease payments. The difference between all future lease payments, the gross receivable, and the present value of future lease payments constitutes unearned income. Consequently, lease payments received are recognised in part in profit or loss as interest income and in part in the balance sheet as instalments, such that the financial income corresponds to an even return on the net investment.

3.6 Associates and joint ventures (IAS 28, IFRS 11)

Associates and joint ventures are entities where the Group has significant influence or joint control, but not sole control, of another entity and are accounted for according to the equity method. The equity method means that the participating interests in an entity are recognised at cost at the time of acquisition and subsequently adjusted for the owned share of the change in the entity's net assets. Goodwill attributable to the associate or the joint venture is included in the carrying amount of the participating interests and is not amortised.

The carrying amount of the participating interests is subsequently compared with the recoverable amount of the net investment in the associate or the joint venture to determine whether an impairment need exists. The owned share of the associate's or the joint venture's profit according to the associate's or the joint venture's income statement, together with any impairment, is recognised on a separate line, Share of profit or loss of associates and joint ventures, including taxes related to associates. The associates' and joint venture's reporting dates and accounting policies conform to the Group's.

3.7 Intangible assets (IAS 38)

Goodwill

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

Other intangible assets

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

3.8 Tangible assets (IAS 2, IAS 16)

For protection of claims

Tangible assets acquired or recovered to protect claims are recognised as inventory. Inventories are measured at the lower of cost and net realisable value. The cost includes all expenses for purchasing, manufacturing and to otherwise bring the goods to their current location and condition. The net realisable value represents the amount that is expected to be realised from a sale.

For own use

Tangible fixed assets, such as equipment and owner-occupied properties, are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairments.

3.9 Provisions (IAS 37)

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

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

3.10 Pensions (IAS 19)

The Group's post-employment benefits, which consist of pension obligations, are classified as either defined contribution plans or defined benefit plans. In defined contribution plans, the Group pays contributions to separate legal entities, and the risk of a change in value until the funds are paid out rests with the employee. Thus, the Group has no further obligations once the fees are paid. Other pension obligations are classified as defined benefit plans. Premiums for defined contribution plans are expensed when an employee has rendered his/her services. In defined benefit plans, the present value of pension obligations is calculated and recognised as a provision. Both legal and constructive obligations that arise as a result of informal practices are considered. The calculation is made according to the Projected Unit Credit Method and also includes payroll tax. As such, future benefits are attributed to periods of service. The fair value of the assets (plan assets) that are allocated to cover obligations is deducted from the provision. The income statement, staff costs, is charged with the net of service costs, interest on obligations and the anticipated return on plan assets. The calculations are based on the Group's actuarial assumptions i.e. the Group's best estimate of future developments. The same interest rate is used to calculate both interest expense and interest income. If the actual outcome deviates or assumptions change, so-called actuarial gains and losses arise. The net of actuarial gains and losses is recognised as Revaluations of defined benefit pension plans in other comprehensive income, where the difference between the actual return and estimated interest income on plan assets is recognised as well.

3.11 Insurance contracts (IFRS 4)

In the financial statements, insurance policies refer to policies where significant insurance risk is transferred from the insured to the insurer. The majority of the Group's insurance policies do not transfer significant insurance risk; therefore, they are recognised as financial instruments in the balance sheet line Financial liabilities where the customers bear the investment risk. For insurance policies with significant insurance risk, actuarial provisions are allocated corresponding to pledged obligations. In the income statement, premiums received, and provisions are reported as Net insurance.

3.12 Net commission income (IFRS 15)

Revenue from contracts with customers consists primarily of service-related fees and is reported as Commission income. Revenue is recognised when a performance obligation is satisfied, which is when control of the service is transferred to the customer. The total consideration received is allocated to each performance obligation, depending on whether they are satisfied either over time or at a point in time.

Commission income for asset management and custody services is generally recognised as revenue over time, as services are performed. Where fees are variable, i.e. performance-based fees, revenue is recognised when it is highly probable that a significant reversal in the amount will not occur.

Payment commissions and card fees are generally recognised when the services are provided, at a point in time. Fees related to service concepts are recognised over the period of time when the services are provided. Lending fees that are not an integral part of the effective interest rate are recognised as commission income. Lending and deposits fees are recognised both over time and at a point in time, depending on when the performance obligation is satisfied.

Expenses for bought service directly attributable to generating commission income for service provided are reported as commission expense.

3.13 Other income

IT and other services mainly provided to the Saving banks are included in Other income and accounted for in accordance with IFRS 15, see 3.12 Net commission. The revenues regarding IT-services are typically recognised over time. Revenues for other services are recognised both over time and at a point in time, depending on when the performance obligation is satisfied.

In addition, Other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates, to the extent they do not represent an independent service line, or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

3.14 Share-based payment (IFRS 2)

Since the Group receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share-based payment. The fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered and, at the same time, a corresponding increase in equity is recognised as Retained earnings.

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

3.15 Impairment (IAS 36)

For assets that are not tested for impairment according to other standards, the Group periodically determines whether there are indications of diminished value. If such indications exist, the asset is tested for impairment by estimating its recoverable amount. An asset's recoverable amount is the higher of its selling price less costs to sell and its value in use. If the carrying amount exceeds the recoverable amount, the asset is reduced to its recoverable amount. When estimating value in use, estimated future cash flows are discounted using a discount rate before tax that includes the market's estimate of the time value of money and other risks associated with the specific asset. An assessment is also made on each reporting date whether there are indications that the need for previous impairments has decreased or no longer exists. If such indications exist, the recoverable amount is determined. Previous impairment losses are reversed only if there were changes in the estimates made when the impairment was recognised. Goodwill impairment is not reversed. Impairments are recognised separately in the income statement for tangible or intangible assets.

3.16 Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax.

Deferred tax liabilities are the tax attributable to taxable temporary differences and are expected to be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences, with the exception of the portion of tax liabilities attributable to the initial recognition of goodwill or to certain taxable differences owing to holdings in subsidiaries. Deferred tax assets represent a reduction in the future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing date and recognised to the extent it is likely on each closing date that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations.

The Group's deferred tax assets and tax liabilities are estimated at nominal value using each country's tax rate in effect in subsequent years. Deferred tax assets are netted against deferred tax liabilities for Group entities that have offsetting rights. All current and deferred taxes are recognised in profit or loss as Tax expense, with the exception of tax attributable to items that are recognised directly in other comprehensive income or equity.

3.17 Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of cash and balances with central banks, when the central bank is domiciled in a country where Swedbank has a valid banking licence. Balances refer to funds that are available at any time. This means that all cash and cash equivalents are immediately available.

3.18 Operating segments (IFRS 8)

Segment reporting is presented on the basis of the executive management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker. The Group has identified the Chief Executive Officer (CEO) as its chief operating decision maker and the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented.

The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting. Market-based compensation is applied between operating segments, while all costs for IT, other shared services and Group staff are transferred at full cost-based transfer prices to the operating segments. Group Executive Management expenses are not distributed. Cross-border services are invoiced according to the OECD's guidelines on transfer pricing. The Group's equity attributable to the shareholders is allocated to each operating segment based on the capital adequacy rules and estimated utilised capital.

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgements, assumptions and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as recognised income and expenses during the report period. The executive management continuously evaluates these judgements and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans, impairment of intangible assets, deferred taxes, pension provisions and share-based payments. The executive management bases its judgements and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgements and estimates.

Investment funds

Entities in the Group have established investment funds for their customers' savings needs. The Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Swedish Financial Supervisory Authority. The return generated by these assets, as well as the risk of a change in value, accrues to customers. Within the framework of the approved fund provisions, the Group receives management fees as well as, in certain cases, application and withdrawal fees for the management duties it performs. The decisions regarding the management of an investment fund are governed by the fund's provisions; however the Group has power over the decision making of the relevant activities of the investment funds. The Group's exposure to variable returns from its involvement with those funds is primarily related to the fees charged and therefore the Group is considered to act as agent on behalf of the investment funds' investors. In certain cases, Group entities also invest in the investment funds to fulfil their obligations to customers. The Group's holdings in the investment funds represent an additional variable exposure in the investment funds. The Group's interests in total are seen as principal activity for the Group's own benefit where such interests exceed 35 per cent and, consequently, the investment fund would be controlled and consolidated. The Group considers that holdings in investment funds through unit-linked mutual insurance contracts do not result in a variable exposure and therefore are excluded from the assessment of control over such investment funds. Holdings in investment funds through unit-linked mutual insurance contracts of SEK 194bn (169) are recognised as Financial assets for which the customer bears the investment risk and the corresponding liabilities of SEK 194bn (169) are recognised as Financial liabilities for which the customer bears the investment risk. If the Group had considered such holdings to be a variable exposure and that it had control over such investment funds, additional financial assets and financial liabilities corresponding to SEK 82bn (77) respectively would have been recognised in the Group's balance sheet.

Financial instruments

When determining the fair values of financial instruments, the Group uses various methods depending on the degree of available observable market data and the level of activity in the market. Quoted prices on active markets are primarily used. When financial assets and financial liabilities in active markets have offsetting market risks, the average of bid and sell prices is used as a basis for determining the fair value of the offsetting risk positions. For any open net positions, bid or sell prices are applied as appropriate, i.e. bid prices for long positions and sell prices for short positions. The Group's executive management has determined the method for which market risks offset each

other and how the net positions are calculated. When quoted prices on active markets are not available, the Group instead uses valuation models. The Group's executive management determines when the markets are considered inactive and when quoted prices no longer correspond to fair value, therefore requiring that valuation models are used. An active market is considered a regulated marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is evaluated continuously by analysing factors such as trading volumes and differences between bid and sell prices. When certain criteria are not met, the market or markets are considered inactive. The Group's executive management determines which valuation model and which pricing parameters are most appropriate for the individual instrument. Swedbank uses valuation models that are generally accepted and are subject to independent risk control.

When financial instruments are measured at fair value according to valuation models, a determination is made on which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note G46 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with significant assumptions. As of year-end the value of financial instruments measured with significant assumptions amounted to SEK 1 127m (1 854), related to holdings in unlisted shares.

A determination is made about which financial instruments hedge accounting will be applied to in order to reduce accounting volatility as far as possible. Accounting volatility lacks economic relevance and arises when financial instruments are measured with different measurement principles despite that they financially hedge each other.

Tax

For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. The parent company determines the dividend payment and does not intend to distribute dividends from the subsidiary's accumulated earnings before 2017 and no deferred tax is reported for this part. Accumulated earnings before 2017 amounted to SEK 13 724m (14 237). The unrecognised deferred tax liability amounted to SEK 2 745m (2 847).

Provisions for credit impairments

Credit impairment provisions are estimated using quantitative models incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. In particular, the following can have a significant impact on the level of impairment provisions: the determination of a significant increase in credit risk and the incorporation of forward-looking macroeconomic scenarios. Incorporating forward-looking information requires significant judgement, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses.

There have been no significant changes to the methodologies applied during the reporting period. However, due to the continued uncertainties related to Covid-19 and that the quantitative risk models may not appropriately incorporate the specific dynamics related to the pandemic, post-model expert credit adjustments to the credit impairment provisions were deemed necessary. Details of these are found on page 77. Analysis of the sensitivity of credit impairment provisions in relation to significant increase in credit risk assumptions is found on page 76 and in relation to the forward-looking macroeconomic scenarios is found on page 75.

Significant credit-impaired exposures (which are those where the borrower's or limit group's total group credit limit is SEK 50m or more), are assessed on an individual basis and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, of which at least one is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 603m (869).

Impairment testing of goodwill

Goodwill is tested at least annually for impairment. Testing is conducted by calculating the recoverable amount i.e. the highest of value in use or the selling price less costs to sell. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. Goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. The executive management's tests are done by calculating value in use. The cal-

culation is based on estimated future cash flows from the cash generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans the executive management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. The Group estimates perpetual cash flows, since all cash generating units are part of the Group's home markets, which it has no intention of leaving. In addition, a discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. Different discounting factors are used for different time periods. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, a large part of the calculation is dependent on the executive management's own assumptions. The executive management considers the assumptions to be significant to the Group's results and financial position. The Group's goodwill amounted to SEK 13 327m (13 709) at year-end, of which SEK 10 200m (10 582) relates to the investment in the Baltic banking operations. The executive management's assumptions in the calculation of value in use as of year-end did not lead to any impairment losses. If the discount rate had been increased by one percentage point or the growth assumption had been reduced by one percentage point, it would not have created any impairment losses for the investments in the Baltic banking operations.

Defined benefit pensions

For pension provisions for defined benefit obligations, the executive management uses a number of actuarial assumptions to estimate future cash flows. The assumptions are assessed and updated, if necessary, at each reporting date. Changes in assumptions are described in Note G39. Important estimates are made with regard to the final salary the employee has at the time of retirement, the size of the benefit when it relates to the income base amount and the payment period and economic life. Estimated future cash flows are projected at present value using an assumed discount rate. When actual outcomes deviate from the assumptions made, an experience-based actuarial gain or loss arises. Actuarial gains or losses also arise when assumptions change. During the year a gain of SEK 5 166m (-3 866) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. At year end the discount rate, which are used in the calculation of the pension liability, was 1.41 per cent as per year end 2020 compared to 1.46 per cent last year end. More high quality bonds have been included in the determination of the discount rate from the first quarter 2020. The inflation assumption was 1.48 per cent compared with 1.98 per cent last year end. The changed assumptions represent SEK 2 792m (-4 929) of the positive result in other comprehensive income. The fair value of plan assets increased during the year by SEK 2 374m (1 063). In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 3 665m compared with SEK 8 798m at the last year end.

Contingent liabilities

The Group is subject to different authorities' investigations regarding Swedbank's historic anti money laundering compliance. At year end no amount has been recognised as a provision or has been reported as a contingent liability for potential fines. The outcome of the investigations has still not been known, neither was it possible to reliably estimate potential fines.

5 NEW STANDARDS AND INTERPRETATIONS

5.1 Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2021. The IASB permits earlier application. For Swedbank to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the annual report.

Amendments for Interest Rate Benchmark Reform (phase 2)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 were issued in August 2020. The amendments were approved by the EU in January 2021 and are applicable from 1 January 2021, with early application permitted. The amendments address the accounting issues that arise when financial instruments that reference an IBOR interest rate transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest Rate Benchmark Reform (the Reform), to be treated as changes to a floating interest rate. They also permit changes required by the Reform to be implemented in hedge designations and hedge documentation without the hedging relationship being discontinued. The adoption will not have any impact on the Group's financial position, results, cash flows or disclosures.

Insurance (IFRS 17)

IFRS 17 was issued in May 2017 and amended in June 2020. The standard is applicable from 1 January 2023 and has not yet been approved by the EU. The new standard establishes principles for recognition, presentation, measurement and disclosure of insurance contracts issued. Insurance contracts in scope will be measured at current value, based on the current estimates of amounts expected to be collected from premiums and paid out for claims, benefits and expenses plus expected profit for providing insurance coverage. The impacts on the Group's financial reports are still being assessed by the Group.

Other changes in IFRS and Swedish regulations

Other new or amended IFRSs, interpretations or Swedish regulations issued and not yet adopted are not expected to have a significant impact on the Group's financial position, results, cash flows or disclosures.

G3 Risks

Swedbank defines risk as a potential negative impact on the value of the Group 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 Group.

The Board of Directors has adopted a Policy on Enterprise Risk Management (ERM) that describes the Enterprise Risk Management framework. This includes the Group's Risk Strategy and Risk Appetite, fundamental principles on risk management such as risk culture and risk awareness, as well as allocation of roles and responsibilities in the risk management process. The framework embeds risk management into existing practices and processes within the Group.

Risk management includes the processes which ensure that the Group identifies, assesses (and measures where applicable), manages, monitors and reports on risk. The processes encompass all types of risk and result in an assessment of Swedbank's risk level, which in turn serves as the basis of the internal capital adequacy assessment process.

To ensure that Swedbank's risk exposure maintains a low level also in the long-term perspective, the Board has defined an overall risk appetite. In line with this appetite, individual CEO limits have been established for the types of risks that the Group is exposed to. The CEO limits are complemented by limits at lower levels as well as key risk indicators, which are closely monitored and designed to provide early warning signals should the risk landscape change.

The capital adequacy assessment process evaluates capital needs based on Swedbank's aggregate risk level, goals and business strategy. The aim is to ensure efficient use of capital and at the same time, even under adverse market conditions, ensure that Swedbank meets legal minimum capital requirements and maintains access to both domestic and international capital markets.

External risks and other factors that affect risk

In 2020, several factors affected the world at large, of which some were more relevant to Europe. These factors are potential risk drivers in the economies affected by them. Swedbank follows the developments closely in order to manage the potential risks in a proactive manner:

Covid-19

Covid-19 was assessed as a critical risk for the Bank, its employees and customers. The authorities in all Swedbank home markets, as well as in other geographies introduced stricter precautionary measures to diminish the spread of the virus and the Bank followed all the restrictions and recommendations accordingly. Employees were advised to work remotely (from home) at least until the end of 2020. The recovery in the economy from the pandemic is losing steam as the Covid-19 cases increase in connection with the second wave of the pandemic. While the pandemic affected all customer segments at various degrees, there were no material signs of deteriorating asset quality in the credit portfolio, and actual default rates in e.g. Mortgage and SMEs were at historic lows despite the severity of Gross Domestic Product (GDP) and unemployment. The new stage of the pandemic however brings increased uncertainty and a recovery is dependent on fiscal and monetary policies remaining expansionary and there is also risk for delayed effects when the government support measures end.

Brexit

Swedbank is adequately prepared for Brexit after the end of the transition period. The risks identified have either been mitigated or are being mitigated through measures such as vetting of contracts with suppliers based in the UK to ensure Swedbank's compliance related to GDPR. The current temporary adjustments and permits within the area of financial services creates a risk for disruptions from mid-year 2022 unless the EU and the UK agree on new and/or permanent rules and legislation.

Anti-money laundering and Counter Terrorist financing (AML/CTF)

Swedbank is a full-service retail bank offering a wide range of products and services to a large number of private and corporate customers. Swedbank's business model means that the Group is exposed to risks and many predicate crimes in relation to Money Laundering and Terrorist Financing (ML/TF) schemes.

The Swedish and Estonian supervisory authorities concluded their investigations of Swedbank in March 2020. The investigations showed that Swedbank had deficiencies in its internal governance and controls related to the prevention money laundering. In order to remediate the deficiencies and strengthen Swedbank's capability to identify

and control risks related to money laundering, Swedbank initiated a number of strategic programs: Culture project, governance initiative and compliance review. Currently these programs are in an ongoing transformation phase. In addition, an external consultancy firm has been assigned to conduct a yearly maturity assessment of Swedbank's AML/CTF programs for three years. The first report demonstrates the high pace of Swedbank remediation programs to remediate its historical deficiencies.

The Anti-Financial Crime Unit (AFC) has continued to concentrate the Group's resources for technological and investigative resources and competences connected to the prevention of financial crime. Swedbank is also investing heavily in additional resources and infrastructure regarding know your customer (KYC), risk classification, transaction monitoring and screening of financial sanctions. Further, Swedbank has continued its work of updating its current AML/CTF framework to ensure robustness and consistency in the Group in the AML/CTF work that takes place across the Group. Through these frameworks, Swedbank expresses its risk appetite for money laundering.

Other factors

Interest Rate Benchmark Reform

IBOR transition is a market move from existing Interbank Offered Rates (IBORs) towards alternative Risk Free Rates (RFRs). Global regulators and the public/private sector have established working groups to identify and promote the use of more robust and transparent, transactionbased RFRs. IBORs act as reference rates for a broad range of financial instruments and are therefore key to financial stability. At Swedbank as a large full service bank the IBORs are currently used across lending, deposit, investment and trading products and feature across other internal processes. To address the challenge and ensure smooth transition, Swedbank established an IBOR Transition programme across the bank to work with assumptions on market transition, inventory, scenario and data analysis. Group strategy, contracts and agreements as well as internal and external communication. Swedbank has activities underway to continuously identify and monitor the developments and has plans in place to transition the exposures where an IBOR rate is expected to be discontinued. Swedbank will continue taking steps through the IBOR Transition programme to manage and mitigate any risks which may arise. Swedbank has implemented processes and technology to adopt new RFRs e.g. (SONIA, SOFR, €STR) in some financial products in relevant parts of its business and is developing capabilities to operate using new rates as and when they become available. Similarly, Swedbank is prioritising risk mitigation activities in relation to current exposure to LIBOR and other incumbent rates. Transition activity and operational changes to manage this exercise are in progress and are anticipated to continue through the lifetime of the IBOR transition.

Tax

The tax area is complex and leaves room for judgement. Practices and interpretations of applicable laws are often changed, sometimes retroactively. In the event that the tax authorities and, where appropriate, the tax courts decide on a different interpretation than what Swedbank initially made, then it could impact the Group's operations, results and financial position.

Swedbanks Risk Taxonomy

Swedbank has a Group Risk Taxonomy, which is a system for categorizing risks into groups based on common characteristics of risks. The categories in the Risk Taxonomy are called Risk types.

Risk types	Description
Credit risk (3.1)	The risk that a counterparty fails to meet its obligations to the Group and the risk that the pledged collateral does not cover the claims.
Liquidity risk (3.2)	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.
Market risk (3.3)	The risk to value, earnings, or capital arising from movements of risk factors in financial markets.
Operational risk (3.4)	The risk of losses, business process disruption and negative reputational impact resulting from inadequate or failed internal processes, people and systems, or from external events.
Risk in the Insurance Business (3.5)	Risk in the insurance business is defined as insurance underwriting risk, market risk, credit risk, and liquidity risk in respect of the wholly owned insurance companies in the Group.
Other risk types (3.6)	Other risk types within Swedbank's Risk Taxonomy are Capital risk, Sustainability risk, Strategic risk and Compliance risk

3.1 CREDIT RISK

3.1.1 Definition

Credit risk is the risk that a counterparty fails to meet its contractual obligations towards the Group and the risk that the pledged collateral does not cover the claims. Credit risk also includes concentration risk, country risk, counterparty credit risk in trading transactions and settlement risk.

3.1.2 Risk management

A central principle for Swedbank's lending is that each of the Group's business units have full responsibility for their credit risks, that credit decisions adhere to the credit process and are made in accordance with applicable regulations, and that these decisions are in line with Swedbank's business and credit strategies. Depending on the size and nature of each credit, a lending decision can be made, for example, by an officer with help from system support or by a credit committee. The business unit has full liability regardless of who makes the ultimate decision, including responsibility for internal credit control. The duality principle serves as guidance for credit management throughout the Group. The principle is reflected in the credit organisation, in decision-making bodies and in the credit process. Each business unit is responsible for ensuring that internal controls are integrated in the relevant parts of the credit process.

The credit process comprises operating and decision-making processes for lending, credit monitoring, and quantification of credit risk. The decision to grant credit requires that the borrower, on good grounds, is expected to fulfil its commitment towards the Group. Moreover, the Group strives to obtain adequate collateral. Sound, robust and balanced lending requires that each transaction is viewed in relation to relevant external factors, taking into account what the Group and the market know about anticipated local, regional and global changes and developments which could impact the transaction and its risks. Sustainability, including environmental considerations, social responsibility and business ethics, shall, for example, be taken into account.

Risk classification is a central part of the credit process. Risk class is assessed and assigned as part of each credit decision. The risk class also affects the scope of the analysis and documentation and how customers are monitored. In this way, low-risk transactions can be approved through a simpler and faster credit process. All credit exposures are systematically assessed on a continuous basis for early identification of significant increase in credit risk. Exposures to corporate customers, financial institutions and sovereigns are also reviewed at least once a year to ensure a comprehensive assessment of the borrower's financial situation and forward-looking creditworthiness, review and establishment of risk class and assessment of long-term relationship with the borrower.

The Group Risk organisation is responsible for independent monitoring and control of credit risk management, including the credit process, risk limits and the risk classification system. The risk organisation regularly reviews and assess the aggregate credit portfolio's risk profile and risk development. Stress tests are performed regularly, e.g. as a part of the annual Internal Capital Adequacy Assessment Process (ICAAP). Risk concentrations and increased risks in different segments as well as in large individual exposures are thoroughly monitored. Specific analyses and stress tests of certain segments or sub portfolios are performed as required.

3.1.3 Risk measurement

Swedbank's internal risk classification system is the basis for, among other things:

- Risk assessment and credit decisions
- Calculating risk-adjusted returns (including RAROC)
- Credit impairment provisions
- Monitoring and managing credit risks
- Reporting credit risks to the Board, CEO and Group Executive Management
- Developing credit strategies and associated risk management activities
- Calculating capital requirements and capital allocation

The most important risk parameters for calculating expected losses and regulatory capital requirements for credit exposures are:

Probability of Default (PD) - the probability that a counterparty or contract will have a payment default within a twelve-month period.

Loss Given Default (LGD) - the proportion of the credit exposure that is expected to be lost in the event of default, and

Exposure at Default (EAD) - the credit exposure the bank is estimated to have when a counterparty has defaulted.

In the PD models, the risk grades are expressed on a scale of 22 risk grades, where 0 represents the highest risk and 21 represents the lowest risk of default. In addition, there is one grade for defaulted loans. The table below describes the risk scale and how it relates to the theoretical probability of default (PD) within 12 months, as well as to an indicative rating from Standard & Poor's.

Internal risk grade	PD (%)	Indicative rating Standard & Poor's
13-21	<0.5	BBB- to AAA
9-12	0.5-2.0	BB to BB+
6-8	2.0-5.7	B+ to BB-
0-5	>5.7	B to B-
Default	100	D

Swedbank's internal risk classification system is approved by the Swedish Financial Supervisory Authority and Swedbank is permitted to apply the IRB approach to calculate the major part of the capital requirement for credit risks. Swedbank uses several different risk classification models for different sub-segments of the credit portfolio. There are primarily two types of models. One type is based on statistical methods, requiring access to a large amount of information on counterparties and sufficient information regarding counterparties that have entered into default. The other type is based on expert opinions and is used in cases where statistical methods are not applicable. The models are validated when new models are introduced and when major changes are made, as well as on a periodic basis, at least annually. The validation is designed to ensure that each model measures risk in a satisfactory manner. In addition, the models are evaluated to ensure that they work well in daily credit operations.

In the financial statements, expected credit losses are calculated in accordance with International Financial Reporting Standard (IFRS) 9, which is described below in section 3.1.4. The main differences between the expected loss calculation for regulatory capital requirements (Basel regulatory framework) and the measurement of expected credit losses according to IFRS 9 are summarised in the table in section 3.1.5 "IFRS 9 vs Regulatory capital framework".

3.1.4 Calculation of credit impairment provisions

Measurement of expected credit losses

The Group measures credit impairment provisions using an expected credit loss approach. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. For financial assets with no significant increase in credit risk since initial recognition (Stage 1), impairment provisions reflect 12-month expected credit losses.

For financial assets with a significant increase in credit risk (Stage 2) and those which are credit impaired (Stage 3), impairment provisions reflect lifetime expected credit losses. Such measurements are estimated using internally developed statistical models or individual assessments of expected contractual cash flows, both of which involve a high degree of management judgement. The portfolios for estimating expected credit losses are determined according to the same segmentation that is applied for regulatory purposes, with shared risk characteristics. This is based on homogeneous sub segments of the total credit portfolio, such as obligor type, country, business area, or product group.

The key inputs used in the quantitative models are Probability of Default, Loss Given Default, Exposure At Default and expected lifetime. Expected credit losses reflect both historical data and probability weighted forward-looking scenarios.

Probability of Default (PD)

The 12-month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Internal risk rating grades based on IRB PD models are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure covering the lifetime of financial assets. The developed PD models are segmented based on shared risk characteristics such as obligor type, country, product group and industry segment, and are used to derive both the 12-month and lifetime PDs. Segment and country specific credit cycle indexes are forecasted given different macroeconomic scenarios.

For each scenario, PD term structures are adjusted based on the correlation to the forecasted credit cycle indexes, to obtain forward-looking point-in-time PD estimates. Consequently, a worsening of an economic outlook or an increase in the probability of the downside scenario occurring results in higher 12-month and lifetime PDs, thus increasing the estimated expected credit losses as well as the number of loans migrating from Stage 1 to Stage 2.

Loss Given Default (LGD)

LGD represents an estimate of the loss arising on default, taking into account the probability and the expected value of future recoveries including realization of collateral, the length of the recovery period and the time value of money. LGD estimates are based on historical loss data segmented by geography, type of collateral, type of obligor, and product information. Forward-looking information is reflected in the LGD estimates by using forecasted collateral value indexes for each macroeconomic scenario to adjust future loan-to-value and recovery rates. An economic outlook with deteriorating collateral values decreases recovery rates and increases loan-to-value, and therefore increases LGD and expected credit losses.

Exposure At Default (EAD)

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

Expected lifetime

The Group measures expected credit losses considering the risk of default over the expected life. The expected lifetime is generally limited by the maximum contractual period over which the Group is exposed to credit risk, even if a longer period is

consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Group. For the mortgage portfolio, the Group uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment). For credit cards, the expected behavioural life, is determined using product specific historical data and ranges up to 10 years.

Determination of significant increase in credit risk

The Group uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criteria are disclosed in note G2 Accounting Policies section 3.4.3 Credit impairment, Determining a significant increase in credit risk since initial recognition. The tables on the next page show the quantitative thresholds, namely:

- Changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018.

For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 3 to 8 grades from initial recognition is considered significant.

- Changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018.

For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, an increase of 150-300 per cent from initial recognition is considered significant.

These thresholds reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high-risk end of the scale.

Further to this and in light of Covid-19, the Group has provided support measures to customers, in the form of principal amortisation deferrals, which have generally not been automatically treated as indicators of significant increase in credit risk. More detailed information on these measures are found on page 87.

The Group has performed a sensitivity analysis on how credit impairment provisions would change if the thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and, also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect. The tables below disclose the impacts of this sensitivity analysis on the year-end credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating down-grade ^{1, 2, 3}	2020				2019					
			Impact of credit impairment provision			Impact of credit impairment provision						
			Increase in threshold by 1 grade	Decrease in threshold by 1 grade	Recognised credit impairment provisions	Share of total portfolio (%) in terms of gross carrying amount	Increase in threshold by 1 grade	Decrease in threshold by 1 grade	Recognised credit impairment provisions	Share of total portfolio (%) in terms of gross carrying amount		
13-21	< 0.5%	3 - 8 grades	-7.7%	7.0%	514	35%	-11.2%	11.2%	681	43%		
9-12	0.5-2.0%	1 - 5 grades	-13.5%	13.0%	330	7%	-21.5%	20.7%	363	9%		
6-8	2.0-5.7%	1 - 3 grades	-11.5%	4.0%	84	3%	-8.2%	6.6%	149	3%		
>5.7% and 0-5	<100%	1 - 2 grades	-0.9%	0.0%	141	1%	-2.3%	0.0%	107	1%		
			-9.0%	7.7%	1 069	46%	-13.1%	12.4%	1 300	56%		
Financial instruments subject to the low credit risk exemption					17	8%			3	6%		
Stage 3 financial instruments					2 207	0%			3 839	1%		
Post model expert credit adjustment ⁴⁾					673							
Total provisions⁵⁾					3 966	54%			5 142	63%		

1) Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.

2) Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

3) The threshold used in the sensitivity analyses is floored to 1 grade.

4) Represents post-model expert credit adjustments for stages 1 and 2. The sensitivity analysis is reflected on the model output prior to the post-model expert credit adjustment.

5) Of which provisions for off-balance exposures are SEK 499m (492).

Significant increase in credit risk - financial instruments with initial recognition on or after 1 January 2018

Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁶	2020				2019				
		Impact of credit impairment provision			Impact of credit impairment provision					
		Increase in threshold by 100 %	Decrease in threshold by 50 %	Recognised credit impairment provisions	Share of total portfolio (%) in terms of gross carrying amount	Increase in threshold by 100 %	Decrease in threshold by 50 %	Recognised credit impairment provisions	Share of total portfolio (%) in terms of gross carrying amount	
13-21	100-300%	-3.1%	5.8%	340	31%	-10.6%	8.7%	267	25%	
9-12	100-200%	-4.8%	2.2%	413	8%	-0.5%	1.1%	235	7%	
6-8	50-150%	-0.7%	0.9%	143	3%	-1.3%	3.0%	95	2%	
0-5	50%	0.0%	0.1%	299	1%	-0.1%	0.3%	182	1%	
		-2.6%	2.5%	1 195	43%	-4.0%	3.7%	779	34%	
Financial instruments subject to the low credit risk exemption					15	3%			6	3%
Stage 3 financial instruments					2 952	0%			1 340	0%
Post model expert credit adjustment ⁷⁾					847					
Total provisions⁸⁾					5 009	46%			2 125	37%

6) Threshold vary within given ranges depending on the borrower's geography, segment and internal risk rating.

7) Represents post-model expert credit adjustments for stages 1 and 2. The sensitivity analysis is reflected on the model output prior to the post-model expert credit adjustment.

8) Of which provisions for off-balance exposures are SEK 307m (91).

Incorporation of forward-looking macroeconomic information

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses. From analyses of historical data, the Group Risk organisation has identified and reflected relevant macroeconomic variables that contribute to credit risk and losses for different portfolios based on geography, borrower, and product type, in the models. The most highly correlated variables are GDP growth, housing and property prices, unemployment, oil prices and interest rates. Swedbank continuously monitors the global macroeconomic environment, with particular focus on Sweden and other home markets. This includes defining forward-looking macroeconomic scenarios for different jurisdictions and translating those scenarios into macroeconomic forecasts. The housing market has been resilient during the coronavirus crisis. Continued low interest rates combined with the various government measures to keep household incomes up, have also supported the rise in prices and therefore our baseline projections profile remains fairly similar.

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The economic scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. The macroeconomic forecasts consider internal and external information and are consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The base scenario is based on the assumptions corresponding to the bank's budget scenario and alternative scenarios reflecting more positive as well as more negative outlook are developed accordingly. The Group considers three scenarios when estimating expected credit losses, which are

incorporated into the PD and LGD inputs for model-based expected credit losses. The base scenario has an assigned probability weight of 66.6 per cent and 16.7 per cent is assigned to both the upside and downside alternative scenarios.

Scenarios

The consequences of the Covid-19 pandemic dominated the agenda in 2020. After the sharp decline in the macroeconomic indicators during the spring, a recovery began during the summer. However, the spread of Covid-19 increased again during the last quarter of 2020, and economic activity began to slow down. It will probably not be until the latter part of 2021 when the economy recovers more clearly and steadily. This unexpected development led to adjusting our baseline projection from 2019, with a rather flat growth profile, to a deeper and pronounced drop in GDP and rise in unemployment.

The housing market has been resilient during the coronavirus crisis. Continued low interest rates combined with the various government measures to keep household incomes up, have also supported the rise in prices and therefore our baseline projections profile remains fairly similar.

Compared with the Swedbank Economic Outlook, the GDP and unemployment rates used in the expected credit losses calculations are seasonally adjusted.

2020	Positive scenario				Baseline scenario				Negative scenario			
	2020 ¹	2021	2022	2023	2020 ¹	2021	2022	2023 ²	2020 ¹	2021	2022	2023
Sweden												
GDP (annual growth)	-3.5	3.0	2.7	2.3	-3.7	2.0	3.1	2.3	-4.2	-5.6	2.0	4.6
Unemployment (%) ³	8.5	8.3	7.6	7.2	8.4	9.1	8.8	8.1	8.6	11.1	12.0	10.9
House prices (% annual change)	6.9	6.9	5.5	6.1	6.7	5.6	4.1	5.0	5.8	-1.5	-0.4	2.0
Stibor 3m (%)	0.09	0.10	0.29	0.56	0.08	-0.02	0.07	0.27	0.08	-0.39	-0.59	-0.55
Estonia												
GDP (annual growth)	-3.1	3.7	4.2	2.5	-3.2	3.1	4.1	1.9	-3.5	-4.2	3.1	2.4
Unemployment (%)	6.8	6.7	5.8	5.5	6.8	7.5	6.9	6.4	7.0	12.9	11.5	10.2
House prices (% annual change)	6.5	9.1	9.8	5.3	6.4	6.1	8.5	5.0	6.1	-13.2	4.9	4.3
Latvia												
GDP (annual growth)	-4.8	3.6	4.3	3.4	-5.0	3.1	4.1	3.0	-5.3	-3.8	4.6	3.0
Unemployment (%)	8.1	6.9	5.9	5.4	8.3	8.1	6.5	6.0	8.4	13.4	12.3	10.8
House prices (% annual change)	2.1	8.2	8.2	6.4	2.0	3.3	6.3	5.4	1.7	-10.7	4.9	4.7
Lithuania												
GDP (annual growth)	-1.8	4.6	4.8	3.2	-1.9	4.0	4.7	2.5	-2.2	-4.0	4.5	2.4
Unemployment (%)	7.8	6.4	5.6	5.4	7.9	7.2	6.3	6.0	8.0	12.4	11.4	10.2
House prices (% annual change)	12.8	7.1	8.3	5.6	12.6	4.6	6.0	4.9	12.4	-12.5	5.4	5.3
Global indicators												
US GDP (annual growth)	-3.9	3.6	4.3	2.8	3.9	3.0	3.3	1.9	-4.0	-0.2	1.1	1.5
EU GDP (annual growth)	-6.4	6.2	2.0	1.4	7.3	3.7	3.3	1.6	-8.6	0.5	4.5	2.8
Brent Crude Oil (USD/Barrel)	39.4	54.0	59.1	61.9	37.7	43.3	45.4	46.8	34.0	28.6	34.6	39.5
Euribor 6m (%)	-0.36	-0.14	0.53	1.37	-0.39	-0.50	-0.44	-0.21	-0.46	-0.80	-0.69	-0.59

1) Forecasted 2020 values, as the actual official numbers were not published when the scenarios were set.

2) The baseline scenario for 2020, 2021 and 2022 are based on the published Swedbank Economic Outlook. The baseline scenario variables for 2023 are model-based extrapolations.

3) Unemployment rate, 16–64 years

2019	Positive scenario			Baseline scenario			Negative scenario		
	2019 ¹	2020	2021	2019 ¹	2020	2021	2019 ¹	2020	2021
Sweden									
GDP (annual growth)	1.7	2.2	2.1	1.3	1.0	1.4	0.3	-6.3	-1.5
Unemployment (%) ²	6.8	6.3	5.7	6.9	7.1	7.2	6.9	8.9	11.8
House prices (% annual change)	2.2	7.2	5.8	2.2	5.0	5.0	-0.0	-14.9	-7.7
Stibor 3m (%)	-0.01	0.35	0.75	-0.03	0.15	0.15	-0.09	-0.53	-0.35
Estonia									
GDP (annual growth)	3.2	4.2	3.2	3.2	2.1	2.5	3.1	-6.1	-4.7
Unemployment (%)	4.9	4.7	4.6	4.9	5.1	5.4	5.0	9.1	13.7
House prices (% annual change)	6.4	9.5	7.0	6.3	4.5	4.2	6.2	-15.2	-18.5
Latvia									
GDP (annual growth)	2.3	4.1	3.4	2.3	2.0	2.4	2.2	-5.8	-4.2
Unemployment (%)	6.5	6.4	6.4	6.5	6.6	6.6	6.6	10.7	15.1
House prices (% annual change)	8.4	10.9	9.3	8.2	4.9	4.8	8.2	-11.2	-14.0
Lithuania									
GDP (annual growth)	3.8	4.2	3.0	3.7	2.0	2.5	3.7	-5.2	-3.3
Unemployment (%)	6.2	5.9	5.6	6.2	6.2	6.0	6.2	9.8	14.3
House prices (% annual change)	4.8	8.3	7.2	4.7	4.8	4.8	4.6	-14.7	-16.0
Global indicators									
US GDP (annual growth)	2.3	2.7	2.8	2.3	1.5	2.0	2.2	-1.1	0.3
EU GDP (annual growth)	1.2	2.0	2.2	1.1	1.0	1.4	1.1	-2.0	0.5
Brent Crude Oil (USD)	64.8	61.0	70.8	62.8	50.8	55.3	58.7	32.7	39.3
Euribor 6m (%)	-0.30	-0.10	0.61	-0.30	-0.35	0.00	-0.37	-0.71	-0.61

1) Forecasted 2019 values, as the actual official numbers were not published when the scenarios were set.

2) Unemployment rate, 16–64 years.

Sensitivity analysis

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

The following table presents the credit impairment provisions as at year end that would result from applying only the downside or only the upside scenario, which are considered reasonably possible. Postmodel expert credit adjustments are assumed to be constant in the results.

Business area	2020				2019			
	Credit impairment provisions				Credit impairment provisions			
	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
Swedish Banking	1 788	424	1 969	1 690	1 520		1 816	1 347
Baltic Banking	754	242	872	669	637		868	533
LC&l	6 423	867	7 471	5 640	5 108		6 616	2 798
Group ¹	8 975	1 533	10 323	8 010	7 267		9 300	4 678

1) including Group Functions & Other

Post-model expert credit adjustment

Key portfolio risks have changed as a consequence of Covid-19. The deterioration of macroeconomic indicators that contribute to credit risk and losses – inter alia GDP growth, housing and property prices, unemployment, oil prices and interest rates – have not yet resulted in a similar increase in credit losses or default rates, that historically have been observed in similar economic shocks. Government and regulator support measures and guidance on the treatment of customer impacts (for example, forbearance and payment moratoria) have significantly suppressed the impacts of Covid-19 in the short term and there is a risk that credit quality may start to deteriorate as such measures end. The onset of the Covid-19 second wave at the end of 2020 led to some additional support measures to mitigate the further effects, which potentially also leads to further delays in credit risk impacts. The models do not capture these complexities, nor do they capture the continued uncertainty around further Covid-19 outbreaks, which could further delay the recovery.

Consequently, post-model adjustments to the credit impairment provisions were deemed necessary for significantly affected or vulnerable industry segments. These adjustments totalled SEK 1,533m at 31 December 2020 and are allocated as SEK 518m in Stage 1, SEK 1 001m in Stage 2 and SEK 13m in Stage 3. As at 31 December 2020, the most significant impacts of the post-model expert credit adjustments are reflected in the hotels and restaurants, manufacturing, transportation, retail and property management segments.

Individual assessments on significant credit-impaired assets

The criteria for credit-impaired assets are disclosed in note G2 Accounting policies, paragraph 3.4.3 Credit impairment, under the heading Definition of default and credit-impaired assets. The Group estimates expected credit losses on significant impaired exposures individually and without the use of modelled inputs. Significant means that the borrower's or limit group's total credit limit is SEK 50m or higher. The credit impairment provisions for these exposures are established using discounted expected cash flows and considering a minimum which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process as well as current and future economic conditions.

3.1.5 IFRS 9 vs the Regulatory capital framework

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

	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> • Fixed 1-year default horizon • Through-the-cycle, based on a long-run average • Conservative calibration based on backward-looking information including data from downturns 	<ul style="list-style-type: none"> • 12-month PD for Stage 1 and lifetime PD for Stages 2 and 3 • Point-in-time, based on the current position in the economic cycle • Incorporation of forward-looking information • No conservative add-ons
LGD	<ul style="list-style-type: none"> • Downturn adjusted collateral values and through-the-cycle calibration • All workout costs included 	<ul style="list-style-type: none"> • Point-in-time, based on the current position in the cycle • Adjusted to incorporate forward-looking information • Internal workout costs excluded • Recoveries discounted using the instrument specific effective interest rate
EAD	<ul style="list-style-type: none"> • 1-year outcome period • Credit conversion factor, with downturn adjustment, applied to off-balance sheet instruments 	<ul style="list-style-type: none"> • EAD over the expected lifetime of instruments • Point-in-time credit conversion factor applied to off-balance sheet instruments • Prepayments taken into account
Expected lifetime	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Early repayment behaviour in portfolios with longer maturities but predominant prepayments, e.g. mortgages. • Estimating maturities for certain revolving credit facilities, such as credit cards.
Discounting	<ul style="list-style-type: none"> • No discounting, except in LGD models 	<ul style="list-style-type: none"> • Expected credit losses discounted to the reporting date, using the instrument's effective interest rate
Significant increase in credit risk	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Relative measure of increase in credit risk since initial recognition • Identification of levels estimated to result in significant increase in credit risk

3.1.6 Swedbank's credit exposure

Maximum credit risk exposure

The following tables presents the Group's maximum credit risk exposure by geography and type of class and counterparty. For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount. The carrying amount of loans are presented by type of collateral when collateral is available. This means that a single loan is presented in the respective collateral line to the extent of the fair value of the collateral amount and any remaining carrying amount is presented as unsecured. For financial guarantees and similar contracts granted, the maximum amount that would have to be paid if the guarantees were called upon is presented. For loan commitments and other credit-related commitments, the unutilised amount of the committed facility is presented.

2020

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		128 788	32 272	29 759	64 658	926	68	17 745	19 466	129	293 811
Treasury bills and other bills eligible for refinancing with central banks, etc	G21	131 400	302	1 067	3 541	457				424	137 191
Swedish central bank											
Governments		128 354	302	1 067	3 541	457				424	134 145
Municipalities			3 046								3 046
Other											
Loans to credit institutions	G22	28 939	2 384	1 360	11 726	58	26	892	29	2 540	47 954
Banks		7 342	2 384	1 360	11 726	58	26	892	29	1 034	24 852
Other credit institutions		20 015	-0		-0			-0		1 506	21 521
Repurchase agreements, banks ¹		689									689
Repurchase agreements, other credit institutions ¹			893								893
Loans to the public	G23	1 425 150	85 450	35 911	60 582	52 266	1 639	16 472	1 752	1 764	1 680 987
Swedish National Debt Office		25 003									25 003
Repurchase agreements, Swedish National Debt Office ¹			7 243								7 243
Repurchase agreements, other public ¹		19 513			13 192						32 704
Real Estate Residential		1 018 734	38 326	15 171	36 238		1 386	918			1 110 773
Real Estate Commercial		174 293	17 643	8 528	9 154	2 811	153	201	67		212 850
Guarantees		28 512	2 909	449	1 637	321		2 974		1 517	38 319
Received cash		6 096	7	286	655	29					7 073
Other collateral		57 055	6 978	6 446	8 703	6 116	84	126			85 508
Unsecured		88 703	19 587	5 031	4 195	29 797	16	12 253	1 685	247	161 514
Bonds and other interest-bearing securities	G24	41 168	69	32	74	7 763	1 757	4 626	1 576	2 910	59 975
Mortgage institutions		25 192									25 192
Banks		5 085	54			3 610	187	2 563	1 423	2 523	15 445
Other financial companies		7 547				3 530	1 565	483	13	43	13 181
Non-financial companies		3 344	15	32	74	623	5	1 580	140	344	6 157
Derivatives	G28	13 748	98	39	128	3 964	1 788	4 227	21	28 164	52 177
Other financial assets	G32	11 218	620	217	292	3 978	24	45	1	56	16 451
Contingent liabilities and commitments											
Guarantees		34 430	2 593	834	1 020	6 778	171	285	4 555	30	50 696
Loan Commitments		260 715	6 752	5 621	6 163	27 023		19 630		271	326 175
Total		2 075 556	130 540	74 840	148 184	103 213	5 473	63 922	27 399	36 289	2 665 417
% of total		78	5	3	6	4	0	2	1	1	100

1) Fair value of received securities in repurchase agreements covers the carrying amount of the repurchase agreements.

2019

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		30 805	23 827	20 798	42 996	1 007	87	56 771	18 908	87	195 286
Treasury bills and other bills eligible for refinancing with central banks, etc	G21	132 729		795	2 441	205				924	137 094
Swedish central bank											
Governments		128 792		795	2 441	60				924	133 012
Municipalities		3 937									3 937
Other						145					145
Loans to credit institutions	G22	39 107	2 139	746	1 240	93	25	6	105	1 991	45 452
Banks		20 627	2 139	746	1 240	93	25	6	105	1 151	26 132
Other credit institutions		18 471								840	19 311
Repurchase agreements, banks ¹		9									9
Repurchase agreements, other credit institutions ¹											
Loans to the public	G23	1 395 563	86 081	37 176	62 287	50 707	2 202	15 344	1 722	1 214	1 652 296
Swedish National Debt Office		4									4
Repurchase agreements, Swedish National Debt Office ¹		9 725									9 725
Repurchase agreements, other public ¹		31 706				5 236					36 942
Real Estate Residential		957 219	37 749	15 783	34 202		1 430				1 046 383
Real Estate Commercial		163 887	18 580	8 317	10 275	2 900	385				204 344
Guarantees		25 783	2 965	727	1 998	320		241	280	1 177	33 491
Received cash		7 385	170	377	596	28					8 556
Other collateral		119 333	16 107	7 409	10 131	7 228	149		83		160 440
Unsecured		80 521	10 510	4 563	5 085	34 995	238	15 103	1 359	37	152 411
Bonds and other interest-bearing securities	G24	41 016	67	16	85	5 036	958	5 555	2 130	2 504	57 367
Mortgage institutions		26 556									26 556
Banks		1 450	27			4 181	185	2 922	1 130	1 564	11 459
Other financial companies		8 860	4						6	24	8 894
Non-financial companies		4 150	36	16	85	855	773	2 633	994	916	10 458
Derivatives	G28	13 288	84	47	137	2 537	998	3 286	136	23 911	44 424
Other financial assets	G32	2 540	797	551	316	4 188	7	267	30	108	8 804
Contingent liabilities and commitments											
Guarantees		35 157	2 513	900	1 123	5 136	262	349	6 521	47	52 008
Loan Commitments		213 491	9 094	6 327	9 622	24 670		23 256	695	258	287 413
Total		1 904 564	124 602	67 356	120 247	92 711	4 539	104 834	30 247	31 044	2 480 144
% of total		77	5	3	5	4	0	4	1	1	100

1) Fair value of received securities in repurchase agreements covers the carrying amount of the repurchase agreements.

Derivatives, netting and collateral held**2020**

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts	13 748	98	39	128	3 964	1 788	4 227	21	28 164	52 177
Netting agreements, related amount not offset in the balance sheet	-2 483				-1 157	-1 684	-1 494	-6	-11 263	-18 088
Credit exposure, after offset of netting agreements	11 265	98	39	128	2 807	104	2 733	14	16 901	34 089
Collateral held ¹	-2 104				-589	-21	-892	-137	-11 540	-15 284
Net credit exposures after collateral held	9 161	98	39	128	2 218	83	1 841	-123	5 361	18 806

1) Collateral consist of cash 99.9% and AAA rated bonds by Standard & Poor's 0.1%

Credit derivatives are used in customer trading but also to optimise the credit risk in trading portfolios with interest-bearing securities. The nominal amount of these credit derivatives at the year-end were SEK 1 207m (522).

2019

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts	13 288	84	47	137	2 537	998	3 286	136	23 911	44 424
Netting agreements, related amount not offset in the balance sheet	-3 034				-739	-917	-1 557	-75	-9 016	-15 338
Credit exposure, after offset of netting agreements	10 253	84	47	137	1 798	82	1 729	60	14 895	29 086
Collateral held ¹	-655				-654	-33	-115	-28	-10 419	-11 904
Net credit exposures after collateral held	9 598	84	47	137	1 144	49	1 614	32	4 475	17 182

1) Collateral consist of cash 99.9% and AAA rated bonds by Standard & Poor's 0,1%

Loans to the public in Stage 3 by collateral type**2020**

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Real Estate Residential	685	113	150	357						1305
Real Estate Commercial	257	70	14	52			200	67		660
Guarantees	131	33	2	1						167
Received cash	24		3	8						35
Other collateral	403	41	227	104	1879	18	1			2673
Unsecured ¹	230	52	22	13	374		1			692

1) "Unsecured" Includes both unsecured lending and the unsecured share of the loans where collateral does not cover the exposure in full.

2019

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Real Estate Residential	840	5	179	406						1 430
Real Estate Commercial	346	80	9	63	96					594
Guarantees	334	45	3	1						383
Received cash	10	1	5	11						27
Other collateral	537	42	21	116	2 716	35		82		3 549
Unsecured ¹	220	145	38	17	2 307	22	1	7		2 757

1) "Unsecured" includes both unsecured lending and the unsecured share of the loans where collateral does not cover the exposure in full.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations

Granting repos implies that the Group receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The Group also receives collateral in terms of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year end amounted to SEK 37 m (13). None of this collateral had been sold or repledged as of year end.

Distribution by internal credit risk rating

The tables below show the credit quality of financial instruments that are subject to the IFRS 9 impairment requirements. The gross carrying or nominal amounts are distributed by internal credit risk rating and stage. The associated credit impairment provisions are also presented.

Gross carrying amount, distributed by internal credit risk rating		Stage 1	Stage 2	Stage 3¹	Total
2020					
Cash and balances with central banks					
13-21		293 811			293 811
Total		293 811			293 811
Treasury bills and other bills eligible for refinancing with central banks, etc					
13-21		114 902	21		114 923
Total		114 902	21		114 923
Loans to credit institutions					
13-21		41 978	2		41 980
9-12		1 173	30		1 203
6-8		214			214
Non-rated exposures		3 002	1		3 003
Credit impairment provisions		-28			-28
Total		46 339	33		46 372
Loans to the public					
13-21		1 310 254	15 648	34	1 325 936
9-12		179 062	45 649	66	224 777
6-8		33 342	28 026	91	61 459
0-5		4 450	18 717	274	23 441
Default				10 039	10 039
Non-rated exposures		3 182	220	26	3 428
Credit impairment provisions		-827	-2 316	-4 998	-8 141
Total		1 529 463	105 944	5 532	1 640 939
Bonds and other interest-bearing securities					
13-21		36			36
Total		36			36
Other financial assets					
13-21		12			12
9-12		10	1		11
6-8		6	1		7
0-5		3	7		10
Default				23	23
Non-rated exposures		16 395	2		16 397
Credit impairment provisions				-9	-9
Total		16 426	11	14	16 451
Total gross carrying amount		2 001 832	108 325	10 553	2 120 710
Total credit impairment provisions		-855	-2 316	-5 007	-8 178
Total carrying amount		2 000 977	106 009	5 546	2 112 532
Value change of interest hedged items in portfolio hedge					1 774
Total financial assets at amortised cost		2 000 977	106 009	5 546	2 114 306

1) Including purchased or originated credit impaired.

Gross carrying amount, distributed by internal credit risk rating		Stage 1	Stage 2	Stage 3¹	Total
2019					
Cash and balances with central banks					
13-21	195 286				195 286
Total	195 286				195 286
Treasury bills and other bills eligible for refinancing with central banks, etc					
13-21	120 574				120 574
Total	120 574				120 574
Loans to credit institutions					
13-21	43 757	8			43 765
9-12	1 403	17			1 420
6-8	213	19			232
Non-rated exposures		30			30
Credit impairment provisions	-4	-1			-5
Total	45 369	74			45 443
Loans to the public					
13-21	1 272 603	14 052	87	1 286 742	
9-12	180 732	43 329	134	224 195	
6-8	32 115	29 669	142	61 926	
0-5	4 301	18 875	514	23 690	
Default		12 647		12 647	
Non-rated exposures	2 621	264	69	2 954	
Credit impairment provisions	-479	-1 347	-4 853	-6 679	
Total	1 491 893	104 842	8 740	1 605 475	
Bonds and other interest-bearing securities					
Low risk	38				38
Total	38				38
Other financial assets					
13-21	14	1			15
9-12	13	2			15
6-8	7	1			8
0-5	11	10			21
Default		7			7
Non-rated exposures	8 741	1			8 742
Credit impairment provisions		-1	-3		-4
Total	8 786	14	4	8 804	
Total gross carrying amount	1 862 429	106 279	13 600	1 982 308	
Total credit impairment provisions	-483	-1 349	-4 856	-6 688	
Total carrying amount	1 861 946	104 930	8 744	1 975 620	
Value change of interest hedged items in portfolio hedge					271
Total financial assets at amortised cost	1 861 946	104 930	8 744	1 975 891	

1) Including purchased or originated credit impaired.

Nominal amount, Loan commitments and guarantees by internal credit risk rating

	Stage 1	Stage 2	Stage 3	Total
2020				
13-21	314 823	1 199	1	316 023
9-12	35 880	8 836	2	44 718
6-8	4 384	3 196	3	7 583
0-5	779	2 247	9	3 035
Default				527
Non-rated exposures	3 122	1 863	0	4 985
Total	358 988	17 341	542	376 871
Credit impairment provisions	-249	-396	-161	-806

	Stage 1	Stage 2	Stage 3	Total
2019				
13-21	293 525	942	2	294 469
9-12	27 060	5 316	6	32 382
6-8	4 599	3 309	1	7 909
0-5	1 691	1 374	103	3 168
Default				1 134
Non-rated exposures	384	2		386
Total	326 875	11 325	1 248	339 448
Credit impairment provisions	-113	-144	-326	-583

Loans to the public and credit institutions at amortised cost, carrying amount

The following tables present loans to the public and credit institutions at amortised cost by operating segments, geographical distribution and industry sectors.

2020

	Stage 1			Stage 2			Stage 3 ¹			Total
	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	
Operating segments										
Swedish Banking	1 146 965	214	1 146 751	63 614	846	62 768	2 208	555	1 653	1 211 172
Baltic Banking	157 155	83	157 072	23 944	335	23 609	1 580	318	1 262	181 943
Large Corporates & Institutions	200 919	530	200 389	20 702	1 135	19 567	6 742	4 125	2 617	222 573
Group Functions & Other	248		248							248
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 505 287	827	1 504 460	108 260	2 316	105 944	10 530	4 998	5 532	1 615 936
Geographical distribution										
Sweden	1 296 148	479	1 295 669	77 195	1 303	75 892	2 473	742	1 731	1 373 292
Estonia	76 517	33	76 484	8 812	155	8 657	402	93	309	85 450
Latvia	28 960	28	28 932	6 647	86	6 561	504	86	418	35 911
Lithuania	51 678	22	51 656	8 485	94	8 391	674	139	535	60 582
Norway	31 678	169	31 509	5 895	583	5 312	6 011	3 758	2 253	39 074
Denmark	1 622		1 622				92	75	17	1 639
Finland	15 193	54	15 139	1 226	95	1 131	282	80	202	16 472
USA	1 685		1 685				92	25	67	1 752
Other	1 806	42	1 764							1 764
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 505 287	827	1 504 460	108 260	2 316	105 944	10 530	4 998	5 532	1 615 936
Sector/industry										
Private customers	1 036 489	118	1 036 371	42 251	291	41 960	2 152	505	1 647	1 079 978
Mortgage loans, private	902 233	51	902 182	35 323	171	35 152	1 531	290	1 241	938 575
Tenant owner association	91 286	4	91 282	1 582	5	1 577	109	2	107	92 966
Other, private	42 970	63	42 907	5 346	115	5 231	512	213	299	48 437
Corporate customers	468 798	709	468 089	66 009	2 025	63 984	8 378	4 493	3 885	535 958
Agriculture, forestry, fishing	57 258	11	57 247	7 283	57	7 226	204	33	171	64 644
Manufacturing	32 876	133	32 743	5 910	141	5 769	298	97	201	38 713
Public sector and utilities	24 821	13	24 808	990	16	974	53	12	41	25 823
Construction	14 952	32	14 920	4 643	122	4 521	159	40	119	19 560
Retail	23 019	67	22 952	5 955	244	5 711	531	216	315	28 978
Transportation	11 480	8	11 472	1 483	28	1 455	19	4	15	12 942
Shipping and offshore	6 634	32	6 602	4 251	560	3 691	6 235	3 917	2 318	12 611
Hotels och restaurants	4 339	49	4 290	4 655	313	4 342	323	27	296	8 928
Information and communications	11 041	10	11 031	2 569	35	2 534	13	3	10	13 575
Finance and insurance	20 083	29	20 054	744	12	732	22	10	12	20 798
Property management	224 852	272	224 580	22 533	376	22 157	244	62	182	246 919
Residential properties	65 530	74	65 456	8 517	99	8 418	22	11	11	73 885
Commercial	92 881	125	92 756	7 123	118	7 005	162	40	122	99 883
Industrial and warehouse	42 009	47	41 962	2 721	18	2 703	33	7	26	44 691
Other property management	24 432	26	24 406	4 172	141	4 031	27	4	23	28 460
Professional services	17 896	35	17 861	3 283	76	3 207	169	44	125	21 193
Other corporate lending	19 547	18	19 529	1 710	45	1 665	108	28	80	21 274
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 505 287	827	1 504 460	108 260	2 316	105 944	10 530	4 998	5 532	1 615 936
Loans to the public, Swedish National Debt Office	25 003		25 003							25 003
Loans to credit institutions excluding repurchase agreements	46 367	28	46 339	33		33				46 372
Loans to the public and credit institutions	1 576 657	855	1 575 802	108 293	2 316	105 977	10 530	4 998	5 532	1 687 311

1) Including purchased or originated credit impaired.

2019

	Stage 1			Stage 2			Stage 3 ¹			
	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	Total
Operating segments										
Swedish Banking	1 126 162	147	1 126 015	68 502	599	67 903	2 882	699	2 183	1 196 101
Baltic Banking	161 990	34	161 956	22 594	193	22 401	1 589	402	1 187	185 544
Large Corporates & Institutions	203 550	298	203 252	15 093	555	14 538	9 122	3 752	5 370	223 160
Group Functions & Other	666		666							666
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 492 368	479	1 491 889	106 189	1 347	104 842	13 593	4 853	8 740	1 605 471
Geographical distribution										
Sweden	1 275 705	276	1 275 429	77 014	759	76 255	3 184	894	2 290	1 353 974
Estonia	77 783	10	77 773	8 047	57	7 990	452	134	318	86 081
Latvia	30 672	13	30 659	6 340	78	6 262	368	113	255	37 176
Lithuania	53 535	11	53 524	8 207	58	8 149	769	155	614	62 287
Norway	35 039	120	34 919	5 806	373	5 433	8 322	3 203	5 119	45 471
Denmark	2 148		2 148				202	148	54	2 202
Finland	14 610	20	14 590	775	22	753	149	148	1	15 344
USA	1 633		1 633				147	58	89	1 722
Other	1 243	29	1 214							1 214
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 492 368	479	1 491 889	106 189	1 347	104 842	13 593	4 853	8 740	1 605 471
Sector/industry										
Private customers	1 002 000	72	1 001 928	49 132	255	48 877	2 196	479	1 717	1 052 522
Mortgage loans, private	864 774	26	864 748	38 657	159	38 498	1 661	301	1 360	904 606
Tenant owner association	95 372	6	95 366	4 131	12	4 119	126	4	122	99 607
Other, private	41 854	40	41 814	6 344	84	6 260	409	174	235	48 309
Corporate customers	490 368	407	489 961	57 057	1 092	55 965	11 397	4 374	7 023	552 949
Agriculture, forestry, fishing	56 898	14	56 884	8 304	89	8 215	199	38	161	65 260
Manufacturing	38 438	91	38 347	3 794	63	3 731	1 186	808	378	42 456
Public sector and utilities	21 901	17	21 884	850	11	839	64	14	50	22 773
Construction	15 089	13	15 076	3 929	55	3 874	511	186	325	19 275
Retail	26 241	28	26 213	5 714	236	5 478	460	225	235	31 926
Transportation	13 022	8	13 014	2 174	17	2 157	32	6	26	15 197
Shipping and offshore	10 483	28	10 455	3 982	203	3 779	6 837	2 596	4 241	18 475
Hotels och restaurants	8 208	6	8 202	1 315	27	1 288	103	21	82	9 572
Information and communications	11 002	18	10 984	1 583	61	1 522	9	2	7	12 513
Finance and insurance	16 300	10	16 290	643	2	641	12	8	4	16 935
Property management	233 217	144	233 073	20 515	244	20 271	1 454	239	1 215	254 559
Residential properties	71 810	35	71 775	7 706	100	7 606	145	49	96	79 477
Commercial	93 108	61	93 047	5 401	64	5 337	1 137	147	990	99 374
Industrial and warehouse	43 708	35	43 673	3 367	28	3 339	96	9	87	47 099
Other property management	24 591	13	24 578	4 041	52	3 989	76	34	42	28 609
Professional services	21 621	20	21 601	2 895	55	2 840	325	172	153	24 594
Other corporate lending	17 948	10	17 938	1 359	29	1 330	205	59	146	19 414
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 492 368	479	1 491 889	106 189	1 347	104 842	13 593	4 853	8 740	1 605 471
Loans to the public, Swedish National Debt Office	4		4							4
Loans to credit institutions excluding repurchase agreements	45 373	4	45 369	75	1	74				45 443
Loans to the public and credit institutions	1 537 745	483	1 537 262	106 264	1 348	104 916	13 593	4 853	8 740	1 650 918

1) Including purchased or originated credit impaired.

Concentration risk, customer exposure

The Group did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Ratios, loans and credit impairment provisions

	2020	2019
Share of Stage 2 loans, gross, %	6.39	6.41
Share of Stage 3 loans, gross, %	0.62	0.82
Credit impairment provision ratio Stage 1 loans	0.05	0.03
Credit impairment provision ratio Stage 2 loans	2.14	1.27
Credit impairment provision ratio Stage 3 loans	47.46	35.70
Total credit impairment provision ratio	0.48	0.40

Reconciliations of credit impairment provisions

The tables below provide reconciliations of credit impairment provisions for loans to credit institutions at amortised cost, loans to the public at amortised cost as well as commitments and financial guarantees. Stage transfers are reflected as taking place at the end of the year.

Loans to credit institutions	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions								
Opening balance	45 373	75	45 448	36 089	90	36 179		
Closing balance	46 367	33	46 400	45 373	75	45 448		
Credit impairment provisions								
Opening balance	4	1	5	2	1	3		
Movements affecting Credit impairment line								
New and derecognised financial assets, net	5		5					
Changes in risk factors (EAD, PD, LGD)	19	-1	18					
Total movements affecting Credit impairment line	24	-1	23	2				2
Movements recognised outside Credit impairment line								
Closing balance	28		28	4	1			5
Carrying amount								
Opening balance	45 369	74	45 443	36 087	89	36 176		
Closing balance	46 339	33	46 372	45 369	74	45 443		

Loans to the public	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	1 492 372	106 189	13 593	1 612 154	1 474 698	107 574	11 239	1 593 511
Closing balance	1 530 290	108 260	10 530	1 649 080	1 492 372	106 189	13 593	1 612 154
Credit impairment provisions								
Opening balance	479	1 347	4 853	6 679	490	1 736	3 797	6 023
Movements affecting Credit impairment line								
New financial assets	171	221	40	432	187	204	113	504
Derecognised financial assets	-83	-132	-1 946	-2 161	-146	-422	-926	-1 494
of which write-offs			-1 669	-1 669			-686	-686
Changes in risk factors (EAD, PD, LGD)	120	-116	7	11	5	-321	60	-256
Changes in macroeconomic scenarios	-21	-90	-5	-116	5	63	-3	65
Post-model expert credit adjustments	387	823	13	1 223				
Individual assessments			2 388	2 388			196	196
Stage transfers	-195	389	227	421	-65	58	1 550	1 543
from 1 to 2	-206	496	290	-86	367			281
from 1 to 3	-2		89	87	-11		197	186
from 2 to 1	12	-75		-63	32	-109		-77
from 2 to 3		-37	201	164		-218	1 429	1 211
from 3 to 2		5	-30	-25		18	-68	-50
from 3 to 1		1	-33	-32	0		-8	-8
Other			-166	-166			-149	-149
Total movements affecting Credit impairment line	379	1 095	558	2 032	-14	-418	841	409
Movements recognised outside Credit impairment line								
Business disposal					-2	-5	-3	-10
Interest			166	166			149	149
Change in exchange rates	-31	-126	-579	-736	5	34	69	108
Closing balance	827	2 316	4 998	8 141	479	1 347	4 853	6 679
Carrying amount								
Opening balance	1 491 893	104 842	8 740	1 605 475	1 474 208	105 838	7 442	1 587 488
Closing balance	1 529 463	105 944	5 532	1 640 939	1 491 893	104 842	8 740	1 605 475

1) Including purchased or originated credit impaired

Loans to the public, private customers	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	1 002 000	49 132	2 196	1 053 328	976 455	51 735	2 317	1 030 507
Closing balance	1 036 489	42 251	2 152	1 080 892	1 002 000	49 132	2 196	1 053 328
Credit impairment provisions								
Opening balance	72	255	479	806	76	335	485	896
New financial assets	36	28	23	87	28	32	17	77
Derecognised financial assets	-10	-27	-113	-150	-16	-40	-131	-187
of which write-offs			-67	-67			-51	-51
Changes in risk factors (EAD, PD, LGD)	35	-39	26	22	13	-109	26	-70
Changes in macroeconomic scenarios	-13	-51	-6	-70	-8	-10	-2	-20
Post-model expert credit adjustments	39	72	12	123				
Individual assessments			-1	-1			-6	-6
Stage transfers	-12	22	-10		8	-4	-4	
Remeasurement of provisions due to stage transfers	-25	40	104	119	-29	48	98	117
Business disposal							-2	-2
Change in exchange rates and other	-4	-9	-9	-22		3	-2	1
Closing balance	118	291	505	914	72	255	479	806
Carrying amount								
Opening balance	1 001 928	48 877	1 717	1 052 522	976 379	51 400	1 832	1 029 611
Closing balance	1 036 371	41 960	1 647	1 079 978	1 001 928	48 877	1 717	1 052 522

1) Including purchased or originated credit impaired.

Loans to the public, corporate customers	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	490 372	57 057	11 397	558 826	498 243	55 839	8 922	563 004
Closing balance	493 801	66 009	8 378	568 188	490 372	57 057	11 397	558 826
Credit impairment provisions								
Opening balance	407	1 092	4 374	5 873	414	1 401	3 312	5 127
New financial assets	135	193	17	345	159	172	96	427
Derecognised financial assets	-73	-105	-1 833	-2 011	-130	-382	-795	-1 307
of which write-offs			-1 602	-1 602			-635	-635
Changes in risk factors (EAD, PD, LGD)	85	-77	-19	-11	-8	-212	34	-186
Changes in macroeconomic scenarios	-8	-39	1	-46	13	73	-1	85
Post-model expert credit adjustments	348	751	1	1 100				
Individual assessments			2 389	2 389			202	202
Stage transfers	-88	102	-14	0	12	-169	157	
Remeasurement of provisions due to stage transfers	-70	225	147	302	-56	183	1 299	1 426
Business disposal					-2	-5	-1	-8
Change in exchange rates and other	-27	-117	-570	-714	5	31	71	107
Closing balance	709	2 025	4 493	7 227	407	1 092	4 374	5 873
Carrying amount								
Opening balance	489 965	55 965	7 023	552 953	497 829	54 438	5 610	557 877
Closing balance	493 092	63 984	3 885	560 961	489 965	55 965	7 023	552 953

1) Including purchased or originated credit impaired

Loan Commitments and guarantees	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Nominal amount								
Opening balance	322 384	11 325	1 248	334 957	312 311	9 969	804	323 084
Closing balance	358 988	17 341	542	376 871	322 384	11 325	1 248	334 957
Credit impairment provisions								
Opening balance	113	144	326	583	94	208	105	407
Movements affecting Credit impairment line								
New and derecognised financial assets, net	25	5	-198	-168	20	-21	5	4
Changes in risk factors (EAD, PD, LGD)	21	32	-10	43	-9	-76	-16	-101
Changes in macroeconomic scenarios	-3	-4		-7	12	20		32
Post-model expert credit adjustments	132	178	0	310				
Individual assessments			2	2			122	122
Stage transfers	-26	58	70	102	-7	6	106	105
from 1 to 2	-28	77		49	-9	30		21
from 1 to 3	-1		12	11	0		27	27
from 2 to 1	3	-10		-7	2	-11		-9
from 2 to 3		-9	59	50		-14	81	67
from 3 to 2		0	-1	-1		1	-2	-1
Total movements affecting Credit impairment line	149	269	-136	282	16	-71	217	162
Movements recognised outside Credit impairment line								
Change in exchange rates	-13	-17	-29	-59	3	7	4	14
Closing balance	249	396	161	806	113	144	326	583

1) Including purchased or originated credit impaired.

Reconciliations of credit impairment provisions by business area

The tables below provide reconciliations of total credit impairment provisions for loans to the public and credit institutions at amortised cost per business area. Stage transfers are reflected as taking place at the end of the year. Credit impairment provisions of SEK 12m (1) relating to Group functions and others are not presented in the tables below.

Swedish Banking

Loans to the public and credit institutions	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	1 126 499	68 506	2 882	1 197 887	1 115 801	69 682	2 819	1 188 302
Closing balance	1 147 308	63 618	2 208	1 213 134	1 126 499	68 506	2 882	1 197 887
Credit impairment provisions								
Opening balance	147	599	699	1 445	167	668	798	1 633
New financial assets	53	63	12	128	61	71	43	175
Derecognised financial assets	-25	-76	-298	-399	-45	-116	-343	-504
Changes in risk factors (EAD, PD, LGD)	30	-139	27	-82	25	-195	27	-143
Changes in macroeconomic scenarios	-16	-51	-1	-68	-10	-10	-3	-23
Post-model expert credit adjustments	85	274	1	360				
Individual assessments			1	1			22	22
Stage transfers	10	7	-17		10	-10		
Remeasurement of provisions due to stage transfers	-68	172	141	245	-59	195	162	298
Business disposal					-2	-5	-3	-10
Change in exchange rates and other	-2	-3	-10	-15		1	-4	-3
Closing balance	214	846	555	1 615	147	599	699	1 445
Carrying amount								
Opening balance	1 126 352	67 907	2 183	1 196 442	1 115 634	69 017	1 893	1 186 544
Closing balance	1 147 094	62 772	1 653	1 211 519	1 126 352	67 907	2 183	1 196 442

1) Including purchased or originated credit impaired.

Baltic Banking

Loans to the public and credit institutions	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	162 025	22 608	1 589	186 222	147 429	20 487	1 905	169 821
Closing balance	157 249	23 951	1 580	182 780	162 025	22 608	1 589	186 222
Credit impairment provisions								
Opening balance	34	193	402	629	37	185	427	649
New financial assets	24	41	21	86	14	13	23	50
Derecognised financial assets	-2	-19	-122	-143	-3	-14	-91	-108
Changes in risk factors (EAD, PD, LGD)	77	-90	-21	-34	14	-43	2	-27
Changes in macroeconomic scenarios	-8	-40	-4	-52	-5	-2		-7
Post-model expert credit adjustments	52	173	12	237				
Individual assessments			-1	-1			7	7
Stage transfers	-85	78	7		-10	46	-36	
Remeasurement of provisions due to stage transfers	-8	17	43	52	-13	5	63	55
Change in exchange rates and other	-1	-18	-19	-38		3	7	10
Closing balance	83	335	318	736	34	193	402	629
Carrying amount								
Opening balance	161 991	22 415	1 187	185 593	147 392	20 302	1 478	169 172
Closing balance	157 166	23 616	1 262	182 044	161 991	22 415	1 187	185 593

1) Including purchased or originated credit impaired.

Large Corporates and Institutions

Loans to the public and credit institutions	2020				2019			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Carrying amount before provisions								
Opening balance	228 698	15 150	9 122	252 970	217 948	17 495	6 515	241 958
Closing balance	228 389	20 724	6 742	255 855	228 698	15 150	9 122	252 970
Credit impairment provisions								
Opening balance	301	556	3 752	4 609	288	884	2 572	3 744
New financial assets	95	115	23	233	115	120	47	282
Derecognised financial assets	-55	-35	-1 542	-1 632	-101	-292	-492	-885
Changes in risk factors (EAD, PD, LGD)	24	112	1	137	-34	-83	31	-86
Changes in macroeconomic scenarios	3	1		4	21	75	0	96
Post-model expert credit adjustments	250	376		626				
Individual assessments			2 388	2 388			1	167
Stage transfers	-25	40	-15		20	-210	190	0
Remeasurement of provisions due to stage transfers	-19	75	68	124	-13	32	1 171	1 190
Change in exchange rates and other	-28	-105	-550	-683	5	30	66	101
Closing balance	546	1 135	4 125	5 806	301	556	3 752	4 609
Carrying amount								
Opening balance	228 397	14 594	5 370	248 361	217 660	16 608	4 071	238 339
Closing balance	227 843	19 589	2 617	250 049	228 397	14 594	5 370	248 361

1) Including purchased or originated credit impaired.

Forborne loans

Forborne loans refer to loans where the contractual terms have been changed due to the customers' financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again or to avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, 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 loan could either be treated as a performing forborne loan or a non-performing forborne loan. The following tables show the gross carrying amounts of forborne loans.

Loan write-offs

Loans are written off when the loss amount is ultimately established and there are no realistic options of recovery. The remaining loan amount for those that are partially written off is still included in credit-impaired loans or forborne loans. Previous provisions are reversed in connection with the write-off. The loss amount is ultimately determined when a receiver has presented a bankruptcy distribution, when a bankruptcy settlement has been reached, when a concession has been granted, or when the Swedish Enforcement Agency, or a collection company has reported that the physical person has no distrainable assets. A write-off normally does not mean that the claim against the borrower has been forgiven. Generally, a proof of claim is filed against the borrower or guarantor after the write-off. A proof of claim is not filed when a legal entity has ceased to exist due to a bankruptcy, when a bankruptcy settlement has been reached or when receivables have been completely forgiven. The total contractual amount on loans that were written off during 2020, and which still are subject to enforcement activity, is SEK 266m (425).

Gross carrying amount of forborne loans

2020

	Sweden	Estonia	Latvia	Lithuania	Norway	Other	Total
Performing	1 919	999	1 153	403	1 216	147	5 837
Non-performing	643	289	331	423	6 423	237	8 346
Total	2 562	1 288	1 484	826	7 639	384	14 183

2019

	Sweden	Estonia	Latvia	Lithuania	Norway	Other	Total
Performing	1 030	611	447	147	740		2 975
Non-performing	218	299	359	423	5 876	147	7 322
Total	1 248	910	806	570	6 616	147	10 297

Covid-19 support measures

The impact of Covid-19 on society, private individuals, corporates and governments, could be long-lasting and severe. As a way of supporting both private and corporate customers with Covid-19 related liquidity constraints, the Group introduced standardised and collective methods for amortisation deferrals of principal amounts due on private mortgages, consumer loans and certain corporate loans to small and mid-size companies. Generally, these measures have not automatically or individually been treated as a Stage 2 trigger or forbearance measures, in accordance with statements by supervisory authorities, including the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the Covid-19 crisis. In general, these guidelines refer to payment moratoria which are government supported or are agreed on with national bankers' associations. Measures granted or extended that do not fulfil the definitions within these guidelines are assessed for both Stage 2 and forbearance according to the Group's ordinary rules and practice. The fact that certain borrowers need extensions of their payment moratoria also indicates further financial difficulties for these customers.

The Group has granted total amortisation deferrals for circa 69 000 borrowers during 2020, of which circa 48 000 had not expired as per 31 December and primarily relates to private mortgages. The gross carrying amount of these loans amounted to SEK 74.9bn, of which SEK 73.2bn are compliant with EBA's Guidelines. Based on the gross carrying amounts, 93% are classified in Stage 1, 6% in Stage 2 and 1% in Stage 3. The amortisation deferral periods outstanding all expire within one year.

Beyond this, the Group has supported companies in need of liquidity through new loan facilities, with the majority volume provided to customers of Large Corporates & Institutions. The Group has also issued new loans as part of the state guarantee programs in all home countries, of which there are SEK 997m outstanding as at year-end.

3.1.7 Assets taken over for protection of claims and cancelled leases

The Group takes over properties aiming at recovering, to the extent possible, cash flow from defaulted loans, thereby minimising credit impairments. This is expected to be done through active asset management and other value-creation measures. The aim is also to minimise the cost of ownership while the repossessed property is held. The internal assumptions in the calculation of the fair values are considered of such significance that the appraisal is attributed to level three in the hierarchy of fair value.

	2020				2019			
	Number	Carrying amount, overtaken during 2020	Carrying amount	Fair value	Number	Carrying amount, overtaken during 2019	Carrying amount	Fair value
Buildings and land	29	14	54	56	26	2	72	74
Shares and other participating interests	1	10	31	31				
Other	39	5	32	34	69	10	55	57
Total	69	28	117	122	95	12	127	131

3.1.8 Capital requirement for credit risks

The capital requirement for credit risks in Swedbank (consolidated situation) at year end 2020 amounted to SEK 27 881m (25 220). For more information, see note G4 Capital.

3.1.9 Climate related information

Climate change gives rise to credit risk, especially in certain sectors. The table below shows the part of lending to the public and credit institutions that present material climate-related risks exposures. Groups and sectors are defined in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). TCFD's selection criteria for activities that are deemed materially impacted by climate change are greenhouse gas emissions, energy use and water use. Within the Transportation group, Swedbank has chosen to include manufacturing, trading and services with vehicles to capture the entire value chain. Compare with the sectors in the table Loans to the public and credit institutions, carrying amount, section 3.1.6. For more information about the work with TCFD, please refer to Swedbank's sustainability report, page 209-211.

TCFD material groups	Gross carrying amount		TCFD sector	Gross carrying amount	
	2020	2019		2020	2019
Financial Group	63 065	57 621	Credit institutions	46 400	45 457
			Insurance companies	144	62
			Asset owners and asset managers	16 521	12 102
			Oil & Gas	13 029	17 132
Energy Group	26 721	27 985	Coal	0	0
			Utilities	13 692	10 853
			Air transport	300	363
			Shipping	10 399	12 917
Transportation Group	32 734	37 837	Rail transportation	395	373
			Trucks, busses and working machines	15 947	18 325
			Automobiles and components	5 693	5 860
			Agriculture	38 147	38 002
Agriculture, Food and Forest products Group	65 748	66 261	Beverages, Packaged food and Meats	4 324	4 163
			Forestry	18 071	18 447
			Paper & Forest products	5 206	5 649
			Metals & Mining	3 417	3 847
Materials and Buildings Group	375 188	387 232	Chemicals	8 203	7 283
			Construction materials (excl wood)	2 866	3 112
			Capital Goods	3 627	3 599
			RE management and development	357 075	369 390
Total TCFD portfolio	563 456	576 937	Total TCFD portfolio	563 456	576 937

TCFD's way of grouping economic activities differs significantly from Swedbank's traditional sectoral classification. The manufacturing sector, for example, in TCFD reporting is divided into several sectors that are found in all groups except Finance, see the table below.

	Loans gross carrying amount	% av total TCFD sector
Manufacturing	39 084	
- of which TCFD:	32 340	
Air transportation	3	1%
Automobiles and components	388	7%
Beverages, Packaged foods and Meats	4 308	100%
Capital goods	3 553	98%
Chemicals	8 195	100%
Construction materials	2 849	99%
Metals & Mining	3 389	99%
Oil & gas	3 465	27%
Paper & Forest products	5 132	99%
Rail transportation	19	5%
Trucks, bus and working machines	1 039	7%

3.2 LIQUIDITY RISK

3.2.1 Definition

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.

3.2.2. Risk management

The Board of Directors determines the Group's overall risk appetite for liquidity and has therefore established adequate limits. The CEO is responsible for ensuring that business operations stay within the risk appetite and does so by placing more granular limits on certain key liquidity risk metrics. Group Treasury is primarily responsible for managing the Group's liquidity while Group Risk constitutes the independent control function and is responsible for the methods used to identify, monitor, measure, and control all relevant aspects of liquidity risk. Group Risk is also responsible for the methods used to control the Group's liquidity risk as well as for reviewing and approving the methods defined by Group Treasury.

3.2.3. Risk measurement

Swedbank uses a range of liquidity risk measures to assess short-term liquidity risks, including intraday, and long-term structural liquidity risks, both under normal and stressed scenarios. The liquidity metrics are either defined internally or by external regulatory requirements.

As stipulated by the Group's ERM policy, a survival period limit based on the internally defined risk metric "Survival horizon", has been established. The survival period is measured as the number of days with a positive cumulative net liquidity position, taking future cash flows into account. The risk measure is conservative and assumes a stressed scenario, e.g. that there is limited access to the funding markets and that there are large outflows of deposits within a short time-period. In the measure, a severe drop in house prices is also assumed, affecting the overcollateralisation of the cover pool.

Swedbank also ensures compliance with two regulatory mandated liquidity risk metrics; the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These risk metrics are calculated regularly, monitored, and reported to relevant authorities by Group Treasury. The purpose of the LCR is to ensure that Swedbank has enough unpledged assets of high quality, a liquidity reserve, to meet its liquidity needs in stressed situations during the next 30 days. The NSFR requires banks to maintain a stable funding profile and limits overreliance on short-term funding. The NSFR ensures that a bank's illiquid long-term assets are financed using a minimum level of stable long-term funding and is set by regulators at a minimum of 100 per cent.

Liquidity Reserve¹

Level 1 assets

Cash and balances with central banks ²	315 446
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	131 695
Securities issued by municipalities and PSEs	1 309
Extremely high quality covered bonds	36 103

Level 2 assets

Level 2A assets	9 408
High quality covered bonds	9 405
Corporate debt securities (lowest rating AA-)	3
Level 2B assets	1 079
Corporate debt securities (rated A+ to BBB-)	785
Shares (major stock index)	294

Total

484 553

315 446

131 695

1 309

36 103

10 487

9 408

9 405

3

1 079

785

294

495 040

1) Unadjusted Liquid Assets classified in accordance with Commission Delegated Regulation (EU 2015/61).

2) Minimum reserve requirements held in the Central Bank of Estonia, Latvia, Lithuania and Bank of Finland are excluded from liquid assets.

Furthermore, Swedbank uses and monitors on a daily basis a set of early warning metrics. One such metric is Swedbank's cost of funding relative to its peers. These indicators provide signals of increased stress in the financial markets and hence increased liquidity risks.

Swedbank has established continuity plans to manage the effects that would arise in the event of serious market disruptions. These plans are in place both at a Group level and at a local level in Swedbank's home markets.

3.2.4 Funding strategy

Swedbank's funding strategy is based on the composition of its assets and uses several different funding programmes to meet its short and long term needs e.g. commercial paper, certificates of deposit, covered bonds and unsecured funding. More than half of the lending consists of Swedish mortgages, which are primarily funded by issuing covered bonds.

Swedbank is the leading savings bank in its home markets. Deposit volumes, together with issued covered bonds and shareholders' equity, cover nearly all its funding requirements. As a result, Swedbank has a limited structural need for senior unsecured funding.

The funding strategy is also closely linked to the credit quality of the assets in the balance sheet. Swedbank aims to match unsecured funding against assets with corresponding amounts and maturities. The share of unsecured funding is determined by Swedbank's aim to maintain a stable funding profile using a diversified set of funding sources as well as the MREL (Minimum Requirements for own funds and Eligible Liabilities) requirements.

For more information regarding Swedbank's distribution of liabilities and encumbered assets, refer to the Group's Pillar 3 report.

3.2.5 Liquidity reserve

Swedbank has established and maintains a liquidity reserve to reduce the Group's liquidity risk. When future refinancing needs are high, the liquidity reserve must be adjusted to meet maturities in various types of stressed scenarios.

3.2.6 Summary of maturities

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on amortisation schedules. Liabilities whose contracts contain a prepayment option have been distributed based on the earliest date on which repayment can be demanded. The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and long-term source of funding.

The difference between the nominal amount and carrying amount, the discount effect, is presented in the column "No maturity date/discount effect". This column also includes items without an agreed maturity date and where the anticipated repayment date has not been determined. Loan commitments that are not recognised as financial liabilities amounting to SEK 326 175m (287 413) may be drawn at any time by the customer. Issued guarantees and other contingent liabilities of SEK 50 696m (52 008) may lead to future cash outflows if certain events occur. The expected cash outflows, amounting to SEK 806m (582), are reported in the time buckets up to one year, within Other liabilities.

Remaining maturity 2020	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	<3 mths.	≥3 mths.–<1 yr	≥1–<5 yrs	≥5–<10 yrs	≥10 yrs		
Assets								
Cash and balances with central banks	293 811							293 811
Treasury bills and other bills eligible for refinancing with central banks	115 528	4 225	12 030	2 971	2 271	166	137 191	
Loans to credit institutions	5 934	23 647	7 263	9 934	293	883		47 954
Loans to the public	242	125 734	147 431	346 771	134 859	945 136	-19 186	1 680 987
Bonds and other interest-bearing securities		1 841	3 553	49 050	5 511	228	-208	59 975
Financial assets for which the customers bear the investment risk	6 059	81 271	3 210	22 126	35 015	104 730		252 411
Shares and participating interests							24 502	24 502
Derivatives	21 244	23 603	69 609	22 077	10 303	-94 659	52 177	
Intangible assets							18 361	18 361
Tangible assets							5 421	5 421
Other assets	18 402	1 678					1 772	21 852
Total	306 046	387 667	190 963	509 520	200 726	1 063 551	-63 831	2 594 642
Liabilities								
Amounts owed to credit institutions	38 605	37 190	441	74 077				150 313
Deposits and borrowings from the public	1 091 927	32 359	22 501	1 392	56	5		1 148 240
Debt securities in issue		92 885	164 579	430 558	28 552	17 519	-1 279	732 814
Financial liabilities where customers bear the investment risk	3 027	79 361	3 457	23 211	36 849	107 324		253 229
Derivatives		29 072	26 142	72 345	24 090	8 023	-105 292	54 380
Other liabilities	1	53 667	1 830	5 597	2 478	3 319	-212	66 680
_of which lease liability			680	1 848	965	330	-212	3 611
Senior non-preferred liabilities				10 076	201		82	10 359
Subordinated liabilities				22 466	394		574	23 434
Equity							155 193	155 193
Total	1 133 560	324 534	218 950	639 722	92 620	136 190	49 066	2 594 642

In the maturity distribution above, cash flows for derivatives have been distributed between assets and liabilities based on whether the individual derivative has a positive or negative fair value, without taking into account whether the derivatives have been offset in the accounts. Amounts that have been offset in the accounts are reported in the column No maturity/discount effect.

Remaining maturity 2019	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	<3 mths.	≥3 mths.–<1 yr	≥1–<5 yrs	≥5–<10 yrs	≥10 yrs		
Assets								
Cash and balances with central banks	195 286							195 286
Treasury bills and other bills eligible for refinancing with central banks	124 428	5 379	3 746	2 505	634	402	137 094	
Loans to credit institutions	4 856	21 218	4 791	13 165	380	1 042		45 452
Loans to the public	568	112 199	143 993	352 923	147 406	911 694	-16 487	1 652 296
Bonds and other interest-bearing securities		5 022	15 114	35 807	2 680	127	-1 383	57 367
Financial assets for which the customers bear the investment risk	5 573	40 922	3 145	20 676	30 046	92 586	31 945	224 893
Shares and participating interests							13 247	13 247
Derivatives	11 543	11 435	19 224	1 742			480	44 424
Intangible assets							17 864	17 864
Tangible assets							5 572	5 572
Other assets	11 877	2 580	3				273	14 733
Total	206 283	327 209	186 437	445 544	184 759	1 006 083	51 913	2 408 228
Liabilities								
Amounts owed to credit institutions	29 188	37 319	3 071	108				69 686
Deposits and borrowings from the public	887 131	40 861	24 505	1 419	87	10		954 013
Debt securities in issue		88 344	213 236	490 679	51 090	20 967	-8 562	855 754
Financial liabilities where customers bear the investment risk	2 905	71 100	3 304	21 721	31 767	94 995		225 792
Derivatives		10 578	6 939	10 215	992	343	11 910	40 977
Other liabilities	63 468	1 563	5 073	3 644	7 124	-238		80 634
_of which lease liability	215	470	1 745	1 016	449	-236		3 659
Senior non-preferred liabilities	0	265	10 472	0	209	-141		10 805
Subordinated liabilities		6 990		24 139	427		378	31 934
Equity							138 633	138 633
Total	919 224	318 660	252 883	563 826	88 007	123 648	141 980	2 408 228

3.2.7 Stress tests

Stress tests are conducted regularly to increase preparedness for possible disruptions in the financial markets. These stress tests focus on both Swedbank-specific and market-related disruptions. These analyses also consider the combined effects that would occur if all these disruptions would occur at the same time.

In the scenarios, risk drivers are stressed to levels that are unlikely, but not inconceivable. Examples include large-scale withdrawals from deposit accounts, high utilisation of credit facilities and increased collateral requirements for various purposes. In addition, assumptions are also made that Swedbank's liquidity reserve decreases in value, as will the properties that serve as collateral for the loans in the mortgage operations. The latter risk driver impacts Swedbank's ability to issue covered bonds, which are of strategic importance to its funding. As a last example of stress testing risk drivers, assumptions are made that access to capital markets becomes unavailable but that Swedbank's liquid assets can still generate liquidity.

In addition, a sensitivity analysis of the overcollateralisation level of the cover pool is regularly produced, as shown as a snapshot of the cover pool as of 31 December 2020 ("Current") in the table below. The analysis illustrates the effects on Swedbank Mortgage's overcollateralisation level given different levels of house price decline.

Cover pool sensitivity analysis, house price decline

2020

House price decline	Current	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%
Total assets in the cover pool, SEKm	1 018 014	1 014 666	1 007 236	994 606	977 413	955 699	929 462	898 535	862 194
Total outstanding covered bonds, SEKm	541 248	541 248	541 248	541 248	541 248	541 248	541 248	541 248	541 248
Over collateralisation level, %	88,1	87,5	86,1	83,8	80,6	76,6	71,7	66,0	59,3

Liquidity coverage ratio¹

High Quality Liquid Assets (HQLA), SEKm	2020	2019
High quality liquid assets, Level 1	482 025	370 809
High quality liquid assets, Level 2	8 536	5 075
Total HQLA	490 561	375 884

Cash Outflows, SEKm

Retail deposits and deposits from small business customers	47 852	490 561
Unsecured wholesale funding	200 763	152 541
Secured wholesale funding	8 632	3 989
Additional requirements	69 477	52 813
Other cash outflows	3 310	9 369
Total cash outflows	330 034	261 496

Cash Inflows, SEKm

Secured lending	4 361	13 838
Inflows from fully performing exposures	18 932	18 891
Other cash inflows	24 987	21 693
Total Cash inflows	48 280	54 423

Liquidity coverage ratio, Total, %

Liquidity coverage ratio, Total, %	174	182
Liquidity coverage ratio, EUR,%	263	379
Liquidity coverage ratio, USD, %	145	157
Liquidity coverage ratio, SEK ² , %	134	111

1) LCR - calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of October 2014.

2) For LCR in SEK, the regulatory requirement is 75%. For EUR, USD and total, the requirement is 100%.

Liquidity and NSFR components

	2020	2019
NSFR, %	125	120
Available stable funding (ASF), SEKm	1 652 303	1 550 005
Required stable funding (RSF), SEKm	1 316 918	1 294 999

3.2.8 Interest-bearing securities and lease liabilities

Swedbank has remained active in several capital markets to diversify its funding. During the year, Swedbank issued a total of SEK 77bn (132) in long-term debt instruments, of which covered bonds were the majority. No senior non-preferred bonds were issued during the year and, as a result of the Covid-19 pandemic, the deadline to meet MREL requirements were postponed by the authorities from 2022 to 2024. Repayments of lease liabilities includes interest payments of SEK 44m (36).

	Debt securities in issue								Total	
	Commercial papers	Covered bonds	Other interest-bearing bonds	Structure retail bonds	Total debt securities in issue	Senior non-preferred liabilities	Subordinated liabilities	Lease liabilities		
Turnover during the year, 2020										
Opening balance	128 772	589 627	128 445	8 910	855 754	10 805	31 934	3 659	902 152	
Issued/New contracts	420 734	40 517	36 833		498 084			396	498 480	
Repurchased/Terminated contracts		-54 877			-54 877			-62	-54 939	
Repaid	-411 121	-102 712	-31 476	-2 527	-547 836	-95	-7 880	-767	-556 578	
Interest	-116	4 288	1 617		5 789	104	605	44	6 542	
Change in market values or hedged item in hedge accounting at fair value		2 255	595	-706	2 144	215	330		2 689	
Modifications and other								367	367	
Change in exchange rates	-11 060	-7 607	-7 577		-26 244	-670	-1 555	-26	-28 495	
Closing balance	127 209	471 491	128 437	5 677	732 814	10 359	23 434	3 611	770 218	
<hr/>										
	Debt securities in issue								Total	
	Commercial papers	Covered bonds	Other interest-bearing bonds	Structure retail bonds	Total debt securities in issue	Senior non-preferred liabilities	Subordinated liabilities	Lease liabilities		
Turnover during the year, 2019										
Opening balance	131 434	497 936	164 243	10 747	804 360			34 184	4 146	842 690
Issued/New contracts	483 569	131 039		1 036	615 644	11 266	4 909	176	631 995	
Repurchased/Terminated contracts		-21 017			-21 017			-93	-21 110	
Repaid	-487 865	-20 418	-42 231	-3 552	-554 066		-7 711	-752	-562 529	
Interest, change in market values or hedged item in hedge accounting at fair value	140	-1 101	801	679	519	-95	39	42	505	
Modifications and other								130	130	
Change in exchange rates	1 494	3 188	5 632		10 314	-366	513	9	10 470	
Closing balance	128 772	589 627	128 445	8 910	855 754	10 805	31 934	3 659	902 152	

3.3 MARKET RISK

3.3.1 Definition

Market risk is defined as the risk to value, earnings, or capital arising from movements of risk factors in financial markets. Value covers both economic value and accounting value and includes valuation adjustments.

Market risk includes interest rate risk (including real and nominal interest rates, credit spreads and basis spreads), currency risk, equity risk (including dividend risk) and commodity risk (including precious metals), as well as risks stemming from changes in volatilities or correlations.

3.3.2 Risk management

The Group's total risk-taking is governed by the risk appetites decided by the Board of Directors, which limit the nature and size of market risk-taking. Only risk-taking units, i.e. units that are approved for risk-taking by the CEO, are permitted to take market risks. The CEO assigns risk limits for the risk-taking units to the CFO and Head of LC&I. To monitor risks associated with limits allocated by the CEO, the Group's CFO and Head of LC&I sets limits and other indicators that at certain levels, indicate elevated risk. In addition to the limits allocated to the CFO and Head of LC&I, and selected indicators, there are local business area limits serving as important tools in the risk-taking units' daily activities. Market risks within Swedbank are measured, monitored and reported on a daily basis within Group Risk.

The majority of the Group's market risks are of structural or strategic nature and are managed primarily by Group Treasury.

Structural interest rate risks are a natural part of a bank that manages deposits and loans. Interest rate risk arises primarily when there is a difference in maturity and interest fixing periods between the Group's assets and liabilities. Group Treasury manages risk within given limits, primarily by matching maturities either directly or through the use of various derivatives such as interest rate swaps. Interest rate risk also arises in the Group's trading operations. The Group's currency risk comprises of structural currency risk in the banking operations, currency risk as a result of the trading operations, and investments in the foreign operations. Share price risks arise due to holdings in equities and equity related derivatives.

All market risks are managed within given limits, for example by means of forward contracts.

3.3.3 Risk measurement

Swedbank uses a number of different risk measures, both statistical and non-statistical, with the purpose of limiting the Group's risk-taking units as well as to ensure compliance with regulations. Statistical measures such as Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR) are important tools in Swedbank's risk management processes and are used, among other things, to calculate the Group's capital requirement.

VaR implicates the use of a model to estimate a probability distribution for the change in value of Swedbank's portfolios. The model is based on the previous year's movements in various market risk factors such as interest rates, currency rates and equity prices. The estimation is based on the hypothetical assumption that the portfolios will remain unchanged over a certain time horizon. The Group uses a VaR model with a confidence interval of 99 per cent and a time horizon of one trading day. Statistically, this means that the potential loss of a portfolio will exceed the VaR amount one day out of 100. VaR is a useful tool, not only for determining the risk level of an individual security or asset class, but also when it comes to comparing risk levels for example between asset classes. Since VaR is a model based on a number of assumptions, Swedbank evaluates its VaR model's accuracy on a daily basis through backtesting.

"Regular" VaR and Stressed VaR (SVaR) differ slightly in that the stressed model applies market data from a one-year period of considerable stress. The period selected by Swedbank covers parts of the years 2008 and 2009, a period characterized by the financial crisis.

Non-statistical measures such as sensitivity analyses are important complements to VaR and SVaR, since these, in some cases, provide a deeper understanding of the market risk factors being measured.

In addition to VaR and various types of sensitivity analyses, Swedbank conducts an extensive array of stress tests. These tests are built on scenarios and can be divided into three groups: historical, forward-looking, and method- and model stress scenarios. The purpose of these stress tests, and the scenarios that serve as a basis for them, is to further identify significant movements in risk factors or losses that could arise due to exceptional market disruptions.

3.3.4 Risk exposure

Swedbank's market risks primarily arise within the Group's banking operations managed by Group Treasury. Market risk is also present in the trading operations, primarily as a result of customer transactions executed within the business area Large Corporates & Institutions (LC&I).

3.3.5 Value-at-Risk (VaR)

During the year, markets were volatile due to Covid-19. The Group managed to maintain its market risks at a relatively stable level. However, the volatile market had an impact on market risk, measured in terms of VaR, which reached higher maximum and average levels comparison to the previous year. The Group's total VaR does not include goodwill since a VaR measure based on one trading day is not relevant to apply on positions that the Group intends to hold for longer periods of time.

VaR Group	Jan-dec 2020 (2019)			2020	2019	
	SEKm	Max	Min	Average	31 dec	31 dec
Interest rate risk	113 (83)	48 (36)	74 (57)	89	58	
Currency risk	21 (20)	4 (2)	13 (7)	11	11	
Share price risk	18 (7)	3 (1)	6 (3)	6	5	
Diversification				-18 (-8)	-14	-10
Total	114 (93)	54 (38)	75 (59)	92	64	

The trading operations at Swedbank are conducted within the business area Large Corporates & Institutions (LC&I) for the primary purpose of assisting customers to execute transactions in the financial markets. Positioning occurs only to a limited extent. The risk level (measured as VaR) is applied in the calculation of Swedbank's capital requirement.

Swedbank evaluates the VaR model's reliability on a daily basis with actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results to determine the accuracy of the VaR model, while hypothetical backtesting compares the portfolio's value at the end of the day with its estimated value at the end of the subsequent day. The estimated value is obtained by applying market movements during the day for which the test is performed, with the assumption that the positions in the portfolio remain unchanged during this time period. The hypothetical backtesting conducted by the Group in 2020 showed that the model serves its purpose well, since only 3 of the hypothetical losses exceeded the actual VaR level.

Regulatory VaR LC&I	Jan-dec 2020 (2019)			2020	2019	
	SEKm	Max	Min	Average	31 dec	31 dec
Value-at-Risk	32 (31)	14 (12)	22 (18)	23	22	
Stressed Value-at-Risk	118 (98)	58 (56)	85 (77)	82	77	

In addition to the VaR model applied in the calculation of Swedbank's capital requirement, the Group uses a VaR model that also captures credit spread risk in its internal risk management. The trading operations' total VaR had an average value of SEK 28 m in 2020, which can be compared to the average value of 21 m for 2019.

Risk VaR LC&I	Jan-dec 2020 (2019)			2020	2019	
	SEKm	Max	Min	Average	31 dec	31 dec
Credit spread risk	27 (10)	4 (4)	17 (6)	14	5	
Share price risk	18 (7)	3 (1)	6 (3)	7	5	
Currency risk	13 (10)	0 (2)	3 (4)	4	3	
Interest rate risk	29 (26)	16 (12)	21 (19)	21	19	
Diversification				-19 (-11)	-15	-9
Total	41 (30)	18 (14)	28 (21)	30	22	

Data in the table are compiled using the VaR model that the Group applies to internal risk management and therefore differs from the values generated by the VaR model for capital requirements.

3.3.6 Interest rate risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the Group's interest rate risk is structural and arises within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives. The interest rate risk in fixed rate assets, primarily customer loans, accounts for the larger part of this risk and is hedged through fixed rate funding or by entering into various types of swap agreements. Interest rate risk also arises within the trading operations, e.g. through customer related activities.

An increase in all market interest rates of one percentage point would have increased the net value of the Group's assets and liabilities, including derivatives, by SEK 1 901 m (-365) at year end. The effect on positions in SEK would have been an increase of SEK 518 m (-1 277), while positions in foreign currency would have increased by SEK 1 383 m (912). The Group's Net gains and losses on financial items would have been affected by SEK 316 m (1 052) as of 31 December 2020.

The Group uses derivatives for so-called cash flow hedges. A change in market interest rates, as indicated above, would have affected the Group's other comprehensive income by SEK 16 m (19).

Change in value if the market interest rate rises by one percentage point

The table below shows the impact in SEKm on the net value of assets and liabilities, including derivatives, when market interest rates are increased by one percentage point.

2020	≤3 mths.	>3-6 mths.	>6-12 mths.	>1-2 yrs	>2-3 yrs	>3-4 yrs	>4-5 yrs	>5-10 yrs	>10 yrs	Total
SEK	-422	77	-97	492	123	801	216	-1 202	530	518
Foreign currency	78	-30	473	494	1 102	-1 552	790	-13	41	1 383
Total	-344	47	376	986	1 225	-751	1 006	-1 215	571	1 901
2019										
SEK	-152	-110	-222	-750	143	1 073	249	-1 308	-200	-1 277
Foreign currency	302	956	-41	196	-410	110	-1 082	1 095	-214	912
Total	150	846	-263	-554	-267	1 183	-833	-213	-414	-365

The table below shows the impact in SEKm on the net value of assets and liabilities measured at fair value through profit or loss, when market interest rates are increased by one percentage point.

2020	≤3 mths.	>3-6 mths.	>6-12 mths.	>1-2 yrs	>2-3 yrs	>3-4 yrs	>4-5 yrs	>5-10 yrs	>10 yrs	Total
SEK	180	104	-67	411	57	333	113	-1 047	484	568
Foreign currency	-396	-240	573	610	3 044	-6 552	2 592	341	-224	-252
Total	-216	-136	506	1 021	3 101	-6 219	2 705	-706	260	316
2019										
SEK	-107	-9	-72	46	-132	-552	-382	1 109	-61	-160
Foreign currency	192	909	-118	223	-313	155	-875	1 117	-78	1 212
Total	85	900	-190	269	-445	-397	-1 257	2 226	-139	1 052

The market risk measurement will need to adapt gradually to the expected changes related to the Interest Rate Benchmark reform and the new risk-free reference rates. The transition to the new risk-free interest rates is likely to proceed for some years. The effect on risk measurements such as Value-at-Risk due to the IBOR reform is difficult to predict as of today.

3.3.7 Credit spread risk

For financial assets and liabilities measured at fair value within the Group's trading operations and liquidity portfolio, credit spread risk is measured separately as well. Credit spread risk refers to the risk that the value of these assets and liabilities will be affected by changes in issuer specific interest mark-ups (credit spreads), e.g. the difference between a security's interest mark-up and the current market rate with the corresponding maturity for an issuer.

An increase in all issuer specific spreads of 1 basis point at year end would have reduced the value of these interest-bearing assets, including derivatives, by SEK 12 m (11).

3.3.8 Currency risk

Currency risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, will be negatively affected by changes in exchange rates or other relevant risk factors.

The Group has currency positions through goodwill and other intangible assets, which are deductible from the capital base. These currency positions are financed in SEK and are not hedged since changes in exchange rates between the foreign currencies and SEK do not affect either profit or the capital base. The major single position is in EUR and relates to the Baltic operations. At year end the foreign currency position arising from goodwill in the Baltic currency position amounted to SEK 10 200m (10 582 mkr).

In addition, the Group has structural currency risks within the banking operations due to deposits and lending in different currencies. Currency risk also arises in the trading operations, e.g. due to customer transactions. Currency risk that arises in the banking operations or that is strategic in nature is managed by Group Treasury by limiting the total value of assets and liabilities (including derivatives) in one currency to a desired level using derivatives, such as cross currency swaps and forward exchange agreements. Currency risks arising in the trading operations are also managed by means of currency derivatives.

The Group's exposure to currency risks with the probability to affect earnings, i.e. excluding exposures related to goodwill in foreign operations and related hedges, is limited. A shift in exchange rates between foreign currencies and the Swedish krona of +5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 66m (72). Moreover, a shift in exchange rates between foreign currencies and the Swedish krona of -5 per cent at year-end would have a direct effect on the Group's reported profit of SEK -56m (22).

A shift in exchange rates between the Swedish krona and foreign currencies of +/-5 per cent, with respect to net investments in foreign operations and related hedges, would have a direct effect on other comprehensive income of SEK +/- 879m after tax (+/- 862).

The Group recognises certain currency derivatives as cash flow hedges. An increase in the basis spread, (i.e. the price to swap cash flows in one currency for another) of one basis point would have had a positive effect on these derivatives in other comprehensive income of SEK 8 m (9) after tax at year end.

Below the carrying amounts in the balance sheet are presented according to the transaction currency, except for derivatives. Derivatives might include cash flows in different currencies and are therefore presented according to the contract's different currencies. All carrying amounts in the table are presented in SEK.

Currency distribution

2020	EUR	USD	GBP	DKK	NOK	Other	Total foreign currency	SEK	Total
Assets									
Cash and balances with central banks	144 434	19 466		68	82	129	164 179	129 632	293 811
Treasury bills and other bills eligible for refinancing with central banks, etc.	4 664	713			705		6 082	131 109	137 191
Loans to credit institutions	19 914	3 886	1 001	1 652	3 847	3 987	34 287	13 667	47 954
Loans to the public	224 649	25 392	3 669	5 168	31 101	2 539	292 518	1 388 469	1 680 987
Bonds and other interest-bearing securities	6 670	580		410	8 227		15 887	44 088	59 975
Derivatives and other assets, not distributed								374 724	374 724
Total	400 331	50 037	4 670	7 298	43 962	6 655	512 953	2 081 689	2 594 642
Liabilities									
Amounts owed to credit institutions	40 969	3 179	5 346	1 356	9 469	4 546	64 865	85 448	150 313
Deposits and borrowings from the public	308 646	30 776	812	117	548	8 718	349 617	798 623	1 148 240
Debt securities in issue	221 847	114 537	38 625		10 548	14 595	400 152	332 662	732 814
Senior non-preferred liabilities	7 564				2 795		10 359		10 359
Subordinated liabilities	11 751	8 535				1 921	22 207	1 227	23 434
Derivatives and other liabilities, not distributed								374 289	374 289
Equity								155 193	155 193
Total	590 777	157 027	44 783	1 473	23 360	29 780	847 200	1 747 442	2 594 642
Derivatives, other assets and liabilities	201 778	106 939	40 125	-5 831	-20 408	23 127	345 730		
Net position in currency	11 332	-51	12	-6	194	2	11 483		

Net funding in foreign currency with a corresponding recognised amount of SEK 35 168m (33 640) is used as a hedging instrument to hedge net investments in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes to this position are recognised in other comprehensive income (OCI) as translation difference.

Currency distribution

2019	EUR	USD	GBP	DKK	NOK	Other	Total foreign currency	SEK	Total
Assets									
Cash and balances with central banks	144 058	18 977	118	111	195	128	163 587	31 699	195 286
Treasury bills and other bills eligible for refinancing with central banks, etc.	1 111	3 050			206		4 367	132 727	137 094
Loans to credit institutions	21 285	3 599	203	1 750	2 751	2 880	32 468	12 984	45 452
Loans to the public	226 944	32 606	3 156	4 669	26 726	1 671	295 772	1 356 524	1 652 296
Bonds and other interest-bearing securities	5 756	1 963		430	5 802		13 951	43 416	57 367
Derivatives and other assets, not distributed								320 733	320 733
Total	399 154	60 195	3 477	6 960	35 680	4 679	510 145	1 898 083	2 408 228
Liabilities									
Amounts owed to credit institutions	17 932	7 732	1 829	2 069	15 777	2 250	47 589	22 097	69 686
Deposits and borrowings from the public	261 606	19 129	636	83	546	793	282 793	671 220	954 013
Debt securities in issue	260 057	135 706	28 232		9 863	14 135	447 993	407 761	855 754
Senior non-preferred liabilities	7 893				2 912		10 805	0	10 805
Subordinated liabilities	12 169	16 482				2 061	30 712	1 222	31 934
Derivatives and other liabilities, not distributed								347 403	347 403
Equity								138 633	138 633
Total	559 657	179 049	30 697	2 152	29 098	19 239	819 892	1 588 336	2 408 228
Derivatives, other assets and liabilities	172 520	118 809	27 255	-4 804	-6 316	14 532	321 996		
Net position in currency	12 016	-44	36	4	266	-28	12 250		

3.3.9 Share price risk

Share price risk refers to the risk that the value of the Group's holdings of shares and share related derivatives may be negatively affected by changes in share prices or other relevant risk factors such as share price volatility.

Share price risk arises due to holdings in equities and equity related derivatives. The main purpose of Swedbank's equity trading is to generate liquidity for the Group's customers. Share price risk is measured and limited in the Group, e.g. with respect to the worst possible outcomes in 81 different scenarios based on changes in share prices and implied volatility. In these scenarios, share prices change by a maximum of +/- 20 per cent and the implied volatility by a maximum of +/- 30 per cent. The outcomes for the various combinations form a risk matrix for share price risk, where the worst-case scenario is limited.

As of year-end, the worst-case scenario would have affected the value of the trading operations' positions by SEK -27m (-27).

3.3.10 Commodity risk

Commodity risk refers to the risk that the value of the Group's holdings of commodity related derivatives will be negatively affected by a change in asset prices. Exposure to commodity risks arises in the Group only in exceptional cases as part of customer related products. Swedbank hedges all positions with a commodity exposure with another party, so that no open exposure remains.

3.3.11 Capital requirement for market risks

The capital requirement for market risks in Swedbank amounted to SEK 1 385 m (1 308) at year end and is presented by risk type in note G4 under Capital adequacy.

3.4 OPERATIONAL RISKS**3.4.1 Definition**

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.

3.4.2 Risk management

Group Risk is responsible for uniform and Group-wide measurement and reporting of operational risk. Analyses of the bank's risks are performed in connection with major changes as well as at least once a year. Reporting is done periodically and, when needed, to local management and to the Group's Board of Directors, CEO and Swedbank's executive management.

3.4.3 Risk assessments

All business areas apply the same methods (e.g. risk assessments) to self-assess operational risks. These methods are used on regular basis to cover among others all key processes within the Group and include risk identification, action planning and monitoring to manage any risk that may arise.

3.4.4 New Product Approval Processes (NPAP)

Swedbank has a Group-wide process for New Product Approval (NPA) covering all new and/or materially altered products, services, markets, processes and/or IT-systems as well as major operational and/or organisational changes including outsourcing. The purpose is to ensure that the Group does not enter into activities that entail unintended risks or risks that are not adequately managed and controlled as part of the process. In addition, the Group is able to assure quality when launching new and/or revised products and services.

3.4.5 Incident, Continuity and Crisis management

Swedbank works proactively to prevent and strengthen its resilience and ability to manage all types of incidents, such as IT disruptions, natural disasters, financial market disturbances and pandemics, which may affect the Group's ability to provide services and offerings continually. The principles for incident, continuity and crisis management are defined in a Group-common framework as well as established system support for incidents and losses. A Group-level crisis management team is responsible for management, coordination and communication in collaboration with local crisis management teams. Continuity plans are drafted for all business and systemically critical operations and services. The plans describe how Swedbank will operate in the event of a serious disruption. Swedbank's models for continuity and crisis management are based on international and national standards.

Incident reporting

Swedbank has established routines and system support to facilitate reporting and following up on incidents. Group Risk supports the business areas in reporting, analysing and drafting action plans to ensure that the underlying causes are identified and that suitable actions are taken. Incidents and operational risk-related losses are logged in a central database for further analysis.

3.4.6 Process and control management

Swedbank has established a common framework for processes and internal control. Specific frameworks for Internal Control over Financial Reporting (ICFR) and Credit Process Control (CPC) are applied to affected processes within the Group. A Process Universe has been established with the purpose of clarifying responsibility for the Group's significant processes as well as for the controls in the processes, and to ensure that they are effective and appropriate. Swedbank uses the Process Universe as a basis for risk management and risk control performed within the Group.

3.4.7 Information security risk

Swedbank has a structured approach to protect information. To strengthen these efforts, processes and routines are being constantly reviewed to improve and complement the bank's management system for information security. The management system is a tool to manage and coordinate the Group's long-term efforts in a structured and methodical way.

3.4.8 Capital requirements for operational risks

Swedbank applies the standardised approach to calculate the capital requirement for operational risks. Swedbank's capital requirement for operational risk as of 31 December 2020 amounted to SEK 5 716m (5 481).

3.5 RISK IN THE INSURANCE BUSINESS

3.5.1 Definition

Risk in the insurance business is defined as insurance underwriting risk, market risk, credit risk, and liquidity risk in respect of the wholly owned insurance companies in the Group. The companies are also exposed to Operational risk.

Insurance underwriting risk is defined as the risk to value, earnings, or capital, arising from a deviation between actual and anticipated insurance costs (claims and expenses). In other words, the risk that actual outcomes will deviate from projections e.g. in terms of longevity, mortality, morbidity or claim frequency. This includes expense risk i.e. the risk that administrative costs and sales commissions will exceed the cost estimates that served as the basis for the premiums.

3.5.2 Risk management of insurance underwriting risk

The life insurance operations incur mortality risk, morbidity risk, longevity risk, expense risk and lapse risk i.e. the risk that contracts will be terminated in advance to a higher degree than anticipated. Property and casualty insurance risk comprises the risk that the insurance result will be unusually unfavourable in the year ahead or that the final payment for past claims will be more expensive than estimated.

Before a life insurance policy is approved, the potential customer must pass a risk assessment. The purpose is to determine whether the person can be approved for insurance based on his or her health. The required insurance must also meet the policy holder's insurance needs.

To further limit risk exposure, the company reinsures parts of its insurance risks. Swedbank's insurance operations offer a broad range of products and are active in the entire Swedish market (life insurance) as well as in the three Baltic countries (life, property and casualty insurance). This provides diversification of the insurance risk, with respect to market, product, age and gender. Insurance contracts are designed so that the premium and assumptions can be changed annually, implicating that the company may quickly balance its premiums and terms to rapid changes in for example morbidity. The pricing of premiums is based on assumptions about expected longevity, mortality, morbidity and claim frequency as well as the estimated cost of insurance events. Experience in the form of statistical material and expectations about future developments are critical factors in the choice of assumptions.

3.5.3 Risk exposure and risk measurement

Actual outcomes compared with the above-mentioned assumptions give rise to a risk result in the life insurance operations. Risk in the insurance business is measured by stressing the insurance company's balance sheet, income statement and shareholders' equity over a one-year horizon with a given level of confidence. According to the latest risk assessment, the most important risks are lapse, expense and catastrophe risk i.e. the risk of major damage due to a single event. Property and casualty insurance represent a small part of Swedbank's total insurance operations. Since contracts are issued on an annual basis, insurance risks are limited because pricing can be changed for the following year. For the property and casualty insurance operations, insurance risks are measured by calculating the claim ratio i.e. claims in relation to premiums, by product and country.

3.5.4 Capital requirement for Risk in the insurance business

Solvency is a measure of the insurance company's financial position and strength. The purpose is to show that the size of the company's capital buffer is large enough to fulfil its commitments to customers in accordance with the terms and guarantees in its insurance contracts. The insurance companies' capital buffer is designed to cover all types of risks. The solvency requirements in the insurance companies are calculated according to Solvency II. The capital base (Own Funds, OF) is calculated through a market valuation of the net of the insurance company's future cash flows, and capital requirement (Solvency Capital Requirement, SCR) by stressing OF in various scenarios. The solvency ratio is defined as OF divided by SCR.

The capital base in Swedbank's Swedish insurance operations amounted to SEK 10 074m on 30 September 2020 (8 759). This compares with the Solvency Capital Requirement of SEK 6 090m (5 845). The solvency ratio was 1.65 (1.50). The capital base in the Baltic life insurance operations amounted to SEK 1 721m as of 30 September 2020 (1 573). The solvency ratio was 1.50 (1.52). The capital base in the Baltic property and casualty insurance operations amounted to SEK 532m as of 30 September 2020 (523). The solvency ratio was 1.50 (1.51).

3.6 OTHER RISK TYPES

In addition to the risk types described in 3.1-3.5, Swedbank's Risk Taxonomy also includes Capital risk, Sustainability risk, Strategic risk, and Compliance risk.

3.6.1 Capital risk

Capital risk is defined as the risk that the Group has an insufficient level or composition of capital to cover applicable capital requirements and support its business activities under normal economic environments or stressed conditions.

3.6.2 Sustainability 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 Group's brand and reputation.

Sustainability Risk also impacts several other risk types, primarily Compliance, Credit, Operational and Strategic Risks.

3.6.3 Strategic risk

Strategic risk is defined as the risk arising from changes in the business environment (sometimes also called as business risk) and from business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment that might lead to failure in reaching Bank's strategic goals.

3.6.4 Compliance risk

Compliance risk is defined as the risk of failure by the Group to fulfil and meet the external and internal regulations applicable to the Group's licensed operations. Compliance risk includes three risk areas: Conduct risk (market conduct, data protection and customer protection risk), Financial crime risk (money laundering and terrorist financing, bribery and corruption, financial sanctions and facilitation of client tax evasion risk) and Regulatory compliance risk.

G4 Capital

4.1 INTERNAL CAPITAL ASSESSMENT

4.1.1 Purpose

The Internal Capital Adequacy Assessment Process (ICAAP) aims to ensure that the Group is adequately capitalised to cover its risks, both current and future, and that the capital dimension is properly considered in the Group's business strategy.

Internal capital stress tests are used to gauge the risk profile of the institution and measure the impact of adverse scenarios. The results of the conducted stress tests conducted are considered in the capital planning process when calibrating the size of the management buffer above the regulatory requirements, which in turn affects capital allocation, product pricing and performance measurement of internal business segments. A failure to meet the internal targets for capital adequacy in a particular stress test could result in a decision to issue additional capital, adjustment of internal controls and risk mitigation measures, reassessment of the permitted level of exposures within business areas, segments and products, and review of the long-term strategy of the bank.

4.1.2 Risk coverage

Swedbank prepares and documents its own methods and processes to evaluate its capital requirement. The internal capital adequacy assessment takes into account all relevant risks that arise within the Group. In addition to Pillar 1 risks, other types of risk are also assessed and evaluated. There are certain risk categories that receive no explicit capital allocation but are nevertheless closely monitored, such as business risk, liquidity risk and strategic risk. Significant risks that have been identified within the Group include:

Risk types according to the ICAAP process

Risk type	Pillar 1	Pillar 2
	Capital is allocated?	Contributes to calculated capital requirement?
Credit risk	Yes	Yes
Concentration risk	No	Yes
Market risk	Yes	Yes
Market risk: Interest risk in banking book	No	Yes
Operational risk	Yes	Yes
Insurance risk	Yes ¹	Yes ²
Risk in post-employment benefits	No	Yes
No specific capital is allocated	Identified and mitigated?	
Reputational risk	No	Yes ³
Liquidity risk	No	ILAAP ⁴
Strategic risk: Decision risk. Business plans.		
Projects and acquisitions	No	Yes ⁵

- 1) Holdings in insurance companies are risk weighted at 250%.
- 2) The insurance companies in Swedbank Group perform an Own Risk and Solvency Assessment (ORSA). The aim of this process is to make a qualitative and quantitative assessment of risks and the solvency position over a business planning period of three years. The calculations are performed by projecting the risk metrics under the base and adverse scenarios. Depending on the outcome of the ORSAs, Swedbank might choose to set aside capital within its Economic Capital framework.
- 3) Reputational risk is considered as part of the Operational risk in the ICAAP context. The Scenario Simulation parameters can be adjusted to reflect reputational risk.
- 4) Liquidity risks are assessed annually in the Internal Liquidity Adequacy Assessment Process (ILAAP).
- 5) Strategic and business risks are 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 a forward-looking perspective.

Stress test ICAAP scenario

Triggers	Outcome in Swedbank's home markets
Three primary risk drivers: escalation of trade wars, adaptation to hasty implementation of climate change combating policies, tensions in Strait of Hormuz. World trade growth decelerates substantially.	In Sweden, GDP vs starting point falls by a maximum of 4.0 per cent, unemployment increases to a maximum of 14.8 per cent and house prices fall by a maximum of 36 per cent.
Damaged consumer sentiment, undermined investor confidence.	In Estonia, GDP vs starting point falls by a maximum of 5.2 per cent, unemployment increases to a maximum of 17.7 per cent and house prices fall by a maximum of 39 per cent.
Rapidly rising unemployment that starts to recede as the economy adapts to the new environment. Collapse of equity and oil prices.	In Latvia, GDP vs starting point falls by a maximum of 5.5 per cent, unemployment increases to a maximum of 17.7 per cent and house prices fall by a maximum of 42 per cent.
Significant impact on real estate prices in private housing and property management segments. Initial inflation turns into deflation as economy cools.	In Lithuania, GDP vs starting point falls by a maximum of 5.8 per cent, unemployment increases to a maximum of 17.2 per cent and house prices fall by a maximum of 41 per cent.
Central banks act on their mandate and adjust policy rates downwards in attempt to prevent price downfall.	

4.1.3 ICAAP 2020

Stress testing exercises carried out by Swedbank in the ICAAP 2020 show that the bank is resilient to major macroeconomic shocks and is able to survive in a highly unfavourable economic environment. Swedbank's strong asset quality and capital situation are the key factors behind this conclusion.

Description of the 2020 adverse scenario

The scenario developed in late 2019 is based on three major risk drivers. A breakdown of trade talks between the USA and China is deemed to be the most prominent while the macroeconomic growth issues related to climate change transition and the effects of the geopolitical tensions in the Strait of Hormuz are also factored into the scenario. In addition, the impact of the AML allegations against Swedbank is considered. Thus, an aggressive escalation of the ongoing trade war is used as the scenario starting point recognizing that such a development hampers economic growth and may set the rest of the world on a path towards destructive tariff policies. At the same time, the scenario assumes that climate change can be mitigated if governments act decisively, which leads to rapid economic adjustments. This affects economic growth and is supposed to have serious short-term consequences for companies that would need to adapt their business models and practices to the new operating environment.

A revised scenario was prepared in June 2020 to reflect the economic fallout stemming from the Covid-19 pandemic. This scenario envisaged a resurgence of the virus and partial reinstatement of lockdowns leading to economic recession and a delayed recovery.

Stress test ICAAP-scenario – parameters¹

Sweden	2019	2020	2021	2022
GDP-growth. % Q4/Q4	1.0	-3.8	-2.2	-0.2
Unemployment. %	6.9	14.2	13.5	10.9
Inflation. % yoy	2.0	-1.0	-1.5	-0.4
Residential real estate price index	100.0	74.6	64.9	63.8
Estonia	2019	2020	2021	2022
GDP-growth. % Q4/Q4	3.8	-4.1	-3.4	-1.4
Unemployment. %	5.1	17.7	16.3	11.8
Inflation. % yoy	2.9	-1.3	-1.8	-0.3
Residential real estate price index	100.0	74.9	63.3	61.1
Latvia	2019	2020	2021	2022
GDP-growth. % Q4/Q4	2.9	-4.1	-4.0	-2.3
Unemployment. %	6.4	17.7	16.4	10.6
Inflation. % yoy	3.2	-1.4	-1.9	-0.3
Residential real estate price index	100.0	74.4	60.5	57.5
Lithuania	2019	2020	2021	2022
GDP-growth. % Q4/Q4	4.0	-4.0	-4.0	-1.7
Unemployment. %	5.8	17.2	16.2	8.5
Inflation. % yoy	2.7	-1.0	-1.9	0.1
Residential real estate price index	100.0	74.7	61.2	58.9
Interest Rates	2019	2020	2021	2022
3M government rates SEK, %	-0.40	-1.79	-1.79	-1.59
3M government rates EUR, %	-0.42	-1.52	-1.52	-1.32
FX	2019	2020	2021	2022
USD/SEK	9.27	10.13	10.42	10.42
EUR/SEK	10.56	10.83	11.36	10.22

1) Figures for 2019 are based on preliminary estimates due to final figures being published after the submission of the ICAAP report.

Income statement under ICAAP-Scenario¹

SEKbn	2019	2020	2021	2022
Net interest income	27.6	24.2	24.0	23.2
Total income	46.7	40.0	39.3	37.8
Total expenses	20.6	24.9	20.5	20.2
Profit before impairments	26.0	15.2	18.7	17.5
Credit impairments	1.8	9.7	13.8	11.1
Profit before tax	24.2	5.5	4.9	6.4
Tax expense	4.8	1.9	1.0	1.3
Profit for the year	19.4	3.6	4.0	5.2
Profit for the year attributable to:				
Shareholders of Swedbank AB	19.4	3.6	4.0	5.2
Non-controlling interests	0.0	0.0	0.0	0.0

1) The ICAAP calculations are based on the consolidated situation, which in some cases differs from Swedbank Group.

Swedbank in the scenario

In the simulated scenario that is calibrated to have an approximate likelihood of "once in twenty-five" years, the net interest income drops by SEK 4.4bn compared to the starting position. The main drivers underlying this development are falling benchmark interest rates (EURIBOR and STIBOR) and widened wholesale funding spreads. New credit losses accumulate to SEK 34.1bn or 2.1% of total loans as of Q4 2019. Losses peak in the second year, but the IFRS 9 accounting methodology entails a significant increase in losses already in the first year driven mostly by rating migrations within stages and migration from stage 1 to stage 2. There are high loss ratios in relatively small cyclical and climate exposed sectors like retail, while loss ratios are contained in the larger private mortgage and property management portfolios. The share of climate loss is high in the offshore sector and certain parts of the manufacturing industry as these are more directly impacted by government policies and the public sense of climate urgency, while property management is only indirectly affected through lower income and higher energy costs. These five sectors together account for 75% of the total credit loss.

When running scenario simulations, Swedbank factors in known changes in regulatory and accounting practices which will take effect during the simulation period and that can be analysed with a high degree of certainty. These changes are integrated in the calculations according to their expected implementation schedule. The adjustments include, amongst others, IRB (Internal Ratings Based) model revisions and introduction of the standardised approach to counterparty credit risk.

The nominal amount of CET 1 capital increases slightly through the scenario, buoyed by accumulating retained earnings. This is despite an actuarial loss in the defined benefit post-employment plans via other comprehensive income in 2020 and 2021. The CET 1 capital ratio drops by 301 basis points at the trough driven by low retained earnings and peaking Risk Weighted Assets caused in part by the overhaul of the IRB models in 2021. CET 1 ratio of 13.9% is estimated to be below the full capital requirements by 81 basis point implying a 32% utilization of the Capital Conservation Buffer. Note also that this estimate does not incorporate the post-Covid-19 decrease of the Counter-cyclical Buffer requirement.

The result observed in another scenario exploring the impact of a highly pessimistic development of Covid-19 pandemic – CET 1 ratio of 12.9% in the lowest point – does not give rise to concern considering the unprecedented depth of the modelled crisis.

REA and Capital	2019	2020	2021	2022
REA, SEKbn	649.2	676.5	801.1	793.6
Common Equity Tier 1, SEKbn	110.1	111.4	111.7	114.5
Common Equity Tier 1 ratio, %	17.0	16.5	13.9	14.4

Credit Impairments and Loans per Business area²

SEKbn	Loans 2019	Credit Impairments		
		2020	2021	2022
Swedish Banking	1 198.0	3.3	5.7	5.1
Large Corporates & Institutions	253.0	4.4	6.0	4.3
Baltic Banking - Estonia	86.3	0.8	0.8	0.5
Baltic Banking - Latvia	37.4	0.5	0.5	0.3
Baltic Banking - Lithuania	62.5	0.7	0.7	0.4
Other	20.5	-1.0	-1.0	-1.0
Total	1 657.8	9.7	13.8	10.6

2) The ICAAP calculations are based on the consolidated situation, which in some cases differs from Swedbank Group.

4.1.4 Internal capital requirement

The scenario-based simulations and stress tests performed under normative perspective are complemented by a calculation of the capital requirement using internal methods under the Economic Capital perspective. The models that serve as the basis for the internal capital assessment measure the economic capital requirement over a one year horizon with a 99.9 per cent confidence level for each risk type. Diversification effects between risk types are not taken into consideration in the calculation of economic capital. As of 31 December 2020, the internally measured internal capital requirement for Swedbank's consolidated situation amounted to SEK 37.0bn. The capital that meets the internal capital requirement, i.e. the Common Equity Tier 1 capital, amounted to SEK 120.5bn.

4.1.5 External stress tests

In 2020, Swedbank was subject to a regular stress test initiated by the Swedish Financial Supervisory Authority (SFSA) to determine the size of the capital planning buffer. The impact of the stress test on the CET 1 capital ratio was less than 250 basis points (corresponding to the size of the Pillar 1 capital conservation buffer) and thus no capital planning buffer was prescribed by the SFSA.

The European Banking Authority (EBA) conducts the EU-wide stress test on a biennial basis, and the 2020 EU-wide stress test had been announced and initiated in January 2020. However, due to the outbreak of Covid-19, the EBA decided in March 2020 to postpone the EU-wide stress test exercise to 2021 allowing banks to focus on and ensure continuity of their core operations. As of end of January 2021, EBA launched the 2021 EU-wide stress test and its results are expected to be published at the end of July 2021.

4.2 CAPITAL ADEQUACY ANALYSIS

The capital adequacy regulation is the legislator's requirement of how much capital, designated as the own funds, a bank must have in relation to the size of the risks it faces. The rules strengthen the connection between risk taking and required capital in the Group's operations. Swedbank's legal requirement is based on the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions. In the consolidated situation the Group's insurance companies are consolidated according to the equity method instead of full consolidation. The Enter-Card Group is consolidated by proportional method instead of the equity method. Otherwise, same principles for consolidations are applied as for the Group. The table

Consolidated situation		
Capital adequacy	2020	2019
Common Equity Tier 1 capital	120 496	110 073
Additional Tier 1 capital	8 352	16 153
Tier 1 capital	128 848	126 226
Tier 2 capital	15 889	15 328
Total own funds	144 737	141 554
Risk exposure amount	689 594	649 237
Common Equity Tier 1 capital ratio. %	17.5	17.0
Tier 1 capital ratio. %	18.7	19.4
Total capital ratio. %	21.0	21.8
Consolidated situation		
Capital adequacy	2020	2019
Shareholders' equity according to the Group's balance sheet	155 168	138 608
Anticipated dividend ⁹	-16 320	-9 856
Deconsolidation of insurance companies ⁸		-758
Value changes in own financial liabilities including derivatives	-77	-90
Cash flow hedges	2	-5
Additional value adjustments ¹	-478	-454
Goodwill	-12 705	-13 090
Goodwill in significant investments	-709	-709
Deferred tax assets	-78	-108
Intangible assets after deferred tax liabilities	-4 116	-3 433
Deductions of CET1 capital due to Article 3 CRR ¹⁰	-158	
Shares deducted from CET1 capital	-33	-32
Common Equity Tier 1 capital	120 496	110 073
Additional Tier 1 capital	8 352	16 153
Total Tier 1 capital	128 848	126 226
Tier 2 capital	15 889	15 328
Total own funds	144 737	141 554
Minimum capital requirement for credit risks, standardised approach	3 865	3 614
Minimum capital requirement for credit risks, IRB	23 972	21 559
Minimum capital requirement for credit risk, default fund contribution	44	47
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1 385	1 308
Trading book	1 373	1 292
of which VaR and SVaR	1 119	1 021
of which risks outside VaR and SVaR	254	271
FX risk other operations	12	16
Minimum capital requirement for credit value adjustment	352	378
Minimum capital requirement for operational risks	5 882	5 481
Additional minimum capital requirement, Article 3 CRR ²	1 584	2 451
Additional minimum capital requirement, Article 458 CRR ³	18 084	17 101
Minimum capital requirement	55 168	51 939

1) Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair value positions.

2) To rectify for underestimation of default frequency in the model for large corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins. Additional risk exposure amount according to article 3 CRR per 31 December 2019 includes the mortgage floor effect for reclassification of mortgage offers of SEK 4.2bn. As of 31 March 2020 these are directly included in additional risk exposure amount according to article 458 CRR. As of 30 September 2020 Swedbank has updated the LGD-model which decreases the additional risk exposure amount according to article 3 CRR by SEK 16.3bn

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below contains the information that must be published according to the SFSA's regulation (FFFS 2014:12), chapter 8. Additional periodic information according to the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions and the Commission's implementing regulation EU No 1423/2013 can be found on Swedbank's website at <https://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm>

Since the 30th of January 2017, Swedbank must also comply with a capital requirement at the financial conglomerate level in accordance with the Special Supervision of Financial Conglomerates Act (2006:531). See capital adequacy for the financial conglomerate below.

Risk exposure amount credit risks, standardised approach		
Risk exposure amount credit risks, IRB	2020	2019
Risk exposure amount default fund contribution	556	584
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	17 314	16 350
Risk exposure amount credit value adjustment	4 398	4 730
Risk exposure amount operational risks	73 521	68 514
Additional risk exposure amount, Article 3 CRR ²	19 800	30 635
Additional risk exposure amount, Article 458 CRR ³	226 044	213 765
Risk exposure amount	689 594	649 237
Common Equity Tier 1 capital ratio. %	17.5	17.0
Tier 1 capital ratio. %	18.7	19.4
Total capital ratio. %	21.0	21.8
Consolidated situation		
Capital buffer requirement ⁴ , %	2020	2019
CET1 capital requirement including buffer requirements	11.0	12.0
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	0.0	2.0
of which systemic risk buffer	3.0	3.0
of which buffer for other systemically important institutions	1.0	
CET 1 capital available to meet buffer requirement ⁵	12.7	12.5
Consolidated situation		
Leverage ratio	2020	2019
Tier 1 Capital	128 848	126 226
Leverage ratio exposure	2 526 721	2 353 631
Leverage ratio. %	5.1	5.4
Financial conglomerate		
Capital adequacy for the financial conglomerate ⁶	2020	2019
Own funds after adjustments and deductions	153 168	149 939
Capital requirement	121 343	116 698
Surplus	31 825	33 241
Financial conglomerate solvency ratio. %⁷	126.2	128.5

3) Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from the SFSA.

4) Buffer requirement according to Swedish implementation of CRD V. As of December 2020 buffer requirements also include a buffer for other systemically important institutions of 1 per cent.

5) CET1 capital ratio as reported, less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

6) The own funds and capital requirement for the financial conglomerate are calculated according to the accounting consolidation method in the Special Supervision of Financial Conglomerates Act (2006:531).

7) Calculated as the financial conglomerate's own funds after adjustments and deductions divided with the capital requirement for the financial conglomerate.

8) As of 31 December 2020 insurance companies are recognized in Swedbank consolidated situation according to the equity method. Hence, there are no longer any differences compared to the Swedbank Group's equity due to deconsolidation of the subsidiaries. Investments in insurance companies are deducted from own funds if above 10 per cent of CET1 capital.

9) Expected dividend in accordance with the dividend policy of 50 per cent based on the annual profit for 2019 and 2020.

10) As of 31 December 2020 a deduction has been introduced for non performing exposures within the Baltic entities.

Capital requirements ¹	SEKm	SEKm	Procent	Procent
SEKm / Per cent	2020	2019	2020	2019
Capital requirement Pillar 1	99 991	100 766	14.5	15.5
of which Buffer requirements ²	44 824	48 827	6.5	7.5
Total capital requirement Pillar 2 ³	13 712	22 140	2.0	3.4
Total capital requirement Pillar 1 and 2	113 703	122 906	16.5	18.9
Own funds	144 737	141 554		

1) Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.

2) Buffer requirements includes systemic risk buffer, capital conservation buffer, countercyclical capital buffer and buffer for other systemically important institutions.

3) Individual Pillar 2 requirement according to decision from SFSA SREP 2020.

Credit risks. IRB	2020		
	Exposure amount	Average risk weight. %	Minimum capital requirement
Central government or central banks exposures	475 296	1	539
Institutional exposures	57 900	20	919
Corporate exposures	535 990	36	15 452
Retail exposures	1 211 927	6	6 063
of which mortgage lending	1 119 419	4	3 941
of which other lending	92 508	29	2 122
Non credit obligation	16 217	77	999
Total credit risks. IRB	2 297 330	13	23 972

Credit risks. IRB	2019		
	Exposure amount	Average risk weight. %	Minimum capital requirement
Central government or central banks exposures	362 380	1	402
Institutional exposures	53 466	18	788
Corporate exposures	544 080	31	13 546
Retail exposures	1 184 439	7	6 173
of which mortgage lending	1 070 279	5	3 928
of which other lending	114 160	25	2 245
Non credit obligation	12 581	65	650
Total credit risks. IRB	2 156 946	12	21 559

Minimum capital requirements for market risks	Consolidated situation		Minimum capital requirement for operational risks	Consolidated situation	
	2020	2019		2020	2019
Interest rate risk	1 374	1 293	Standardised approach	5 882	5 481
of which for specific risk	253	270	of which trading and sales	266	322
of which for general risk	1 121	1 023	of which retail banking	3 471	3 134
Equity risk	189	106	of which commercial banking	1 234	1 164
of which for specific risk	0	1	of which payment and settlement	391	372
of which for general risk	189	105	of which retail brokerage	0	1
Currency risk in trading book	98	131	of which agency services	47	44
Total minimum capital requirement for risks in trading book¹	1 373	1 292	of which asset management	458	418
of which stressed VaR	886	808	of which corporate finance	15	26
Currency risk outside trading book	12	16	Total	5 882	5 481
Total	1 385	1 308			

1) The parent company's capital requirement for general interest-rate risk, share price risk and currency risk in the trading-book as well as Swedbank AS' (Estonia), Swedbank AS' (Latvia) and Swedbank AB's (Lithuania) capital requirement for general interest-rate risk and currency risk in the trading-book are calculated in accordance with the VaR model.

	Consolidated situation 2020			Consolidated situation 2019		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Exposure amount. Risk exposure amount and Minimum capital requirement						
Credit risks. STD	107 232	48 309	3 865	79 511	45 174	3 614
Central government or central banks exposures	59			64		
Regional governments or local authorities exposures	2 774	441	35	2 583	371	30
Public sector entities exposures	1 048	176	14	1 399	161	13
Multilateral development banks exposures	3 700			2 061	3	0
Institutional exposures	55 677	1 216	97	28 091	659	53
Corporate exposures	5 021	4 941	395	5 357	5 095	408
Retail exposures	19 985	14 445	1 157	19 575	14 101	1 128
Exposures secured by mortgages on immovable property	5 586	1 955	156	6 608	2 312	185
Exposures in default	791	810	65	736	749	60
Exposures in the form of covered bonds	322	32	3	564	56	4
Exposures in the form of collective investment undertakings (CIUs)	3	3	0	6	6	0
Equity exposures	9 954	22 977	1 838	9 237	19 296	1 544
Other items	2 312	1 313	105	3 230	2 365	189
Credit risks. IRB	2 297 330	299 652	23 972	2 156 946	269 485	21 559
Central government or central banks exposures	475 296	6 740	539	362 380	5 021	402
Institutional exposures	57 900	11 484	919	53 466	9 855	788
Corporate exposures	535 990	193 156	15 452	544 080	169 325	13 546
of which specialized lending in category 1	4	2	0	50	29	2
of which specialized lending in category 2	217	152	12	284	240	19
of which specialized lending in category 3	25	29	2	141	162	13
of which specialized lending in category 4	90	226	18	116	289	23
of which specialized lending in category 5				18		
Retail exposures	1 211 927	75 784	6 063	1 184 439	77 162	6 173
of which mortgage lending	1 119 419	49 260	3 941	1 070 279	49 094	3 928
of which other lending	92 508	26 524	2 122	114 160	28 068	2 245
Non-credit obligation	16 217	12 488	999	12 581	8 122	650
Credit risks. Default fund contribution	556	44		584	47	
Settlement risks	0	0	0	0	0	0
Market risks	17 314	1 385		16 350	1 308	
Trading book	17 160	1 373		16 150	1 292	
of which VaR and SVaR	13 988	1 119		12 763	1 021	
of which risks outside VaR and SVaR	3 172	254		3 387	271	
FX risk other operations	154	12		200	16	
Credit value adjustment	22 419	4 398	352	19 004	4 730	378
Operational risks	73 521	5 882		68 514	5 481	
of which Standardised approach	73 521	5 882		68 514	5 481	
Additional risk exposure amount. Article 3 CRR	19 800	1 584		30 635	2 451	
Additional risk exposure amount. Article 458 CRR	226 044	18 084		213 765	17 101	
Total	2 426 981	689 594	55 168	2 255 461	649 237	51 939

G5 Operating segments

2020	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Elimination	Total
Income statement						
Net interest income	16 276	5 354	3 834	1 417	-28	26 853
Net commissions	7 922	2 430	2 436	-137	119	12 770
Net gains and losses on financial items	351	337	1 897	71	-1	2 655
Share of the profit or loss of associates and joint ventures	642		-32	-28		582
Other income	954	876	148	1 098	-260	2 816
Total income	26 145	8 997	8 283	2 421	-170	45 676
of which internal income	55	3	17	-75		
Staff costs	3 079	1 194	2 332	4 920	-14	11 511
Variable staff costs	48	45	94	175		362
Other expenses	6 855	2 153	1 429	-3 174	-156	7 107
Depreciation/amortisation	53	171	248	1 108		1 580
Administrative fine				4 000		4 000
Total expenses	10 035	3 563	4 103	7 029	-170	24 560
Profit before impairment	16 110	5 434	4 180	-4 608		21 116
Impairment of tangible assets		2				2
Credit impairment, net	664	237	3 425	8		4 334
Profit before tax	15 446	5 195	755	-4 616		16 780
Tax expense	3 007	869	-271	246		3 851
Profit for the year	12 439	4 326	1 026	-4 862		12 929
Profit for the year attributable to the shareholders of Swedbank AB	12 439	4 326	1 026	-4 862		12 929
Non-controlling interests	0					0
Net commission income						
Commission income						
Payment processing	719	647	585	61	7	2 019
Cards	2 168	1 543	1 969	-6	-423	5 251
Service concepts	796	151	293			1 240
Asset Management and custody	5 943	341	1 473	-13	-260	7 484
Life insurance	534	82		2		618
Securities	290	66	324	38	-8	710
Corporate Finance			100			100
Lending	219	167	666	13	-8	1 057
Guarantees	32	72	102	1		207
Deposits	16	117	4			137
Real estate brokerage	192					192
Non-life insurance	68			4		72
Other	208	15	168	-3	1	389
Total commission income	11 185	3 201	5 684	97	-691	19 476
Commission expense	3 263	771	3 248	234	-810	6 706
Net Commission Income	7 922	2 430	2 436	-137	119	12 770

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses for Group functions and Group staffs are transfer priced at cost to the operating segments. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the Group's internal Capital Adequacy Assessment Process (ICAAP). The return on allocated equity for the operating segments is calculated based on profit for the year for the operating segment (profit before tax less estimated tax and non-controlling interests), in relation to average monthly allocated equity for the operating segment. Swedish Banking, Swedbank's dominant operating segment, is responsible for all Swedish customers except for large corporates and financial institutions. The operating segment's services are sold through Swedbank's own branch network, the Telephone Bank, the Internet Bank and the distribution network of the independent savings banks. The operating segment also includes a number of subsidiaries. Baltic Banking operates in Estonia, Latvia and Lithuania.

Its services are sold through its own branch network, the Telephone Bank and the Internet Bank.

The effects of Swedbank's ownership interests in the Baltic companies Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AS (Lithuania) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in deposit portfolios identified at the time of acquisition in 2005. Large Corporates & Institutions is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out in Sweden, Norway, Finland, US and China, and through the trading and capital market operation in Estonia, Latvia and Lithuania. The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Financial Products & Advice, Digital Banking & IT, CFO Office (including Group Treasury), Group Risk, Group Compliance, Group Credit, Group Communication & Sustainability, Group HR & Infrastructure and Group Legal. The Group Executive Committee and Internal Audit are also included in Group Functions.

2020	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks	1 017	2 777	130 889	159 971	-843	293 811
Loans to credit institutions	7 217	352	108 670	264 199	-332 484	47 954
Loans to the public	1 211 142	181 944	262 523	25 378		1 680 987
Interest-bearing securities		1 223	52 030	146 601	-2 688	197 166
Financial assets for which customers bear inv. risk	246 352	6 059				252 411
Investments in associates and joint ventures	5 186		67	2 034		7 287
Derivatives	-34		65 440	32 741	-45 970	52 177
Tangible and intangible assets	1 932	11 580	2 285	7 985		23 782
Other assets	3 503	109 964	24 612	354 485	-453 497	39 067
Total assets	1 476 315	313 899	646 516	993 394	-835 482	2 594 642
Amounts owed to credit institutions	27 187		263 126	179 169	-319 169	150 313
Deposits and borrowings from the public	646 221	283 584	225 914	2 025	-9 504	1 148 240
Debt securities in issue		172	6 768	729 503	-3 629	732 814
Financial liabilities for which customers bear inv. risk	247 393	5 836				253 229
Derivatives			67 154	33 195	-45 969	54 380
Other liabilities	488 698		50 710	-15 492	-457 211	66 705
Senior non-preferred liabilities			-94	10 453		10 359
Subordinated liabilities			-3	23 437		23 434
Total liabilities	1 409 499	289 592	613 575	962 290	-835 482	2 439 474
Allocated equity	66 816	24 307	32 941	31 104		155 168
Total liabilities and equity	1 476 315	313 899	646 516	993 394	-835 482	2 594 642
Key figures						
Return on allocated equity, total operations, %	18,5	17,5	3,2	-21,8		8,9
Cost/income ratio	0,38	0,40	0,50	2,90		0,54
Credit impairment ratio, %	0,06	0,12	1,16	0,04		0,26
Loans/deposits	187	64	111	46		143
Loans to the public, stage 3, SEKbn	2	2	7			11
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	1 211	182	223			1 616
Provisions for loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	2	1	5			8
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	646	284	200	1		1 131
Risk exposure amount, SEKbn	391	92	168	39		690
Full-time employees	3 991	3 769	2 385	6 068		16 213
Allocated equity, average, SEKbn	67	25	32	22		146

2019	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	16 254	5 232	3 769	735	-1	25 989
Net commissions	7 854	2 627	2 411	-13	105	12 984
Net gains and losses on financial items	433	396	2 085	716	-1	3 629
Share of the profit or loss of associates and joint ventures	839		-18	1		822
Other income	977	899	129	789	-258	2 536
Total income	26 357	9 154	8 376	2 228	-155	45 960
of which internal income	63		15	-78		
Staff costs	2 950	1 104	2 196	4 430	-1	10 679
Variable staff costs	48	57	176	159		440
Other expenses	6 001	2 075	1 447	-2 055	-154	7 314
Depreciation/amortisation	237	175	233	906		1 551
Total expenses	9 236	3 411	4 052	3 440	-155	19 984
Profit before impairment	17 121	5 743	4 324	-1 212		25 976
Impairment of intangible assets			79			79
Impairment of tangible assets		8				8
Credit impairment	154	3	1 312			1 469
Profit before tax	16 967	5 732	2 933	-1 212		24 420
Tax expense	3 270	816	682	-57		4 711
Profit for the year	13 697	4 916	2 251	-1 155		19 709
Profit for the year attributable to the shareholders of Swedbank AB	13 685	4 916	2 251	-1 155		19 697
Non-controlling interests	12					12

Net commission income**Commission income**

Payment processing	723	703	562	135	-33	2 090
Cards	2 562	1 719	2 057		-390	5 948
Service concepts	862	119	267			1 248
Asset Management and custody	5 331	374	1 263	31	-36	6 963
Life insurance	534	44		4		582
Securities	195	51	163	22	-9	422
Corporate Finance			139	1		140
Lending	239	171	559	8		977
Guarantee	34	79	107	1		221
Deposits	24	136	4			164
Real estate brokerage	187					187
Non-life Insurance	64	34		-3		95
Other	199	20	183	34	-1	435
Total commission income	10 954	3 450	5 304	233	-469	19 472
Commission expense	3 100	823	2 893	246	-574	6 488
Net Commission Income	7 854	2 627	2 411	-13	105	12 984

2019	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks	769	3 279	41 796	150 310	-868	195 286
Loans to credit institutions	6 334	49	81 138	175 826	-217 895	45 452
Loans to the public	1 195 766	185 544	270 336	2 452	-1 802	1 652 296
Interest-bearing securities	265	1 299	44 578	150 789	-2 470	194 461
Financial assets for which customers bear inv. risk	219 320	5 573				224 893
Investments in associates and joint ventures	4 509		99	2 071		6 679
Derivatives	-32		53 216	29 326	-38 086	44 424
Tangible and intangible assets	2 139	12 033	2 065	7 199		23 436
Other assets	3 910	66 041	9 409	488 318	-546 377	21 301
Total assets	1 432 980	273 818	502 637	1 006 291	-807 498	2 408 228
Amounts owed to credit institutions	25 809		176 975	71 770	-204 868	69 686
Deposits and borrowings from the public	571 465	241 133	149 125	2 424	-10 134	954 013
Debt securities in issue		1 305	10 033	848 306	-3 890	855 754
Financial liabilities for which customers bear inv. risk	219 887	5 905				225 792
Derivatives			55 168	23 822	-38 013	40 977
Other liabilities	551 188		83 075	-3 511	-550 093	80 659
Senior non-prefferred liabilities			500	10 805	-500	10 805
Subordinated liabilities				31 934		31 934
Total liabilities	1 368 349	248 343	474 876	985 550	-807 498	2 269 620
Allocated equity	64 631	25 475	27 761	20 741	0	138 608
Total liabilities and equity	1 432 980	273 818	502 637	1 006 291	-807 498	2 408 228
Key figures						
Return on allocated equity, total operations, %	21,2	19,6	8,3	-6,7		14,7
Cost/income ratio	0,35	0,37	0,48	1,54		0,43
Credit impairment ratio, %	0,01	0,00	0,47	0,00		0,09
Loans/deposits	209	77	159	233		168
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, stage 3, SEKbn	3,0	2,0	9,0	0,0		14,0
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	1 196	186	223	1		1 606
Provisions for loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	1	1	5	0		7
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	571	241	142	0		954
Risk exposure amount, SEKbn	391	94	144	20		649
Full-time employees	3 644	3 689	2 273	5 612		15 218
Allocated equity, average, SEKbn	64	25	27	17		134

G6 Products

2020	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	21 738	1 903	2 466	-118	864	26 853
Net commissions	1 101	5 913	4 716	539	501	12 770
Net gains and losses on financial items	39	-4	17	2 106	497	2 655
Share of the profit or loss of associates and joint ventures			283		299	582
Other income	32	1 605	25	32	1 122	2 816
Total income	22 910	9 417	7 507	2 559	3 283	45 676

2019	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	22 660	1 223	2 009	-139	236	25 989
Net commissions	1 098	5 480	5 095	402	909	12 984
Net gains and losses on financial items	70	56	33	2 312	1 158	3 629
Share of the profit or loss of associates and joint ventures			543		279	822
Other income	96	1 519	260	42	619	2 536
Total income	23 924	8 278	7 940	2 617	3 201	45 960

In the product area report income has been distributed among five principal product areas. The Group does not have a single customer which accounts for more than 10 per cent of its total income.

Financing

private residential lending
consumer financing
corporate lending
leasing
other financing products
trade finance
factoring

Savings & Investments

savings accounts
mutual funds and insurance savings
pension savings
institutional asset management
other savings and investment products

Payments & Cards

current accounts (incl. cash management)
cash handling
domestic payments
international payments
mobile payments
document payments
debit cards
credit cards (incl. EnterCard)
card acquiring
other payment products

Trading & Capital Market Products

equity trading
structured products
corporate finance
custody services
fixed income trading
currency trading
other capital market products

Other

administrative services
treasury operations
real estate brokerage
real estate management
legal services
safe deposit boxes
other

Other also includes income from all countries apart from Sweden, Baltics and Norway

G7 Geographical distribution

The geographical distribution is based on where the business is primarily carried out and is not comparable to the operating segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, have been allocated to the country where the operations were acquired. The column Other includes operations in Finland, Denmark, Luxembourg and China. A more detailed country distribution is provided on Swedbank's website.

2020	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Elimination	Total
Income statement									
Net interest income	20 874	2 242	1 032	1 370	852	58	405	20	26 853
Net commissions	9 485	848	771	1 016	378	51	251	-30	12 770
Net gains and losses on financial items	2 238	94	111	162	12	-1	39		2 655
Share of the profit or loss of associates and joint ventures	409				113		60		582
Other income	2 426	1 054	108	293	179	1	52	-1 297	2 816
Total income	35 432	4 238	2 022	2 841	1 534	109	807	-1 307	45 676
Staff costs	8 441	1 119	601	825	347	41	137		11 511
Variable staff costs	268	36	21	24	9	3	1		362
Other expenses	6 472	500	509	467	310	3	153	-1 307	7 107
Depreciation/amortisation	1 214	118	55	81	86	4	22		1 580
Administrative fine	3 173		810	17					4 000
Total expenses	16 395	4 946	1 996	1 414	753	51	312	-1 307	24 560
Profit before impairment	19 037	-708	26	1 427	781	58	495		21 116
Impairment of intangible assets	-7				7		0		
Impairment of tangible fixed assets				2					2
Credit impairment, net	1 287	135	53	50	2 810	-15	14		4 334
Profit before tax	17 743	-843	-27	1 375	-2 022	73	481		16 780
Tax expense	3 949	318	146	224	-640	-203	57		3 851
of which current tax	3 851	335	6	193	-545	16	88		3 944
of which paid tax	3 204	296	38	252	-10	8	33		3 820
Profit for the year	13 794	-1 161	-173	1 151	-1 382	276	424		12 929
Profit for the year attributable to the shareholders of Swedbank AB	13 794	-1 161	-173	1 151	-1 382	276	424		12 929
Non-controlling interests	0								0
Net commission income									
Commission income									
Payment processing	1 333	219	222	246	4	9	-14		2 019
Cards	3 065	520	484	540	177	522	-57		5 251
Service concepts	938	18		133	99	53	-1		1 240
Asset Management and custody	7 108	205	113	113			-55		7 484
Life Insurance	537	82	6	8			-15		618
Securities	496	27	9	21	67	1	89		710
Corporate Finance	54		1	18	27				100
Lending	668	49	47	70	115	49	73	-14	1 057
Guarantees	113	43	14	16	37	4	-20		207
Deposits	20	5	46	66					137
Real estate brokerage	187					5			192
Non-life Insurance	71		19	15			-33		72
Other commission income	275	9	11	10	68	9	9	-2	389
Total commission income	14 865	1 177	972	1 256	594	59	764	-211	19 476
Commission expense	5 380	329	201	240	216	8	513	-181	6 706
Net Commission Income	9 485	848	771	1 016	378	51	251	-30	12 770

2020	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	128 788	32 272	29 759	64 658	926	19 466	17 942		293 811
Loans to credit institutions	211 487	2 328	1 304	11 659	19 005	17 621	4 215	-219 665	47 954
Loans to the public	1 424 927	85 678	35 985	60 664	52 266	1 752	20 883	-1 168	1 680 987
Interest-bearing securities	181 437	22 080	9 576	2 577	6 319	1 065	1 519	-27 407	197 166
Financial assets for which customers bear the investment risk	246 352	6 059							252 411
Investments in associates and joint ventures	6 262	13		777			235		7 287
Derivatives	39 404	116	40	152	17 357		14	-4 906	52 177
Tangible assets and intangible assets	11 418	4 667	2 607	4 606	395		89		23 782
Other assets	32 738	1 074	323	473	4 716	727	261	-1 245	39 067
Total assets	2 282 813	154 287	79 594	144 789	101 760	40 631	45 159	-254 391	2 594 642
Amounts owed to credit institutions	170 931	16 881	7 735	69	61 590	21 846	36 803	-165 542	150 313
Deposits and borrowings from the public	847 746	106 585	58 791	123 230	7 013	147	5 112	-384	1 148 240
Debt securities in issue	742 653	3			17 563			-27 405	732 814
Financial liabilities for which customers bear inv. risk	246 893	6 336							253 229
Derivatives	39 299	120	48	153	18 506		25	-3 771	54 380
Other liabilities	82 929	14 284	6 096	6 270	6 803	109	458	-50 244	66 705
Senior non-preferred liabilities	10 359								10 359
Subordinated liabilities	23 434		805	6 240				-7 045	23 434
Total liabilities	2 164 244	144 209	73 475	135 962	93 912	39 665	42 398	-254 391	2 439 474
Allocated equity	118 569	10 078	6 119	8 827	7 849	966	2 760		155 168
Total liabilities and equity	2 282 813	154 287	79 594	144 789	101 760	40 631	45 159	-254 391	2 594 642

2019	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	19 539	2 304	1 142	1 460	1 052	71	393	28	25 989
Net commissions	9 429	947	818	1 052	401	71	261	5	12 984
Net gains and losses on financial items	3 028	126	129	125	190		31		3 629
Share of the profit or loss of associates and joint ventures	601				166		55		822
Other income	1 828	1 120	130	357	299	1	59	-1 258	2 536
Total income	34 425	4 497	2 219	2 994	2 108	143	799	-1 225	45 960
Staff costs	7 736	1 038	535	745	372	45	208		10 679
Variable staff costs	290	47	29	34	33	1	6		440
Other expenses	6 457	544	557	527	315	-18	157	-1 225	7 314
Depreciation/amortisation	1 228	112	56	77	52	4	22		1 551
Total expenses	15 711	1 741	1 177	1 383	772	32	393	-1 225	19 984
Profit before impairment	18 714	2 756	1 042	1 611	1 335	111	407		25 976
Impairment of intangible assets		79							79
Impairment of tangible fixed assets			5	3					8
Credit impairment	172	20	-4	-13	1 059	58	177		1 469
Profit before tax	18 463	2 736	1 041	1 621	278	53	228		24 420
Tax expense	3 712	411	211	250	65	11	51		4 711
of which current tax									
of which paid tax									
Profit for the year	14 751	2 325	830	1 371	211	42	179		19 709
Profit for the year attributable to the shareholders of Swedbank AB	14 739	2 325	830	1 371	211	42	179		19 697
Non-controlling interests		12							12
Net commission income									
Commission income									
Payment processing	1 347	245	238	258	5		10	-13	2 090
Cards	3 519	615	527	577	229		481		5 948
Service concepts	978			119	118		53	-20	1 248
Asset Management and custody	6 535	234	106	117			15	-44	6 963
Life Insurance	537	78	7	8				-48	582
Securities	285	16	6	8	40	1	66		422
Corporate Finance	70	6		11	53				140
Lending	535	50	51	70	116	70	84	1	977
Guarantees	125	42	17	20	39		5	-27	221
Deposits	28	9	48	79					164
Real estate brokerage	176						11		187
Non-life Insurance	62		18	15					95
Other commission income	318	7	14	12	66	9	18	-9	435
Total commission income	14 515	1 302	1 032	1 294	666	80	743	-160	19 472
Commission expense	5 086	355	214	242	265	9	482	-165	6 488
Net Commission Income	9 429	947	818	1 052	401	71	261	5	12 984
2019	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	30 805	23 827	20 798	42 996	1 007	18 908	56 945		195 286
Loans to credit institutions	40 997	2 035	686	1 158	4 108	39 856	-370	-43 018	45 452
Loans to the public	1 395 044	86 357	37 274	62 562	50 707	1 722	19 665	-1 035	1 652 296
Interest-bearing securities	179 208	2 909	839	1 815	6 044	1 118	2 528		194 461
Financial assets for which customers bear the investment risk	219 320	5 573							224 893
Investments in associates and joint ventures	5 490	14			947		228		6 679
Derivatives	37 252	97	67	150	9 620		15	-2 777	44 424
Tangible assets and intangible assets	10 583	4 860	2 727	4 750	452	3	61		23 436
Other assets	56 870	1 305	661	481	4 565	32	480	-43 093	21 301
Total assets	1 975 569	126 977	63 052	113 912	77 449	61 639	79 553	-89 923	2 408 228
Amounts owed to credit institutions	60 488	206	91	82	53 572	20 470	74 885	-140 108	69 686
Deposits and borrowings from the public	700 159	94 964	50 932	99 324	5 647	392	3 123	-528	954 013
Debt securities in issue	815 439	7				40 308			855 754
Financial liabilities for which customers bear inv. risk	219 887	5 905							225 792
Derivatives	33 930	124	76	131	9 547		21	-2 852	40 977
Other liabilities		15 211	5 788	5 318	3 399	-625	-1 997	53 565	80 659
Senior non-preferred liabilities	10 805								10 805
Subordinated liabilities	31 934								31 934
Total liabilities	1 872 642	116 417	56 887	104 855	72 166	60 545	76 031	-89 923	2 269 620
Allocated equity	102 927	10 560	6 165	9 057	5 283	1 094	3 522		138 608
Total liabilities and equity	1 975 569	126 977	63 052	113 912	77 449	61 639	79 553	-89 923	2 408 228

G8 Net interest income

	2020			2019		
	Interest income/ expense	Average balance	Average annual inte- rest rate, %	Interest income/ expense	Average balance	Average annual inte- rest rate, %
Assets						
Cash and balances with central banks	-547	332 928	-0,16	439	253 617	0,17
Treasury bills and other bills eligible for refinancing with central banks, etc.	76	143 126	0,05	172	144 829	0,12
Loans to credit institutions	314	57 207	0,55	539	50 525	1,07
Loans to the public	32 645	1 689 245	1,93	32 947	1 668 584	1,97
Interest-bearing securities	378	84 792	0,45	118	66 347	0,18
Total interest-bearing instruments	32 866	2 307 298	1,42	34 215	2 183 902	1,57
Derivatives ¹	637	56 693		1 473	49 960	
Other assets	190	306 870		216	271 084	
Total	33 693	2 670 861	1,26	35 904	2 504 946	1,43
Deduction of trading-related interests reported in Net gains and losses on financial items	-98			534		
Interest income	33 791			35 370		
Liabilities						
Amounts owed to credit institutions	204	156 827	0,13	1 005	103 576	0,97
Deposits and borrowings from the public	847	1 108 462	0,08	1 663	988 620	0,17
of which deposit guarantee fees	566			457		
Debt securities in issue	7 282	851 691	0,86	11 464	905 652	1,27
Senior non-preferred liabilities	102	10 811	0,94	15	1 450	1,03
Subordinated liabilities	821	26 800	3,06	993	30 627	3,24
Total Interest-bearing instruments	9 256	2 154 591	0,43	15 140	2 029 925	0,75
Derivatives ¹	-3 450	48 237		-6 945	35 514	
Other liabilities	962	321 987		1 246	305 571	
of which resolution fund fee	863			1 117		
of which lease liabilities	44	3 698	1,19	42	3 810	1,10
Total	6 768	2 524 815	0,27	9 441	2 371 010	0,40
Deduction of trading-related interests reported in Net gains and losses on financial items	-170			60		
Interest expense	6 938			9 381		
Net interest income	26 853			25 989		
Net investment margin before trading-related interests are deducted			1,01			1,06
Interest income on Stage 3 loans	224			291		
Interest expense on financial liabilities at amortised cost	9 237			15 672		
Negative yield on financial assets	1 554			2 031		
Negative yield on financial liabilities	497			592		

1) The derivatives line includes net interest income related to hedged assets and liabilities. These may have both a positive and negative impact on interest income and interest expense.

G9 Net commission income

	Commission income			Commission expense	Net commission income
	Over time	Point in time	Total		
2020					
Payment processing	457	1 562	2 019	-1 128	891
Cards	364	4 887	5 251	-2 719	2 532
Service concepts	1 152	88	1 240	-156	1 084
Asset management and custody	7 132	352	7 484	-1 763	5 721
Life insurance	609	9	618	-280	338
Securities	54	656	710	-328	382
Corporate finance	8	92	100		100
Lending	750	307	1 057	-119	938
Guarantee	167	40	207	-0	207
Deposits	114	23	137		137
Real estate brokerage		192	192		192
Non-life insurance	72	0	72	-1	71
Other	276	113	389	-212	177
Total	11 155	8 321	19 476	-6 706	12 770
2019					
Payment processing	513	1 577	2 090	-1 167	923
Cards	447	5 501	5 948	-2 654	3 294
Service concepts	1 174	74	1 248	-172	1 076
Asset management and custody	6 846	117	6 963	-1 629	5 334
Life insurance	580	2	582	-220	362
Securities	27	395	422	-304	118
Corporate finance	81	59	140		140
Lending	707	270	977	-79	898
Guarantee	183	38	221		221
Deposits	127	37	164		164
Real estate brokerage		187	187		187
Non-life insurance	95	0	95	-35	60
Other	348	87	435	-228	207
Total	11 128	8 344	19 472	-6 488	12 984

G10 Net gains and losses on financial items

	2020	2019
Fair value through profit or loss		
Trading		
Shares and share related derivatives	166	314
of which dividend	24	115
Interest-bearing instruments and interest related derivatives	749	878
Other financial instruments	-15	-10
Total	900	1 182
Other business models		
Shares	203	690
of which dividend	23	37
Interest-bearing instruments	179	-215
Total	382	475
Financial liabilities designated at fair value through profit or loss		
	36	85
Total fair value through profit or loss	1 318	1 742
Hedge accounting		
Ineffective part in fair value hedges	3	11
of which hedging instruments	3 314	3 368
of which hedged item	-3 311	-3 357
Ineffective part in fair value portfolio hedges	-27	43
of which hedging instruments	-1 531	540
of which hedged item	1 504	-497
Ineffective part in cash flow hedges	-2	7
Total hedge accounting	-26	61
Amortised cost		
Derecognition gain or loss for financial assets	214	212
Derecognition gain or loss for financial liabilities	-112	-153
Total amortised cost	102	59
Trading related interest		
Interest income	-98	534
Interest expense	170	-60
Total trading related interest	72	474
Change in exchange rates	1 189	1 293
Total	2 655	3 629

G11 Net insurance

	2020	2019
Insurance premiums		
Life insurance	1 746	1 624
Non-life insurance	1 133	1 111
Total	2 879	2 735
Insurance provisions		
Life insurance	-707	-613
Non-life insurance	-654	-657
Total	-1 361	-1 270
Net insurance		
Life insurance	1 038	1 011
Non-life insurance	480	454
Total	1 518	1 465

G12 Other income

	2020	2019
Profit from sale of subsidiaries and associates	3	66
Income from real estate operations	11	13
Profit from sale of condominiums	8	
Sold inventories	1	25
of which revenues	160	248
of which carrying amount	-159	-223
IT services	585	410
Other operating income	698	549
Total	1 298	1 071

During 2020 the shares in the associated company Svensk Mäklarstatistik AB were sold giving a capital gain of SEK 3m.

During 2019 the shares in the subsidiary Ölands Bank AB and the shares in the associated company BABS Paylink AB were sold giving a capital gain of SEK 40m and 25m.

K13 Staff costs and other staff-related key ratios

1 COMPENSATION WITHIN SWEDBANK

The majority of employees at Swedbank have fixed and variable compensation components, which together with pension and other benefits represent their total compensation. Total compensation is market based and designed to achieve a sound balance between the fixed and variable components.

Information on compensation according to the SFSA's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on Swedbank's website.

Total staff costs	2020	2019
Salaries and Board fees	7 524	6 976
Compensation through shares in Swedbank AB	178	273
Social insurance charges	2 117	1 984
Pension costs ¹	1 579	1 303
Training costs	82	130
Other staff costs	393	453
Total	11 873	11 119
of which variable staff costs	362	440
of which personnel redundancy costs	61	144

1) The Group's pension cost for the year is specified in note G39.

2 VARIABLE COMPENSATION

Swedbank currently has four share-based variable compensation programmes: Programme 2017, Programme 2018, Programme 2019 and Programme 2020.

In 2020 shares associated with Programme 2016 were transferred.

2.1 Programme 2020

Programme 2020 consists of three parts: a general programme (Eken), an individual programme (IP) and an individual programme for employees in asset management (IPAM). Eken covers the majority of employees in the Group and consists of share-based compensation that is deferred for 3 years (5 years for the Group Executive Committee). IP covers approximately 460 participants. For IP participants who have been identified as material risk takers, half of the variable pay within IP will be share-based, and the other half cash-based. At least 40 per cent of the variable pay is deferred for 3 years, followed by an additional one year retention period for the share-based part. For other IP participants variable pay is cash-based. IPAM covers around 60 participants and consists of half fund unit-based compensation and half cash compensation. At least 40 per cent of the variable compensation is deferred for 3–5 years.

Further information on Programme 2020 as well as Programmes 2017–2019 can be found in Swedbank's Factbook, which is published on the group website in the detailed agenda items that serve as a basis for resolutions by the Annual General Meeting.

2.2 Reporting of share-based compensation

Share-based compensation is allotted in the form of so-called performance rights (future shares in Swedbank) and accrued over the duration of each programme.

Transfer of shares requires continued employment at the time of transfer (Eken) or during a defined part of the deferral period (IP).

The duration of each programme comprises of i) the initial performance year, followed by ii) allotments and a deferral period of at least three years (at least five years for eligible GEC members) followed by iii) the transfer of shares to the participants that ends the deferral period.

During the initial performance year the compensation is expressed and measured in the form of a monetary value corresponding to the performance amount. Thereafter, the compensation is expressed in terms of the number of performance rights until the delivery date.

Performance rights for each programme are valued in the accounts based on the Swedbank share price on the valuation date i.e. the date when the company and the counterpart agree to the contractual terms and conditions in each programme.

Each performance right entitles its holder to one share in Swedbank plus, for the majority of the participants, compensation for any dividends distributed that the performance right did not qualify for during the programme's duration.

The reported cost of each programme can change during the period until the delivery date if the performance amount changes or because the performance rights are forfeited. The reported cost, excluding social insurance charges, does not change when the market value of the performance rights changes. Social insurance charges are calculated and recognised continuously based on market value and ultimately determined at the time of delivery.

Variable Compensation Programmes	2020	2019
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	10	
Recognised expense for social insurance charges related to the share settled compensation	2	
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	11	54
Recognised expense for social insurance charges related to the share settled compensation	5	-2
Recognised expense for cash settled compensation	1	0
Recognised expense for payroll overhead costs related to the cash settled compensation	1	0
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	47	49
Recognised expense for social insurance charges related to the share settled compensation	10	2
Recognised expense for cash settled compensation	4	6
Recognised expense for fund compensation	3	1
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	2	1
Programme 2018		
Recognised expense for compensation that is settled with shares in Swedbank AB	49	65
Recognised expense for social insurance charges related to the share settled compensation	5	3
Recognised expense for cash settled compensation	9	28
Recognised expense for fund compensation	1	2
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	3	10
Programme 2019		
Recognised expense for compensation that is settled with shares in Swedbank AB	31	96
Recognised expense for social insurance charges related to the share settled compensation	5	19
Recognised expense for cash settled compensation	21	56
Recognised expense for fund compensation	4	7
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	9	31
Programme 2020		
Recognised expense for compensation that is settled with shares in Swedbank AB	40	
Recognised expense for social insurance charges related to the share settled compensation	11	
Recognised expense for cash settled compensation	36	
Recognised expense for fund compensation	4	
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	11	
Total recognised expense	323	440
Number of performance rights that establish the recognised share-based expense, millions	2020	2019
Outstanding at the beginning of the period	6.7	5.9
Allotted	0.9	2.1
Forfeited	0.4	0.3
Exercised	2	1
Outstanding at the end of the period	5.2	6.7
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	150	179
Weighted average remaining contractual life, months	16	19
Weighted average exercise price per performance right, SEK	0	0

3 CEO COMPENSATION

Jens Henriksson assumed the role as CEO on 1 October 2019. Jens Henriksson's employment terms do not contain any variable compensation. The fixed salary is SEK 13 000 thousand.

The ordinary retirement age is 65 and Jens Henriksson has a premium to pension insurance of 4,5 per cent on salary up to 7,5 income base amount and 30 per cent on salary over 7,5 income base amount up to the fixed annual salary. The pensionable salary is capped at SEK 15 000 thousand by decision from the Board of Directors. If the employment is terminated by Swedbank, Jens Henriksson receives 75 per cent of his salary during a 12-month term of notice and in addition a severance pay, equivalent to 75 per cent of his salary during 12 months. A deduction against salary and severance pay is made for income earned from new employment. If Jens Henriksson resigns, the term of notice is six months and no severance pay is paid.

SEK Thousands	2020	2019
Jens Henriksson		
Fixed compensation, salary	13 000	3 250
Other compensation/benefits	226	52
Total	13 226	3 302
Pension cost, excluding payroll tax	3 299	944

Anders Karlsson was acting CEO from the 28 March until the 30 September 2019.

SEK Thousands	2020	2019
Anders Karlsson		
Fixed compensation, salary		6 764
Other compensation/benefits		113
Total	6 877	
Pensionskostnad, exklusive löneskatt		1 398

Birgitte Bonnesen was CEO until the 28 March 2019. As previously reported Birgitte Bonnesen's employment was terminated by Swedbank. Due to this Birgitte Bonnesen received 75 per cent of her salary during a 12-month term of notice where she was exempted from work. Subsequently Birgitte Bonnesen was to receive severance pay equivalent to 75 per cent of her salary during a period of 12 months. Board of Directors decided to unilaterally terminate the agreement on severance pay, therefore no payments of severance pay were made.

SEK Thousands	2020	2019
Birgitte Bonnesen		
Fixed compensation, salary		3 735
Other compensation/benefits		405
Termination benefits		26 601
Total	30 741	
Pension cost, excluding payroll tax		1 307

4 COMPENSATION TO OTHER SENIOR EXECUTIVES

4.1 General on other senior executives

Members of the Group Executive Committee, excluding the CEO, are defined in this context as other senior executives. Compensation to other senior executives includes compensation paid by all Group companies during the year, Swedish as well as foreign, and refers to compensation paid during the period which these individuals were active as senior executives. Senior executives are eligible for Eken except for the CEO and three other senior executives.

A total of 13 individuals were members of the Group Executive Committee at the end of the year: Mikael Björkner, Lars-Erik Danielsson, Anders Ekedahl, Stefan Frisk, Ingrid Harbo, Anders Karlsson, Ola Laurin, Jon Lidefelt, Erik Ljungberg, Lotta Lovén, Rolf Marquardt, Carina Strand and Kerstin Winlöf. 10 individuals have been active as other senior executives throughout the entire year. 6 individuals were active as senior executives during part of the year: Gunnilla Domeij Hallros, Johan Eriksson, Eva de Falck, Stefan Frisk, Erik Ljungberg and Rolf Marquardt.

Other key management	2020	2019
Fixed compensation, salary	58	61
Variable compensation, cash	0	0
Variable compensation, share-based	1	1
Other compensation/benefits ¹	2	4
Compensation at terminated contract ²	6	35
Total	67	101
Pension cost, excluding payroll tax	21	17
Number of performance rights share-based compensation used for the annual cost	4 537	7 870
Total number of allotted performance rights share-based compensation	25 629	60 348
No. of persons as of 31 December	13	14

1) Includes holiday pay, employee loan interest benefit, share benefit, lunch subsidy, health insurance benefit, telephone and fund discount

2) Includes salary during term of notice, severance, pension costs and any benefits

4.2 Variable compensation to other senior executives

Senior executives are eligible for Eken, except for the CEO and three other senior executives. The overall target level for all ongoing Eken programs 2017–2020 has been ROE 15%, with an allotment of in average 0.5 monthly salary.

The actual allotments for ongoing programs have in average been the following: Eken 2020 in average 0.1 monthly salary with a result for the group at 8.9% in ROE, 11.4% excl. administrative fine. Eken 2017 0.5 monthly salary with 15.1% ROE, Eken 2018 0.6 monthly salary with 16.1% ROE, and Eken 2019 0.4 monthly salary with 14.7% ROE.

Senior executives eligible for Eken have received the following average allotments for the respective year: Eken 2017 0.5 monthly salary, Eken 2018 0.6 monthly salary, Eken 2019 0 monthly salary (no allotments were made for senior executives for performance year 2019) and for Eken 2020 0.1 monthly salary. It can be noted that employees in the Baltic countries have allotment levels adapted to the conditions of the local market, corresponding to up to twice of the level of other countries.

4.3 Pension and other contractual terms to other senior executives

4.3.1 Pension

Swedbank applies the BTP collective pension for employees in Sweden. The BTP plan is in addition to the State pension for Swedish employees and consists of BTP1, a defined contribution pension plan, and BTP2, primarily a defined benefit pension plan. BTP1 applies to all employees hired from 1 February 2013.

In a defined contribution pension plan the employer pays a pension premium equivalent to a percentage of the employee's salary. In a defined benefit pension plan the employer guarantees a future pension, often expressed as a percentage of salary. The pensionable salary is capped at 30 income base amounts (the income base amount for 2020 was SEK 66 800).

Nine senior executives are eligible for BTP2 and four senior executives are eligible for BTP1. In addition, an individual defined contribution pension is paid on fixed salaries exceeding 30 income base amounts for twelve senior executives.

The maximum pensionable salary for the defined contribution portion for all senior executives is determined by the Board of Directors.

4.3.2 Other contractual terms

Term of notice, termination by Swedbank	Severance pay, termination by Swedbank	Resignation by employee
4 persons	12 months	12 months
8 persons	12 months	6 months
1 person	6 months	3 months

Conditions within the framework of the contractual terms:

- In case of termination, salary and benefits are paid during the term of notice.
- In case of termination by Swedbank, severance pay is paid for all but one.
- If new work is found, a deduction is made for salary income during the term of notice and during the period when severance pay is paid, if applicable.

5 COMPENSATION TO THE BOARD OF DIRECTORS

5.1 General

Compensation to the members of the Board of Directors, as indicated below, is determined by the Annual General Meeting and refers to annual fees from the Annual General Meeting 2020 to the Annual General Meeting 2021. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The four committees are the Audit Committee, the Risk and Capital Committee, the Remuneration Committee and the Governance Committee. The Group does not have any pension entitlements for Board members. Compensation payments have been adjusted to the time working in the Board for members leaving their assignments and members with changed assignments during the year, as shown below.

Compensation to the Board of Directors, corresponds to the annual fees up to the AGM. SEK thousands	2020			2019		
	Board fees	Committee work	Total	Board fees	Committee work	Total
Göran Persson, Chair	2 630	595	3 225	2 630	355	2 985
Bo Bengtsson, Director	605	480	1 085			
Göran Bengtsson, Director	605	490	1 095			
Hans Eckerström, Director	605	105	710			
Bodil Eriksson, Director				605	105	710
Ulrika Francke, Chair 190405-190619				537	121	658
Ulrika Francke, Deputy chair until 190404				22	15	37
Mats Granryd, Director				605	240	845
Kerstin Hermansson, Director	605	635	1 240	605	240	845
Lars Idermark, Chair until 190404				66	9	75
Bo Johansson, Director				605	250	855
Bengt Erik Lindgren, Director	605	250	855			
Josefin Lindstrand, Director	605	645	1 250	605	490	1 095
Bo Magnusson, Deputy chair	885	1 015	1 900	885	750	1 635
Anna Mossberg, Director	605	345	950	504	272	776
Anna Mossberg, Deputy chair 190424-190618				148	18	166
Peter Norman, director until 190619				141	114	255
Biljana Persson, Director	605	105	710			
Siv Svensson, Director until 190619				141	151	292
Magnus Uggla, Director				605	430	1 035
Total	8 355	4 665	13 020	8 704	3 560	12 264

5.2 Compensation to the Chair

The Chair receives fixed compensation for board work as well as fixed compensation for committee work i.e. no variable compensation, pension or other benefits.

Within framework of Board fees set by the Board	2020	2019
Göran Persson	3 125	1 589
Lars Idermark		769
Total	3 125	2 358

6 SUMMARY - COMPENSATION TO THE BOARD OF DIRECTORS, CEO AND OTHERS IN THE GROUP EXECUTIVE COMMITTEE

Below shows the costs for the Board of Directors, CEO and others in the Group Executive Committee. The costs exclude social charges and payroll taxes.

	2020	2019
Short-term employee benefits	86	91
Post employment benefits, pension costs	24	19
Termination benefits	6	61
Share-based payments	1	1
Total	117	172
Granted loans	61	60

7 SUMMARY - PENSIONS AND LOANS TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Pension costs reported below refer to current Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. The costs exclude social charges and payroll taxes.

	2020	2019
Cost for the year related to pensions and similar benefits	45	41
No. of persons	48	54
Granted loans	243	285
No. of persons	92	110

Pension obligations for former CEOs and Vice Presidents have been funded through insurance and pension foundations. The latter's obligations amounted to SEK 264m (313). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of anyone in the above-mentioned group of senior executives.

8 SUMMARY – COMPENSATION TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Below shows the salaries and other compensation for Boards of Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. This group includes current employees. Fees to CEOs and other senior executives for internal board duties are deducted against their salaries, unless otherwise agreed. The costs exclude social charges and payroll taxes.

Country	2020					2019				
	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees
	Number of persons	Salaries and Board fees	Variable compensation			Salaries and variable compensation	Total	Number of persons		
Sweden	43	103	2	5 088	5 193	52	109	3	4 717	4 829
Estonia	22	20	1	824	845	20	18	1	767	786
Latvia	14	11	1	467	479	14	13	2	425	440
Lithuania	17	16		775	791	17	19	3	708	730
Norway	4	1		250	251	1	3		289	292
USA				34	34	1	6		31	37
Other countries				109	109	3	4		131	135
Total	100	151	4	7 547	7 702	108	172	9	7 068	7 249

9 KEY RATIOS

Average number of employees based on 1 585 hours per employee	2020	2019	Parental leave women/men, %	2020	2019		
Sweden	9 505	8 595	Sweden	71.4/28.6	72.2/27.8		
Estonia	2 809	2 746	Estonia	97.4/2.6	96.5/3.5		
Latvia	2 048	1 916	Latvia	99.2/0.8	99.3/0.7		
Lithuania	2 812	2 681	Lithuania	96.7/3.3	96.9/3.1		
Norway	338	336					
USA	14	16					
Other countries	103	144					
Total	17 629	16 433					
Number of hours worked (thousands)	27 940	26 047	Gender distribution by country, %	2020	2019		
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	16 213	15 218	Female	Male	Female	Male	
Employee turnover including retired staff¹, %	2020	2019	Sweden	55	45	56	44
Swedish Banking	6.9	9.9	Estonia	73	27	73	27
Large Corporates & Institutions	6.5	9.6	Latvia	76	24	77	23
Baltic Banking	8.2	10.9	Lithuania	70	30	70	30
Group Functions	6.2	9.1	Norway	28	72	27	73
Total	6.9	9.8	USA	23	77	18	82
Employee turnover excluding retired staff¹, %	2020	2019	Other countries	56	44	52	48
Swedish Banking	4.9	7.8	Gender distribution for all employees, Group Executive Committee and Boards of Directors, %	2020	2019		
Large Corporates & Institutions	5.7	8.4	Female	Male	Female	Male	
Baltic Banking	8.0	10.9	All employees	62	38	63	37
Group Functions	5.1	7.9	Swedbank's Board of Directors	40	60	44	56
Total	5.8	8.7	Group Executive Committee incl. CEO	29	71	33	67
1) Employee turnover is calculated as the number of employees who terminated their employment during the year divided by the number of employees as of year end of the previous year.			Group Executive Committee and their respective management teams	47	53	42	58
Other key ratios	2020	2019	Boards of Directors in the entire Group incl. subsidiaries	37	63	39	61
Average number of employees	17 629	16 433	Senior executives in the entire Group incl. subsidiaries	33	67	35	65
Number of employees at year-end	17 373	16 327	Gender distribution, management positions by country, %	2020	2019		
Number of full-time positions	16 439	15 218	Female	Male	Female	Male	
Sick leave, %	2020	2019	Management positions, total ¹	55	45	54	46
Sick leave Sweden	4.0	3.8	Management positions, Sweden	49	51	47	53
Sick leave Estonia	1.9	1.8	Management positions, Estonia	67	33	68	32
Sick leave Latvia	2.9	2.8	Management positions, Latvia	67	33	69	31
Sick leave Lithuania	1.9	1.7	Management positions, Lithuania	56	44	52	48
Sick Leave Group	3.2	3.0					
Long-term healthy employees, % ¹	65.3	70.7					

1) Refers to the Swedish operations. Long-term healthy refers to employees with a maximum of five working days of sick leave during a rolling 12 month period.

1) Applicable for Swedbank's home markets Sweden, Estonia, Latvia and Lithuania.

G14 Other general administrative expenses

	2020	2019
Premises ¹	459	536
IT expenses ¹	2 318	2 170
Telecommunications, postage	162	122
Consulting	1 545	1 637
Compensation to savings banks	231	228
Other purchased services	1 054	953
Travel	62	230
Entertainment	26	40
Office supplies	95	82
Advertising, public relations, marketing	420	338
Security transports, alarm systems	68	69
Maintenance	94	77
Other administrative expenses ²	468	627
Other operating expenses	105	205
Total	7 107	7 314
1) of which		
Short-term leases	13	61
Leases of low-value assets	7	6
Variable lease payments not included in the lease liability	34	44
Total leasing	54	111

	2020	2019
Remuneration to auditors elected by Annual General Meeting, PwC		
Statutory audit	53	60
Other audit	10	10
Tax advisory	1	
Other	27	10
Remuneration to auditors elected by Annual General Meeting, Deloitte		
Statutory audit	0	12
Other audit	3	1
Total remuneration to auditors	94	93
Internal Audit	81	80

2) Other administrative expenses 2019 includes a reservation of non-deductible VAT of 248 msek.

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. Other audit include quarterly reviews, regulatory reporting and services in connection with issuing of certificates and opinions.

Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

G15 Depreciation/amortisation of tangible and intangible assets

	2020	2019
Equipment	322	324
Owner-occupied properties	38	40
Right-of-use assets for rented premises	690	663
Other	58	94
Intangible assets	472	430
Total	1 580	1 551

G16 Impairments of tangible assets including reposessed lease assets

	2020	2019
Investment properties	2	3
Properties measured as inventory		2
Reposessed leasing assets		3
Total	2	8

G17 Credit impairment

	2020	2019
Loans at amortised Cost		
Impairment provisions – Stage 1	403	-12
Impairment provisions – Stage 2	1 094	-418
Impairment provisions – Stage 3	561	844
Impairment provisions – Credit impaired, purchased or originated	-4	-4
Total	2 054	410
Write-offs	2 166	1 098
Recoveries	-174	-202
Total	1 992	896
Total - Amortised Cost	4 046	1 306
Other assets at amortised cost		
Loan commitments and guarantees		
Impairment provisions – Stage 1	149	16
Impairment provisions – Stage 2	269	-71
Impairment provisions – Stage 3	-136	217
Total	282	162
Write-offs		1
Total	282	163
Total - Loan commitments and guarantees	282	163
Total Credit impairment	4 334	1 469
Credit impairment by borrower category		
Credit institutions	23	2
General public	4 311	1 467
Total	4 334	1 469

G18 Tax

Tax expense	2020	2019
Tax related to previous years	-299	-88
Current tax	3 944	4 631
Deferred tax	206	168
Total	3 851	4 711

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2020		2019	
	SEKm	per cent	SEKm	per cent
Results	3 851	22,9	4 711	19,3
Current tax of pre-tax profit	3 591	21,4	5 226	21,4
Difference	260	1,5	-515	-2,1
The difference consists of the following items:				
Tax previous years	299	1,8	88	0,3
Tax-exempt income/non-deductible expenses	-206	-1,2	-249	-1,0
Non deductible fine from the Swedish Financial Supervisory	-856	-5,1		
Tax-exempt capital gains and appreciation in value of shares and participating interest	-10	0,0	63	0,3
Other tax basis in insurance operations	171	1,0	156	0,6
Tax in associates and joint ventures	124	0,7	174	0,7
Deviating tax rates in other countries	214	1,3	290	1,2
Other, net	4	0,0	-7	0,0
Total	-260	-1,5	515	2,1

2020

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Exchange rate differences	Closing balance
Deductible temporary differences						
Other	58	-26			-3	29
Share-based payments	2	8		-1		9
Lease assets	2	6				8
Unused tax losses	112	-25			-5	82
Unrecognised deferred tax assets	-4					-4
Total	170	-37		-1	-8	124
Deferred tax liabilities						
Taxable temporary differences						
Untaxed reserves	2 300	-14				2 286
Hedge of net investments in foreign operations	0	-3	4			1
Provision for pensions	-1 877	-20	1 064			-833
Cash flow hedges	6	-5	-2			-1
Intangible assets	753	181				934
Provisions for credit impairments	45				-1	44
Foreign currency basis risks	-135	-8	-7			-150
Share-based payments	18			-8		10
Owner-occupied properties	15	2				17
Other	446	36			-6	476
Total	1 571	169	1 059	-8	-7	2 784

Deferred tax related to the hedging of net investments in foreign operations and cash flow hedging is recognised directly in other comprehensive income, since the change in the value of the hedging instrument is also recognised directly in other comprehensive income. The unrecognised portion of deferred tax assets amounted to SEK 4m (4).

The assets are not recognised due to uncertainty when sufficient taxable earnings will be generated.

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised			Deduction for which deferred tax is not recognised
	Lithuania	Denmark	Norway		
Without maturity	573	460	20	73	20
Total	573	460	20	73	20

When the Group determines the deferred tax assets it will recognise, it forecasts future taxable profits that can be utilised against tax loss carryforwards or other future tax credits. Deferred tax assets are recognised only to the extent such profits are probable. The Group expects that about 55 per cent (54) of the taxable losses that serve as the

basis for recognised deferred tax assets will be utilised before the end of 2023 i.e. within the framework of the Group's three-year financial plan. The losses for which deferred tax assets are recognised derive from the Group's home markets.

2019

	Opening balance	Income statement	Other comprehensive income	Business disposal	Equity	Exchange rate differences	Closing balance
Deferred tax assets							
Deductible temporary differences							
Other	50	6				2	58
Share-based payments	1					1	2
Lease assets		2					2
Unused tax losses	122	-12				2	112
Unrecognised deferred tax assets	-9	5					-4
Total	164	1			1	4	170
Deferred tax liabilities							
Taxable temporary differences							
Untaxed reserves	2 286	14					2 300
Hedge of net investments in foreign operations	-580		580				
Provision for pensions	-1 095	1	-796	13			-1 877
Cash flow hedges	13	-8	1				6
Intangible assets	633	120					753
Provisions for credit impairments	44					1	45
Foreign currency basis risks	-131		-4				-135
Share-based payments	-15				32	1	18
Owner-occupied properties	16	-1					15
Other	405	43				-2	446
Total	1 576	169	-219	13	32	0	1 571

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised			Deduction for which deferred tax is not recognised
	Lithuania	Denmark	Norway		
Without maturity	684	555	23	85	21
Total	684	555	23	85	21

G19 Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to holders of ordinary shares in the parent company by a weighted average number of ordinary shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year attributable to holders of ordinary shares in the parent company by the average of the number of ordinary shares outstanding, adjusted for the dilution effect of potential shares.

Swedbank's share-related compensation programmes, Programme 2017, Programme 2018, Programme 2019 and Programme 2020, give rise to potential ordinary shares from the grant date of these shares from an accounting perspective. The grant date refers here to the date when the parties agreed to the terms and conditions of the programmes. The rights are treated as options in the calculation of earnings per share after dilution.

Programme	Grant date from an accounting perspective
2017	30 March
2018	26 March
2019	28 March
2020	28 May

	2020	2019
Average number of shares		
Weighted average number of shares, before dilution	1 119 720 567	1 118 055 542
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	3 708 306	3 921 536
Weighted average number of shares, after dilution	1 123 428 873	1 121 977 078
Earnings per share		
Profit for the year attributable to the shareholders of Swedbank AB	12 929	19 697
Earnings per share before dilution, SEK	11,55	17,62
Earnings per share after dilution, SEK	11,51	17,56

G20 Tax for each component in other comprehensive income

	2020	2019						
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	5 166	-1 064		-1 064	-3 866	796		797
Share of other comprehensive income of associates, Remeasurements of defined benefit pension plans	96				-127			
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	6		-1	-1	17		-4	-4
Total	5 268	-1 064	-1	-1 065	-3 976	796	-3	793
Items that may be reclassified to the income statement								
Exchange differences, foreign operations	-1 840				739			
Hedging of net investments in foreign operations	1 532	-4	-317	-321	-600	-580	744	164
Cash flow hedges	-9	2		2	5	-1		-1
Foreign currency basis risk	-42	7	6	13	-18	4		4
Share of associates and joint ventures	-84				32			
Total	-443	5	-311	-306	158	-577	744	167
Other comprehensive income	4 825	-1 059	-312	-1 371	-3 818	219	741	960

G21 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Nominal amount		
	2020	2019	1/1/2019	2020	2019	1/1/2019
Governments	134 145	133 012	94 772	133 289	131 426	90 706
Municipalities	3 046	4 082	4 807	2 979	4 027	7 119
Total	137 191	137 094	99 579	136 268	135 453	97 825

G22 Loans to credit institutions

	2020	2019	1/1/2019
Loans and advances	33 500	40 859	32 342
Repurchase agreements	1 582	9	92
Cash collaterals posted	12 872	4 584	3 834
Total	47 954	45 452	36 268
Whereof subordinated loans			
Associates	120	120	620
Other companies	48	53	51
Total	168	173	671

G23 Loans to the public

	2020	2019	1/1/2019
Loans and advances	1 576 125	1 570 746	1 545 894
Finance leases	33 857	32 740	30 923
Cash collaterals posted	6 055	2 139	684
Total loans to the public excl repurchase agreements and Swedish National Debt Office	1 616 037	1 605 625	1 577 501
Repurchase agreements	32 704	36 942	37 278
Repurchase agreements, Swedish National Debt Office	7 243	9 725	2 436
Swedish National Debt Office	25 003	4	10 153
Total	1 680 987	1 652 296	1 627 368

Finance lease agreements distributed by maturity

2020	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investments	11 540	20 170	3 749	35 459
Unearned finance income	632	802	168	1 602
Net investments	10 908	19 368	3 581	33 857

2019	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investments	10 115	20 620	3 688	34 423
Unearned finance income	513	910	260	1 683
Net investments	9 602	19 710	3 428	32 740

Finance leases relate to leases of vehicles, machinery and boats. The residual value of the leases in all cases are guaranteed by the lessees or a third party. The lease income does not include any contingent rents.

G24 Bonds and other interest-bearing securities

	Carrying amount			Nominal amount		
	2020	2019	1/1/2019	2020	2019	1/1/2019
Mortgage institutions	25 192	26 556	26 545	24 365	25 687	25 343
Banks	15 445	11 459	11 452	15 182	11 330	11 287
Other financial companies	13 181	8 894	3 983	12 930	9 204	3 872
Non-financial companies	6 157	10 458	11 332	6 095	9 809	11 152
Total	59 975	57 367	53 312	58 572	56 030	51 654

Bonds and other interest-bearing securities are issued by other than public agencies.

G25 Financial assets for which the customers bear the investment risks

	2020	2019	1/1/2019
Fund units	231 563	207 158	162 834
Interest-bearing securities	4 696	4 497	3 801
Shares	16 152	13 238	11 233
Total	252 411	224 893	177 868

G26 Shares and participating interests

	Carrying amount			Cost		
	2020	2019	1/1/2019	2020	2019	1/1/2019
Trading equities	4 644	611	1 224	4 474	606	1 478
Trading fund shares	11 491	3 612	2 058	11 080	3 360	1 919
For protection of claims	31			10		
Condominiums	11	11	11	11	11	11
Other	1 038	2 334	1 628	1 031	1 644	1 657
Total	17 215	6 568	4 921	16 605	5 621	5 065

G27 Investments in associates and joint ventures

	2020	2019	1/1/2019
Fixed assets			
Credit institutions – Associates	3 634	3 210	2 821
Credit institutions – Joint ventures	3 219	3 036	2 873
Other associates	354	317	394
Other, joint ventures	80	116	
Total	7 287	6 679	6 088
Opening balance	6 679	6 088	
Additions during the year	23	481	
Change in accumulated profit shares, total comprehensive income	589	727	
Dividends received	-2	-529	
Disposals during the year	-2	-88	
Closing balance	7 287	6 679	

2020 Associates Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of associate's profit
Credit institutions						
Sparbanken Skåne, Lund	516401-0091	3 670 342	1 456	1 070	22.00	142
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	475	125	50.00	53
Sparbanken Sjuhärad AB, Borås	516401-9852	4 750 000	1 346	288	47.50	132
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	95	41	40.00	4
Ölands Bank AB, Borgholm	516401-0034	637 000	262	231	49.00	20
Total credit institutions		3 634	1 755		351	
Other associates						
BGC Holding AB, Stockholm	556607-0933	29 177	230	98	29.18	35
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	20	24	28.30	7
Getswish AB, Stockholm	556913-7382	10 000	16	21	20.00	-3
USE Intressenter AB, Uppsala	559161-9464	2 000	0	0	20.00	0
VISA Sweden, ek för, Stockholm	769619-6828				42.09	2
Owned by subsidiaries						
Bankomat AB, Stockholm	556817-9716	150	74	66	20.00	2
SK ID Solutions AS	10747013	16	14	10	25.00	0
Total other associates		354	219		43	
Total associates		3 988	1 974		394	

The share of the voting rights in each entity corresponds to the share of its equity. All shares are unlisted. Swedbank does not have any individual material interests in associates. During the year Swedbank received a dividend of SEK 2 m (129) from VISA Sweden. Swedbank's share of associates' other comprehensive income for the year amounted to SEK 71 m (-80) and the share of the year's total comprehensive income amounted to SEK 466 m (263). As of 31 December 2020 Swedbank's share of associates' contingent liabilities and commitments amounted to SEK 366 m (398) and SEK 2 703m (2 468), respectively. During the year the shares in Svensk Mäklarstatistik were disposed.

2020	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of joint venture's profit
Joint ventures						
Corporate identity, domicile						
Credit institutions						
EnterCard Group AB, Stockholm	556673-0585	3 000	3 219	420	50,00	247
Other joint ventures						
Invidem AB, Stockholm	559210-0779	10 000	13	48	16,67	-27
P27 Nordic Payments Platform AB, Stockholm	559198-9610	10 000	67	117	16,67	-32
Total joint ventures		3 299		585		188
Total associates and joint ventures		7 287		2 559		582

During the year Swedbank AB made a capital contribution to Invidem AB of Sek 23m, Swedbank's share of joint ventures' other comprehensive income for the year amounted to SEK -59m (-15). Swedbank AB did not receive any dividend from EnterCard Group AB (325). Condensed financial information for the EnterCard Group AB is shown below:

	2020	2019
Loans to the public	31 179	31 998
Total assets	38 085	39 026
Amounts owed to credit institutions	30 941	31 983
Total liabilities	31 563	32 850
Net interest income	3 123	3 182
Total income	3 448	3 637
Total expenses	1 365	1 571
Credit impairments	-1 399	-741
Profit before tax	683	1 326
Tax expense	-190	-319
Profit for the year	493	1 006
Total comprehensive income	366	978

G28 Derivatives

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share price, interest rate, credit and currency risks. Below present carrying amount for derivatives which are included in hedge accounting separately. The carrying amounts of all derivatives refer to fair value including accrued interest.

Note	Nominal amount Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value			
	< 1 yr.	1-5 yrs.	> 5 yrs.	2020	2019	2020	2019	1/1 2019	2020	2019	1/1 2019	
Derivatives in hedge accounting												
Fair value hedges, interest rate swaps	G29	96 636	377 161	41 052	514 849	608 694	14 953	13 013	10 255	37	534	972
Portfolio fair value hedges, interest rate swaps	G29	111 530	335 627	10 490	457 647	393 728	137	702	207	2 412	1 331	1 401
Cash flow hedges, cross currency basis swaps	G29	405	2 877	5 218	8 500	9 280	19	190	89	256	33	65
Total		208 571	715 665	56 760	980 996	1 011 702	15 109	13 905	10 551	2 705	1 898	2 438
Non-hedge accounting derivatives												
Gross amount		6 002 501	7 849 903	5 449 621	19 302 025	16 051 211	126 813	102 833	59 379	143 547	113 311	61 788
Offset amount		6 211 072	8 565 568	5 506 381	20 283 021	17 062 913	141 922	116 738	69 930	146 252	115 209	64 226
Total		-4 494 381	-6 901 472	-5 375 952	-16 771 805	-12 057 460	-89 745	-72 314	-30 265	-91 872	-74 232	-32 910
Non-hedge accounting derivatives		1 716 691	1 664 096	130 429	3 511 216	5 005 453	52 177	44 424	39 665	54 380	40 977	31 316
Interest-related												
Options		248 942	508 345	218 781	976 068	976 597	2 796	1 954	894	3 101	2 645	1 823
Forward contracts		3 385 931	1 033 503		4 419 434	6 060 109	1 058	958	643	1 074	965	580
Swaps		1 258 509	5 851 668	5 121 376	12 231 553	7 380 956	94 475	58 317	26 410	96 411	60 719	28 243
Currency-related												
Options		15 444	989		16 433	38 472	154	231	258	164	223	242
Forward contracts		810 913	17 133		828 045	972 339	9 247	7 804	5 880	20 095	12 103	5 831
Swaps		186 580	430 147	108 964	725 691	516 068	14 804	8 015	7 391	18 560	12 346	7 927
Equity-related												
Options		71 223	6 741	500	78 464	93 171	4 171	25 385	17 292	3 422	24 081	16 633
Forward contracts		6 919			6 919	4 532	26	30	447	29	29	236
Swaps		14 692	64		14 756	3 571	4	19	22	537	71	138
Credit-related												
Swaps			1 207		1 207	522				94	13	
Commodity-related												
Options						850		15	13		15	13
Forward contracts		3 349	106		3 455	4 024	77	105	129	60	101	122
Total		6 002 502	7 849 903	5 449 621	19 302 025	16 051 211	126 813	102 833	59 379	143 547	113 311	61 788

G29 Hedge accounting

29.1 FAIR VALUE HEDGES

The Group's approach to managing market risk, including interest rate risk, and its exposure to those risks are presented in note G3. The risk of changes in interest rates on the fair value of certain fixed rate financial instruments is mitigated in accordance with the Group's risk management strategy by using interest rate swaps. Where hedge accounting is applied, interest rate risk on fixed rate loans to the public (mortgages) is hedged on a portfolio basis whereas debt securities in issue, senior non-preferred liabilities and subordinated liabilities are identified and hedged on an issuance by issuance basis. Interest rate swaps designated as the hedging instruments are reported in the balance sheet in the Derivatives line.

Designated fair value hedge relationships are used to hedge the benchmark interest rate risk, which is an observable and reliably measurable component of the interest rate risk and of the fair value. Where hedge accounting is applied, the Group ensures that the relationships meet the criteria outlined in note G2 section 3.4.4, including the effectiveness requirements. The Group manages other risks on these exposures, such as credit risk, but does not apply hedge accounting for them.

Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are related to the following:

- There is an exposure to the interest rate swap counterparty's credit risk that is not offset by the respective hedged item. This risk is minimized by entering into interest rate swaps with high credit quality counterparties.
- Different discount curves are applied for the valuation of the respective hedged item and the interest rate swaps.

One-to-one hedges - effectiveness assessment under IFRS 9

The economic relationship between the debt securities, senior non-preferred liabilities or subordinated liabilities and the interest rate swaps are assessed using a qualitative analysis of the critical terms. The critical terms are matched between the financial instruments, particularly regarding notional amount, reference interest rate, repricing dates and tenor. The fair values of the instruments are expected to move in opposite directions as a result of changes in the hedged benchmark interest rate risk. The effect of credit risk is not considered to dominate the changes in fair value. The hedge ratio is one-to-one as the nominal amount of the interest rate swap matches the issued amount of the hedged debt securities, senior non-preferred liabilities or subordinated liabilities. The Group assesses hedge effectiveness by comparing the changes in fair value of the debt securities, senior non-preferred liabilities or subordinated liabilities resulting from movements in the benchmark interest rate with the changes in fair value of the designated interest rate swaps.

Portfolio hedges - effectiveness test under IAS 39

Mortgage loans are grouped into quarterly time buckets based on the next interest rate fixing dates. Each time bucket position is hedged using interest rate swaps with a nominal amount covering a portion of the total loans. A specified loan amount in each time bucket is therefore designated as the hedged item. The portfolio fair value hedges are assessed for effectiveness both prospectively and retrospectively. The prospective assessment is performed using a qualitative analysis of the critical terms of the hedged item and the interest rate swap. The retrospective assessment is performed daily on cumulative basis by using the dollar offset method. The changes in fair value of the mortgage loans resulting from movements in the benchmark interest rate are compared to the changes in fair value of the designated interest rate swaps.

The tables below provide information relating to the hedged items and hedging instruments in qualifying fair value hedge relationships.

Hedging instruments and hedge ineffectiveness	2020						2019					
	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss		
		Assets	Liabilities				Assets	Liabilities				
Interest rate risk												
Interest rate swap, Loans to the public, Portfolio hedge	457 647	137	2 412	-1 531	-27	393 728	702	1 331	541	43		
Interest rate swap, Debt securities in issue	482 092	14 321	37	2 761	-6	566 723	12 706	369	3 247	9		
Interest rate swap, Senior non-preferred liabilities	9 893	105		214	1	10 416			117	-114	1	
Interest rate swap, Subordinated liabilities	22 863	527		339	9	31 555	307	47	235	2		
Total	972 496	15 090	2 449	1 783	-24	1 002 422	13 715	1 865	3 909	54		

Hedged items	2020						2019					
	Carrying amount	Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss	Carrying amount	Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss		
		Assets	Liabilities				Assets	Liabilities				
Loans to the public, Portfolio hedge	459 421		1 774		1 504	393 990			271		-498	
Debt securities in issue		498 227		12 900	-2 767		582 821		10 675		-3 237	
Senior non-preferred liabilities		9 874		101	-215		10 388		-114		114	
Subordinated liabilities		22 966		473	-330		31 759		175		-234	
Total	459 421	531 067	1 774	13 474	-1 807	393 990	624 968	271	10 736	-3 855		

Maturity profile and average price, hedging instruments	2020			2019		
	Remaining contractual maturity			Remaining contractual maturity		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Portfolio hedge						
Nominal amount	111 530	335 627	10 490	113 883	269 280	10 565
Average fixed interest rate (%)	0.10	0.19	0.42	0.04	0.24	0.90
Fair value hedges						
Nominal amount	96 636	377 161	41 052	127 899	385 458	95 337
Average fixed interest rate (%)	0.45	0.37	1.84	0.71	0.46	1.36

Hedge relationships in scope for Interest Rate Benchmark Reform

The Group applies the Amendments to IFRS 9, IAS 39 and IFRS 7 due to the Interest Rate Benchmark Reform- Phase 1. For more information on the Reform itself, see Note G3. The amendments provide certain temporary relief from the hedge accounting requirements in connection with the Reform. This has the effect that the Reform will not generally cause hedge accounting relationships to be terminated. It is currently expected that the publication of the following reference rates will cease after 31 December 2021: CHF Libor, GBP Libor, JPY Libor and USD Libor. There is an ongoing consultation from ICE Benchmark Administration Limited proposing that the publication of certain tenors of USD Libor applicable for legacy products should continue until 30 June 2023, however as of publication date of this report there is no decision finalised.

The reformed reference rates Euribor (EUR), Nibor (NOK), Hibor (HKD) and BBSW (AUD) will continue to be published after 31 December 2021. Stibor (SEK) is not yet adapted to the Benchmarks Regulation. Stibor is deemed a robust, reliable reference rate in which the market has great confidence. It is expected that Stibor will be adapted to the requirements of the Benchmarks Regulation for the relevant tenors and that those will also continue to be published after 31 December 2021. For the aforementioned reference rates, the Group concludes that there is no uncertainty caused by the Interest Rate Benchmark Reform in terms of its effects on existing hedging relationships.

The tables below provide details, based on the nominal amounts, of the Group's relationships which are considered to be in scope.

Hedged items and hedging instruments

	2020			
	CHF	GBP	JPY	USD
All contracts	3 242	16 300	6 758	51 321
Maturity before Interest Rate Benchmark Reform	926	11 847	0	10 320
Directly attributable to Interest Rate Benchmark Reform	2 316	4 454	6 758	41 001
2019				
	CHF	GBP	JPY	USD
All contracts	3 357	17 917	5 463	56 161
Maturity before Interest Rate Benchmark Reform	959	13 022	0	37 465
Directly attributable to Interest Rate Benchmark Reform	2 398	4 895	5 463	18 695

29.2 CASH FLOW HEDGES

The Group's approach to managing market risk, including currency risk, and its exposure to those risks are presented in note G3. In accordance with the Group's risk management strategy, cross currency basis swaps are entered to mitigate the foreign currency risk on future principal and interest payments of foreign currency debt securities. The hedged items are the aggregate exposure of foreign currency fixed rate debt securities in issue and interest rate swaps in the same foreign currency. The hedging instruments are cross currency basis swaps, which convert the foreign currency cash flows into SEK. The foreign currency basis spread in the cross currency basis swaps is excluded from the hedge accounting relationship and is accounted for as described in note G2 section 3.4.4. Cross currency basis swaps designated as hedging instruments are reported in the balance sheet in the Derivatives line.

Designated cash flow hedge relationships are used to hedge against movements in foreign currencies. Where hedge accounting is applied, the Group ensures that the relationships meet the criteria outlined in note G2 section 3.4.4. The Group manages other risks on these exposures, such as credit risk, but does not apply hedge accounting for them.

The Group ensures that designated hedge relationships fulfil the effectiveness requirements. The economic relationship between the aggregate exposure and the cross currency basis swap are assessed using a qualitative analysis of the critical terms, which are matched. The fair values of the instruments are expected to move in oppo-

site directions as a result of a change in the foreign currency rate. The effect of credit risk is not considered to dominate the changes in fair value.

The hedge ratio is one-to-one as the issued amount of the cross currency basis swap matches the issued amount of the hedged aggregate exposure.

The Group assesses hedge effectiveness by comparing the changes in fair value of the aggregate exposure due to movements in the foreign currency rate with the changes in fair value of the designated part of the cross currency basis swap. The changes in fair value of the aggregate exposure are calculated using a hypothetical derivative, which reflects the terms of the aggregate exposure. Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are related to the following:

- There is an exposure to the derivative counterparty's credit risk that is not offset by the respective hedged item. This risk is minimized by entering into cross currency basis swaps with high credit quality counterparties.
- Different discount curves are applied for the valuation of the respective hedged item and the cross currency basis swaps.

The tables below provide information about the Group's qualifying cash flow hedge relationships. The Group designates cash flow hedges of foreign currency risk, where the hedging instruments are cross currency basis swaps in EUR/SEK and the hedged items are debt securities in issue and interest rate swaps, both denominated in EUR.

	2020	2019
Hedging instruments and hedge ineffectiveness		
Cross currency basis swaps, EUR/SEK		
Nominal amount	8 500	9 280
Carrying amount	19	190
Assets	19	190
Liabilities	256	33
Change in fair value used for measuring hedge ineffectiveness	-358	159
Change in value of the hedging instrument recognised in OCI	-9	5
Amount reclassified from the Cash flow hedge reserve to Profit or loss	349	-154
Cash flow hedge reserve (after tax)	1	8
Hedged items		
EUR Debt securities in issue and Interest rate swaps		
Change in fair value used for measuring hedge ineffectiveness	360	-160
Ineffectiveness recognised in Profit or loss	-2	7

	2020			2019		
	Remaining contractual maturity		Remaining contractual maturity			
Foreign currency risk	<1 yr	1-5 yrs.		<1 yr	1-5 yrs.	>5 yrs.
Nominal amount	405	2 877	5 218	620	939	7 722
Average FX rate	10.12	10.22	10.25	9.79	9.92	10.28

29.3 HEDGING OF NET INVESTMENTS IN FOREIGN OPERATIONS

Foreign currency translation differences arise from the translation of operations which do not have SEK as the functional currency. The foreign currency risk arises as a result of fluctuations in the spot rate of the functional currency of the foreign operation versus SEK, which causes the carrying amount of the net investment to vary. The Group hedges these exposures by issuing debt securities and subordinated liabilities in the same currency as the hedged net investment in the foreign operation.

The Group applies hedge accounting for the foreign currency translation of these liabilities to the extent they are designated as hedging instrument. The foreign exchange effects for hedging instruments are reported in other comprehensive income instead of the income statement.

The Group's hedging policy is to generally hedge net investments in subsidiaries and associates denominated in foreign currencies to minimize the foreign exchange effect on the Common Equity Tier 1 capital.

The Group ensures that designated hedge relationships fulfil the effectiveness requirements. The economic relationship between the net investment in the foreign operation and the debt securities is assessed using a qualitative analysis of the critical terms, which are matched. The carrying amounts are expected to move in opposite directions as a result of a change in the foreign currency rate. The hedge ratio is one-to-one as the carrying amount of hedging instrument match the portion of the net investment in the foreign operation that is designated as the hedged item. The carrying amount for the hedging instrument is equal to its nominal value. The Group assesses hedge effectiveness by comparing the changes in value of the designated net investment, with the changes in the carrying amount of the hedging instruments, due to movements in the foreign currency rate. Rebalancing occurs monthly or when net assets change significantly during a month.

The tables below provide information relating to the hedged items and hedging instruments in qualifying hedges of net investments in foreign operations.

Hedging instruments and hedge ineffectiveness	2020				2019			
	Carrying amount, Liabilities	Change in fair value used for measuring hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI before tax	Hedging of net investments in foreign operations after tax	Carrying amount, Liabilities	Change in fair value used for measuring hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI before tax	Hedging of net investments in foreign operations after tax
Foreign currency risk								
EUR denominated, Debt securities in issue	34 189	1 425	1 425	-2 827	32 558	-540	-540	-3 951
USD denominated, Debt securities in issue		6	6		54	-2	-2	-14
NOK denominated, Debt securities in issue	979	92	92	158	1 029	-58	-58	85
Total	35 168	1 523	1 523	-2 669	33 640	-600	-600	-3 880

Hedged items	2020		2019	
	Change in value used for measuring hedge ineffectiveness	Change in value used for measuring hedge ineffectiveness	Change in value used for measuring hedge ineffectiveness	Change in value used for measuring hedge ineffectiveness
EUR net investments		-1 425		540
USD net investments		-6		2
NOK net investments		-92		58
Total		-1 523		600

G30 Intangible assets

	Indefinite useful life			Definite useful life		
	Goodwill	Brand	Customer base	Internally developed software	Other	Total
2020						
Cost, opening balance	15 950	160	1 911	5 288	1 422	24 731
Additions through internal development				1 309		1 309
Additions through separate acquisitions					64	64
Sales and disposals					-45	-45
Exchange rate differences	-462	-2	-33	-4	-9	-510
Cost, closing balance	15 488	158	1 878	6 593	1 432	25 549
Amortisation, opening balance				-1 338	-1 226	-1 007
Amortisation for the year				-41	-338	-93
Sales and disposals					30	30
Exchange rate differences			31	2	8	41
Amortisation, closing balance				-1 348	-1 562	-1 062
Impairment, opening balance	-2 241	-66	-237	-712	-40	-3 296
Impairment for the year						80
Exchange rate differences	80					
Impairment, closing balance	-2 161	-66	-237	-712	-40	-3 216
Carrying amount	13 327	92	293	4 319	330	18 361

For intangible assets with a finite useful life, the amortisable amount is allocated linearly over the useful life. The original useful life is between 3 and 20 years, except for internally developed software. The original useful life for internally developed software is between 3 and 10 years. Amortization of these assets will commence once the asset is ready to use.

	Indefinite useful life			Definite useful life		
	Goodwill	Brand	Customer base	Internally developed software	Other	Total
2019						
Cost, opening balance	15 755	161	1 896	4 306	1 638	23 756
Additions through business combinations						982
Additions through internal development						982
Additions through separate acquisitions					146	146
Sales and disposals	-9				-363	-372
Exchange rate differences	204	-1	15		1	219
Cost, closing balance	15 950	160	1 911	5 288	1 422	24 731
Amortisation, opening balance				-1 277	-935	-1 244
Amortisation for the year				-47	-291	-92
Sales and disposals					352	352
Exchange rate differences			-14		-23	-37
Amortisation, closing balance				-1 338	-1 226	-1 007
Impairment, opening balance	-2 206		-237	-699	-40	-3 182
Impairment for the year			-66	-13		-79
Sales and disposals					0	
Exchange rate differences	-35					-35
Impairment, closing balance	-2 241	-66	-237	-712	-40	-3 296
Carrying amount	13 709	94	336	3 350	375	17 864

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount		
		2020	2019	1/1/2019
Goodwill				
Swedbank Robur AB	1995	328	328	328
Föreningsbanken AB	1997	1 342	1 342	1 342
Swedbank Försäkring AB	1998	651	651	651
Kontoret i Bergsjö	1998	13	13	13
Ölands Bank AB	1998	0	0	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Söderhamns Sparbank AB	2007	24	24	24
PayEx	2017	429	429	429
Sweden		2 946	2 946	2 955
of which banking operations		1 538	1 538	1 547
of which other		1 408	1 408	1 408
Swedbank AS	1999	1 218	1 263	1 243
Swedbank AS	2000	12	13	12
Swedbank AS	2001	143	149	146
Swedbank AS	2005	8 827	9 157	9 012
Baltic countries		10 200	10 582	10 413
of which allocated to:				
Banking operations in Estonia		4 269	4 429	4 358
Banking operations in Latvia		2 198	2 280	2 244
Banking operations in Lithuania		3 733	3 873	3 811
First Securities ASA	2005	181	181	181
Norway		181	181	181
Total		13 327	13 709	13 549

Value in use

Goodwill acquired in business combinations has been allocated to the lowest possible cash generating unit. Recoverable amount has been determined based on value in use. This means that the assets' estimated future cash flows are calculated at present value using a discount rate. Estimated future cash flows are based on the Group's established three-year financial plans. The most important assumptions in the three-year plan are the executive management's estimate of net profit, including credit impairments; growth in each economy, both GDP and industry growth; and the trend in risk weighted assets. Financial planning is done at a lower level than the cash generating unit. The necessary assumptions in the planning are based as far as possible and appropriate on external information. Future cash flows are subsequently estimated with the help of long-term growth assumptions for risk weighted assets as well as on net profit in relation to risk weighted assets. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely. Use of an indefinite cash flow is motivated by the fact that all cash generating units are part of the Group's home markets, which it has no intention of leaving. Net cash flow refers to the amount that theoretically could be received as dividends or must be contributed as capital to comply with capital adequacy or solvency rules. The Group currently believes that a Common Equity Tier 1 capital ratio of 15 per cent (14) is reasonably the lowest level for the cash generating unit, because of which any surpluses or deficits calculated in relation to this level are

theoretically considered payable as dividends or will have to be contributed as capital and therefore constitute net cash flow. The discount rate is determined based on the market's risk-free rate of interest and yield requirements, the unit's performance in the stock market in relation to the entire market, and the asset's specific risks. The discount rate is adapted to various periods if needed. Any adjustments needed to the discount factor are determined based on the economic stage the cash generating unit is in and means that each year's cumulative cash flow is discounted by a unique discounting factor. Projected growth in risk weighted assets corresponds to estimated inflation, projected real GDP growth and any additional growth expected in the banking sector, depending on the economic stage the sector is in. In accordance with IAS 36, the long-term growth estimate does not include any potential increase in market share. Long-term growth estimates are based on external projections as well as the Group's experience and growth projections for the banking sector in relation to GDP growth and inflation. Estimated net profit in relation to risk weighted assets is based on historical experience and adjusted based on the economic stage the cash generating unit is in. The adjustment is also based on how the composition of the cash generating unit's balance sheet is expected to change. The parameters are based as far as possible on external sources. The most important assumptions and their sensitivity are described in the table on the following page.

Cash-generating unit	Annual average REA growth %		Annual REA growth %		Annual average REA growth %		Annual REA growth %	
	2020	2019	2020	2019	2020	2019	2020	2019
	2021-2023	2020-2022	2024-2048	2023-2048	2024-2048	2023-2048	2049-	2049-
Banking operations								
Estonia	1,6	2,9	3,1-2,8	4,3-3,0	3,0	3,3	3,0	3,0
Latvia	7,0	2,8	3,5-2,2	3,5-3,0	2,9	3,2	3,0	3,0
Lithuania	6,4	5,6	4,0-2,6	4,5-3,0	3,6	3,7	3,0	3,0
Sweden	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0

Cash-generating unit	Annual average discount rate %		Annual discount rate %		Annual average discount rate %		Annual discount rate %	
	2020	2019	2020	2019	2020	2019	2020	2019
	2021-2023	2020-2022	2024-2048	2023-2048	2024-2048	2023-2048	2049-	2049-
Banking operations								
Estonia	9,4	9,9	9,4-9,0	9,9-9,0	9,2	9,3	9,0	9,0
Latvia	9,9	10,4	9,9-9,0	10,4-9,0	9,5	9,6	9,0	9,0
Lithuania	9,9	10,4	9,9-9,0	10,4-9,0	9,5	9,6	9,0	9,0
Sweden	5,3	5,8	5,3	5,8	5,3	5,8	5,3	5,8

Sensitivity analysis, change in recoverable amount

Cash-generating unit	Net asset including goodwill. Carrying amount, SEKm		Recoverable amount, SEKm		Decrease in assumption of yearly growth by 1 percentage point		Increase in discount rate by 1 percentage point	
	2020	2019	2020	2019	2020	2019	2020	2019
	2021-2023	2020-2022	2024-2048	2023-2048	2024-2048	2023-2048	2049-	2049-
Banking operations								
Estonia	21 739	22 794	31 732	36 656	-1 210	-1 971	-2 645	-2 992
Latvia	11 018	10 799	12 487	12 253	-464	-267	-928	-709
Lithuania	13 405	12 892	16 138	16 812	-729	-716	-1 467	-1 466
Sweden1	68 626	66 025	93 376	76 843	-7 299	-1 357	-14 229	-7 758

1) The cash-generating unit is part of the segment Swedish Banking

Sensitivity analysis

Given a reasonable change in any of the above assumptions there would be no impairment loss for any cash generating unit. For the other cash generating units there is still room for a reasonable change if both assumptions were to occur simultaneously as indicated in the table i.e. both an increase in the discount rate of 1 percentage point and a decrease in the growth assumption of 1 percentage point. The Group is also confident there is room for a reasonable change in the net profit margin assumption for these units without causing an impairment loss.

Banking operations in Baltic countries

Recognised goodwill totalled SEK 10 200 m (10 582). Goodwill is tested for impairment separately for each country. Essentially the same assumptions were used in the impairment testing for 2020 as at the previous year-end. The three-year financial plans have been updated, as a result of which the initial growth assumptions after the planning period have been reduced. The discounting factor has been updated with new country-specific risk premiums. No impairments were identified on the balance sheet date. The three-year financial plans have been updated based on conditions in each

country. Initial growth assumed in the established three-year financial plans is based on management's best estimate of inflation, real GDP growth and growth in the banking sector in each market. The assessments are based on external sources. After the planning period a linear reduction in annual growth is assumed in principle during the period between 2021 and 2049 from 7 per cent down to 3 per cent, which is considered sustainable growth for a mature market. The initial discount rate for each period reflects a country-specific risk premium that will converge on a straight-line basis to 5 per cent, which is considered relevant for a mature market. Risk premiums are derived from external sources. The discount rate before tax for the period 2021–2023 was approximately 12 per cent (13).

Other cash generating units, excluding banking operations

Other recognised goodwill totalled SEK 1 589 m (1 589). No impairments were needed as of the closing day. Average annual growth for other cash generating units has been assumed to be 3 per cent (3) and the lowest discount rate was 5 per cent (6), or 7 per cent (7) before tax.

G31 Tangible assets

	Current assets		Fixed assets			
	Properties	Equipment	Owner-occupied properties	Right-of-use assets for rented premises	Other	Total
2020						
Cost, opening balance	116	3 002	1 419	4 316	106	8 959
Additions	38	332	8	325	177	880
Sales and disposals	-70	-334	-35	-157	-5	-601
Assessments and modifications				358	-18	340
Exchange rate differences	-5	-25	-47	-22		-99
Cost, closing balance	79	2 975	1 345	4 820	260	9 479
Amortisation, opening balance		-2 147	-496	-653	-45	-3 341
Amortisation for the year		-322	-38	-690	-58	-1 108
Sales and disposals		242	29	102	1	374
Exchange rate differences		14	18	10		42
Amortisation, closing balance		-2 213	-487	-1 231	-102	-4 033
Impairment, opening balance		-43	-3			-46
Impairment for the year				-2		-2
Sales and disposals		16		5		21
Exchange rate differences		2				2
Impairment, closing balance		-25				-25
Carrying amount	54	762	858	3 589	158	5 421

The useful life of equipment is deemed to be between three and ten years and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. There was no change in useful lives in 2020. No indications of impairment were identified on the balance sheet date for Fixed assets. Owner-occupied properties structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated.

The useful life of right-of-use assets are considered to be the same as the lease terms, which were between 1 and 13 years. The depreciable amount is recognized on a straight-line basis in the income statement over the useful life. Information about the corresponding lease liabilities are presented within Other liabilities in note G41.

	Current assets		Fixed assets			
	Properties	Equipment	Owner-occupied properties	Right-of-use assets for rented premises	Other	Total
2019						
Cost, opening balance	181	3 203	1 439	4 077	174	9 074
Additions	2	311	15	128	53	509
Sales and disposals	-70	-524	-37	-16	-133	-780
Assessments and modifications				120	12	132
Exchange rate differences	3	12	2	7		24
Cost, closing balance	116	3 002	1 419	4 316	106	8 959
Amortisation, opening balance		-2 319	-483			-2 802
Amortisation for the year		-324	-40	-663	-94	-1 121
Sales and disposals		503	25	10	49	587
Exchange rate differences		-7	2			-5
Amortisation, closing balance		-2 147	-496	-653	-45	-3 341
Impairment, opening balance		-55				-55
Impairment for the year		-2		-6		-8
Sales and disposals		16				16
Exchange rate differences		-2		3		1
Impairment, closing balance		-43	0	-3		-46
Carrying amount	73	855	920	3 663	61	5 572

G32 Other assets

	2020	2019	1/1/2019
Security settlement claims	8 760	6 580	8 466
Other financial assets	7 691	2 224	5 423
Total financial assets	16 451	8 804	13 889
Property taken over to protect claims	32	55	81
Total	16 483	8 859	13 970

G36 Financial liabilities for which customers bear the investment risk

	2020	2019	1/1/2019
Investment contracts, unit-link	234 395	206 981	161 300
Investment contracts, life	18 834	18 811	17 362
Total	253 229	225 792	178 662

G33 Prepaid expenses and accrued income

	2020	2019	1/1/2019
Prepaid expenses	1 369	2 457	1 310
Unbilled receivables	548	568	399
Total	1 917	3 025	1 709

G37 Debt securities in issue

	2020	2019	1/1/2019
Commercial papers	127 209	128 772	131 434
Covered bonds	471 491	589 627	497 936
Senior unsecured bonds	128 437	128 445	164 243
Structured retail bonds	5 677	8 910	10 747
Total	732 814	855 754	804 360

G34 Amounts owed to credit institutions

	2020	2019	1/1/2019
Swedish central bank	49 941		7
Swedish banks	32 180	21 573	20 944
Swedish credit institutions	6 938	4 892	4 256
Foreign central banks	29 774	6 306	13 884
Foreign banks	27 930	36 305	17 460
Foreign credit institutions	257	606	401
Swedish banks, repurchase agreements	3	4	
Swedish credit institutions, repurchased agreements	1 416		
Foreign banks, repurchase agreements	1 874		266
Total	150 313	69 686	57 218

G38 Short positions in securities

	2020	2019	1/1/2019
Shares	561	247	358
Interest-bearing securities	22 739	34 097	37 975
Total	23 300	34 345	38 333
of which own issued shares	155	24	257

G35 Deposits and borrowings from the public

	2020	2019	1/1/2019
Swedish public	831 048	698 948	685 044
Non-Swedish public	300 299	254 718	234 726
Total deposits and borrowings from the public excl repurchase agreements and Swedish National Debt Office	1 131 347	953 666	919 770
Repurchase agreements	16 824	18	641
Repurchase agreements, Swedish National Debt Office	0	1	
Swedish National Debt Office	69	328	339
Total	1 148 240	954 013	920 750

G39 Pensions

Defined benefit pension plans are recognised in the balance sheet as a provision and in the income statement in their entirety as a pension cost in staff costs. Revaluations of defined benefit pension plans are recognised in other comprehensive income. The provision in the balance sheet is a net of the pension obligations and the fair value of the assets allocated to fund the obligations, so-called plan assets. The Group calculates provisions and costs for defined benefit pension obligations based on the obligations' significance and assumptions related to future development. The pension obligations as well as the cost of services rendered and interest expense for the pension obligations include payroll tax, which is calculated according to an actuarial method.

Nearly all employees hired in the Swedish part of the Group before 2013 are covered by the BTP2 defined benefit pension plan (a multi-employer occupational pension for Swedish banks). According to this plan, employees are guaranteed a lifetime pension corresponding to a specific percentage of their salary and mainly comprising retirement pension, disability pension and survivor's pension. Remuneration levels differ for salaries with different income base amounts. For salaries over 30 income base amounts, there is no pension according to BTP2. Consequently, the Group's provision and pension cost are affected by each employee's anticipated longevity, final salary and income base amounts.

Amount reported in balance sheet for defined benefit pension plans	2020	2019	1/1/2019
Funded pension obligations and payroll tax	26 824	29 316	24 272
Unfunded pension obligations and payroll tax	235	308	214
Fair value of plan assets	-23 394	-20 826	-19 507
Pension provisions	3 665	8 798	4 979

Changes in defined benefit pension plans, including payroll tax	2020	2019
Opening obligations	29 624	24 486
Current service cost and payroll tax	817	706
Interest expense on pension obligations	425	580
Pension payments	-801	-787
Payroll tax payments	-169	-158
Remeasurement	-2 792	4 929
Business disposal		-133
Settlements	-45	
Closing obligations	27 059	29 624

Pension obligations, including payroll tax	2020	2019	Number of
Active members	10 688	12 490	4 432
Deferred members	5 750	7 163	10 678
Pensioners	10 621	9 971	12 962
Total	27 059	29 624	28 072
Vested benefits	23 596	25 502	
Non-vested benefits	3 463	4 122	
Total	27 059	29 624	
of which attributable to future salary increases	3 008	4 203	
Changes in plan assets	2020	2019	
Opening fair value	20 826	19 508	
Interest income on plan assets	303	470	
Contributions by the employer	691	639	
Pension payments	-800	-787	
Remeasurement	2 374	1 063	
Settlements		-68	
Closing fair value	23 394	20 826	

The pension plan also contains a complementary retirement pension which has been defined contribution since 2001 rather than defined benefit. In 2012 BTP was renegotiated as entirely a defined contribution pension plan for all new employees as of 2013. The defined benefit pension plan therefore covers only those employed before 2013 and hence is being dissolved. The defined benefit portion of the BTP2 pension plan is funded by purchasing pension insurance from the insurance company SPK (SPK Pension Tjänstepensionsförening). SPK administers pensions and manages pension assets for Swedbank and other employers. The Group has to determine its share of the plan assets held by SPK. The share amounted to 74 per cent. This is done using the metric SPK is likely to have used on the closing day to distribute assets if the plan were immediately dissolved or if a situation arose that required an additional payment from employers due to insufficient assets. The employers are responsible for ensuring that SPK has sufficient assets to meet the pension plan's obligations measured on the basis of SPK's legal obligations. There is no such deficit. SPK's asset management is mainly based on the regulations it faces. The Group's provision and other comprehensive income are therefore affected by SPK's return on assets.

During 2017 PayEx was acquired. Its Swedish part provides defined benefit pension according to the so-called ITP plan (Industry and Trade Supplementary Pension). The benefits mainly correspond to the benefits in BTP 2. The provision in the balance sheet was SEK 235 m (308) at the end of the year. The pension commitments are secured in own balance sheet in accordance with the Act on Safeguarding Pension Benefits. During 2020, approximately 180 employees entitled to the defined-benefit pension plan ITP was transferred to the defined-contribution plan within BTP regarding future vesting. The change entailed a settlement gain of SEK 4 m.

For individuals who have been in executive positions, there are complementary individual defined benefit pension obligations. They are funded through provisions to pension funds which comply with the Act on Safeguarding Pension Benefits.

Fair value of plan assets	2020	of which quoted market price in an active market	
		2019	2020
Bank balances	461	405	
Debt instruments, Swedish government and municipalities	390	390	403
Derivatives, currency-related	59	28	
Investment funds, interest	10 923	10 923	11 071
Investment funds, shares	7 374	7 374	5 072
Investment funds, other	4 187	2 006	3 846
Total	23 394	20 693	20 252

Remaining maturity 2020	Undiscounted cash flows					No maturity/discounteffect	Total
	< 1 yr	1-5 yrs	5-10 yrs	> 10 yrs			
Pension obligations, including payroll tax	851	3 410	4 421	27 268	-8 892	27 059	
Plan assets	633	153	65		22 543	23 394	
Expected contributions by the employer	742						

Remaining maturity 2019	Undiscounted cash flows					No maturity/discounteffect	Total
	< 1 yr	1-5 yrs	5-10 yrs	> 10 yrs			
Pension obligations, including payroll tax	862	3 397	4 454	31 809	-10 898	29 624	
Plan assets	580	150	79		20 017	20 826	
Expected contributions by the employer	949						

Pension costs reported in income statement	2020	2019
Current service cost and payroll tax	817	706
Interest expense on pension obligations	425	580
Interest income on plan assets	-303	-470
Settlements	-4	
Pension cost defined benefit pension plans	936	816
Premiums paid for defined contribution pension plans and payroll tax	644	487
Total	1 579	1 303

Remeasurements of defined benefit pension plans reported in other comprehensive income	2020	2019
Actuarial gains and losses based on experience	165	380
Actuarial gains and losses arising from changes in financial assumptions	2 627	-5 309
Return on plan assets, excluding amounts included in interest income	2 374	1 063
Total	5 166	-3 865

Actuarial assumptions, per cent	2020	2019
Financial		
Discount rate, 1 January	1.46	2.42
Discount rate, 31 December	1.41	1.46
Future annual salary increases, 1 January	3.76	3.55
Future annual salary increases, 31 December	3.01	3.76
Future annual pension indexations/inflation, 1 January	1.98	1.92
Future annual pension indexations/inflation, 31 December	1.51	1.98
Future annual changes in income base amount, 1 January	3.73	3.66
Future annual changes in income base amount, 31 December	3.17	3.73
Demographic		
Entitled employees who choose early retirement option	50.00	50.00
Future annual employee turnover	3.50	3.50
Expected remaining life for a 65 years old man	22	22
Expected remaining life for a 65 years old woman	24	24

Sensitivity analysis, pension obligations	2020	2019
Financial		
Change in discount rate - 25 bps	1 301	1 511
Change in salary assumption +25 bps	564	650
Change in pension indexation/inflation assumption +25 bps	1 196	1 504
Change in income base amount assumption -25 bps	250	285
Demographic		
All entitled employees choose early retirement option at maximum	723	783
Change in employee turnover assumption -25 bps	57	76
Expected remaining life for a 65 years old man and woman +2 year	2 091	2 434

When the cost of defined benefit pension plans is calculated, financial and demographic assumptions have to be made for factors that affect the size of future pension payments. The discount rate is the interest rate used to discount the value of future payments. The interest rate is based on a market rate of interest for first-class corporate bonds traded on a functioning market with remaining maturities and currencies matching those of the pension obligations. The Group considers Swedish bonds using mortgages as collateral as such bonds, because of which the discount rate is based on their quoted prices. The Group's own issues are excluded. Quoted prices are adjusted for remaining maturities with the help of prices for interest rate swaps. The weighted average maturity of the defined benefit obligation is nearly 21 years (21). A reduction in the discount rate of 0.25 bp would increase the pension provision by approximately SEK 1 301m (1 511) and the pension cost by SEK 46 m (48). Future annual salary increases reflect projected future salary increases as an aggregate effect of both contractual wage increases and wage drift. Because the defined benefit pension plan no longer covers new employees, only those employed before 2013, the salary increase assumption has been adapted to assume that the plan is closed. As of 2014 an age-based salary increase assumption is therefore used instead. This means that a unique salary increase assumption is set for each age group of employees. As of 2014 the inflation assumption is based on quoted prices for nominal and index-linked government bonds. For longer maturities that lack quoted prices, the inflation assumption is gradually adapted to the Riksbank's target of 2.00 percentage points. The final benefits under BTP are determined on the basis of the income base amount. Therefore, future changes in the income base amount have to be estimated. The assumption is based on historical outcomes. Annual pension indexation has to be determined as well, since indexation historically has always been necessary. The indexation is assumed to correspond to the inflation assumption. BTP2 gives employees born in 1966 or earlier the option to choose a slightly earlier retirement age than normal in exchange for a slightly lower benefit level. Since this option is totally voluntary on the part of those employees, an estimate is made of the future outcome. Early retirements jointly agreed to by the employer and employee are recognised as they arise rather than estimated among actuarial assumptions. The assumed remaining lifetime of beneficiaries is updated annually.

G40 Insurance provisions

	Life insurance			Non-life insurance			Total		
	2020	2019	1/1/2019	2020	2019	1/1/2019	2020	2019	1/1/2019
Opening balance	1 416	1 469	1 491	478	428	343	1 894	1 897	1 834
Provisions	701	611	645	625	648	600	1 326	1 259	1 245
Payments	-684	-677	-703	-633	-604	-530	-1 317	-1 281	-1 233
Exchange rate differences	-27	13	36	-17	6	15	-44	19	51
Closing balance	1 406	1 416	1 469	453	478	428	1 859	1 894	1 897

Provisions for insurance contracts

The Group allocates provisions for the insurance contracts or parts of contracts where significant insurance risks are transferred from the policyholder to the Group. Insurance risks differ from financial risks and mean that the Group compensates the policyholder if a specified uncertain future event adversely impacts the policyholder. The Group is compensated through premiums received from policyholders. Provisions are allocated

for established claims and correspond to the amount that will be paid out. Provisions are also made for damages incurred but not reported. A statistical assessment of anticipated claims based on previous years' experience with each type of insurance contract is used as a basis for the provision. Assumptions are made with regard to interest rates, morbidity, mortality and expenses.

G41 Other liabilities and provisions

	2020	2019	1/1/2019
Security settlement liabilities	5 047	2 328	5 889
Lease liabilities	3 611	3 659	4 147
Other financial liabilities	21 072	22 128	23 687
Provisions for commitments and financial guarantees	806	582	407
Total financial liabilities	30 536	28 697	34 130
Restructuring provision	5	26	
Other provisions	69	86	52
Total	30 610	28 807	34 182

Recognised lease liabilities reflects the present value of future cash flows in lease agreements where the Group acts as a lessee. Future cashflows of the lease liabilities are presented in a maturity analysis within note 3.2.6. Changes in the lease liabilities are presented in note 3.2.8. Information about the corresponding right-of-use assets are presented within note G31 Tangible Assets.

Future cash outflows related to potential extension and termination options in lease agreements, that are not reflected in the measurement of lease liabilities amounted to SEK 3 665m (3 020). Future cash outflows for leases not yet commenced to which the Group is committed amounted to SEK 1 071m (1 047). Expenses related to short-term leases, leases of low-value assets and variable lease payments are presented within Other general administrative expenses in note G14.

G42 Accrued expenses and prepaid income

	2020	2019	1/1/2019
Accrued expenses	2 842	3 742	2 649
Contract liabilities	1 196	641	736
Total	4 038	4 383	3 385

G43 Subordinated liabilities

	2020	2019	1/1/2019
Subordinated loans	14 900	15 453	23 015
Undated subordinated loans, Additional Tier 1 capital	8 534	16 481	11 169
Total	23 434	31 934	34 184

Undated subordinated loans, approved by Swedish Financial Supervisory Authority as Additional Tier 1 capital

Year of issue	Maturity	First optional call date	Currency	Nominal amount	Carrying amount SEKm	Coupon interest %
2016	Undated	17 Mar 2022 ¹	USD	500	4 236	6.00%
2019	Undated	17 Sep 2024 ²	USD	500	4 298	5.63%
Total					8 534	

The liabilities will be converted to ordinary shares in Swedbank AB if the core tier one ratio of Swedbank AB falls below 5.125 per cent or if the core tier one ratio of the consolidated situation falls below 8.0 per cent.

- 1) The liability is converted at current share price, but not lower than USD 15.70 converted to SEK.
- 2) The liability is converted at current share price but not lower than USD 8.75 converted to SEK.

G44 Equity

	2020	2019	1/1/2019	Ordinary shares	2020	2019	1/1/2019
Restricted equity				Number of shares			
Share capital, ordinary shares	24 904	24 904	24 904	Number of shares authorized, issued and fully paid	1 132 005 722	1 132 005 722	1 132 005 722
Statutory reserve	9 627	9 665	9 563	Own shares	-12 013 947	-13 701 333	-15 331 361
Other reserve ¹	25 903	25 224	23 867	Number of outstanding shares	1 119 991 775	1 118 304 389	1 116 674 361
Total	60 434	59 793	58 334	Opening balance	1 118 304 389	1 116 674 361	1 113 629 621
Non-restricted equity				Share delivery due to Equity-settled share-based programmes	1 687 386	1 630 028	3 044 740
Currency translation from foreign operations	1 686	2 399	2 064	Closing balance	1 119 991 775	1 118 304 389	1 116 674 361
Cash flow hedge reserves	1	8	4	The quote value per share is SEK 22.			
Foreign currency basis reserves	-62	-33	-19	Changes in equity for the year and the distribution according to IFRS are indicated in the statement of changes in equity. Ordinary shares each carry one vote and a share in profits. Treasury shares are not eligible for dividends.			
Own credit risk reserve	-18	-5	-18				
Share premium reserve	13 206	13 206	13 206				
Retained earnings	79 921	63 240	63 825				
Total	94 734	78 815	79 062				
Non-controlling interest	25	25	213				
Total equity	155 193	138 633	137 609				

1) Of which development fund for internally developed software SEK 3 430m (2 660).

G45 Valuation categories of financial instruments

Carrying Amount in SEKm	2020					
	Fair value through profit or loss			Hedging Instruments	Amortised cost	Total
	Mandatorily	Trading	Other business models			
Cash and balances with central banks					293 811	293 811
Treasury bills and other bills eligible for refinancing with central banks	15 201	7 067	22 268		114 923	137 191
Loans to credit institutions	1 582		1 582		46 372	47 954
Loans to the public ¹	39 948	101	40 049		1 640 938	1 680 987
Value change of interest hedged items in portfolio hedge					1 774	1 774
Bonds and other interest-bearing securities	34 371	25 569	59 940		35	59 975
Financial assets for which customers bear the investment risk		252 411	252 411			252 411
Shares and participating interests	15 948	1 267	17 215			17 215
Derivatives	38 583		38 583	13 594		52 177
Other financial assets (G32)					16 451	16 451
Total	145 633	286 415	432 048	13 594	2 114 304	2 559 946
Financial liabilities	Fair value through profit or loss			Hedging instruments	Amortised cost	Total
Carrying Amount in SEKm	Trading	Designated	Total			
Amounts owed to credit institutions	3 294		3 294		147 019	150 313
Deposits and borrowings from the public	16 824		16 824		1 131 416	1 148 240
Financial liabilities for which customers bear the investment risk		253 229	253 229			253 229
Debt securities in issue ²	5 677	1 090	6 767		726 047	732 814
Short position securities	23 300		23 300			23 300
Derivatives	51 675		51 675	2 705		54 380
Senior non-preferred liabilities					10 359	10 359
Subordinated liabilities					23 434	23 434
Other financial liabilities (G41)					30 536	30 536
Total	100 770	254 319	355 089	2 705	2 068 811	2 426 605

1) Financial leasing agreements, when the Group is acting as lessor, are included in the valuation category Amortised Cost.

2) Nominal amount of debt securities designated at fair value through profit or loss was SEK 1 027m.

Financial assets

Carrying Amount in SEKm	2019					
	Fair value through profit or loss					
	Mandatorily		Total	Hedging Instruments	Amortised cost	Total
	Trading	Other business models				
Cash and balances with central banks					195 286	195 286
Treasury bills and other bills eligible for refinancing with central banks	9 465	7 055	16 520		120 574	137 094
Loans to credit institutions	9		9		45 443	45 452
Loans to the public ¹	46 667	154	46 821		1 605 475	1 652 296
Value change of interest hedged items in portfolio hedge					271	271
Bonds and other interest-bearing securities	34 006	23 323	57 329		38	57 367
Financial assets for which customers bear the investment risk		224 893	224 893			224 893
Shares and participating interests	4 041	2 527	6 568			6 568
Derivatives	30 519		30 519	13 905		44 424
Other financial assets (G32)					8 804	8 804
Total	124 707	257 952	382 659	13 905	1 975 891	2 372 455

Financial liabilities

Carrying Amount in SEKm	Fair value through profit or loss				Hedging instruments	Amortised cost	Total
	Trading	Designated	Total				
Amounts owed to credit institutions	4		4			69 682	69 686
Deposits and borrowings from the public		18	18			953 995	954 013
Financial liabilities for which customers bear the investment risk		225 792	225 792				225 792
Debt securities in issue ²	8 909	1 876	10 785			844 969	855 754
Short position securities	34 345		34 345				34 345
Derivatives	39 078		39 078	1 899			40 977
Senior non-preferred liabilities						10 805	10 805
Subordinated liabilities						31 934	31 934
Other financial liabilities (G41)						28 697	28 697
Total	82 354	227 668	310 022	1 899	1 940 082	2 252 003	

1) Financial leasing agreements, when the Group is acting as lessor, are included in the valuation category Amortised Cost.

2) Nominal amount of debt securities designated at fair value through profit or loss was SEK 1 676m.

G46 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the Group's financial assets and financial liabilities is presented below.

Determination of fair values of financial instruments

The Group uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in three different levels:

- Level 1: Unadjusted quoted price on an active market
- Level 2: Adjusted quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair value. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. For any open net positions, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions – at ask price.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The ambition, however, is to always maximise the use of data from an active market. All valuation methods and models are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which should be considered in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA). CVA and DVA are calculated using simulated exposures; the method is calibrated with market implied parameters.

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2020 and 2019, there were no transfers of financial instruments between valuation levels 1 and 2.

For floating rate lending and deposits, the carrying amount equals the fair value.

	2020			2019			1/1/2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	293 811	293 811		195 286	195 286		163 161	163 161	
Treasury bills etc.	137 206	137 191	15	137 119	137 094	25	99 743	99 579	164
of which measured at amortised cost	114 938	114 923	15	120 599	120 574	25	80 468	80 304	164
of which measured at fair value through profit or loss	22 268	22 268		16 520	16 520		19 275	19 275	
Loans to credit institutions	47 954	47 954		45 452	45 452		36 268	36 268	
of which measured at amortised cost	46 372	46 372		45 443	45 443		36 176	36 176	
of which measured at fair value through profit or loss	1 582	1 582		9	9		92	92	
Loans to the public	1 684 884	1 680 987	3 897	1 660 659	1 652 296	8 363	1 629 641	1 627 368	2 273
of which measured at amortised cost	1 644 835	1 640 938	3 897	1 613 838	1 605 475	8 363	1 589 761	1 587 488	2 273
of which measured at fair value through profit or loss	40 049	40 049		46 821	46 821		39 880	39 880	
Value change of interest hedged items in portfolio hedge	1 774	1 774		271	271		766	766	
Bonds and interest-bearing securities	59 976	59 975	1	57 369	57 367	2	53 316	53 312	4
of which measured at amortised cost	37	36	1	40	38	2	2 215	2 211	4
of which measured at fair value through profit or loss	59 940	59 940		57 329	57 329		51 101	51 101	
Financial assets for which the customers bear the investment risk	252 411	252 411		224 893	224 893		177 868	177 868	
Shares and participating interest	17 215	17 215		6 568	6 568		4 921	4 921	
of which measured at fair value through profit or loss	17 215	17 215		6 568	6 568		4 921	4 921	
Derivatives	52 177	52 177		44 424	44 424		39 665	39 665	
Other financial assets (G32)	16 451	16 451		8 804	8 804		13 889	13 889	
Total	2 563 859	2 559 946	3 913	2 380 845	2 372 455	8 390	2 219 238	2 216 797	2 441
Investment in associates	7 287			6 679			6 088		
Non-financial assets	27 409			29 094			23 207		
Total	2 594 642			2 408 228			2 246 092		

	2020			2019			1/1/2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	150 313	150 313	0	69 569	69 686	-117	58 595	57 218	1 377
of which measured at amortised cost	147 019	147 019	0	69 565	69 682	-117	58 329	56 952	1 377
of which measured at fair value through profit or loss	3 294	3 294		4	4		266	266	
Deposits and borrowings from the public	1 148 231	1 148 240	-9	953 996	954 013	-17	920 745	920 750	-5
of which measured at amortised cost	1 131 407	1 131 416	-9	953 978	953 995	-17	920 107	920 112	-5
of which measured at fair value through profit or loss	16 824	16 824		18	18		638	638	
Debt securities in issue	738 196	732 814	5 382	861 883	855 754	6 129	810 617	804 360	6 257
of which measured at amortised cost	731 430	726 047	5 382	851 098	844 969	6 129	795 867	789 610	6 257
of which measured at fair value through profit or loss	6 767	6 767		10 785	10 785		14 750	14 750	
Financial liabilities for which the customers bear the investment risk	253 229	253 229		225 792	225 792		178 662	178 662	
Senior non-preferred liabilities	10 545	10 359	186	10 299	10 805	-506			
of which measured at amortised cost	10 545	10 359	186	10 299	10 805	-506			
Subordinated liabilities	23 688	23 434	254	31 730	31 934	-204	34 366	34 184	182
of which measured at amortised cost	23 688	23 434	254	31 730	31 934	-204	34 366	34 184	182
Derivatives	54 380	54 380		40 977	40 977		31 316	31 316	
Short positions securities	23 300	23 300		34 345	34 345		38 333	38 333	
of which measured at fair value through profit or loss	23 300	23 300		34 345	34 345		38 333	38 333	
Other financial liabilities (G41)	30 536	30 536		28 697	28 697		29 576	29 576	
Total	2 432 418	2 426 605	5 813	2 257 288	2 252 003	5 285	2 102 209	2 094 399	7 810
Non-financial liabilities		12 844			17 592			14 084	
Total		2 439 449			2 269 595			2 108 483	

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial papers, debt securities in issue and standardised derivatives, where quoted prices on an active market are used in the valuation.

Level 2 primarily contains OTC derivatives, less liquid bonds, debt securities in issue, deposits, and investment contract liabilities in the insurance operations. Equity derivatives and all instruments with optionality are valued using option pricing models calibrated by market implied parameters. All other interest rate, foreign exchange or credit derivatives as well as interest-bearing instruments are valued by discounted cash flows using market implied curves. The fair value of investment contract liabilities in the insurance operations is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

Level 3 primarily contains unlisted equity instruments, where the price is unobservable and the sensitivity in the value to changes in the unobservable parameter is linear in the model applied. To estimate the unobservable price different methods are applied depending on the type of available data. The primary method is based on executed transactions or quoted share price of similar equities. Other inputs to these methods are primarily prices, proxy prices, market indicators and company information. The level 3 unlisted equity instruments include strategic investments. Swedbank's holdings in VISA Inc. C shares are subject to selling restrictions for a period of up to 8 years and under certain conditions may have to be returned. Liquid quotes are not available for these shares, therefore the fair value is established with significant elements of Swedbank's own internal assumptions.

During September Visa Inc. converted half of the outstanding Visa Inc. C shares to Visa Inc. A shares. The carrying amount for the holdings in Visa Inc. C at year end amounted to SEK 602m (1 288).

When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Due to the possibility that a difference could arise between the transaction price and the fair value calculated at the time using the valuation model, so called day 1 profit or loss, the valuation model is calibrated against the transaction price. As of year-end there were no cumulative differences reported in the balance sheet.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation. There were no transfers of financial instruments to or from level 3 during the year.

The cumulative value change after tax, attributable to changes in Swedbank's own credit risk, of debt securities in issue identified to be measured to the fair value, amounted to SEK 0m (-5). The change in value amounted to SEK 5m (17) during the year. The value change attributable to changes in own credit risk is recognised in other comprehensive income. The change due to Swedbank's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank's own credit risk in its own unquoted issues and the corresponding prices on the origination date.

The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

	2020			
	Level 1	Level 2	Level 3	Total
At fair value				
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	18 968	3 300		22 268
Loans to credit institutions		1 582		1 582
Loans to the public		40 049		40 049
Bonds and interest-bearing securities	22 676	37 264		59 940
Financial assets for which the customers bear the investment risk	252 411			252 411
Shares and participating interest	16 088		1 127	17 215
Derivatives	85	52 092		52 177
Total	310 228	134 287	1 127	445 642
Liabilities				
Amounts owed to credit institutions		3 294		3 294
Deposits and borrowings from the public		16 824		16 824
Debt securities in issue		6 767		6 767
Financial liabilities for which the customers bear the investment risk		253 229		253 229
Derivatives	69	54 311		54 380
Short positions securities	22 307	993		23 300
Total	22 376	335 418		357 794
2019				
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	12 405	4 115		16 520
Loans to credit institutions		9		9
Loans to the public		46 821		46 821
Bonds and interest-bearing securities	22 935	34 394		57 329
Financial assets for which the customers bear the investment risk	224 893			224 893
Shares and participating interest	4 714		1 854	6 568
Derivatives	12	44 412		44 424
Total	264 959	129 751	1 854	396 564
Liabilities				
Amounts owed to credit institutions		4		4
Deposits and borrowings from the public		18		18
Debt securities in issue		10 785		10 785
Financial liabilities for which the customers bear the investment risk		225 792		225 792
Derivatives	16	40 961		40 977
Short positions securities	31 864	2 481		34 345
Total	31 880	280 041		311 921

Changes in Level 3

	2020	
	Assets	
	Equity instruments	Total
Opening balance	1 854	1 854
Purchases	9	9
Sales of assets	-2	-2
Conversion to VISA Inc. A-shares	-819	-819
Gains and losses recognised as Net gains and losses on financial instruments of which changes in unrealised gains or losses for items held at closing day	85 -84	85 -84
Closing balance	1 127	1 127

Changes in Level 3

	2019		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	1 264	2	1 266
Purchases	30		30
Sales of assets	-14		-14
Maturities		-1	-1
Gains and losses recognised as Net gains and losses on financial instruments of which changes in unrealised gains or losses for items held at closing day	574 567	-1	573 567
Closing balance	1 854	0	1 854

Financial instruments at amortised cost

The following tables distribute fair value by the three different valuation levels for financial instruments at amortised cost. The valuation techniques used to establish fair value of financial instruments at amortised cost are consistent with those described in section "Financial instruments recognised at fair value" above.

At amortised cost

	Carrying amount	2020		
		Fair value		Total
		Level 1	Level 2	
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc.	114 923	196	114 742	114 938
Loans to credit institutions	46 372		46 372	46 372
Loans to the public	1 640 938		1 644 835	1 644 835
Bonds and other interest-bearing securities	36	37		37
Total	1 802 269	233	1 805 949	1 806 182

Liabilities

	Carrying amount	2020		
		Fair value		Total
		Level 1	Level 2	
Liabilities				
Amounts owed to credit institutions	147 019		147 019	147 019
Deposits and borrowing from the public	1 131 416		1 131 407	1 131 407
Debt securities in issue	726 047	307 901	423 529	731 430
Senior non-preferred liabilities	10 359		10 545	10 545
Subordinated liabilities	23 434		23 688	23 688
Total	2 038 275	307 901	1 736 188	2 044 089

2019

	Carrying amount	2019		
		Fair value		Total
		Level 1	Level 2	
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc.	120 574	348	120 251	120 599
Loans to credit institutions	45 443		45 443	45 443
Loans to the public	1 605 475		1 613 838	1 613 838
Bonds and other interest-bearing securities	38	40		40
Total	1 771 530	388	1 779 532	1 779 920
Liabilities				
Amounts owed to credit institutions	69 682		69 565	69 565
Deposits and borrowing from the public	953 995		953 978	953 978
Debt securities in issue	844 969	377 666	473 432	851 098
Senior non-preferred liabilities	10 805		10 299	10 299
Subordinated liabilities	31 934		31 730	31 730
Total	1 911 385	377 666	1 539 004	1 916 670

G47 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The tables below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions. Collateral amounts represent financial instruments or cash collateral received or pledged for transactions that are subject to a legally enforceable master netting or similar agreements and which allow for the netting of obligations against the counterparty in the event of a default. Collateral amounts are limited

to the amount of the related instruments presented in the balance sheet; therefore any over-collateralisation is not included. Amounts that are not offset in the balance sheet are presented as a reduction to the financial assets or liabilities in order to derive net asset and net liability exposures. The amounts offset for derivative assets includes offset cash collateral of SEK 3 934m (2 783) derived from the balance sheet item Amounts owed to credit institutions. The amount offset for derivative liabilities include cash collateral offsets of SEK 6 061m (4 701).

Assets	2020				2019			
	Derivatives	Reverse repurchase agreements	Securities borrowing	Total	Derivatives	Reverse repurchase agreements	Securities borrowing	Total
Financial assets, which not have been offset or are not subject to netting agreements	2 368			2 368	2 002			2 002
Financial assets, which have been offset or are subject to netting agreements	49 809	41 529	14	91 352	42 422	46 677	276	89 375
Net carrying amount on the balance sheet	52 177	41 529	14	93 720	44 424	46 677	276	91 377
Financial assets, which have been offset or are subject to netting agreements								
Gross amount	139 554	84 795	14	224 363	114 736	97 585	276	212 597
Offset amount	-89 745	-43 265		-133 010	-72 314	-50 908		-123 222
Net carrying amount on the balance sheet	49 809	41 529	14	91 352	42 422	46 677	276	89 375
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	18 088	1 600		19 688	15 338			15 338
Financial instruments, collateral	10	39 925	14	39 949	8	46 677	276	46 961
Cash, collateral	15 274	4		15 278	11 897			11 897
Total amount not offset on the balance sheet	33 372	41 529	14	74 915	27 243	46 677	276	74 196
Net amount	16 438			16 438	15 179			15 179
Liabilities	2020				2019			
	Derivatives	Repurchase agreements	Securities lending	Total	Derivatives	Repurchase agreements	Securities lending	Total
Financial liabilities, which have not been offset or are not subject to netting agreements	2 234			2 234	2 795			2 795
Financial liabilities, which have been offset or are subject to netting agreements	52 146	20 118	54	72 318	38 182	23		38 205
Net carrying amount on the balance sheet	54 380	20 118	54	74 552	40 977	23		41 000
Financial liabilities, which have been offset or are subject to netting agreements								
Gross amount	144 018	63 383	54	207 455	112 414	50 931		163 345
Offset amount	-91 872	-43 265		-135 137	-74 232	-50 908		-125 140
Net carrying amount on the balance sheet	52 146	20 118	54	72 318	38 182	23		38 205
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	18 088	1 600		19 688	15 338			15 338
Financial instruments, collateral	5 741	18 518	54	24 313	3 264			3 264
Cash, collateral	15 551			15 551	16 081	23		16 104
Total amount not offset on the balance sheet	39 380	20 118	54	59 552	34 683	23		34 706
Net amount	12 766			12 766	3 499			3 499

G48 Specification of adjustments for non-cash items in operating activities

	2020	2019
Amortised origination fees	-647	-696
Unrealised changes in value/currency changes	-210	-534
Capital gains/losses on sale of subsidiaries and associates	-3	-65
Capital gains/losses on sale of condominiums		-8
Undistributed share of equity in associates	-582	-822
Depreciation and impairment of tangible fixed assets including reposessed leased assets	1 108	1 127
Amortisation and impairment of goodwill and other intangible assets	472	509
Credit impairment	4 509	1 671
Prepaid expenses and accrued income	1 108	-1 318
Accrued expenses and prepaid income	-5 478	4 818
Share-based payment	178	272
Other	-8	-2
Total	447	4 952

G50 Dividend paid and proposed

Ordinary shares	SEK per share	2020		2019	
		Total	SEK per share	Total	SEK per share
Dividend paid				14.20	15 878
Proposed dividend	2.90	3 252	8.80	9 856	

At the Annual General Meeting on 28 May 2020, no decision was made on the proposed dividend for the financial year 2019. Instead, an Extraordinary General Meeting on 15 February 2021 decided to make a cash dividend of SEK 4.35 per ordinary share for the financial year 2019, which corresponded to SEK 4 871m. The dividend was paid on 22 February 2021.

The Board of Directors recommends that shareholders receive a dividend of SEK 2.90 (8.80) per ordinary share in 2021 for the financial year 2020, corresponding to SEK 3 252m (9 856).

For more information see parent company note P43.

G49 Cash flow statement, events during the year

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

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities.

Cash flow includes interest receipts of SEK 33 244m (36 372) and interest payments of SEK 5 042m (9 809). Capitalised interest is included.

Investing activities

Investing activities consist of purchases and sales of businesses and other fixed assets such as owner-occupied properties and equipment, and strategic financial assets. Strategic financial assets refer to holdings of interest-bearing securities held to maturity and strategic shareholdings in companies other than subsidiaries and associates.

2020

During the year contributions were provided to joint ventures Invidem AB of SEK 23m (57) and P27 Nordic Payments Platform AB of SEK 31m (24).

During the fourth quarter, the Visa Inc. A shares were sold and Swedbank received a cash payment of SEK 794m.

During the third quarter, the shares in the Finnish credit information company Enento Group was sold. Swedbank received a cash payment of SEK 570m.

During the second quarter the associated company Svensk Mäklarstatistik AB was sold. Swedbank received a cash payment of SEK 5m and the capital gain was SEK 3m.

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received parts of the cash payment, SEK 71m, in the first quarter of 2020 as well as in the first quarter of 2019.

2019

During the fourth quarter the associated company Babs Paylink AB was sold. Swedbank received a cash payment of SEK 113m. The capital gain was SEK 25m.

During the third quarter, 11 per cent of the subsidiary Ölands Bank AB was sold. Swedbank AB's ownership subsequently amounts to 49 per cent, and as a result the company is accounted for as an associated company according to the equity method from the date of disposal. Swedbank received a cash payment of SEK 52m. The capital gain was SEK 40m.

Cash and cash equivalents

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

What the Group considers to be liquidity and the Group's risk management of liquidity risks are described in note G 3.2

G51 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	2020	2019	1/1/2019
Government securities and bonds pledged with the Swedish Riksbank	50 725	10 000	9 776
Government securities and bonds pledged with foreign central banks	12 401	5 356	6 691
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	10 986	8 687	6 920
Government securities and bonds pledged for deposits from the public, repurchase agreements	17 515	15 680	13 506
Loans used as collateral for covered bonds ¹	561 209	578 758	497 691
Financial assets pledged for investment contracts	247 632	220 589	174 668
Cash	18 464	9 002	4 470
Total	918 932	848 072	713 722

The carrying amount of liabilities for which assets are pledged amounted to SEK 813 125m (839 629) for the Group.

Other assets pledged

Other assets pledged	2020	2019	1/1/2019
Shares	447	84	186
Government securities and bonds pledged for other commitments	6 256	3 475	1 858
Cash	463	436	445
Total	7 166	3 995	2 489

Companies in the Group regularly pledge financial assets as collateral for their obligations to central banks, stock exchanges, central securities depositories, clearing organisations and other institutions with similar or closely related functions, as well as to insurance policyholders. The transactions can be made by one or more companies in the Group depending on the operations of each company. These financial assets are recognised as assets pledged. Companies in the Group also participate in arrangements that are not pledges but where financial assets are used for similar purposes.

Such financial assets are also recognised as assets pledged. One example of assets pledged is when financial assets of a certain value are transferred to derivative counterparties to offset their credit risk vis-à-vis the Group. Another example involves certain transfers of financial assets that the Group is obligated to repurchase, so-called repos. A third example is that certain types of credit can be included in the cover pool for covered bonds and thereby give preferential rights to the assets to investors who hold such bonds. Because of the pledges and other arrangements mentioned above, the value of the financial assets in question cannot be utilised in any other way as long as the pledge or arrangement remains in effect. The transactions are made on commercial terms.

Contingent liabilities

Nominal amount	2020	2019	1/1/2019
Loan guarantees	5 121	6 263	7 646
Other guarantees	41 676	41 767	36 827
Accepted and endorsed notes	828	1 200	1 988
Letters of credit granted but not utilised	3 071	2 778	2 528
Other contingent liabilities	172	27	366
Total	50 868	52 035	49 355

Commitments

Nominal amount	2020	2019	1/1/2019
Loans granted but not paid	259 683	223 108	215 662
Overdraft facilities granted but not utilised	66 492	64 305	62 677
Total	326 175	287 413	278 339
Credit impairment provisions for contingent liabilities and commitments	-806	-582	-407

Money laundering

Swedbank is cooperating with authorities in the United States, who are conducting investigations into Swedbank's historic AML compliance and the Group's response thereto, as well as related issues involving the Group's anti-money laundering controls and certain individuals and entities who may at some time have been customers of the Group. The timing of the completion of the investigations is still unknown and the outcome is still uncertain. At present, it is not possible to reliably estimate the amount of any potential settlement or fines, which could be material.

G52 Transferred financial assets

The Group transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the Group is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. The sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any offsetting in the balance sheet. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading.

Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category amortised cost. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. As of year-end the Group had no transfers of financial assets that had been derecognised and where the Group has continuing involvement.

2020	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
Shares	447		447	47		47
Debt securities	28 502	28 502		28 513	28 513	
Total	28 949	28 502	447	28 560	28 513	47

2019	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
Shares	84		84			
Debt securities	24 367	24 367		24 209	24 209	
Total	24 451	24 367	84	24 209	24 209	

G53 Related parties and other significant relationships

	Associates and joint ventures		Other related parties	
	2020	2019	2020	2019
Assets				
Loans to credit institutions	15 730	16 307		
Loans to the public	10	5		
Derivatives	20	9		
Total assets	15 760	16 320		
Liabilities				
Amount owed to credit institutions	4 968	3 712		
Deposits and borrowing from the public	3		738	455
Debt securities in issue, etc.	633	597		
Derivatives	10	9		
Other liabilities	41	81		
Total liabilities	5 655	4 398	738	455
Derivatives, nominal amount	808	1 013		
Income and expenses				
Interest income	122	142		
Commission income	429	411		
Commission expenses	484	399		
Other income	653	500		
Other general administrative expenses	4	0		

Associates and Joint ventures

Investments in associates and joint ventures are specified in note G27.

During the year the Group provided capital injections to joint ventures of SEK 54m (81). Dividend received from associates and joint ventures amounted to SEK 2m (529). As of 31 December associates have issued guarantees and pledged assets of SEK 570m (643) on behalf of Swedbank.

The Group has sold services to associates and joint ventures that are not credit institutions primarily in the form of product and systems development as well as marketing. The Group's expenses to, and purchases of services from, associates and joint ventures that are not credit institutions mainly consist of payment services and cash management.

The five partly owned banks that are associates sell products that are provided by the Group and receive commissions for servicing the products. The cooperation between the partly owned banks and Swedbank is governed by the agreement described in the section, Other significant relationships. The Group's holding in EnterCard is a joint venture. EnterCard issues debit and credit cards in Sweden and Norway to Swedbank's customers. Swedbank AB finances EnterCard's corresponding holding.

Key persons

Disclosures regarding Board members and the Group Executive Committee can be found in note G13 Staff costs and other staff-related key ratios.

Other related parties

Swedbank's pension funds and Sparinstitutens Pensionskassa secure employees' post-employment benefits. They rely on Swedbank for traditional banking services.

Other significant relationships

Swedbank has a close and comprehensive cooperation with 58 of the in all 59 Savings banks in Sweden. Through the cooperation, the Savings banks are able to offer the products and services of Swedbank and its subsidiaries to their customers. In addition to marketing and product issues, close cooperation exists in a number of administrative areas. Swedbank is the clearing bank for the Savings banks and provides a wide range of IT services. The cooperation also offers the possibility to distribute development costs over a larger business volume.

The Savings banks and Savings bank foundations together represent one of the largest shareholder groups in Swedbank, with a total of 14.5 per cent (14.3) of the voting rights.

G54 Interests in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when all voting rights relate to administrative tasks and the relevant activities are directed by means of contractual arrangements. During the year Swedbank owned interests in structured entities that were not consolidated since Swedbank did not control the entities. Information on the Group's interests in unconsolidated structured entities is provided below.

Sponsor definition

Swedbank is a sponsor of structured entities when the Group sets up and determines the design of a structured entity and when the structured entity's products are associated with Swedbank's brand.

Investment funds

Swedbank is a primarily sponsor of investment funds where the Group serves as a manager. Swedbank's interests in such funds mainly refer to capital investments by the Group's insurance operations, starting capital and fees received to manage the funds' investments. Asset management fees are based on the fair value of the funds' net assets. Consequently, these fees expose Swedbank to a variable return based on the funds' performance. Swedbank has provided unused loan commitments to these investment funds, which entails a financial support to the investment funds.

Swedbank's interests in unconsolidated structured entities are shown below. The interests do not include ordinary derivatives such as interest rate and currency swaps and transactions where Swedbank creates rather than receives variable returns from the structured entity. Total assets in Group sponsored investments funds amounts to SEK 1 220 162 m (1 083 269).

	2020		2019	
	Group Sponsored Investment Funds	Total	Group Sponsored Investment Funds	Total
Financial assets of which the customers bear the investment risk	18 376	18 376	18 304	18 304
Shares and participating interests	184	184	175	175
Total assets recognised in the balance sheet	18 560	18 560	18 479	18 479
Loan commitment	595	595	2 055	2 055
The Group's maximum exposure to loss	19 155	19 155	20 534	20 534
Total income from interests (1)	7 037	7 037	8 092	8 092

1) The result from interests in unconsolidated structured entities includes asset management fees, changes in fair value and interest income.

During the year Swedbank did not provide any non-contractual financial or other support to unconsolidated structured entities and as of the closing day had no intention to provide such support.

G55 Sensitivity analysis

	Change	2020	2019
Net interest income, 12 months.¹			
Increased interest rates	+ 1 % point	9 880	7 535
Decreased interest rates	- 1 % point	-5 395	-4 968
Change in value.²			
Market interest rate	+ 1 % point	316	1 052
	- 1 % point	-331	-1 544
Stock prices	+10%	5	15
	-10%	-7	1
Exchange rates	+5%	66	72
	-5%	-56	22
Other			
Stock market performance, ³	+/- 10 %	+/-531	+/-532
Staff changes	+/- 100 persons	+/-73	+/-74
Payroll changes	+/- 1 % point	+/-110	+/-100
Credit impairment ratio	+/- 0.1 % point	+/-1 729	+/-1 698

1) The NII sensitivity calculation covers all interest bearing assets and liabilities, including derivatives, in the banking book. It is a static analysis with parallel shifts across the interest rate curve that takes place over-night, and illustrates the effect on NII for a 12 month period. Maturing assets and liabilities during the 12 month period are assumed to be repriced to the existing contractual interest rate +/- the shift. The assets that are re-priced are assumed to have the same interest rate throughout the remaining part of the 12-month period. Contractual reference rate floors on floating asset contracts are taken into account in the sensitivity calculation. In the positive shift transaction accounts are assumed to have 0% elasticity (i.e. there is no adjustment made to the paid interest) while all other deposits have a 100% elasticity to changes in the market rate (i.e. adjustments are made to the interest paid). In the negative shift scenario a floor of 0% on contractual rates for deposits from private individuals is applied. All other balance sheet items allow for negative contractual rates.

2) The calculation refers to the immediate effect on profit of each scenario for the Group's interest rate positions at fair value and its equity and currency positions. Note that nonsymmetric effects can occur due to non-linear products.

3) Refers to the effect on net commission income from a change in value of Swedbank Robur's equity funds.

G56 Events after 31 December 2020

On 15 January, Björn Meltzer accessed acting Head of the business area Large Corporates & Institutions. Björn Meltzer had until then been CFO of Large Corporates & Institutions. The recruitment of a permanent head has begun.

On 1 February, it was announced that Swedbank's Board of Directors had decided to establish a Baltic subsidiary in the form of a holding company headquartered in Riga, where ownership of the current subsidiary banks in Estonia, Latvia and Lithuania will be placed. The measures, which are a result of the corporate governance evaluation, strengthen both Swedbank's internal governance and the Baltic subsidiary banks. The decision will not result in any changes for the Group's customers in its home markets of Estonia, Latvia, Lithuania and Sweden.

On 28 January, the Estonian FSA announced that it had assessed the final report on measures regarding AML/CTF that Swedbank AS submitted on 19 November 2020. The Estonian FSA considers the measures taken to be sufficient and that they have no further remarks. In its assessment, the Estonian FSA has also taken into account the action plan for development presented by Swedbank. The supervision of Swedbank's continued work in the AML/CTF area will thus take place within the framework of regular supervisory work.

On 15 February, an Extraordinary General Meeting was held. The meeting decided to make a cash dividend of SEK 4.35 per ordinary share for the financial year 2019, which corresponded to SEK 4 871m. The dividend was paid on February 22nd.

On 25 February, the Board of Directors decided not to file claims against the former CEOs and board members for the time they were employed in the financial year 2019. The likelihood of success was considered extremely low.

G57 Changed presentation, cash flow statement

2019	Previous reporting	Change	New reporting
Operating activities			
Profit before tax	24 420		24 420
Adjustments for non-cash items in operating activities	4 952		4 952
Taxes paid	-5 981		-5 981
Increase (-) /decrease (+) in loans to credit institution	-9 130		-9 130
Increase (-) /decrease (+) in loans to the public	-27 282		-27 282
Increase (-) /decrease (+) in holdings of securities for trading	-43 187		-43 187
Increase (-) /decrease (+) in other assets	-678		-678
Increase (+) /decrease (-) in amounts owed to credit institutions	12 249		12 249
Increase (+) /decrease (-) in deposits and borrowings from the public	33 488		33 488
Increase (+) /decrease (-) in debt securities in issue ²	40 561		40 561
Increase (+) /decrease (-) in other liabilities	8 556		8 556
Cash flow from operating activities	-2 593	40 561	37 968
Investing activities			
Business disposal	52		52
Acquisitions of and contributions to joint ventures	-81		-81
Disposals of shares in associates	184		184
Dividends from associates and joint ventures	529		529
Acquisition of other fixed assets and strategic financial assets	-224		-224
Disposals/maturity of other fixed assets and strategic financial assets	535		535
Cash flow from investing activities	995		995
Financing activities			
Amortisation of lease liabilities	-718		-718
Issuance of interest-bearing securities ¹	148 250		-148 250
Redemption of interest-bearing securities ¹	-94 929		94 929
Issuance of commercial papers	483 569		-483 569
Redemption of commercial papers	-487 865		487 865
Issuance of senior non-preferred liabilities ¹	11 266		11 266
Issuance of subordinated liabilities ¹	4 909		4 909
Redemption of subordinated liabilities ¹	-7 711		-7 711
Dividends paid	-15 893		-15 893
Cash flow from financing activities	32 414	-40 561	-8 147
Cash flow for the year	30 816		30 816
Cash and cash equivalents at the beginning of the year	163 161		163 161
Cash flow for the year	30 816		30 816
Exchange rate differences on cash and cash equivalents	1 309		1 309
Cash and cash equivalents at end of the year	195 286		195 286
1) Issuance of interest-bearing securities			
Covered bonds	131 039		
Structured retail bonds	1 036		
Total	132 075		
Senior non-preferred liabilities	11 266		
Subordinated liabilities	4 909		
Total	148 250		
Redemption of interest-bearing securities			
Covered bonds	-41 435		
Other interest-bearing bonds	-42 231		
Structured retail bonds	-3 552		
Total	-87 218		
Senior non-preferred liabilities	0		
Subordinated liabilities	-7 711		
Total	-94 929		
2) Debt securities in issue			
Covered bonds	89 604		
Other interest-bearing bonds	-42 231		
Structured retail bonds	-2 516		
Commercial papers	-4 296		
Total	40 561		

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181	Note	P21 Shares and participating interests	196	Note	P47 Related parties and other significant relationships
182	Note	P22 Investments in associates and joint ventures	196	Note	P48 Events after 31 December 2020
183	Note	P23 Investments in Group entities	197	Note	P59 Changed presentation of Cash flow
184	Note	P24 Derivatives			
184	Note	P25 Hedge accounting at fair value			

Income statement, Parent company

SEKm	Note	2020	2019
Interest income on financial assets measured at amortised cost		12 727	12 475
Other interest income		1 030	1 480
Leasing income		4 835	4 815
Interest income		18 592	18 770
Interest expense		-3 529	-5 692
Net interest income	P5	15 063	13 078
Dividends received	P6	16 201	19 823
Commission income		7 779	9 607
Commission expense		-2 180	-3 382
Net commission income	P7	5 599	6 225
Net gains and losses on financial items	P8	2 243	2 202
Other income	P9	1 923	1 679
Total income		41 029	43 007
Staff costs	P10	8 743	8 349
Other general administrative expenses	P11	6 531	6 595
Depreciation/amortisation and impairment of tangible and intangible assets	P12	4 820	4 768
Administrative fine		4 000	
Total expenses		24 094	19 712
Profit before impairment		16 935	23 295
Credit impairment, net	P13	4 068	1 514
Impairment of financial fixed assets	P14	-16	22
Operating profit		12 883	21 759
Appropriations	P15	-42	78
Tax expense	P16	3 089	3 685
Profit for the year		9 836	17 996

Statement of comprehensive income, Parent company

SEKm	Note	2020	2019
Profit for the period reported via income statement		9 836	17 996
Total comprehensive income for the period		9 836	17 996

Balance sheet, Parent company

SEKm	Note	2020	2019	1/1/2019
Assets				
Cash and balances with central banks		167 121	107 596	80 903
Treasury bills and other bills eligible for refinancing with central banks, etc.	P17	131 857	132 934	96 006
Loans to credit institutions	P18	669 495	537 151	523 699
Loans to the public	P19	428 997	422 794	428 966
Bonds and other interest-bearing securities	P20	60 631	58 150	56 407
Shares and participating interests	P21	16 576	6 235	4 629
Investments in associates and joint ventures	P22	2 339	2 315	2 085
Investments in Group entities	P23	63 406	63 082	62 135
Derivatives	P24	59 644	48 332	43 275
Intangible assets	P26	328	366	351
Leasing equipment	P27	16 135	16 024	16 170
Tangible assets	P28	580	569	576
Current tax assets		1 275	2 197	1 935
Deferred tax assets	P16			146
Other assets	P29	28 586	21 418	25 666
Prepaid expenses and accrued income	P30	1 634	2 747	1 589
Total assets		1 648 604	1 421 910	1 344 538
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	P31	246 804	161 454	83 218
Deposits and borrowings from the public	P32	869 222	719 211	700 256
Debt securities in issue	P33	259 922	263 181	303 622
Derivatives	P24	74 236	69 908	54 063
Current tax liabilities		363	832	1 284
Deferred tax liabilities	P16	152	477	
Other liabilities	P34	46 327	55 589	63 992
Accrued expenses and prepaid income	P35	2 856	3 734	1 793
Provisions	P36	814	643	427
Senior non-preferred liabilities		10 359	10 805	
Subordinated liabilities	P37	23 434	31 934	34 184
Total liabilities		1 534 489	1 317 768	1 242 839
Untaxed reserves	P38	10 682	10 724	10 647
Equity				
Share capital		24 904	24 904	24 904
Other funds		19 174	19 174	5 968
Retained earnings		59 355	49 340	60 180
Total equity	P39	103 433	93 418	91 052
Total liabilities and equity		1 648 604	1 421 910	1 344 538

The balance sheet and income statement will be adopted at the Annual General Meeting on 25 March 2021.

Statement of changes in equity, Parent company

SEKm	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share-based payments to employees				178	178
Deferred tax related to share-based payments to employees				7	7
Current tax related to share-based payments to employees				-6	-6
Total comprehensive income for the year				9 836	9 836
of which through the Profit and loss account				9 836	9 836
Closing balance 31 December 2020	24 904	13 206	5 968	59 355	103 433
 Opening balance 1 January 2019	 24 904	 13 206	 5 968	 46 974	 91 052
Dividend				-15 878	-15 878
Share-based payments to employees				272	272
Deferred tax related to share-based payments to employees				-34	-34
Current tax related to share-based payments to employees				10	10
Total comprehensive income for the year				17 996	17 996
of which through the Profit and loss account				17 996	17 996
Closing balance 31 December 2019	24 904	13 206	5 968	49 340	93 418

Statement of cash flow, Parent company

SEKm	Note	2020	2019 ¹
Operating activities			
Operating profit		12 883	21 759
Adjustments for non-cash items in operating activities	P42	-4 298	-4 917
Taxes paid		-2 866	-3 779
Increase (-) / decrease (+) in loans to credit institution		-132 378	-13 441
Increase (-) / decrease (+) in loans to the public		-9 762	5 672
Increase (-) / decrease (+) in holdings of securities for trading		-13 239	-39 792
Increase (+) / decrease (-) in deposits and borrowings from the public		149 979	18 942
Increase (+) / decrease (-) in amounts owed to credit institutions		85 386	78 710
Increase (-) / decrease (+) in other assets		-37 316	6 995
Increase (+) / decrease (-) in debt securities in issue		12 444	-49 039
Increase (+) / decrease (-) in other liabilities		-2 445	8 353
Cash flow from operating activities		58 388	29 463
Investing activities			
Acquisition of and contribution to Group entities, associates and joint ventures		-55	-992
Disposal of/repayment from Group entities and associates		87	166
Business disposals			360
Acquisition of other fixed assets and strategic financial assets		-7 844	-8 343
Disposals of other fixed assets and strategic financial assets		4 348	3 842
Dividends and Group contributions received		12 576	9 611
Cash flow from investing activities		9 112	4 644
Financing activities			
Issuance of senior non-preferred liabilities	P2.2		11 266
Redemption of senior non-preferred liabilities	P2.2	-94	0
Issuance of subordinated liabilities	P2.2		4 909
Redemption of subordinated liabilities	P2.2	-7 881	-7 711
Dividends paid			-15 878
Cash flow from financing activities		-7 975	-7 414
Cash flow for the year		59 525	26 693
Cash and cash equivalents at the beginning of the year		107 596	80 903
Cash flow for the year		59 525	26 693
Cash and cash equivalents at end of the year		167 121	107 596

1) Changed presentation, refer to Note P49.

Comments on the cash flow statement

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

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities such as loans to and deposits from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 17 589m (18 894) and interest payments of SEK 3 089m (5 676). Capitalised interest is included.

Investing activities

Investing activities consist of purchases and sales of strategic financial assets or other fixed assets, contributions to and repayments from subsidiaries, associates or joint ventures.

2020

In December the liquidations of the subsidiaries Cerdö Bankpartner AB and Swedbank First Securities LLC were approved. Distribution proceeds of SEK 26m for Cerdö Bankpartner AB and SEK 61m for Swedbank First Securities LLC were received. In October Visa Inc. A shares were sold and a cash payment of SEK 794m was received. In Septem-

ber the shareholding in the Finnish credit information company Eneto Group was sold and a cash payment of SEK 570m was received. In August Swedbank AB originated a convertible debt to Kaching AB for SEK 5m. Contributions were during the year provided to Invidem AB of SEK 23m and to P27 Nordic Payment Platform AB of SEK 31m.

2019

On August 1, 11 percentage points of the subsidiary Ölands Bank AB was sold, and as a result the company is classified as an associated company. A cash payment of SEK 52m was received and the capital gain was SEK 27m. On November 4, the associated company BABS Paylink was sold and a cash payment of SEK 113m was received. Recognised gain amounted to SEK 93m. On June 11 Swedbank AB acquired 10 percent in Kaching AB paying SEK 20m. Contributions were during the year provided to Swedbank PayEx Holding AB of SEK 875m, to Swedbank Management S.A. of SEK 16m, to Ektornet AB of SEK 7m, to Nordic KYC Utility AB of SEK 24m and to P27 Nordic Payments Platform AB of SEK 57m. During the year the acquiring business in Swedbank AB was transferred to Swedbank PayEx Holding Sverige AB of SEK 360m. Other acquisitions and divestments/maturities of strategic financial assets refer to holdings in interest-bearing securities reported in the business model held to collect.

Cash and cash equivalents

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

Notes

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

P1 Accounting policies

BASIS OF ACCOUNTING

As a rule, the parent company follows IFRS standards and the accounting principles applied in the consolidated financial statements, as reported on pages 63–70. In addition, the parent company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The parent company's annual report is therefore prepared in accordance with IFRS to the extent in which it is compliant with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the parent company's accounting and the Group's accounting policies relate to the recognition of:

- the currency component in currency hedges of investments in foreign subsidiaries and associates and joint ventures.
- associates and joint ventures.
- goodwill and internally generated intangible assets
- leasing agreements when the parent company act as a lessee
- finance leases when the parent company act as a lessor
- pensions
- untaxed reserves and Group contributions, and
- operating segments

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations, thus they differ in certain cases from the headings in the Group's accounts.

OTHER CHANGES IN IFRS AND SWEDISH REGULATIONS

Other new or amended IFRS standards or interpretations or Swedish regulations issued and not yet adopted are not expected to have a significant impact on the parent company's financial position, results, cash flows or disclosures.

SIGNIFICANT DIFFERENCES IN THE PARENT COMPANY'S ACCOUNTING POLICIES COMPARED WITH THE GROUP'S ACCOUNTING POLICIES

Hedging of net investments in foreign operations

The currency component of liabilities that constitute currency hedges of net investments in foreign subsidiaries and associates is valued at cost in the parent company.

Associates and joint ventures

Investments in associates and joint ventures are recognised in the parent company at cost less any impairment. All dividends received are recognised in profit or loss in Dividends received.

Subsidiaries

Investments in subsidiaries are recognised according to the acquisition cost method. The investments' value is tested for impairment if there is any indication of diminished value. In cases where the value has decreased, it is written down to its value at Group level. All dividends received are recognised through profit or loss in Dividends received.

Intangible assets

The parent company amortises goodwill systematically based on estimated useful life. All expenditures, including development, which are attributable to internally generated intangible assets are expensed through profit or loss.

Leasing agreements

Lessee

The Parent Company has according to the option in RFR 2 chosen not to apply IFRS 16, which means that accounting for leases in the parent company has not been changed. The parent company acts as the lessee for operating leases, which are those leases where the lessor bears the economic risks and benefits. Lease payments where the parent company acts as lessee are expensed linearly over the lease term.

Lessor

The parent company recognises finance leases as operating leases. This means that the assets are recognised as equipment with depreciation within Depreciation/amortisation of tangible and intangible assets in the income statement. Rent income is recognised as leasing income within Net interest income in the income statement.

Pensions

The parent company recognises pension costs for Swedish defined benefit pension plans according to the Act on Safeguarding Pension Benefits, which means that they are recognised as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

Untaxed reserves and Group contributions

Due to the connection between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the parent company. The reserves are instead recognised gross in the balance sheet and income statement. Group contributions received are recognised through profit or loss in Dividends received.

Operating segments

The parent company does not provide segment information, which is provided in the Group. A geographical distribution of revenue is reported, however.

P2 Risks

Swedbank's risk management is described in note G3. Specific information on the parent company's risks is presented in the following tables.

2.1 Credit risks

Loans to credit institutions	2020			2019		
	Non Credit-Impaired			Non Credit-Impaired		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross carrying amount						
Opening balance	536 542	515	537 057	519 056	101	519 157
Closing balance	608 546	27	608 573	536 542	515	537 057
Credit impairment provisions						
Opening balance	13	9	22	5	1	6
Movements affecting Credit impairments line						
New and derecognised financial assets, net	5	0	5	7	6	13
Changes in risk factors (EAD, PD, LGD)	19	-7	12	0	0	0
Changes in macroeconomic scenarios	0	0	0	1		1
Stage transfers	0	-1	-1	0	2	2
from stage 1 to stage 2				0	2	2
from stage 2 to stage 1	0	-1	-1	0	0	0
Total movements affecting Credit impairments line	24	-8	16	8	8	16
Movements recognised outside Credit impairments line						
Change in exchange rates			-1	-1		
Closing balance	37	0	37	13	9	22
Carrying amount						
Opening balance	536 529	506	537 035	519 051	100	519 151
Closing balance	608 509	27	608 536	536 529	506	537 035

Loans to the public	2020				2019			
	Non Credit-Impaired		Credit-Impaired		Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount								
Opening balance	331 781	38 660	10 981	381 422	345 145	40 607	8 041	393 793
Closing balance	345 263	42 560	7 935	395 758	331 781	38 660	10 981	381 422
Credit impairment provisions								
Opening balance	384	802	4 266	5 452	389	1 175	3 143	4 707
Movements affecting Credit impairments line								
New financial assets	133	166	17	316	155	164	88	407
Derecognised financial assets	-72	-72	-1 783	-1 927	-136	-357	-757	-1 250
of which write-offs			-1 575	-1 575			-614	-614
Changes in risk factors (EAD, PD, LGD)	28	83	-12	99	-25	-162	32	-155
Changes in macroeconomic scenarios	-6	-25	0	-31	15	76	-1	90
Post-model expert credit adjustments	306	609	1	916				
Individual assessments			2 395	2 395			199	199
Stage transfers	-88	218	157	287	-19	-125	1 494	1 350
from stage 1 to stage 2	-94	261		167	-41	123		82
from stage 1 to stage 3	-1		55	54	-6		161	155
from stage 2 to stage 1	7	-29		-22	28	-52		-24
from stage 2 to stage 3		-15	139	124		-198	1 346	1 148
from stage 3 to stage 2		1	-11	-10		2	-11	-9
from stage 3 to stage 1		0	-26	-26	0		-2	-2
Other			-155	-155			-139	-139
Total movements affecting Credit impairments line	301	979	620	1 900	-10	-404	916	502
Movements recognised outside Credit impairments line								
Interest			155	155			139	139
Change in exchange rates	-29	-106	-561	-696	5	31	68	104
Closing balance	656	1 675	4 480	6 811	384	802	4 266	5 452
Carrying amount								
Opening balance	331 397	37 858	6 715	375 970	344 756	39 432	4 898	389 086
Closing balance	344 607	40 885	3 455	388 947	331 397	37 858	6 715	375 970

Commitments and guarantees	2020				2019			
	Non Credit-Impaired		Credit-Impaired		Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Nominal amount								
Opening balance	745 962	9 837	1 240	757 039	721 485	8 292	797	730 574
Closing balance	622 568	16 188	490	639 246	745 962	9 837	1 240	757 039
Credit impairment provisions								
Opening balance	110	154	326	590	92	206	104	402
Movements affecting Credit impairments line								
New and derecognised financial assets, net	18	5	-197	-174	19	-8	-7	4
Changes in risk factors (EAD, PD, LGD)	28	32	-11	49	-8	-75	-16	-99
Changes in macroeconomic scenarios	-3	-5	0	-8	12	20	0	32
Post-model expert credit adjustments	128	177	0	305				
Individual assessments			2	2			134	134
Stage transfers	-25	57	65	97	-7	5	106	104
from stage 1 to stage 2	-28	75		47	-9	29		20
from stage 1 to stage 3	0		7	7	0		26	26
from stage 2 to stage 1	3	-9		-6	2	-10		-8
from stage 2 to stage 3		-9	59	50		-14	81	67
from stage 3 to stage 2		0	-1	-1		0	-1	-1
from stage 3 to stage 1	0		0	0	0		0	0
Total movements affecting Credit impairments line	146	266	-141	271	16	-58	217	175
Movements recognised outside Credit impairments line								
Change in exchange rates	-12	-15	-30	-57	2	6	5	13
Closing balance	244	405	155	804	110	154	326	590

Gross carrying amount of forbear loans

	2020	2019
Performing	3 029	1 610
Non-Performing	7 275	6 054
Total	10 304	7 664

Concentration risk, customer exposure

At end of 2020 the Parent company did not have any exposures against single counterparties that exceeded 10 per cent of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfills its contractual obligations

When it grants repos, the parent company receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The parent company also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 37m (13). None of this collateral has been sold or pledged.

2.2 Liquidity risks

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on amortisation schedules. Liabilities, whose contracts contain a prepayment option, have been distributed based on the earliest date on which repayment can be demanded. The difference between the nominal amount and carrying amount, the discount effect, is presented in the column "No maturity date/discount effect". This column also includes items without an agreed maturity date and where the anticipated repayment date has not been determined. Loan commitments that are not recognised as financial liabilities amounting to SEK 324 052m (258 148) may be drawn at any time by the customer. Issued guarantees and other contingent liabilities of SEK 315 195m (498 892) may lead to future cash outflows if certain events occur. The expected cash outflows, amounting to SEK 804m (590), are reported in the time buckets up to one year, within Other liabilities.

Remaining maturity 2020	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
Assets								
Cash and balances with central banks	167 121						167 121	
Treasury bills and other bills eligible for refinancing with central banks	114 746	3 815	7 959	2 916	2 255	166	131 857	
Loans to credit institutions	5 118	83 386	547 314	32 491	303	883	669 495	
Loans to the public		88 612	104 895	200 655	27 234	7 601		428 997
Bonds and other interest-bearing securities		1 229	3 377	50 766	5 394	120	-255	60 631
Shares and participating interests							82 321	82 321
Derivatives		21 916	25 772	74 125	23 103	10 845	-96 117	59 644
Intangible assets							328	328
Tangible assets							16 715	16 715
Other assets		16 266	1 275				13 954	31 495
Total	172 239	326 155	686 448	365 996	58 950	21 704	17 112	1 648 604
Liabilities								
Amounts owed to credit institutions	144 434	51 827	438	50 105			246 804	
Deposits and borrowings from the public	836 518	22 875	9 017	812			869 222	
Debt securities in issue		72 881	90 286	94 203	2 258		294	259 922
Derivatives		31 019	29 450	80 840	26 351	8 888	-102 312	74 236
Other liabilities		18 019	4 913	155			38 107	61 194
Senior non-prefereed liabilities				10 077	201		81	10 359
Subordinated liabilities				22 466	394		574	23 434
Equity							103 433	103 433
Total	980 952	196 621	134 104	258 658	29 204	8 888	40 177	1 648 604

In the maturity distribution above, cash flows for derivatives have been distributed between assets and liabilities based on whether the individual derivative has a positive or negative fair value, without taking into account whether the derivatives have been offset in the accounts. Amounts that have been offset in the accounts are reported in the column No maturity/ discount effect.

Remaining maturity 2019	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
Assets								
Cash and balances with central banks	107 596						107 596	
Treasury bills and other bills eligible for refinancing with central banks	122 135	4 887	2 519	2 375	617	401	132 934	
Loans to credit institutions	4 668	21 715	475 357	33 979	390	1 042	537 151	
Loans to the public		77 204	98 784	202 100	36 315	8 391		422 794
Bonds and other interest-bearing securities		4 996	15 697	36 151	2 705	56	-1 455	58 150
Shares and participating interests							71 632	71 632
Derivatives		11 919	12 867	21 294	2 421	569	-738	48 332
Intangible assets							366	366
Tangible assets							16 593	16 593
Other assets		9 241	2 197	1			14 923	26 362
Total	112 264	247 210	609 789	296 044	44 206	10 675	101 722	1 421 910
Liabilities								
Amounts owed to credit institutions	119 389	38 922	3 052	91			161 454	
Deposits and borrowings from the public	677 193	30 971	10 338	708	1		719 211	
Debt securities in issue		86 567	72 205	100 959	4 449		-999	263 181
Derivatives		14 451	14 268	23 850	3 266	700	13 373	69 908
Other liabilities		59 142	1 066	1 067			10 724	71 999
Senior non-prefereed liabilities			265	10 472			-141	10 805
Subordinated liabilities		6 990		24 138	427		379	31 934
Equity							93 418	93 418
Total	796 582	237 043	101 194	161 285	8 143	909	116 754	1 421 910

Turnover during the year, 2020	Debt securities in issue				Senior non-preferred liabilities	Subordinated liabilities	Total
	Commercial paper	Other interest-bearing bonds	Structured products	Total debt securities in issue			
Opening balance	128 774	125 505	8 902	263 181	10 805	31 934	305 920
Issued	420 734	36 832		457 566			457 566
Repaid	-411 120	-31 476	-2 527	-445 123	-94	-7 881	-453 098
Interest, change in market values or hedged item in hedge accounting at fair value	-115	2 211	-702	1 394	318	935	2 647
Change in exchange rates	-11 061	-6 035		-17 096	-670	-1 554	-19 320
Closing balance	127 212	127 037	5 673	259 922	10 359	23 434	293 715

Turnover during the year, 2019	Debt securities in issue				Senior non-preferred liabilities	Subordinated liabilities	Total
	Commercial paper	Other interest-bearing bonds	Structured products	Total debt securities in issue			
Opening balance	131 439	161 448	10 735	303 622		34 184	337 806
Issued	483 569		1 036	484 605	11 266	4 909	500 780
Repaid	-487 865	-42 231	-3 548	-533 644		-7 711	-541 355
Interest, change in market values or hedged item in hedge accounting at fair value	140	800	679	1 619	-95	39	1 563
Change in exchange rates	1 491	5 488		6 979	-366	513	7 126
Closing balance	128 774	125 505	8 902	263 181	10 805	31 934	305 920

2.3 Market risks

2.3.1 Interest rate risks

Change in value if the market interest rate rises by one percentage point

The impact on the net value of assets and liabilities, including derivatives, when market interest rates rise by one percentage point.

2020	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	-192	195	-57	593	409	760	530	-1 828	894	1 304
Foreign currency	104	-27	210	-59	1 036	-2 748	1 176	181	-95	-222
Total	-88	168	153	534	1 445	-1 988	1 706	-1 647	799	1 082

of which financial instruments measured at fair value through profit or loss

2020	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	100	103	-74	416	60	331	124	-1 050	512	522
Foreign currency	-255	-244	377	211	3 120	-7 005	3 295	610	-244	-135
Total	-155	-141	303	627	3 180	-6 674	3 419	-440	268	387

2019	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	-369	-83	-168	-708	300	1 440	538	-1 690	-250	-990
Foreign currency	511	971	-42	262	-291	129	-875	933	-81	1 517
Total	142	888	-210	-446	9	1 569	-337	-757	-331	527

of which financial instruments measured at fair value through profit or loss

2019	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	-395	54	-80	599	-519	-2 183	-1 153	3 361	92	-224
Foreign currency	265	913	-106	260	-283	138	-842	930	-78	1 197
Total	-130	967	-186	859	-802	-2 045	-1 995	4 291	14	973

2.3.2 Currency risks

Currency distribution

2020	EUR	USD	GBP	DKK	NOK	Other	Total foreign currency	SEK	Total
Assets									
Cash and balances with central banks	17 745	19 466		68	82	129	37 490	129 631	167 121
Loans to credit institutions	26 723	4 025	933	1 520	3 849	4 297	41 347	628 148	669 495
Loans to the public	42 825	25 087	3 658	5 137	32 454	2 534	111 695	317 302	428 997
Treasury bills and other bills eligible for refinancing with central banks, etc		43				705		748	131 109
Bonds and other interest-bearing securities	5 804	57		410	8 285		14 556	46 075	60 631
Derivatives and other assets not distributed								190 503	190 503
Total	93 140	48 635	4 591	7 135	45 375	6 960	205 836	1 442 768	1 648 604
Liabilities									
Amounts owed to credit institutions	26 929	6 140	5 636	1 355	9 469	4 661	54 190	192 614	246 804
Deposits and borrowings from the public	32 888	21 271				7 867	62 026	807 196	869 222
Debt securities in issue	85 223	114 483	31 740		2 525	11 233	245 204	14 718	259 922
Subordinated liabilities	11 751	8 535				1 922	22 208	1 226	23 434
Senior non-preferred liabilities	7 564					2 795		10 359	
Derivatives and other liabilities not distributed								135 430	135 430
Equity								103 433	103 433
Total	164 355	150 429	37 376	1 355	14 789	25 683	393 987	1 254 617	1 648 604
Derivatives, other assets and other liabilities	-59 888	-101 845	-32 774	5 782	30 782	-18 723			
Net position in currency	11 327	-51	11	2	196		11 485		

Currency distribution

2019	EUR	USD	GBP	DKK	NOK	Other	Total foreign currency	SEK	Total
Assets									
Cash and balances with central banks	56 770	18 825		87	139	102	75 923	31 673	107 596
Loans to credit institutions	21 122	3 486	187	1 681	2 718	2 838	32 032	505 119	537 151
Loans to the public	41 682	32 093	3 130	4 633	28 140	1 665	111 343	311 451	422 794
Treasury bills and other bills eligible for refinancing with central banks, etc		1				206		207	132 727
Bonds and other interest-bearing securities	5 363	1 370		430	5 806		12 969	45 181	58 150
Derivatives and other assets not distributed								163 285	163 285
Total	124 938	55 774	3 317	6 831	37 009	4 605	232 474	1 189 436	1 421 910
Liabilities									
Amounts owed to credit institutions	18 236	8 885	2 356	2 073	15 787	2 293	49 630	111 824	161 454
Deposits and borrowings from the public	27 155	11 276				248	38 679	680 532	719 211
Debt securities in issue	87 400	126 209	19 482		540	10 520	244 151	19 030	263 181
Subordinated liabilities	12 169	16 482				2 061	30 712	1 222	31 934
Senior non-preferred liabilities	7 893					2 912		10 805	
Derivatives and other liabilities not distributed								141 907	141 907
Equity								93 418	93 418
Total	152 853	162 852	21 838	2 073	19 239	15 122	373 977	1 047 933	1 421 910
Derivatives, other assets and other liabilities	-17 331	-107 135	-18 526	4 762	17 968	-10 517			
Net position in currency	10 584	-57	-5	4	198		10 724		

P3 Capital adequacy analysis

Swedbank's legal capital requirement is based on CRR. The parent company calculates an internally estimated capital requirement. As of 31 December 2020 the internal capital requirement amounted to SEK 25.7bn. The capital base amounted to SEK 118.1bn.

Capital adequacy	2020	2019
Common Equity Tier 1 capital	93 880	90 305
Additional Tier 1 capital	8 352	16 153
Tier 1 capital	102 232	106 458
Tier 2 capital	15 859	15 995
Total own funds	118 091	122 453
Risk exposure amount	358 278	325 056
Common Equity Tier 1 capital ratio, %	26.2	27.8
Tier 1 capital ratio, %	28.5	32.8
Total capital ratio, %	33.0	37.7

Capital buffer requirement ⁴ , %	2020	2019
CET1 capital requirement including buffer requirements	7.1	8.9
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	0.1	1.9
CET 1 capital available to meet buffer requirement ⁵	21.7	23.3

Leverage ratio	2020	2019
Tier 1 Capital	102 232	106 458
Total exposure ⁶	1 263 146	1 086 489
Leverage ratio, %	8.1	9.8

Capital adequacy	2020	2019
Shareholders' equity according to the balance sheet	103 433	93 418
Anticipated dividend ⁷	-16 320	-9 856
Share of capital of accrual reserve	8 331	8 365
Value changes in own financial liabilities	-77	-95
Additional value adjustments ¹	-422	-427
Goodwill	-709	-709
Intangible assets after deferred tax liabilities	-323	-359
Shares deducted from CET1 capital	-33	-32
Common Equity Tier 1 capital	93 880	90 305
Additional Tier 1 capital	8 352	16 153
Total Tier 1 capital	102 232	106 458
Tier 2 capital	15 859	15 995
Total own funds	118 091	122 453
Minimum capital requirement for credit risks, standardised approach	6 805	6 461
Minimum capital requirement for credit risks, IRB	15 193	12 683
Minimum capital requirement for credit risks, default fund contribution	44	47
Minimum capital requirement settlement risks	0	0
Minimum capital requirement for market risks	1 360	1 297
Trading book	1 349	1 284
of which VaR and SVaR	1 097	1 016
of which risks outside VaR and SVaR	252	268
FX risk other operations	11	13
Minimum capital requirement for credit value adjustment	349	372
Minimum capital requirement for operational risks	3 125	2 945
Additional minimum capital requirement, Article 3 CRR ²	1 413	2 159
Additional minimum capital requirement, Article 458 CRR ³	373	41
Minimum capital requirement	28 662	26 004
Risk exposure amount credit risks, standardised approach	85 062	80 766
Risk exposure amount credit risks, IRB	189 909	158 540
Risk exposure amount credit risks, default fund contribution	556	584
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	17 004	16 207
Risk exposure amount credit value adjustment	4 362	4 644
Risk exposure amount operational risks	39 068	36 815
Additional risk exposure amount, Article 3 CRR ²	17 658	26 986
Additional risk exposure amount, Article 458 CRR ³	4 659	514
Risk exposure amount	358 278	325 056
Common Equity Tier 1 capital ratio, %	26.2	27.8
Tier 1 capital ratio, %	28.5	32.8
Total capital ratio, %	33.0	37.7

Capital requirements ¹ SEKm / Per cent	SEKm 2020	SEKm 2019	Procent 2020	Procent 2019
	2020	2019	2020	2019
Capital requirement Pillar 1	37 977	40 307	10.6	12.4
of which Buffer requirements ²	9 315	14 302	2.6	4.4
Total capital requirement Pillar 2 ³	8 035	5 265	2.2	1.6
Total capital requirement	46 012	45 572	12.8	14.0
Own funds	118 091	122 453		

- 1) Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.
- 2) To rectify for underestimation of default frequency in the model for large corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
- 3) Additional risk exposure amount according to article 3 CRR per 31 December 2019 includes the mortgage floor effect for reclassification of mortgage offers of SEK 3.3bn. As of 31 March 2020 these are directly included in additional risk exposure amount according to article 458 CRR. As of 30 September 2020 Swedbank has updated the LGD-model which decreases the additional risk exposure amount according to article 3 CRR by SEK 16.3bn.
- 4) Buffer requirement according to Swedish implementation of CRD V.
- 5) CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
- 6) Taking into account exemption according to CRR article 429.7, excluding certain intragroup exposures.
- 7) Expected dividend in accordance with the dividend policy of 50 per cent based on the annual profit for 2019 and 2020.

Capital requirements ¹ SEKm / Per cent	SEKm 2020	SEKm 2019	Procent 2020	Procent 2019
2020	2019	2020	2019	
Capital requirement Pillar 1	37 977	40 307	10.6	12.4
of which Buffer requirements ²	9 315	14 302	2.6	4.4
Total capital requirement Pillar 2 ³	8 035	5 265	2.2	1.6
Total capital requirement	46 012	45 572	12.8	14.0
Own funds	118 091	122 453		

- 1) Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.
- 2) Buffer requirements includes capital conservation buffer and countercyclical capital buffer.
- 3) Individual Pillar 2 requirement according to decision from SFSA SREP 2020.

	2020			Minimum capital requirements for market risks	2020	2019
	Exposure amount	Average risk weight, %	Minimum capital requirement			
Credit risks, IRB				Interest rate risk	1 354	1 288
Central government or central banks exposures	338 782	1	370	of which for specific risk	252	268
Institutional exposures	60 331	21	994	of which for general risk	1 102	1 020
Corporate exposures	435 697	34	11 778	Equity risk	188	105
Retail exposures	92 273	20	1 476	of which for general risk	188	105
Non credit obligation	7 381	97	575	Currency risk in trading book	95	131
Total credit risks, IRB	934 464	20	15 193	Total minimum capital requirement for risks in trading book¹	1 349	1 284
				of which stressed VaR	873	806
				Currency risk outside trading book	11	13
				Total	1 360	1 297
2019						
Credit risks, IRB	Exposure amount	Average risk weight, %	Minimum capital requirement	Minimum capital requirement for operational risks	2020	2019
				Standardised approach	3 125	2 945
Central government or central banks exposures	266 658	1	282	of which trading and sales	294	268
Institutional exposures	56 956	19	852	of which retail banking	1 733	1 570
Corporate exposures	442 780	28	9 843	of which commercial banking	964	904
Retail exposures	90 955	21	1 524	of which payment and settlement	153	199
Non credit obligation	2 695	84	182	of which retail brokerage	0	1
Total credit risks, IRB	860 044	18	12 683	of which agency services	35	31
				of which asset management	-67	-52
				of which corporate finance	13	24
				Total	3 125	2 945

1) The parent company's capital requirement for general interest-rate risk, Equity risk and currency risk in the trading-book are calculated in accordance with the VaR model.

Exposure amount, risk exposure amount and minimum capital requirement	2020			2019		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 014 105	85 062	6 805	1 065 332	80 766	6 461
Central government or central banks exposures				6		
Regional governments or local authorities exposures	63	13	1	28	6	0
Public sector entities exposures	781	150	12	721	104	8
Multilateral development banks exposures	3 660			1 970	3	0
Institutional exposures	936 638	6 894	551	987 277	820	66
Corporate exposures	3 301	3 178	254	4 359	4 143	331
Retail exposures	211	157	13	247	184	15
Exposures secured by mortgages on immovable property	2 956	1 035	83	3 598	1 259	101
Exposures in default				0	0	0
Equity exposures	66 472	73 635	5 891	67 123	74 247	5 940
Other items	23			3	0	0
Credit risks, IRB	934 464	189 909	15 193	860 044	158 540	12 683
Central government or central banks exposures	338 782	4 619	370	266 658	3 529	282
Institutional exposures	60 331	12 420	994	56 956	10 645	852
Corporate exposures	435 697	147 231	11 778	442 780	123 035	9 843
Retail exposures	92 273	18 455	1 476	90 955	19 056	1 524
of which mortgage lending	27 809	2 291	183	10 556	2 125	170
of which other lending	64 464	16 164	1 293	80 399	16 931	1 354
Non-credit obligation	7 381	7 184	575	2 695	2 275	182
Credit risks, Default fund contribution		556	44		584	47
Settlement risks	0	0	0	0	0	0
Market risks		17 004	1 360		16 207	1 297
Trading book		16 868	1 349		16 048	1 284
of which VaR and SVaR		13 722	1 097		12 701	1 016
of which risks outside VaR and SVaR		3 146	252		3 347	268
FX risk other operations		136	11		159	13
Credit value adjustment	21 014	4 362	349	17 628	4 644	372
Operational risks		39 068	3 125		36 815	2 945
of which standardised approach		39 068	3 125		36 815	2 945
Additional risk exposure amount, Article 3 CRR		17 658	1 413		26 986	2 159
Additional risk exposure amount, Article 458 CRR		4 659	373		514	41
Total	1 969 583	358 278	28 662	1 943 004	325 056	26 004

P4 Geographical distribution of revenue

2020	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	11 109	2 096	50	-27	420	109	13 757
Leasing income	4 835						4 835
Dividends received	16 201						16 201
Commission income	7 290	284	17	135	49	4	7 779
Net gains and losses on financial items	4 722	-2 514	5	29	-1	2	2 243
Other income	1 892	5			1	25	1 923
Total	46 049	-129	72	137	469	140	46 738
2019	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	9 346	3 021	82	-270	1 629	147	13 955
Leasing income	4 815						4 815
Dividends received	19 823						19 823
Commission income	8 579	461	90	384	71	22	9 607
Net gains or losses on financial items	2 374	-98	6	-140		60	2 202
Other income	1 402	205	1	31	1	39	1 679
Total	46 339	3 589	179	5	1 701	268	52 081

The geographical distribution has been allocated to the country where the business was carried out.

P5 Net interest income

		2020	2019				
		Interest income/ expense	Average balance	Average annual interest rate, %	Interest income/ expense	Average balance	Average annual interest rate, %
Assets							
Loans to credit institutions		2 874	597 459	0.48	1 479	514 023	0.29
Loans to the public		9 775	445 032	2.20	10 125	447 733	2.26
Treasury bills and other bills eligible for refinancing with central banks, etc.		18	138 219	0.01	62	140 792	0.04
Bonds and other interest-bearing instruments		340	62 419	0.54	52	30 747	0.17
Total interest-bearing instruments		13 007	1 243 129	1.05	11 718	1 133 295	1.03
Derivatives ¹		673	61 983		1 269	54 503	
Other assets		4 912	361 585		5 783	293 469	
Total		18 592	1 666 697	1.12	18 770	1 481 267	1.27
Liabilities							
Amounts owed to credit institutions		595	245 591	0.24	1 113	144 830	0.77
Deposits and borrowings from the public		649	852 834	0.08	1 424	762 218	0.19
of which deposit guarantee fees		381		0.00	289		
Debt securities in issue		2 936	298 420	0.98	6 371	335 593	1.90
Senior non-preferred liabilities		102	10 811	0.94	15	2 061	0.73
Subordinated liabilities		821	26 800	3.06	993	30 627	3.24
Total interest-bearing instruments		5 103	1 434 456	0.36	9 916	1 275 329	0.78
Derivatives ¹		-1 961	76 983		-4 796	67 647	
Other liabilities		387	60 799		572	50 580	
of which resolution fee		343		502			
Total		3 529	1 572 238	0.22	5 692	1 393 556	0.41
Net interest income		15 063			13 078		
Investment margin				0.90			0.88
Interest income on Stage 3 loans		183			251		
Interest expense on financial liabilities at amortised cost		5 490			10 599		
Negative yield on financial assets		1 138			1 727		
Negative yield on financial liabilities		404			571		

1) Derivatives include net interest income related to hedged assets and liabilities. These may have both a positive and negative impact on interest income and interest expense.

P6 Dividends received

	2020	2019
Shares and participating interests	45	141
Investments in associates	2	529
Investments in Group entities ¹	16 154	19 153
Total	16 201	19 823
1) of which, through Group contributions	13 954	14 914

P7 Net commission income

2020	Commission income		Total commission income	Commission expense	Net commission income
	Over time	Point in time			
Payment processing	381	973	1 354	-945	409
Cards		1 417	1 417	-510	907
Service concepts	594	88	682	-15	667
Asset management and custody	1 583	246	1 829	-133	1 696
Life insurance	455	3	458	-2	456
Securities	1	659	660	-286	374
Corporate finance	8	73	81		81
Lending	576	208	784	-92	692
Guarantee		154	154		154
Deposits	15	6	21		21
Non-life insurance		72	72		72
Other	187	80	267	-197	70
Total	4 026	3 753	7 779	-2 180	5 599

2019	Commission income		Total commission income	Commission expense	Net commission income
	Over time	Point in time			
Payment processing	443	917	1 360	-970	390
Cards		3 572	3 572	-1 750	1 822
Service concepts	660		660	-14	646
Asset management and custody	1 709		1 709	-97	1 612
Life insurance	448	2	450	-2	448
Securities	3	397	400	-261	139
Corporate finance	123		123		123
Lending	552	173	725	-63	662
Guarantee	169		169	-3	166
Deposits	16	14	30		30
Non-life insurance		62	62		62
Other	278	69	347	-222	125
Total	4 463	5 144	9 607	-3 382	6 225

P8 Net gains and losses on financial items

	2020	2019
Fair value through profit or loss		
Held for trading and derivatives		
Shares and share related derivatives	124	176
Interest-bearing instruments and interest related derivatives	835	1 052
Total	959	1 228
 Other business models		
Shares	187	656
Interest-bearing instruments	154	-158
Total	341	498
Total fair value through profit or loss	1 300	1 726
 Hedge accounting		
Ineffective part in hedge accounting at fair value		
Hedging instruments	1 137	1 174
Hedged item	-1 138	-1 160
Total	-1	14
 Amoritised cost		
Derecognition gain or loss for financial liabilities	11	
Derecognition gain or loss for financial assets	13	4
Total	24	4
 Change in exchange rates	920	458
Total	2 243	2 202

P9 Other income

	2020	2019
IT services	950	577
Business disposals	233	
Other operating income	973	869
Total	1 923	1 679

P10 Staff costs

Total staff costs	2020	2019	Number of performance rights that establish the recognised share-based expense, millions	2020	2019
Salaries and remuneration	5 324	5 060	Outstanding at the beginning of the period	3.7	3.4
Compensation through shares in Swedbank AB	106	176	Allotted	0.6	1.2
Social insurance charges	1 676	1 578	Forfeited	0.1	0.2
Pension costs	1 314	1 156	Exercised	0.9	0.7
Training costs	62	99	Outstanding at the end of the period	3.3	3.7
Other staff costs	261	280	Weighted average fair value per performance right at measurement date, SEK	133	179
Total	8 743	8 349	Weighted average remaining contractual life, months	17	16
of which variable staff costs	232	294			

Variable Compensation Programmes	2020	2019
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Programme 2015

Recognised expense for compensation that is settled with shares in Swedbank AB	6
Recognised expense for social charges related to the share settled compensation	0

Programme 2016

Recognised expense for compensation that is settled with shares in Swedbank AB	6	35
Recognised expense for social charges related to the share settled compensation	5	-1
Recognised expense for payroll overhead costs related to the cash settled compensation	1	

Programme 2017

Recognised expense for compensation that is settled with shares in Swedbank AB	30	30
Recognised expense for social charges related to the share settled compensation	9	1
Recognised expense for cash settled compensation	4	4
Recognised expense for payroll overhead costs related to the cash settled compensation	2	2

Programme 2018

Recognised expense for compensation that is settled with shares in Swedbank AB	22	39
Recognised expense for social charges related to the share settled compensation	5	3
Recognised expense for cash settled compensation	8	23
Recognised expense for payroll overhead costs related to the cash settled compensation	4	13

Programme 2019

Recognised expense for compensation that is settled with shares in Swedbank AB	13	66
Recognised expense for social charges related to the share settled compensation	5	18
Recognised expense for cash settled compensation	18	36
Recognised expense for payroll overhead costs related to the cash settled compensation	15	17

Programme 2020

Recognised expense for compensation that is settled with shares in Swedbank AB	34
Recognised expense for social charges related to the share settled compensation	10
Recognised expense for cash settled compensation	25
Recognised expense for payroll overhead costs related to the cash settled compensation	16
Total recognised expense	232
	294

2020	Board of directors, President and equivalent senior executives	Other employees			
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	27	84	3	4 784	4 871
Denmark				16	16
Norway				167	167
USA				29	29
Finland				52	52
China				14	14
Estonia				80	80
Latvia				43	43
Lithuania				158	158
Total	27	84	3	5 343	5 430

2019	Board of directors, President and equivalent senior executives	Other employees			
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	37	87	5	4 525	4 617
Denmark				23	23
Norway				206	206
USA				32	32
Finland				46	46
Luxembourg				49	49
China				14	14
Estonia				67	67
Latvia				38	38
Lithuania				144	144
Total	37	87	5	5 144	5 236

Board members, President and equivalent senior executives	2020	2019
Costs during the year for pensions and similar benefits	26	24
No. of persons	17	15
Granted loans, SEKm	61	60
No. of persons	13	15

Distribution by gender %	2020		2019	
	Female	Male	Female	Male
All employees	63	37	63	37
Directors	40	60	44	56
Other senior executives, incl.				
President	29	71	33	67

P11 Other general administrative expenses

	2020	2019
Rents, etc.	869	941
IT expenses	2 555	2 296
Telecommunications, postage	129	90
Consulting	1 482	1 576
Other outside services	712	532
Travel	40	149
Entertainment	15	29
Office supplies	64	57
Advertising, public relations, marketing	279	202
Security transports, alarm systems	45	44
Maintenance	61	71
Other administrative expenses ¹	196	420
Other operating expenses	84	188
Total	6 531	6 595

1) Other administrative expenses 2019 includes a reservation of SEK 248m for non-deductible VAT.

Remuneration to Auditors elected by Annual General Meeting, PwC

	2020	2019
Audit assignment	31	48
Audit related services	9	9
Tax advisory	1	
Other services	26	10
Total	67	67

Remuneration to Auditors elected by Annual General Meeting, Deloitte

	2020	2019
Audit assignment	7	
Audit related services	1	
Total	8	
Internal Audit	71	71

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. The audit related services include quarterly reviews, regulatory reporting and services in connection with issuing of certificates and opinions. Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

P12 Depreciation/amortisation and impairments of tangible and intangible assets

	2020	2019
Depreciation/amortisation		
Equipment	230	231
Intangible assets	83	76
Lease objects	4 482	4 468
Total	4 795	4 775
Impairment		
Lease objects	25	-7
Total	25	-7
Total	4 820	4 768

P13 Credit impairments

	2020	2019
Loan at amortised cost		
Impairment provisions – Stage 1	325	-2
Impairment provisions – Stage 2	971	-396
Impairment provisions – Stage 3	620	917
Total	1 916	519
Write-offs	1 925	871
Recoveries	-43	-51
Total	1 882	820
Total - Loan at amortised cost	3 798	1 339
Commitments and guarantees		
Impairment provisions – Stage 1	146	16
Impairment provisions – Stage 2	266	-59
Impairment provisions – Stage 3	-142	217
Total	270	174
Write-offs		1
Total - Commitments and guarantees	270	175
Total Credit impairment	4 068	1 514
Credit impairment by borrower category		
Credit institutions	16	16
General public	4 052	1 498
Total	4 068	1 514

P14 Impairments of financial fixed assets

	2020	2019
Investment in Group entities		
Swedbank Management Company S.A., Luxembourg		22
Total		22
Reversal of previous impairment in Group entities		
Cerdo Bankpartner AB, Helsingborg	-13	
Swedbank First Securities LLC, New York	-3	
Total	-16	
Total	-16	22

P15 Appropriations

	2020	2019
Tax allocation reserve, allocation 2019		51
Tax allocation reserve, reversal 2013		-51
Accelerated depreciation, equipment	-42	78
Total	-42	78

P16 Tax

Tax expense	2020	2019
Tax related to previous years	-300	-701
Current tax	3 722	3 790
Deferred tax	-333	596
Total	3 089	3 685

	2020		2019	
	SEKm	per cent	SEKm	per cent
Results	3 089	23.9	3 685	17.0
Current tax of pre-tax profit	2 766	21.4	4 640	21.4
Difference	-323	-2.5	955	4.4
The difference consists of the following items				
Tax previous years	300	2.3	701	3.2
Tax-exempt income/non-deductible expenses	-227	-1.8	-820	-3.8
Non-deductible administrative fine	-856	-6.6		
Non-taxable dividends	475	3.7	1 026	4.7
Tax-exempt capital gains and appreciation in value of shares and participating interests	-10	-0.1	73	0.3
Standard income tax allocation reserve	-6		-6	
Non-deductible impairment of financial fixed asset	3		-5	
Deviating tax rates in other countries	-2		-14	
Total	-323	-2.5	955	4.4

2020

Deferred tax liabilities	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible and taxable temporary differences					
Hedge of net investments in foreign operations	605	-317			288
Provisions for pensions	-116	-11			-127
Share related compensation	18		-7		11
Intangible assets	7	-2			5
Other	-37	-3		15	-25
Total	477	-333	-7	15	152

2019

Deferred tax liabilities	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible and taxable temporary differences					
Hedge of net investments in foreign operations	605				605
Provisions for pensions	-117	1			-116
Share related compensation	-15		33		18
Intangible assets	9	-2			7
Other	-23	-8		-6	-37
Total	-146	596	33	-6	477

P17 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2020	2019	1/1/2019	2020	2019	1/1/2019	2020	2019	1/1/2019
Valuation category, fair value through profit or loss									
Held for trading									
Swedish government	13 745	8 541	8 941	14 072	9 430	9 236	12 987	6 981	7 276
Swedish municipalities	659	13	512	656	13	513	637	13	501
Foreign governments	76	60	1 796	73	59	1 804	71	58	1 791
Foreign municipalities	381	145	1	380	145	1	371	143	1
Total	14 861	8 759	11 250	15 181	9 647	11 554	14 066	7 195	9 569
Other business models									
Swedish government	246			245			246		
Swedish municipalities	2 007	3 924	4 294	2 005	3 881	4 294	1 971	3 871	4 277
Foreign governments			571			573			548
Total	2 253	3 924	4 865	2 250	3 881	4 867	2 217	3 871	4 825
Valuation category, amortised cost									
Swedish central bank	114 743	120 251	79 891	114 743	120 251	80 129	114 743	120 244	80 000
Total	114 743	120 251	79 891	114 743	120 251	80 129	114 743	120 244	80 000
Total	131 857	132 934	96 006	132 174	133 779	96 550	131 026	131 310	94 394

P18 Loans to credit institutions

	2020	2019	1/1/2019
Valuation category, amortised cost			
Swedish banks	5 336	3 832	3 319
Swedish credit institutions	623 895	510 098	499 107
Foreign banks	21 250	21 475	13 530
Foreign credit institutions	9 723	1 629	3 195
Total	660 204	537 034	519 151
Valuation category, fair value through profit or loss			
Held for trading			
Swedish banks, repurchase agreements		9	
Swedish credit institutions, repurchase agreements	8 449	107	4 548
Foreign banks, repurchase agreements	842	1	
Total	9 291	117	4 548
Total	669 495	537 151	523 699
Of which subordinated loans	2020	2019	1/1/2019
Associates	120	120	620
Other companies	48	53	51
Total	168	173	671

P19 Loans to the public

	2020	2019	1/1/2019
Valuation category, amortised cost			
Swedish public	292 910	295 717	298 343
Swedish national debt office	25 003	4	10 153
Foreign public	71 036	80 252	80 590
Total	388 949	375 973	389 086
Valuation category, fair value through profit or loss			
Held for trading			
Swedish public, repurchase agreements	74	2 439	5 519
Swedish national debt office, repurchase agreements		7 243	9 725
Foreign public, repurchase agreements	32 630	34 503	31 759
Other business models			
Swedish public	101	154	166
Total	40 048	46 821	39 880
Total	428 997	422 794	428 966

P20 Bonds and other interest-bearing securities

	Carrying amount			Amortised cost			Nominal amount		
	2020	2019	1/1/2019	2020	2019	1/1/2019	2020	2019	1/1/2019
Valuation category, fair value through profit or loss									
Held for trading									
Swedish mortgage institutions	10 795	10 174	15 603	10 775	10 225	15 573	10 438	9 858	14 992
Swedish financial entities	10 457	9 219	5 276	10 444	9 235	6 781	10 219	9 543	5 141
Swedish non-financial entities	3 318	3 876	3 913	3 306	3 873	5 808	3 275	3 332	5 713
Foreign financial entities	9 760	7 098	4 990	9 748	7 107	3 487	9 597	6 994	4 915
Foreign non-financial entities	2 340	4 910	5 119	2 347	4 912	3 255	2 336	4 886	3 215
Total	36 670	35 277	34 901	36 620	35 352	34 904	35 865	34 613	33 976
Other									
Swedish mortgage institutions	16 562	18 852	15 646	16 489	18 930	15 685	16 131	18 300	15 040
Swedish financial entities	2 062	2	257	2 046	2	257	2 000	2	250
Foreign banks	3 065	1 118		3 052	1 119		3 048	1 118	
Foreign financial entities	2 272	1 910	1 525	2 270	1 909	1 525	2 248	1 881	1 505
Foreign non-financial entities		990	1 904		990	1 904		958	1 838
Total	23 961	22 872	19 332	23 857	22 950	19 371	23 427	22 259	18 634
Valuation category, amortised cost									
Foreign banks		1	2 174		1	2 174		1	2 152
Total		1	2 174		1	2 174		1	2 152
Total	60 631	58 150	56 407	60 477	58 303	56 449	59 292	56 873	54 761

Bonds and other interest-bearing securities issued by other than public agencies.

P21 Shares and participating interests

	Carrying amount		Cost 2020	Carrying amount		Cost 2019	Carrying amount		Cost 1/1/2019
	2020	2020		2019	2019		1/1/2019	1/1/2019	
Valuation category, fair value through profit or loss									
Held for trading									
Trading stock shares		4 627	4 459		591	586	1 207	1 459	
Trading stock fund shares		10 918	10 700		3 316	3 257	1 808	1 832	
Other business models									
Strategic holdings and other		1 020	1 357		2 317	1 639	1 603	1 635	
Condominiums		11	11		11	11	11	11	
Total		16 576	16 527		6 235	5 493	4 629	4 937	

P22 Investments in associates and joint ventures

	2020	2019	1/1/2019
Fixed assets			
Credit institutions	2 054	2 054	1 944
Other associates	285	261	141
Total	2 339	2 315	2 085
Opening balance	2 315	2 085	2 085
Additions during the year	24	251	0
Impairments during the year			-2
Sold during the year		-21	0
Closing balance	2 339	2 315	2 085

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Swedish credit institutions					
EnterCard Group AB, Stockholm, joint venture					
	556673-0585	3 000	420	420	50.00
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	125	125	50.00
Sparbanken Skåne AB, Lund	516401-0091	3 670 342	1 070	1 070	22.00
Sparbanken Sjöhärad AB, Borås	516401-9852	4 750 000	288	288	47.50
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	41	41	40.00
Ölands Bank AB, Borgholm	516401-0034	637 000	110	110	49.00
Total		2 054	2 054		
Other					
BGC Holding AB, Stockholm	556607-0933	29 177	98	98	29.18
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	4	24	28.30
Getswish AB, Stockholm	556913-7382	10 000	19	21	20.00
Invidem AB, Stockholm, joint venture	559210-0779	10 000	48	48	16.67
P27 Nordic Payments Platform AB, Stockholm, joint venture	559198-9610	10 000	116	116	16.67
USE Intressenter AB, Uppsala	559161-9464	2 000	0	0	20.00
VISA Sweden, ek för, Stockholm	769619-6828	0	0	0	42.09
Total		285	307		
Total		2 339	2 361		

The share of the voting rights in each entity corresponds to the share of its equity. All shares and participating interests are unlisted.

In 2020, capital contribution was paid to Invidem AB SEK 24m.

On August 1, 2019, 11 percentage points of the subsidiary Ölands Bank AB was sold. Swedbank AB:s ownership subsequently amounts to 49 per cent, Swedbank received a cash payment of SEK 52m. The capital gain was SEK 27m. On November 4, 2019, the associated company Babs Paylink AB was sold. Swedbank received a cash payment of SEK 113m. The capital gain was SEK 93m.

P23 Investments in Group entities

	2020	2019	1/1/2019
Fixed assets			
Swedish credit institutions	24 073	24 073	24 208
Foreign credit institutions	29 371	29 353	29 276
Other entities	9 962	9 656	8 651
Total	63 406	63 082	62 135
Opening balance	63 082	62 135	62 016
Additions during the year	398	1 105	128
Impairments during the year		-22	-9
Disposals during the year	-74	-136	0
Closing balance	63 406	63 082	62 135

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Swedish credit institutions					
Swedbank Hypotek AB, Stockholm	556003-3283	23 000 000	24 073	24 073	100
Total			24 073	24 073	
Foreign credit institutions					
Swedbank AS, Tallinn	10060701	85 000 000	18 470	18 470	100
Swedbank AS, Riga	40003074764	575 000 000	4 267	4 267	100
Swedbank AB, Vilnius	112029651	164 008 000	6 614	6 614	100
Swedbank (Luxembourg) S.A., Luxembourg	302018-5066	300 000	15	142	100
Swedbank Management Company S.A., Luxembourg	B149317	250 000	5	42	100
Total			29 371	29 535	
Other entities					
ATM Holding AB, Stockholm	556886-6692	350	40	47	70
Ektornet AB, Stockholm	556788-7152	5 000 000	164	1 978	100
FR & R Invest AB, Stockholm	556815-9718	10 000 000	34	61	100
Sparfrämjandet AB, Stockholm	556041-9995	45 000	5	5	100
Sparia Group Försäkring AB, Stockholm	516406-0963	70 000	146	146	100
Swedbank Fastighetsbyrå AB, Stockholm	556090-2115	1 000	282	283	100
Swedbank Försäkring AB, Stockholm	516401-8292	150 000	3 362	3 361	100
Swedbank PayEx Holding AB, Visby	556714-2798	500 000	2 607	2 283	100
Swedbank Robur AB, Stockholm	556110-3895	10 000 000	3 322	3 322	100
Other entities		51 100	0	0	
Total			9 962	11 486	
Total			63 406	65 094	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.

In 2020, capital contribution was paid to Ektornet AB SEK 0m, Swedbank PayEx Holding SEK 324m and to Sparfrämjandet SEK 0m. In 2020, the subsidiaries Cerdö Bankpartner AB and Swedbank First Securities LLC was liquidated.

On August 1, 2019, 11 percentage points of the subsidiary Ölands Bank AB was sold. As a result the company is accounted for as an associated company. Capital contribution was paid to Ektortnet AB of SEK 7m, Swedbank PayEx Holding AB SEK 987m, Sparfrämjandet SEK 0m and to Swedbank Management Company S.A SEK 16m.

P24 Derivatives

Note	Nominal amount 2020 Remaining contractual maturity			Nominal amount		Positive fair value		Negative fair value	
	< 1 yr.	1-5 yrs.	> 5 yrs.	2020	2019	2020	2019	2020	2019
Derivatives in hedge accounting	30 438	109 998	2 857	143 293	140 832	2 110	1 466	0	218
Non-hedging derivatives	6 431 636	9 140 104	5 588 604	21 160 344	18 018 576	147 279	119 180	166 108	143 922
Gross amount	6 462 074	9 250 102	5 591 461	21 303 637	18 159 408	149 389	120 646	166 108	144 140
Offset amount	-4 494 381	-6 901 472	-5 375 952	-16 771 805	-12 057 460	-89 745	-72 314	-91 872	-74 232
Total	1 967 693	2 348 630	215 509	4 531 832	6 101 948	59 644	48 332	74 236	69 908
Non-hedging derivatives									
Interest-rate-related									
Options held	248 942	508 346	220 088	977 376	979 298	3 488	3 378	3 101	2 645
Forward contracts	3 385 931	1 033 503		4 419 434	6 059 927	1 073	959	1 074	965
Swaps	1 618 245	7 068 400	5 219 249	13 905 894	9 146 710	110 097	72 419	112 778	76 425
Currency-related									
Options held	15 423	989		16 412	38 319	154	231	163	222
Forward contracts	821 057	17 155		838 212	874 667	9 293	7 830	20 126	12 122
Swaps	249 347	503 700	148 767	901 814	817 941	18 973	8 929	24 787	27 351
Equity-related									
Options held	71 082	6 740	500	78 322	93 123	4 171	25 385	3 419	24 079
Forward contracts	6 917			6 917	4 498	26	30	29	29
Swaps	14 692	64		14 756	3 571	4	19	537	71
Credit-related									
Swaps		1 207		1 207	522			94	13
Total	6 431 636	9 140 104	5 588 604	21 160 344	18 018 576	147 279	119 180	166 108	143 922

P25 Hedge accounting at fair value

Swedbank's hedge accounting is described in note G29. Specific information on the parent company's hedge accounting is presented in the following tables.

Hedging instruments and hedge ineffectiveness	2020				2019			
	Carrying amount		Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss	Carrying amount		Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
	Nominal amount	Assets			Nominal amount	Assets		
Interest rate risk								
Interest rate swap, Debt securities in issue	110 536	1 478	583	-11	98 860	1 159	53	1 053
Interest rate swap, Senior non-preferred liabilities	9 894	105	214	0	10 416		118	-114
Interest rate swap, Subordinated liabilities	22 863	527	340	10	31 555	307	47	235
Total	143 293	2 110	1 137	-1	140 832	1 466	218	1 174

	2020			2019		
	Carrying amount	Accumulated adjustment on the hedged item		Carrying amount	Accumulated adjustment on the hedged item	
		Liabilities	Change in value used for measuring hedge ineffectiveness (for the period)		Liabilities	Change in value used for measuring hedge ineffectiveness (for the period)
Hedged items						
Debt securities in issue	111 030	1 266	-594	99 237	850	-1 039
Senior non-preferred liabilities	9 874	101	-214	10 388	-114	114
Subordinated liabilities	22 966	473	-330	31 759	175	-234
Total	143 870	1 840	-1 138	141 384	911	-1 160

	2020			2019		
	Remaining contractual maturity			Remaining contractual maturity		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Maturity profile and average price, hedging instruments						
Nominal amount (m SEK)	30 438	109 998	2 857	18 888	86 448	35 496
Average fixed interest rate (%)	0.51	0.27	1.03	1.58	0.67	0.96

	Nominal amount			
	2020			
	CHF	GBP	JPY	USD
Hedged items and hedging instruments				
All contracts	926	10 021	6 758	51 272
Maturity before Interest rate benchmark reform	0	5 567	0	10 320
Directly attributable to Interest rate benchmark reform	926	4 454	6 758	40 952

	2019			
	CHF	GBP	JPY	USD
Hedged items and hedging instruments				
All contracts	959	11 015	5 463	46 785
Maturity before Interest rate benchmark reform	0	6 119	0	28 145
Directly attributable to Interest rate benchmark reform	959	4 896	5 463	18 640

P26 Intangible assets

	2020				2019			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
Cost, opening balance	3 429	130	1 097	4 656	3 429	130	1 271	4 830
Additions through separate acquisitions			47	47			93	93
Sales and disposals			-20	-20			-267	-267
Cost, closing balance	3 429	130	1 124	4 683	3 429	130	1 097	4 656
Amortisation, opening balance	-3 429	-73	-508	-4 010	-3 428	-73	-698	-4 199
Amortisation for the year			-83	-83	-1		-75	-76
Sales and disposals			18	18			265	265
Amortisation, closing balance	-3 429	-73	-573	-4 075	-3 429	-73	-508	-4 010
Impairments, opening and closing balance		-57	-223	-280		-57	-223	-280
Carrying amount			328	328			366	366

Goodwill is amortised over an estimated useful life of 5 to 20 years. For other intangible assets with a finite useful life, the amortisable amount is divided systematically over the useful life. Systematic amortisation refers to both straight-line and increasing or decreasing amortisation. The original useful life is between 3 and 15 years. No need for impairment was found on the closing day.

P27 Leasing equipment

Fixed assets	2020	2019
Cost, opening balance	26 367	26 249
Additions	7 583	8 116
Sales and disposals	-6 932	-7 998
Cost, closing balance	27 018	26 367
Depreciation, opening balance	-10 298	-10 023
Depreciation for the year	-4 482	-4 468
Sales and disposals	3 961	4 193
Depreciation, closing balance	-10 819	-10 298
Impairments, opening balance	-45	-56
Impairments for the year	-25	7
Sales and disposals	6	4
Impairments, closing balance	-64	-45
Carrying amount	16 135	16 024
2020	< 1 yr	1-5 yrs
Future minimum lease payment	4 762	8 552
		Total
		3 617
		16 931

The residual value of all lease assets is guaranteed by lessees or third parties. The lease assets are depreciated over the lease term according to the annuity method. The lease assets primarily consist of vehicles and machinery. The lease payments do not contain any variable fee.

P28 Tangible assets

Fixed assets	2020	2019
Cost, opening balance	2 297	2 442
Additions	256	227
Sales and disposals	-176	-372
Cost, closing balance	2 377	2 297
Depreciation, opening balance	-1 728	-1 866
Depreciation for the year	-230	-231
Sales and disposals	161	369
Depreciation, closing balance	-1 797	-1 728
Carrying amount	580	569

The useful life of equipment is deemed to be between three and ten years; its residual value is zero as in previous years. Leasehold improvements are depreciated over their useful life. The depreciable amount is recognised linearly in profit or loss over the useful life. No indications of impairment were found on the closing day.

P29 Other assets

	2020	2019	1/1/2019
Security settlement claims	8 627	6 392	8 192
Group contributions	13 954	14 921	14 319
Other financial assets	5 977	76	3 101
Total financial assets	28 558	21 389	25 612
Property taken over protection of claims and cancelled leases	28	29	54
Total	28 586	21 418	25 666

P30 Prepaid expenses and accrued income

	2020	2019	1/1/2019
Prepaid expenses	1 337	2 464	1 285
Unbilled receivable	297	283	304
Total	1 634	2 747	1 589

P31 Amounts owed to credit institutions

	2020	2019	1/1/2019
Valuation category, amortised cost			
Swedish central bank	50 004		7
Swedish banks	32 179	21 577	21 021
Swedish credit institutions	113 452	94 050	26 104
Foreign central banks	5 739	6 306	13 884
Foreign banks	41 898	38 961	21 618
Foreign credit institutions	238	556	318
Total	243 510	161 450	82 952
Valuation category, fair value through profit or loss			
Held for trading			
Swedish banks, repurchase agreements	4	4	
Swedish credit institutions, repurchase agreements	1 416		
Foreign banks, repurchase agreements	1 874		266
Total	3 294	4	266
Total	246 804	161 454	83 218

P32 Deposits and borrowings from the public

	2020	2019	1/1/2019
Valuation category, amortised cost			
Deposits from Swedish public	840 251	708 839	689 588
Deposits from Swedish national debt office	69	329	339
Deposits from foreign public	12 078	10 025	9 688
Total	852 398	719 193	699 615
Valuation category, fair value through profit or loss			
Held for trading			
Deposits from Swedish public, repurchase agreements	16 824	18	641
Total	16 824	18	641
Total	869 222	719 211	700 256

P33 Debt securities in issue

	2020	2019	1/1/2019
Valuation category, amortised cost			
Commercial papers	127 211	128 774	131 439
Other interest-bearing bonds	127 037	125 505	161 448
Total	254 248	254 279	292 887

Valuation category, fair value through profit or loss

	2020	2019	1/1/2019
Held for trading			
Structured products	5 674	8 902	10 735
Total	5 674	8 902	10 735
Total	259 922	263 181	303 622

Turnover of debt securities in issue is reported in note P2 Liquidity risks.

P34 Other liabilities

	2020	2019	1/1/2019
Security settlement liabilities	4 910	2 259	5 790
Group contributions	413	0	0
Short position in shares	561	247	358
of which own issued shares	155	24	257
Short position in interest-bearing securities	22 740	34 098	38 255
Unsettled payments	9 200	9 807	10 892
Other financial liabilities	8 503	9 178	8 697
Total financial liabilities	46 327	55 589	63 992

P35 Accrued expenses and prepaid income

	2020	2019	1/1/2019
Accrued expenses	2 823	3 697	1 791
Contract liabilities	33	37	2
Total	2 856	3 734	1 793

P36 Provisions

	2020	2019	1/1/2019
Provisions for guarantees and other commitments	804	590	402
Restructuring provision	2	10	
Other	8	43	25
Total	814	643	427

P37 Subordinated liabilities

	2020	2019	1/1/2019
Valuation category, amortised cost			
Subordinated loans	14 900	15 453	23 015
Undated subordinated loans, Additional Tier 1 capital	8 534	16 481	11 169
Total	23 434	31 934	34 184

Fixed-term subordinated loans

Year of issue	Maturity	First optional call date	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
2017	2027	11/22/2022	EUR	650	6 613	1.00%
2018	2033	3/28/2028	JPY	5 000	406	0.90%
2018	2028	4/12/2023	JPY	8 000	639	0.75%
2018	2028	5/8/2023	SEK	1 200	1 227	0.00%
2018	2028	6/29/2023	JPY	11 000	877	0.95%
2018	2028	9/18/2023	EUR	500	5 138	0.00%
Total					14 900	

Undated subordinated loans approved by the Swedish Financial Supervisory Authority as Tier 1 capital contribution

The liabilities will be converted to ordinary shares in Swedbank AB if the core tier one ratio of: Swedbank AB falls below 5.125 per cent or if the core tier one ratio of the consolidated situation falls below 8.0 per cent.

Year of issue	Maturity	First optional call date	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
2016	Undated	3/17/2022 ¹	USD	500	4 236	6.00%
2019	Undated	9/17/2024 ²	USD	500	4 298	5.63%
Total					8 534	

1) The liability is converted at current share price, but not lower than USD 15.70 converted to SEK.

2) The liability is converted at current share price but not lower than USD 8.75 converted to SEK.

P38 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
Opening balance 2019	5 196	5 451	10 647
Allocation/Reversal	78		78
Closing balance 2019	5 274	5 451	10 724
Allocation/Reversal	-42		-42
Closing balance 2020	5 232	5 451	10 682

	Tax value in accordance with depreciation as recorded in the books	Assets that are not included in the calculation of depreciation as recorded in the books	Total
Intangible assets	96	232	328
Leasing equipment	16 135		16 135
Tangible assets	459	121	580
Prepaid expenses and accrued income	255	1 379	1 634
Accumulated accelerated depreciation	-5 232		-5 232
Net value	11 713	1 732	13 445

Prepaid expenses and accrued income included in the basis for depreciation in accordance with depreciation as recorded in the books are software licenses with a maturity of less than 36 months.

Non-depreciable assets such as art and preliminary registered fixed assets and leasehold improvements and other assets that are not considered to constitute fixed assets according to depreciations as recorded in the books, are excluded from the calculation, a total of SEK 353m.

Tax allocation reserve	2020	2019	1/1/2019
Allocation 2013			51
Allocation 2017	1 862	1 862	1 862
Allocation 2018	3 538	3 538	3 538
Allocation 2019	51	51	
Total	5 451	5 451	5 451

P40 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the parent company's financial assets and financial liabilities is presented below.

Determination of fair values of financial instruments

The parent company uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered either a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in three different levels:

- Level 1: Unadjusted quoted price on an active market
- Level 2: Adjusted quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine their fair value. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. For any open net positions, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions – at ask price.

P39 Equity

	2020	2019	1/1/2019
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	5 968	5 968	5 968
Total	30 872	30 872	30 872
Non-restricted equity			
Share premium reserve	13 206	13 206	13 206
Retained earnings	59 355	49 340	46 974
Of which own shares	-3 348	-3 348	-3 348
Total	72 561	62 546	60 180
Total equity	103 433	93 418	91 052

Changes in equity for the year and the distribution according to IFRS are indicated in the statement of changes in equity.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which should be considered in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA). CVA and DVA are calculated using simulated exposures; the method is calibrated with market implied parameters.

The parent company has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels. Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2020 and 2019, there were no transfers of financial instruments between valuation levels 1 and 2.

For floating rate lending and deposits, which are recognised at amortised cost, the carrying amount is assessed to equal the fair value.

	2020			2019			1/1/2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	167 121	167 121		107 596	107 596		80 903	80 903	
Treasury bills etc.	131 857	131 857		132 934	132 934		96 125	96 006	119
of which measured at amortised cost	114 743	114 743		120 251	120 251		80 010	79 891	119
of which measured at fair value through profit or loss	17 114	17 114		12 683	12 683		16 115	16 115	
Loans to credit institutions	669 495	669 495		537 151	537 151		523 699	523 699	
of which measured at amortised cost	660 204	660 204		537 034	537 034		519 151	519 151	
of which measured at fair value through profit or loss	9 291	9 291		117	117		4 548	4 548	
Loans to the public	428 997	428 997		422 794	422 794		428 966	428 966	
of which measured at amortised cost	388 949	388 949		375 973	375 973		389 086	389 086	
of which measured at fair value through profit or loss	40 048	40 048		46 821	46 821		39 880	39 880	
Bonds and interest-bearing securities	60 631	60 631		58 150	58 150		56 407	56 407	
of which measured at amortised cost				1	1		2 174	2 174	
of which measured at fair value through profit or loss	60 631	60 631		58 149	58 149		54 233	54 233	
Shares and participating interest	16 576	16 576		6 235	6 235		4 629	4 629	
of which measured at fair value through profit or loss	16 576	16 576		6 235	6 235		4 629	4 629	
Derivatives	59 644	59 644		48 332	48 332		43 275	43 275	
Other financial assets	28 558	28 558		21 389	21 389		25 612	25 612	
Total	1 562 879	1 562 879		1 334 581	1 334 581		1 259 617	1 259 497	119
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	246 804	246 804		161 454	161 454		83 218	83 218	
of which measured at amortised cost	243 510	243 510		161 450	161 450		82 952	82 952	
of which measured at fair value through profit or loss	3 294	3 294		4	4		266	266	
Deposits and borrowings from the public	869 222	869 222		719 211	719 211		700 256	700 256	
of which measured at amortised cost	852 398	852 398		719 193	719 193		699 615	699 615	
of which measured at fair value through profit or loss	16 824	16 824		18	18		641	641	
Debt securities in issue	262 643	259 922	2 721	267 209	263 181	4 028	306 969	303 622	3 347
of which measured at amortised cost	256 969	254 248	2 721	258 307	254 279	4 028	296 234	292 887	3 347
of which measured at fair value through profit or loss	5 674	5 674		8 902	8 902		10 735	10 735	
Senior non-preferred liabilities	10 545	10 359	186	10 299	10 805	-506			
of which measured at amortised cost	10 545	10 359	186	10 299	10 805	-506			
Subordinated liabilities	23 688	23 434	254	31 730	31 934	-204	34 366	34 184	182
of which measured at amortised cost	23 688	23 434	254	31 730	31 934	-204	34 366	34 184	182
Derivatives	74 236	74 236		69 908	69 908		54 063	54 063	
Short positions securities	23 301	23 301		34 345	34 345		38 613	38 613	
of which measured at fair value through profit or loss	23 301	23 301		34 345	34 345		38 613	38 613	
Other financial liabilities	23 026	23 026		21 244	21 244		25 379	25 379	
Total	1 533 465	1 530 304		3 161	1 315 400	1 312 082	3 318	1 242 584	1 239 055
									3 529

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value, split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial papers, debt securities in issue and standardised derivatives, where quoted prices on an active market are used in the valuation.

Level 2 primarily contains OTC derivatives, less liquid bonds debt securities in issue, deposits, and investment contract liabilities in the insurance operations. Equity derivatives and all instruments with optionality are valued using option pricing models calibrated by market implied parameters. All other interest rate, foreign exchange or credit derivatives as well as interest-bearing instruments are valued by discounted cash flows using market implied curves. The fair value of investment contract liabilities in the insurance operations is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

Level 3 primarily contains unlisted equity instruments, where the price is unobservable and the sensitivity in the value to changes in the unobservable parameter is linear. To estimate the unobservable price different methods are applied depending on the type of available data. The primary method is based on executed transactions or quoted share price of similar equities. Input to the other methods are for example prices, proxy prices, market indicators and company information. The level 3 unlisted equity instruments include strategic investments. Visa Inc. shares are subject to selling restrictions for a period of up to 8 years and under certain conditions may have to be returned. Liquid quotes are not available for these shares, therefore the fair value is established with significant elements of Swedbank's own internal assumptions. During September Visa Inc. converted half of the outstanding in Visa Inc. C shares to Visa Inc. A shares. The carrying amount for the holdings in Visa Inc. C at year end amounted to SEK 602m (1 288).

When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Therefore, the valuation model is calibrated against the transaction price. As of year-end there were no cumulative differences reported in the balance sheet.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Treasury bills and other bills eligible for refinancing with central banks, etc	14 116	2 998	17 114	34 228	8 568	4 115	12 683	25 366
Loans to credit institutions		9 291	9 291	18 582		117		117
Loans to the public		40 048	40 048	80 104		46 821		46 821
Bonds and interest-bearing securities	21 933	38 698	60 631	121 262	22 115	36 034	58 149	115 235
Shares and participating interest	15 544		1 032	16 576	4 487		1 748	6 235
Derivatives	12	59 632	59 644	119 278	8	48 324		48 332
Total	51 605	150 667	1 032	203 304	35 178	135 411	1 748	172 337
Liabilities								
Amounts owed to credit institutions		3 294	3 294	6 588		4		4
Deposits and borrowings from the public		16 824	16 824	33 648		18		18
Debt securities in issue, etc		5 674	5 674	11 348		8 902		8 902
Derivatives	12	74 224	74 236	149 264	12	69 896		69 908
Short positions securities	22 308	993	23 301	45 602	31 864	2 481		34 345
Total	22 320	101 009	123 329	318 762	31 876	81 301		113 177

Changes in level 3

	2020			2019		
	Assets			Assets		
	Equity Instruments	Derivatives	Total	Equity Instruments	Derivatives	Total
Opening balance	1 748		1 748	1 167	2	1 169
Acquisitions					20	20
Converted to Visa Inc. A-shares	-819		-819			
Sale of assets/dividends received				-11		-11
Maturities					-1	-1
Gains or loss	103		103	572	-1	571
of which are changes in unrealised gains or losses for items held at closing day	-73		-73	565		565
Closing balance	1 032		1 032	1 748		1 748

Financial instruments at amortised cost

The following tables distribute fair values by the three valuation levels for financial instruments at amortised cost.

	2020	
	Carrying amount	Fair value Level 2
Assets		
Treasury bills and other bills eligible for refinancing with central banks, etc	114 743	114 743
Loans to credit institutions	660 204	660 204
Loans to the public	388 949	388 949
Total	1 163 896	1 163 896

Liabilities

Amounts owed to credit institutions	243 510	243 510
Deposits and borrowing from the public	852 398	852 398
Debt securities in issue	256 969	256 969
Senior non-preferred liabilities	10 545	10 545
Subordinated liabilities	23 688	23 688
Total	1 387 110	1 387 110

	2019	
	Carrying amount	Fair value Level 2
Assets		
Treasury bills and other bills eligible for refinancing with central banks, etc	120 251	120 251
Loans to credit institutions	537 034	537 034
Loans to the public	375 973	375 973
Bonds and other interest-bearing securities	1	1
Total	1 033 259	1 033 259

Liabilities

Amounts owed to credit institutions	161 450	161 450
Deposits and borrowing from the public	719 193	719 193
Debt securities in issue	254 279	258 307
Senior non-preferred liabilities	10 805	10 299
Subordinated liabilities	31 934	31 730
Total	1 177 661	1 180 979

P41 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

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

Assets	2020				2019			
	Derivatives	Reverse repurchase agreements	Securities borrowing	Total	Derivatives	Reverse repurchase agreements	Securities borrowing	Total
Financial assets, which not have been offset or are subject to netting	2 550			2 550	2 172			2 172
Financial assets, which have been offset or are subject to netting	57 094	100 907	14	158 015	46 160	46 784	276	93 220
Net amount presented in the balance sheet	59 644	100 907	14	160 565	48 332	46 784	276	95 392
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	146 839	144 172	14	291 025	118 474	97 692	276	216 442
Offset amount	-89 745	-43 265		-133 010	-72 314	-50 908		-123 222
Net amount presented in the balance sheet	57 094	100 907	14	158 015	46 160	46 784	276	93 220
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	25 599	1 600		27 199	19 381			19 381
Financial instruments, collateral	10	99 303	14	99 327	8	46 726	276	47 010
Cash, collateral	15 274	4		15 278	11 897	58		11 955
Total amount not offset in the balance sheet	40 883	100 907	14	141 804	31 286	46 784	276	78 346
Net amount	16 211			16 211	14 874			14 874
Liabilities	Derivatives	Repurchase agreements	Securities lending	Total	Derivatives	Repurchase agreements	Securities lending	Total
Financial liabilities, which not have been offset or are subject to netting	2 278		54	2 332	2 843			2 843
Financial liabilities, which have been offset or are subject to netting	71 959	20 118		92 077	67 065	23		67 088
Net amount presented in the balance sheet	74 237	20 118	54	94 409	69 908	23		69 931
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	163 831	63 383	54	227 268	141 297	50 931		192 228
Offset amount	-91 872	-43 265		-135 137	-74 232	-50 908		-125 140
Net amount presented in the balance sheet	71 959	20 118	54	92 131	67 065	23		67 088
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	25 599	1 600		27 199	19 381			19 381
Financial instruments, collateral	5 741	18 518	54	24 313	3 264			3 264
Cash, collateral	27 510			27 510	16 081	23		16 104
Total amount not offset in the balance sheet	58 850	20 118	54	79 022	38 726	23		38 749
Net amount	13 109			13 109	28 339			28 339

P42 Specification of adjustments for non-cash items in operating activities

	2020	2019
Amortised origination fees	-499	-490
Unrealised changes in value/currency changes	-576	-944
Depreciation of tangible and intangible assets	4 795	4 775
Impairment of fixed assets	25	15
Reversal of previous impairment of fixed assets	-16	
Impairment provisions and write-offs	3 840	1 390
Dividend Group entities	-11 823	-10 212
Prepaid expenses and accrued income	1 495	-1 020
Accrued expenses and prepaid income	-1 318	1 569
Share-based payments to employees	106	176
Capital gains/losses on financial assets	-493	-129
Other	166	-47
Total	-4 298	-4 917

P43 Dividend paid and proposed disposition of earnings

	2020		2019	
	SEK per share	Total	SEK per share	Total
Ordinary shares				
Dividend paid		14.20	15 878	
Proposed dividend	2.90	3 252	8.80	9 856

At the Annual General Meeting on 28 May 2020, no decision was made on the proposed dividend for the financial year 2019. Instead, an Extraordinary General Meeting on 15 February decided to make a cash dividend of SEK 4.35 per ordinary share for the financial year 2019, which corresponded to SEK 4 871m. The dividend was paid 22 February 2021.

The Board of Directors recommends that shareholders receive a dividend of SEK 2.90 per ordinary share in 2021 for the financial year 2020, corresponding to SEK 3 252m.

SEK 54 484m is at the disposal of the Annual General Meeting. Earnings in accordance with the balance sheet of Swedbank AB to SEK 59 355m less dividends paid on the 22 February 2021 of SEK 4 871m.

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

	2020	2019
Retained earnings in accordance with the balance sheet	59 355	49 340
Paid dividend 22nd of February 2021	4 871	4 871
Left to dispose of the Annual General Meeting 2021	54 484	
A cash dividend of SEK 2.90 per ordinary share	3 252	
To be carried forward to next year	51 232	44 469
Total disposed	54 484	49 340

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 119 991 775 outstanding ordinary shares at 31 December 2020, plus 1 272 063 outstanding ordinary shares entitled to dividends which have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 25 March 2021 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day. Unrealised changes in the value of assets and liabilities at fair value have had a negative effect on equity of SEK 480m.

The proposed record day for the dividend is 29 March 2021. The last day for trading in Swedbank's shares with the right to the dividend is 25 March 2021. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 1 April 2021. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 44 746m. The surplus in Swedbank AB was SEK 80 114m.

The business conducted in the parent company and the Group involves no risks beyond what occur and can be assumed will occur in the industry or the risks associated with conducting business activities. The Board of Directors has considered the parent company's and the Group's consolidation needs through a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet their obligations. The assessment has also been done based on currently expected regulatory changes.

Given the financial position of the parent company and the Group, there can be no assessment other than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities in both the short and long term and have the ability to make the necessary investments. It is the assessment of the Board of Directors that the size of the equity, even after the proposed dividend, is reasonable in proportion to the scope of the parent company's and the Group's business and the risks associated with conducting the business.

The assessment of the Board of Directors is that the proposed dividend is justifiable given the demands that are imposed due to the nature, scope and risks associated with the business and the Group's business on the size of the parent company's and the Group's equity as well as on the parent company's and the Group's balance sheets, liquidity and financial positions.

P44 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	2020	2019	1/1/2019
Government securities and bonds pledged with the Swedish central bank	50 726	10 000	9 776
Government securities and bonds pledged with foreign central banks	12 401	5 355	6 691
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	10 986	8 687	6 920
Government securities and bonds pledged for deposits from the public, repurchase agreements	17 515	15 680	13 506
Cash	18 464	9 002	4 470
Total	110 092	48 724	41 363

The carrying amount of liabilities for which assets are pledged amounted to SEK 50 650m (47 426) in 2020.

Other assets pledged

Other assets pledged	2020	2019	1/1/2019
Shares	447	84	186
Government securities and bonds pledged for other commitments	6 256	3 475	1 858
Cash	446	429	423
Total	7 149	3 988	2 467

Collateral is pledged in the form of government securities or bonds to central banks in order to execute transactions with the central banks. In so-called genuine repurchase transactions, where the parent company sells a security and at the same time agrees to repurchase it, the sold security remains on the balance sheet. The carrying amount of the security is also recognised as a pledged asset. In principle, the parent company cannot dispose of pledged collateral. generally, the assets are also separated behalf of the beneficiaries in the event of the parent company's insolvency.

Contingent liabilities

Nominal amount	2020	2019	1/1/2019
Loan guarantees	272 397	456 261	454 939
Other guarantees	38 948	38 667	33 538
Accepted and endorsed notes	828	1 200	1 988
Letters of credit granted but not utilised	3 022	2 764	2 417
Other contingent liabilities	11		
Total	315 206	498 892	492 882

Commitments

Nominal amount	2020	2019	1/1/2019
Loans granted but not paid	253 934	189 680	174 118
Overdraft facilities granted but not utilised	70 118	68 468	63 574
Total	324 052	258 148	237 692

The nominal amount of interest, equity and currency related contracts are shown in note P24 Derivatives.

Money laundering

Swedbank is cooperating with authorities in the United States who are conducting investigations into Swedbank's historical AML compliance and the Group's response thereto, as well as related issues involving the Group's anti-money laundering controls and certain individuals and entities who may at some time have been customers of the Group. The timing of the completion of the investigations is still unknown and the outcome is still uncertain. At present, it is not possible to reliably estimate the amount of any potential settlement or fines, which could be material.

P45 Transferred financial assets

The parent company transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the parent company is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. Sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any offsetting in the balance sheet. All assets and related liabilities are recognised at fair

value and included in the valuation category fair value through profit and loss, trading. Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category amortised cost. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. At year-end the parent company had no commitments in financial assets that had been removed from the balance sheet.

	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
2020						
Valuation category, fair value through profit or loss						
Held for trading						
Shares	447		447	47		47
Debt securities	28 502	28 502		28 513	28 513	
Total	28 949	28 502	447	28 560	28 513	47
2019						
Valuation category, fair value through profit or loss						
Held for trading						
Shares	84		84			
Debt securities	24 367	24 367		24 209	24 209	
Total	24 451	24 367	84	24 209	24 209	

P46 Operational leasing

The agreements mainly relate to premises in which the parent company is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows:

2020	Expenses	Income subleasing	Total	2019	Expenses	Income subleasing	Total
2021	658	30	628	2020	706	54	652
2022	596	29	567	2021	564	49	515
2023	543	29	514	2022	548	29	519
2024	437	27	410	2023	494	29	465
2025	410	27	383	2024	404	28	376
2026	406	27	379	2025	378	28	350
2027	375	26	349	2026	347	27	320
2028	342	26	316	2027	336	27	309
2029	286	17	269	2028	307	27	280
2030 or later	1 305	81	1 224	2029 or later	1 408	104	1 304
Total	5 358	319	5 039	Total	5 492	402	5 090

P47 Related parties and other significant relationships

	Subsidiaries		Associates and joint ventures		Other related parties	
	2020	2019	2020	2019	2020	2019
Assets						
Loans to credit institutions	622 699	492 783	15 730	16 307		
Loans to the public	1 771	2 098				
Bonds and other interest-bearing securities	2 517	2 470				
Derivatives	7 681	4 183	20	9		
Other assets	13 975	15 014				
Prepaid expenses and accrued income	265	271				
Total assets	648 908	516 819	15 750	16 316		
Liabilities						
Amount owed to credit institutions	120 594	91 987	4 968	3 712		
Deposits and borrowing from the public	9 931	10 057			738	455
Derivatives	19 949	29 100	10	9		
Other liabilities	461	445			59	
Total liabilities	150 935	131 589	4 978	3 780	738	455
Guarantees	269 071	451 420				
Derivatives, nominal amount	1 031 275	1 110 776	808	1 013		
Commitments	26 253					
Income and expenses						
Interest income	1 504	-354	121	142		
Interest expenses	814	1 044				
Dividends received	2 128	4 173	2	529		
Commission income	2 334	1 865	68	80		
Commission expenses	81	24	167	167		
Other income	324	176	653	500		
Other general administrative expenses	1	4			637	619

P48 Events after 31 December 2020

See Group note G56.

P49 Changed presentation of Cash flow

For further information see note G2 Accounting policies.

SEKm	Previous reporting	Change	New reporting
Operating activities			
Operating profit	21 759		21 759
Adjustments for non-cash items in operating activities	-4 917		-4 917
Taxes paid	-3 779		-3 779
Increase (-) / decrease (+) in loans to credit institution	-13 441		-13 441
Increase (-) / decrease (+) in loans to the public	5 672		5 672
Increase (-) / decrease (+) in holdings of securities for trading	-39 792		-39 792
Increase (+) / decrease (-) in deposits and borrowings from the public	18 942		18 942
Increase (+) / decrease (-) in amounts owed to credit institutions	78 710		78 710
Increase (-) / decrease (+) in other assets	6 995		6 995
Increase (+) / decrease (-) in debt securities in issue		-49 039	-49 039
Increase (+) / decrease (-) in other liabilities	8 353		8 353
Cash flow from operating activities	78 502	-49 039	29 463
Investing activities			
Acquisition of and contribution to Group entities and associates and joint ventures	-992		-992
Disposal/repayment from Group entities and associates	166		166
Business disposals	360		360
Acquisition of other fixed assets and strategic financial assets	-8 343		-8 343
Disposals of other fixed assets and strategic financial assets	3 842		3 842
Dividends and Group contributions received	9 611		9 611
Cash flow from investing activities	4 644		4 644
Financing activities			
Issuance of interest-bearing securities	17 211	-17 211	
Redemption of interest-bearing securities	-53 490	53 490	
Issuance of commercial papers	483 569	-483 569	
Redemption of commercial papers	-487 865	487 865	
Issuance of senior non-preferred liabilities	11 266		11 266
Issuance of subordinated liabilities	4 909		4 909
Redemption of subordinated liabilities	-7 711		-7 711
Dividends paid	-15 878		-15 878
Cash flow from financing activities	-56 453	49 039	-7 414
Cash flow for the year	26 693		26 693
Cash and cash equivalents at the beginning of the year	80 903		80 903
Cash flow for the year	26 693		26 693
Cash and cash equivalents at end of the year	107 596		107 596

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as adopted by the EU, as set out in Note G2. The annual report includes a number of alternative performance measures, which exclude certain items which management believes are not representative of the underlying/ongoing performance of the business. Therefore the alternative performance measures provide more comparative information between periods. Management believes that inclusion of these measures provides information to the readers that enable comparability between years.

Measure and definition	Purpose
Net investment margin before trading interest is deducted Calculated as Net interest income before trading-related interest is deducted, in relation to average total assets. The average is calculated using month-end figures ¹⁾ , including the prior year end. The nearest IFRS measure is Net interest income and can be reconciled in Note G8.	Considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note G5.	Used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the financial year for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures ¹⁾ , including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note G5.	Used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding expenses for the administrative fine Amounts related to expenses is presented excluding expenses for administrative fine. The amounts are reconciled to the relevant IFRS income statement lines on page 30.	Provides comparability of figures between reporting financial years.
Return on equity excluding expenses for administrative fine Represents profit for the financial year allocated to shareholders excluding expenses for the administrative fine in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures ¹⁾ , including the prior year end. Profit for the financial year allocated to shareholders excluding expenses for administrative fine are reconciled to Profit for the financial year allocated to shareholders, the nearest IFRS measure, on page 30.	Provides comparability of figures between reporting financial years.
Cost/Income ratio excluding expenses for administrative fine Total expenses excluding expenses related to administrative fine in relation to total income. Total expenses excluding expense for administrative fine is reconciled to Total expenses, the nearest IFRS measure, on page 30.	Provides comparability of figures between reporting financial years.
Other alternative performance measures These measures are defined on page 252 and are calculated from the financial statements without adjustment. <ul style="list-style-type: none">• Cost/Income ratio• Credit Impairment ratio• Credit impairment provision ratio Stage 1 loans• Credit impairment provision ratio Stage 2 loans• Credit impairment provision ratio Stage 3 loans• Equity per share• Investment margin• Loan/Deposit ratio• Return on equity¹• Return on total assets• Share of Stage 2 loans, gross• Share of Stage 3 loans, gross• Total credit impairment provision ratio	Used by Group management for internal governance and operating segment performance management purposes.

1) The month-end figures used in the calculation of the average can be found on page 74 of the Fact book.

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Sustainability year 2020

Swedbank's sustainability work has been punctuated by external factors such as the global pandemic and upcoming EU regulations in the sustainability area. Climate change is a critical factor both internally and in the bank's customer offers, which is why a major focus has been placed on establishing clear climate targets and developing new climate oriented products.

Compliance in sustainability, governance, processes and systems

The financial market is being affected right now by major regulatory changes in the sustainability area with new regulations from the EU and the Swedish FSA's increased focus on sustainability in its supervision. Swedbank works proactively with sustainability and integrates a sustainability perspective in all its operations. To stay on the forefront and advance its position, it is important that the bank adapt to the transition and new requirements.

A key initiative was established during the year to strengthen Swedbank's sustainability work. The aim is to ensure that identified shortcomings are remedied and to raise sustainability to a higher level within the bank. The goal was and is to ensure a coordinated approach with clear ambitions for both private and corporate customers, to establish a long-term plan and to facilitate effective implementation of upcoming EU regulations on sustainable finance. As part of the initiative, a Center of Excellence (CoE) in Sustainable Finance and Business Integration was established within the Group-wide sustainability unit. The main role of the unit is to work closely with the business areas and Group Functions on sustainability issues and implementation of new EU regulations. Among the goals are to bring sustainability into the dialogue with customers and build competence within the bank.

Promote sustainable growth in society and increase customer value

Swedbank's main impacts arise through advice, products, services and social engagements. Issues of sustainability and responsibility are closely

tied to the bank's vision, a financially sound and sustainable society, and it is important that sustainability is integrated in everything the bank does, every day. Swedbank sees sustainability as profitable in the long term, and it is critical to facilitate sustainable growth by allocating capital to activities that contribute to the transition. Sustainability-linked loans remained an important product for the bank in the year, and in Baltic Banking several new sustainable products and services were launched. ESG bonds have also been very important, where Swedbank Sustainable Capital Markets within the business area Large Corporates and Institutions has held a leading position as an issuer in the Nordic region.

Transparent reporting

Transparency around sustainability is essential in order to maintain the trust of the bank's external stakeholders. There is a growing demand among investors and political decision makers for greater transparency with respect to climate risks and how they are managed. Swedbank's work to introduce the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) continued during the year and climate training was launched to educate employees. In addition, all TCFD's sector portfolios have been scenario tested with the results described on page 209–211.

Swedbank has also worked actively to implement the UN Principles for Responsible Banking and established two new Group-wide targets. A portfolio impact analysis have been conducted with a focus on demonstrating how products and services create value for the bank's stakeholders and society as a whole. The results can be found on pages 207–208.

Sustainability indexes

Swedbank qualified during the year for the Dow Jones Sustainability World Index 2020, one of the world's most prestigious sustainability indexes. Each year Dow Jones ranks the world's most sustainable companies, and being included is proof that Swedbank has shown consistency in its work with environmental, economic and social issues. In addition, Swedbank ranked highest among major Swedish banks in Fair Finance Guide's annual policy report.

Swedbank always takes into account the requirements and recommendations mentioned in various sustainability surveys and indexes and works actively to adapt accordingly. The bank has in recent years continuously dialogued with stakeholder groups on its progress in remedying the shortcomings identified in routines, systems and processes to combat money laundering and other financial crime.

The sustainability report aligns with the Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI Standards: Core option and has been reviewed by PwC (limited assurance) in accordance with the assurance report on page 243. The information in the sustainability report pertains to the calendar year 2020 (the previous report was in 2019), unless otherwise indicated, and describes the most important aspects of Swedbank's sustainability work. The sustainability

Sustainability index/ranking	2020	2019	2018
Bloomberg Gender and Equality Index ¹	77	77	85
CDP (score) ²	B	B	B
Dow Jones Sustainability Index (score) ³	81	76	72
Equileap (ranking) ⁴		66	9
Fair Finance Guide (score %) ⁵	68	65	64
FTSE4Good ESG rating (score) ⁶	4.5	4.6	4.4
ISS Corporate Governance (score) ⁷	C (Prime)	C (Prime)	
MSCI ESG rating (score) ⁸	AA	A	AA
Sustainalytics (score) ⁹	79	75	80

¹) Scoring scale 0–100%.

²) Scoring scale A–D-. Max score is A and B was the average score for the financial sector in 2020.

³) Scoring scale 0–100. The scores for 2019 and 2018 were revised due to shortcomings in the bank's anti-money laundering work.

⁴) Swedbank's ranking out of a total of 3 519 companies in 2019. The score for 2019 was 59%. No result for 2020.

⁵) Scoring scale 0–100%.

⁶) Scoring scale 0–5. Swedbank has qualified for the FTSE4Good Index.

⁷) Scoring scale A+ – D-.

⁸) Scoring scale AAA – CCC.

⁹) Scoring scale 0–100. Swedbank's ESG Rating places it in the Outperformer level.

report comprises Swedbank AB and its subsidiaries (see Note G1 and P24). The aim is to present progress as well the areas that need further improvement.

In the notes, the results of the work are reported from the standpoint of the core processes: pay, save/invest, finance and procure. They are also presented based on the bank's work with HR issues, the environment, taxes, anti-corruption, information security, human rights and social engagement. Sustainability information is presented on pages 16–23 and 199–236 as well as on www.swedbank.com.

Collaborating for sustainable development

Sustainability at Swedbank is characterised by helping people and companies to make sustainable choices that contribute to a sound and sustainable economy. This includes responsible business decisions, value creation and transparency. The UN Principles for Responsible Banking and UN Principles for Responsible Investment are important commitments that guide this work and are the basis of the bank's positions and how it acts.

Partnerships nationally and internationally are an important part of Swedbank's sustainability work. The bank is active in a number of strategic forums to collaboratively promote sustainable development in the financial sector. Swedbank cooperates with several of the largest Nordic companies through the network Nordic CEOs for a Sustainable Future to contribute to the UN Sustainability Development Goals by adapting business strategies and through cooperations with the Nordic governments and public agencies to accelerate progress on key sustainability issues.

Swedbank is a member of the bankers' associations in all its home markets and through them maintains an open dialogue on sustainability with others in the industry.

Swedbank applies the precautionary principle and follows the UN Global Compact's 10 principles. The bank has integrated sustainability risk analyses in central processes and takes, among others, the following precautionary measures:

- In dialogue with customers and suppliers, guidelines are applied to call attention to specific risks, opportunities and recommendations related to various industries' sustainability problems.
- As part of the financial analysis, sustainability risks are assessed.
- Employees receive mandatory sustainability training.
- Through the bank's ISO 14001 certified environmental management system, an annual assessment is made of the Group's environmental impacts and compliance with laws and environmental requirements.

Partnerships

The world today is more interconnected than ever before and sustainable development benefits from partnerships and collaboration. UN Sustainability Development Goal 17 stresses the importance of sharing knowledge, expertise, technology and financial resources to achieve the goals. One way to build competence within Swedbank is by partnering with other organisations to effectively advise customers on adopting more sustainable business models, technologies and lifestyles.

The bank has a long tradition of innovation and cooperation with others to generate higher value and develop user-friendly financial services for its customers. One example is the long relationship with the savings banks, where educating the public on personal finance has been a significant part of the partnership. Swedbank has also joined the Energy Efficient Mortgages Initiative, where new mechanisms are being developed so that investments in energy-efficient housing solutions can qualify customers for better mortgage terms.

Partnerships have been established with third parties such as fintech firms to focus on technology, the customer experience and interfaces, which has created opportunities to offer new customer-centric functions, services and products. The goal is to develop partnerships with third parties to deliver solutions for sustainable production and consumption. Part of this is utilising digital technology for new solutions that contribute to economic inclusion, greater access to credit and improved data security. So far the main result has been experience-based services, but developments in open banking, as part of Payment Service Directive 2 (PSD2), are paving the way for new technological innovations.

Commitments
<ul style="list-style-type: none"> • Equator Principles • Principles for Responsible Banking (PRB) • Science Based Targets initiative • Task Force on Climate related Financial Disclosures (TCFD) • UN Women's Empowerment Principles • UN Global Compact • UN Guiding Principles on Business and Human Rights • Climate Action 100+ (Swedbank Robur) • Finance for Biodiversity (Swedbank Robur) • International Corporate Governance Network (ICGN) (Swedbank Robur) • Principles for Responsible Investments (PRI) (Swedbank Robur)
Membership and network
<ul style="list-style-type: none"> • Bankers' associations in Sweden, Estonia, Latvia and Lithuania. • Energy Efficiency Financial Institutions Group (EEFIG) • EU Diversity Charter and Diversity Charter in Estonia, Latvia and Lithuania • European Savings and Retail Banking Group Sustainable Task Force • ICC Business Charter for Sustainable Development • Institute for Sustainability and Corporate Social Responsibility in Latvia • Lithuanian Association of Responsible Business • Nordic CEOs for a Sustainable Future • The Swedish Association for Sustainable Business (NMC) • Swedish Bankers' Association's Sustainability Council and Sustainability Committee • Swedish banking sector's (employer association BAO and trade union Finansförbundet) Central Gender Equality and Diversity Committee • Swedish National Advisory Board for Impact Investing (NAB) • UN Environmental Programme for the Financial Sector (UNEP-FI) • UN Global Compact's Sustainable Ocean Business Action Platform in Norway
Partnerships
<ul style="list-style-type: none"> • Swish – payment processing • Bankgiro – real-time clearinghouse for mass payments in Sweden • Gigstr – "Switch Jobs" initiative where companies can share employees • Minna Technologies – subscription service through mobile app • Meniga – mobile service that empowers people to manage their personal finances • Asteria – a digital cash flow and decision making tool for small to mid-sized companies • Kaching – a cloud-based, mobile and simple payment solution for merchants

The above is a sample of engagements.

Materiality analysis

As a company and bank, Swedbank is strongly impacted by outside events, economic conditions, laws and regulations, growing competition and an increased demand for transparency and availability from customers and other important stakeholders.

It is important to understand which issues and drivers are priorities for the bank's customers and stakeholders when they make their choices, as well as which areas are considered most important for the bank to contribute to society's sustainable development.

To track this, the bank continuously interacts with stakeholders during the year through so-called stakeholder dialogues – both qualitative and quantitative. Customer, brand and opinion surveys, as well as trade forums where current issues and trends are brought up, are examples. During the year, Swedbank also performed a materiality analysis to identify the issues most relevant to stakeholders and the bank's own business. These analyses are performed every few years, to gain insight on trends, business risks and opportunities that affect the bank's ability to create long-term value, which provides an opportunity to prioritise areas that both internal and external stakeholders expect the bank to focus on.

Method

The first step in the year's analysis was to identify material areas through a comprehensive evaluation based on the bank's previously selected areas and the most pertinent topics for the financial sector. This analysis was used in formulating a survey sent to around 120 key employees representing various business areas and staff functions with a good understanding of Swedbank's stakeholders. The results then served as the basis of a second survey, which was sent to external stakeholders. The material topics were revised, some were removed, and consolidated to include eleven areas that were considered important for developing Swedbank from a sustainability perspective. The topics covered everything from economic stability

to secure IT systems, climate impacts, societal engagement and gender equality. Responses were received from around 900 private customers, 400 corporate customers, 500 employees, 17 social partners (e.g. authorities and interest groups) and 8 owners/investors. The materiality analysis was conducted in Sweden, Estonia, Latvia and Lithuania.

Results

A clear pattern emerged in how various areas were ranked by stakeholders, regardless of stakeholder group and market. The highest rankings were for the areas that are cornerstones of the bank's operations, while more product and thematically oriented areas ranked lower. At the same time, all the topics were considered important with a lowest average score of 7.4 (on a scale of 1–10).

Areas such as financial stability, stable IT systems with high security and resilience, business ethics and performance are among Swedbank's main success factors according to stakeholders. Shortcomings in any of these areas can impact the bank's reputation and opportunities to create long-term value for stakeholders. These areas are categorised as key parameters and provide a platform for the bank as a company.

Other more product-related areas such as sustainable investments and sustainable finance are also considered important areas for Swedbank to have a positive impact on society from an environmental, social, economic and ethical perspective.

The results of the materiality analysis are then reflected in Swedbank's strategic business decisions and activity planning and provide a basis for sustainability reporting in accordance with the Global Reporting Initiatives (GRI).

	Order of priority	Note	SDG
Key parameters	1 Secure and stable IT systems	S7	
	2 Business ethics	S7, S10	
	3 Financially stable bank	S8	
	4 Combat economic crime	S7	
	5 Responsible governance	S7, S10	
	6 High availability	S1	
	7 Attractive employer	S6	
Thematic areas	8 Promote sustainable investments	S2, S9	
	9 Promote climate transition	S2, S3, S4, S5	
	10 Societal engagement	S8	
	11 Promote sustainable finance	S3, S9	

Stakeholder engagement

Stakeholder groups

Swedbank's stakeholders are divided into four main categories: Customers, Employees, Owners and Investors, and Society & the world around us. In addition, Swedbank interacts with a large number of other stakeholder groups to varying degrees. They include the following:

- Authorities
- Municipalities and county councils
- Regulators
- Pension managers
- Asset managers
- Analysts
- Journalists
- Unions
- Students
- Foundations
- Not-for-profit organisations
- Stakeholder organisations
- Trade organisations
- Associations
- Primary and secondary schools
- Colleges and universities
- Suppliers
- Subsidiaries
- Competitors
- Ratings agencies
- Sustainability indexes
- Auditors

Identifying and selecting stakeholders

Swedbank's stakeholders are those who are materially impacted by and have an impact on the bank's operations. This serves as the basis for selecting the overarching stakeholder groups. Based on the Group's overarching framework, market analysis, internal discussions and active, structured measures to create and participate in various forums for dialogue and advocacy, Swedbank identifies and selects relevant stakeholders within each group.

Material topics and approach to stakeholder engagement

Communication with stakeholder groups is important to Swedbank's operations. The bank maintains an open dialogue with many different groups in society. The Group Communication and Sustainability unit provides guidelines, support and coaching for stakeholder dialogue. Swedbank operates in various markets and dialogue is adapted for local implementation.

Following is a description of some of the key topics discussed with stakeholders during the year. For more information on how the bank addressed these issues, see pages 16–23 and 199–236.

Customers

The bank dialogues with customers through both traditional and digital channels. Customers also meet the bank through its marketing and other ongoing activities. Annual customer surveys are a valuable source of opinions and suggestions. Key topics raised during the year included:

- Digital services and availability for the bank's customers
- Loss of confidence related to shortcomings in the bank's AML work
- Increased interest in how sustainability-related regulations impact the bank
- Increased demand for sustainable products and services.

Employees

How employees perceive their work situation has a big impact on their performance, engagement and well-being, as well as how they in turn are seen by colleagues, customers and other stakeholders. The year was largely distinguished by Covid-19 and its impacts. Swedbank regularly conducts surveys to gauge employees' views on their work situation and the bank as an employer. Employee engagement is measured, discussed and followed up in all groups. Key topics raised during the year included:

- Communication on Covid-19 with the aim of creating a safe and secure workplace and limiting the spread of the coronavirus
- Comprehensive evaluation that involved all employees in order to strengthen the bank's corporate culture and create a clearer strategic direction going forward

- Began development work on the bank's leadership with new principles to clarify demands and expectations on the bank's leaders. Continuous support and upskilling in key areas through specialised training, not least as relates to the pandemic
- Further development of the "Swedbank at Work" concept.

Owners and investors

Swedbank actively communicates the Group's strategy and development to existing and potential investors, analysts and the media. Information is provided through various channels such as quarterly reports, annual and sustainability reports, meetings with investors, teleconferences, the company's website and press releases. Capital market days, which are held to present Swedbank and its operations, offer an opportunity for dialogue. Key topics raised during the year included:

- How the bank is impacted by and is managing the consequences of the Covid-19 pandemic, e.g. in terms of credit impairments, lending and amortisation exemptions
- Action plan to strengthen the bank's work to prevent money laundering and with the remaining regulatory investigations
- The bank's ESG rating and sustainability work.

Society & the world around us

Swedbank continuously cooperates with supervisory authorities and decision makers on issues related to the current sustainability agenda - through bilateral dialogue and collaboratively with other banks through various trade organisations. The bank is a member of the Swedish Bankers' Association's sustainability council and sustainability committee as well as the European Savings and Retail Banking Group (ESBG) Sustainable Finance Task Force. An open dialogue is maintained with the Ministry of Finance, the FSA and other relevant Swedish authorities, and with the European Commission, the European Central Bank and the European Banking Authority.

Swedbank is engaged in various social initiatives in our home markets. Though they differ in purpose, scope and geography, the goal is the same: to promote social development. Swedbank regularly interacts with various groups in society through local projects and activities covering everything from business-related issues to public education and volunteer work. Key topics raised during the year included:

- EU regulations (taxonomy, disclosures and benchmarks) as part of the EU Commission's action plan to finance sustainable growth. This includes the challenge that the taxonomy currently covers only climate aspects and the debate on applying the taxonomy to credits where there is limited access to data on customers' carbon footprint.
- Continued efforts to address historical shortcomings in detecting and preventing money laundering, and how the shortcomings are addressed. The need for dialogue with decision makers and others outside the bank has been greatest in Sweden and Estonia.
- In consultation with the Sparbanksstiftelser among others, a new organisation has been established in Sweden to accentuate the bank's engagement in social issues across the country through initiatives such as Young Economy, Digital Economy and Junior Achievement. Despite the ongoing pandemic, which has made it harder to meet young people face-to-face, the aim is still to double the number of participants who learn new skills as part of Young Economy via digital solutions.
- The ongoing pandemic has impacted many, and to support our customers we have created web pages that aggregate information, videos, calculators, tips and advice for private and corporate customers. By October 2020, the pages already had over a million visitors. In partnership with the talent matching firm Gigstr we also launched "Switch Jobs", an initiative that enables companies to share employees.

Sustainability management

The governance model and operational structure are designed to support Swedbank's purpose – empower the many people and businesses to create a better future. Sustainability management is integrated in the Group's operational controls and comprises Swedbank's sustainability policies, strategy, Group goals, implementation, monitoring and reporting. The ambition is to maximise business and social benefits and minimise the negative effects of Swedbank's business and operations by integrating economic, social, environmental and ethical dimensions in the bank's core processes.

Sustainability management is based on Swedbank's governing framework (policies, instructions, policy statements and sector guidelines) and is implemented in the bank. Swedbank's ISO 14001 certified environmental management system creates a systematic approach and structure to monitor targets and other results in the environmental and sustainability work. The bank maintains and improves the management system in accordance with the requirements of the standard. As part of the environmental management system, reporting is provided continuously for the annual "Management Review" and for internal and external audits of the system.

Regulations and oversight: Sustainability management is affected by stakeholders' priorities, new external regulations and the bank's own ambition to play a part in the development of a sustainable society. A number of regulations and frameworks have been adopted by the EU to align with the Paris Agreement and the UN Sustainable Development Goals. The purpose of the regulations is to steer capital to sustainable investments, include risks associated with sustainability in the financial sector's risk management and/or promote transparency and a farsighted approach. One of the regulations that has been adopted is on sustainability-related disclosures. The goal is to be more transparent about integrating sustainability risks and the negative impacts on the environment or society from investment decisions and in advisory services. Another regulation establishes a framework to facilitate sustainable investments, also known as the taxonomy. The aim is to create a tool that classifies investments as sustainable or not.

Swedbank's Board of Directors has ultimate responsibility for governance of the sustainability work and are actively involved in these issues. The Board adopts the bank's policies in this area, including the code of conduct (all available on swedbank.com/sustainability). These policies apply to the Group and are designed to set a standard for Swedbank's sustainability work and ensure that employees comply with current laws and regulations. They include the Group's sustainability policy, environmental policy, human rights policy and policy on diversity and inclusion.

Internal Audit is an independent control function whose head is supported by and reports to the Board of Directors and therefore is independent of the executive management. The purpose of Internal Audit's reviews is to create improvements in operations by independently evaluating the bank's corporate governance, risk management, and internal control processes. In 2020, Internal Audit completed a number of audits of the bank's sustainability commitments. This included parts of the bank's climate reporting and sustainability analysis. With the help of these audits, procedures and tools have been developed and refined.

Swedbank's Corporate Governance report 2020 is presented on pages 36–55.

Material impacts and strategic policy documents

Material topic	Material impact			
	Employees	Customers	Society & the world around us	Owners & investors
Responsible corporate governance		x	x	x
Attractive employer	x			
Business ethics	x	x	x	x
Sustainable investments		x	x	x
Sustainable lending	x		x	x
Climate change	x	x	x	x
Combat financial crime	x	x	x	x
Financial stability	x	x	x	x
Societal engagement	x	x	x	x
Secure and stable IT systems	x	x	x	x
Availability		x		

Examples of strategic policy documents that support Swedbank's material topics

- Anti-corruption policy
- Code of conduct
- Credit policy
- Environmental policy
- ERM policy
- Governance policy
- Human rights policy
- Policy on gender equality, diversity and inclusion
- Policy and instruction on anti-money laundering and counter-terrorist financing
- Position statement on climate change
- Position statement on defence industry
- Remuneration policy
- Responsible investment policy
- Sustainability policy
- Supplier code of conduct
- Tax policy

President and CEO is responsible for following Swedbank's strategic direction, which shows the way forward, where the bank is headed and what has to be done to reach the goals that have been set. This also includes sustainability. The President and CEO is ultimately responsible for the Group's position statements as well as the instructions issued to support policy implementation. At this point, statements have been issued on the defence industry and climate change and contain more detailed instructions than Swedbank's policies. The statements clarify that the bank will not invest in or finance companies that manufacture cluster bombs, anti-personnel mines, chemical or biological weapon; companies that manufacture nuclear weapons; and companies that generate a significant share of their revenues from coal production or extraction.

Swedbank Business Ethics Committee: Swedbank's Business Ethics Committee supports the CEO with the effective management and oversight of ethical and sustainability issues. Its members represent the various business areas and Group Functions as well as the Group Executive Committee. Swedbank's Head of Sustainability is the chair and the committee's role is to guide the organisation to minimise sustainability risks and any negative impacts by and for the bank. The Business Ethics Committee manages issues where the environment, human rights, social responsibility and business ethics are a critical factor in business decisions and when an ethical dilemma arises. Swedbank's policies, position statements and guidelines in this area are the basis of the Business Ethics Committee's analysis and recommendations.

The committee's recommendations must be followed, but cases can be escalated to the committee chair and the CEO if there is a disagreement. The number of cases is tracked and the minutes of the committee's meetings are distributed to the CEO and the Group Executive Committee. If there is a conflict of interest where e.g. a business decision does not align with the Business Ethics Committee's recommendations, it is up to the CEO to decide on the matter.

Group Communication and Sustainability drives the Group's sustainability agenda forward and makes suggestions to the CEO. The unit includes Group Sustainability, which is led by the Head of Sustainability and reports to the Head of Group Communication and Sustainability. Throughout Group Sustainability, the goal is to integrate and promote sustainability-related issues, such as strategies, goals and monitoring.

With a growing need and demand for sustainability skills, to comply with increased regulations and to offer attractive products and services, sustainability was one of Swedbank's strategic focus areas in 2020. As a result of the strategic initiative, a new Center of Excellence in Sustainable Finance and Business Integration was established within Group Sustainability to help Swedbank integrate sustainability in each business unit, including the integration of EU's Sustainable Finance regulation.

Each Group Function, product area and business area in the Swedbank Group has also assigned a sustainability ambassador as a contact with Group Sustainability. The ambassador's responsibility is to ensure, together with the line manager, that their employees are familiar with and follow policies, instructions and routines in the sustainability area, and draft action plans, environmental goals and activities in collaboration with Group Sustainability. In all, around 40 sustainability ambassadors are driving this work based on the ISO 14001 environmental management system.

The Head of Sustainability is the chair of the Green Bond Committee, which decides on green assets in accordance with the Green Bond Framework.

Other Group Functions support and collaborate with Group Sustainability to establish frameworks, policies and governance.

Group Functions with sustainability responsibility: Each Group Function is responsible within its area of operation for compliance with sustainability aspects. The nature of the issue and expertise needed determine which unit has primary responsibility.

Committees: The committees that are also responsible for sustainability-related cases play a preparatory role and include the Group Risk and Compliance Committee and Group Credit Committee. The procurement unit has a Procurement Sustainability Council, which handles issues and decisions escalated for sustainability reasons.

Group Sustainability is contacted for advice and engages when called on. In the event of difficult business decisions and/or if the framework is not sufficient for guidance, the case can be escalated to the Business Ethics Committee.

Line Managers for Business Areas and Product Areas are responsible for implementing sustainability, integrating sustainability aspects in business decisions and routines, and continuously monitoring the implementation of the sustainability framework.

Product areas: Group Financial Products and Advice has sustainability as a core aspect of its operations, based on the unit's accountability for lending, savings and insurance products, advisory processes and Swedbank's subsidiaries: Swedbank Insurance, Swedbank Robur and Swedbank Mortgage.

In addition to stakeholders' expectations of sustainable investment products, the EU regulations are also focused primarily on investment products, including how sustainability risks are taken into consideration in the products Swedbank prepares, distributes and advises on. This unit has dedicated sustainability teams and/or managers to strengthen demand and refine specifications. A steering committee on sustainable finance has been established as well for the EU regulations.

Business areas: For Swedbank's business areas – Swedish Banking, Baltic Banking and Large Corporates and Institutions – sustainability is becoming increasingly important to customers' expectations and the offers and advice they receive. Based on this demand, dedicated sustainability experts have been appointed in each business area who are responsible for implementing the Group's sustainability framework and ensuring that resources and competence are available to meet customers' needs.

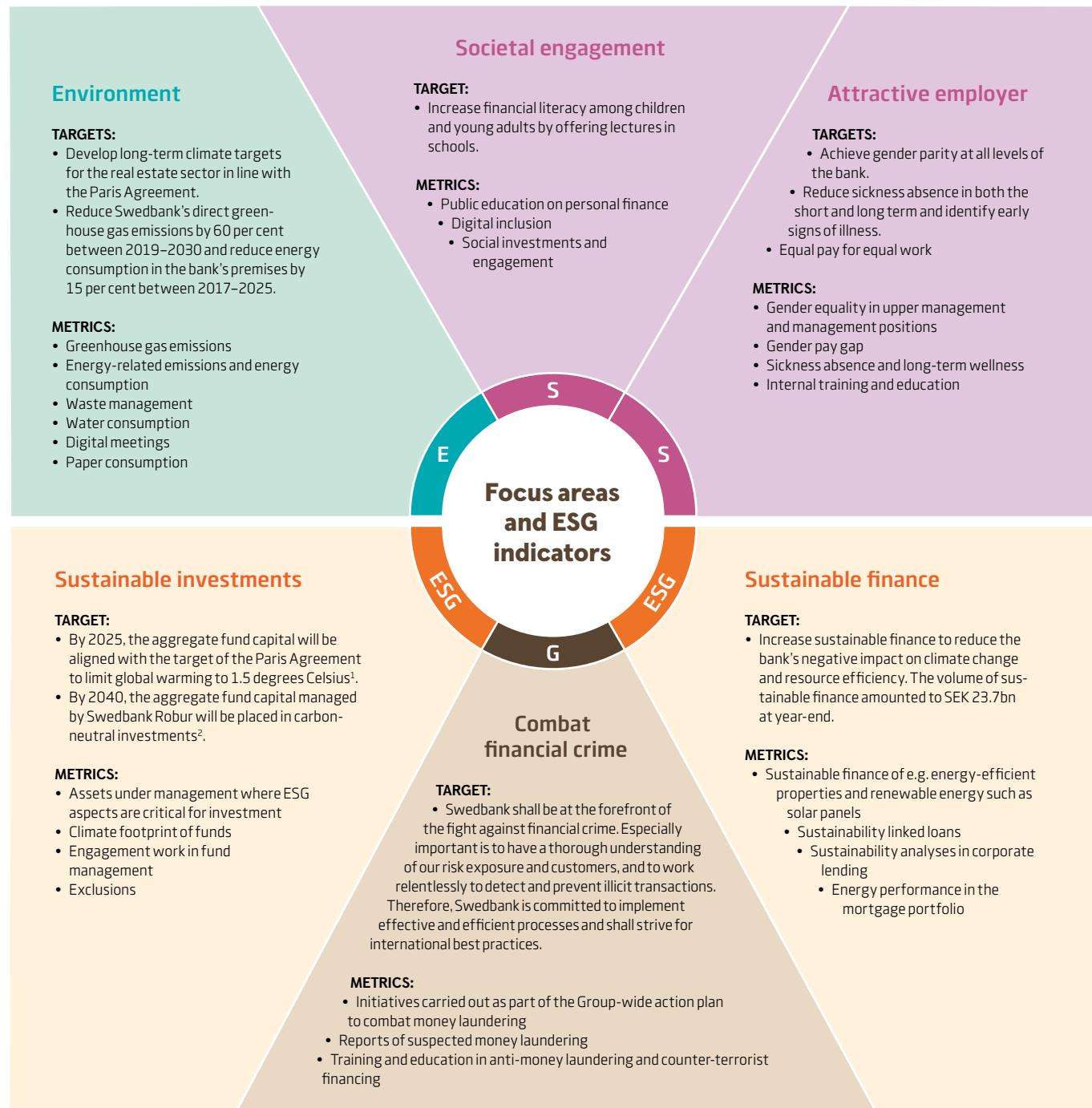
External audit

Swedbank's sustainability work is reviewed and audited by third parties for several purposes. The annual report, where Swedbank's reporting is audited based on GRI Standards, is one example. Another is Swedbank's green bonds, which are audited by third parties on an annual basis as part of an impact analysis. This helps to assure of the bank's sustainability processes and contributes to further development.

Monitoring and evaluation

Swedbank's vision is based on a conviction that the bank, with its large customer base, can continue to have a major impact on society. The vision is a sustainable society from an environmental, social, financial and ethical perspective. It is imperative that the bank continuously tracks its progress and contributions to sustainability. Targets and metrics for a sample of

Swedbank's material topics are presented in the model below. A structure for follow-up has been established internally, where parts of the targets are followed up by the bank's management and Board during the year. The results are shown in the section Sustainability notes on pages 212-228.



¹⁾ The aggregate fund capital we manage will follow a track that is in line with the target of the Paris Agreement, starting from 2020. We will adjust our investments in the most relevant sectors, and use acknowledged models to conduct scenario analyses. By 2025, we will be in line with the International Energy Agency (IEA) Sustainable Development Scenario.

²⁾ Over the long term, the aggregate fund capital we manage will go further than required by current scenarios to be in line with the Paris Agreement. Accordingly, we will be climate neutral by 2040, ten years before the target of 2050. Emissions from companies and issuers will be net zero. The emissions covered are scopes 1 and 2, as well as relevant scope 3 categories. Net zero emissions are defined as [absolute emissions] - [negative emissions] (carbon capture through land use, carbon capture and storage, and so forth) and will be zero or negative. This corresponds to how global emissions should be in 2050 under a scenario of 1.5 degrees Celsius, according to the IPCC.

UN Principles for Responsible Banking

The Principles for Responsible Banking (PRB) were launched in September 2019 and Swedbank, together with more than 200 banks around the world, has signed them. The bank's vision is based on a conviction that Swedbank, with its large customer base, can continue to have a major impact on society - a society that is sustainable from an environmental, social, financial and ethical perspective.

A commitment to sustainability is fundamental to Swedbank's operations with the aim of creating a positive impact. The UN Sustainable Development Goals (SDGs) guide this work, and the ambition is to continue to take lead for systemic change and develop innovative solutions that inspire and enable people and businesses to make sustainable choices. Swedbank's responsibility for sustainable development starts with the way it does business. To highlight and increase its contributions, the bank has to understand the effects of its operations, both positive and negative. This insight enables Swedbank to stay engaged in society and take responsibility for the critical function that the bank plays in the financial system by maintaining a strong financial position, good credit quality and strong capitalisation.

Implementation of the principles

PRB consists of six principles - (1) Alignment, (2) Impact and Target Setting, (3) Clients and Customers, (4) Stakeholders, (5) Governance and Culture (6) Transparency & Accountability - which provide a global sustainability framework and means that the banks and institutions that stand behind the initiative have to align their business strategy with and contribute to the Paris Agreement and the UN Sustainable Development Goals. Swedbank worked actively during the year to implement the principles; a self-assessment is shown on pages 234–235. In total, the bank conducted activities involving each principal, with two key projects taking precedence. One is to align the bank's strategic approach with the overarching vision to achieve a financially sound and sustainable society. The bank's new strategic approach is presented on pages 7–9. The second project is the implementation of a portfolio impact analysis to improve understanding of how the bank, through its products and services, impacts and creates value for stakeholders and society as a whole.

Analysis of the bank's impact

Implementation of the UN Principles for Responsible Banking was intensified during the year. Much of the focus has been on Principle 2 – Impact & Target Setting, where a comprehensive impact analysis has been done of the Group's portfolio. In addition, a pilot study has been conducted of company-specific assessments within Baltic Banking. Both analyses used tools developed by the UN Environment Programme Financial Initiative (UNEP-FI) to help signatories better understand their impacts: UNEP-FI Portfolio Impact Analysis Tool and UNEP-FI Corporate Impact Analysis Tool.

While the UN Principles for Responsible Banking were being implemented, a materiality analysis was conducted as well during the year, the results of which are presented on page 202. Through the analysis, Swedbank had interactions with external stakeholders and gained a better understanding of which areas they want the bank to prioritise going forward.

Methodology

To understand and analyse how Swedbank, through its business, impacts and creates value for stakeholders and society as a whole, a portfolio impact analysis was conducted as outlined in the principles. It is important to take into consideration when interpreting the results that the analysis method and tool from UNEP-FI are totally new and will be refined and revised going forward. In addition, the quality of the results depends on how well the underlying information fits the tool's structure and design. The aim is to give Swedbank a holistic view of its impacts.

The analysis was conducted at the Group level in Sweden, Estonia, Latvia and Lithuania utilising information from each business area: Swedish Banking, Baltic Banking, and Large Corporate Institutions (LC&I). The analysis was based on the income distribution for the corporate business in 2019 and on the various loan products for private customers as a way to cover the bank's entire operations and geographical distribution to the extent possible with this analysis tool. Input data for the private market consisted of the number of active customers per loan product as of August 2020, while data for the corporate market consisted of income divided geographically and by sector as of 31 December 2019.

Every country is unique and therefore requires different measures when it comes to the areas impacted by sustainability aspects, e.g. biodiversity, infrastructure or food accessibility. The analysis tool takes this into account by assigning each country a weight. The weights are based on 22 impact areas across social, economic and environmental pillars to show the need in relation to how well the country performs in each area.

Asset management, insurance, capital market products and private banking are not covered by the analysis, since they are not yet included in the analysis tool. Consequently, the end result is impacted, since a significant share of Swedbank's business is in these areas.

Results of the analysis

The results of the analysis indicate that Swedbank, through its business, plays an important role in society and its development. It is mainly in the areas of housing and employment where Swedbank can impact in a positive direction. Its biggest opportunity is in the real estate and manufacturing sectors, as well as in areas associated with legal, accounting and consulting services. The bank's ability to contribute positively in the areas of housing and employment can, for example, include increased access to housing opportunities in the form of financing for individuals and real estate companies, as well as higher employment rates. This in turn generates a positive impact on UN Sustainable Development Goal 8 Decent Work and Economic Growth and Goal 11 Sustainable Cities and Communities.

The results also show that Swedbank, through its business, can help to limit negative impacts in the areas of resource consumption and climate change. It is mainly the bank's business in the real estate, manufacturing, agricultural, forest forestry and fishing sectors, as well as in certain parts of the energy sector tied to fossil fuel extraction, that are relevant sectors to focus on in order to limit the bank's negative impacts and to promote sustainable development. Resource efficiency and a smaller climate impact are important areas that impact UN Sustainable Development Goal 12 Sustainable Consumption and Production and Goal 13 Climate Action. It is important to note, however, that the underlying sectors at the same time play an important role in society. For example, the food supplied by the agricultural sector and the forest's ability to absorb carbon dioxide are critical to building a sustainable society. In Sweden alone, the forests absorb the equivalent of 40 million tonnes of CO₂ annually¹.

Targets

Swedbank has established two overarching targets to continue to contribute positively and limit the negative impacts on the UN SDGs and society as a whole. The targets are:

- In 2021, develop long-term climate targets for the real estate sector aligned with the Paris Agreement.
- In 2021, increase Swedbank's sustainable financing. Total sustainable financing volume was SEK 23.7bn at year-end 2020.

These targets are focused on areas where Swedbank has the biggest opportunity to contribute to sustainable development, using the results of the portfolio impact analysis and with Agenda 2030 as a basis.

It is through close collaboration with customers that Swedbank can achieve the greatest change. The targets apply to the entire Group and are implemented in each business area and relevant Group Function as part of day-to-day activity and business planning. They will be continuously monitored and evaluated over the next year as part of this process. In addition, Group Sustainability, in dialogue with those responsible in each business area and Group function, will try to build a better understanding of how the work and progress being made affect the bank's impact areas.

1) The Swedish Environmental Protection Agency and Fossil Free Sweden. Roadmap for fossil free competitiveness – The forest sector.

TCFD recommendations

Climate change will increasingly impact the global economy in coming years. The TCFD recommendations give companies a way to track the financial implications that climate change will have for their businesses and give investors a way to see how companies are addressing the climate issue.

The banking and financial sector is the heart of the global economy and plays a crucial role in the economic system. A well-functioning financial sector supports the economy, while the opposite could weaken it. Climate change poses a risk to many parts of society, e.g. social infrastructure, agriculture, transport and real estate. The consequences of climate change also affect human health and well-being, which in turn creates a risk for financial companies such as banks, insurance companies and fund companies. It is critical therefore for companies in this sector to understand how temperature increases can impact their operations in the short and long term.

To understand how a global temperature increase can impact various sectors, Swedbank has conducted scenario analyses of the TCFD sector groups energy, materials and buildings, transportation, agriculture, food, and forest products, and finance. The two scenarios applied in the analyses are the Sustainable Development Scenario (SDS <2°C temperature increase) and Stated Policy Scenario (SPS ~3°C temperature increase), both from the International Energy Association (IEA). These scenarios

comprise global, regional and sector levels and enable an analysis of how various temperature increases could impact Swedbank's lending and investments.

The below table shows a sample of the risks and opportunities Swedbank has identified in working with the analyses. The transition risks are most clearly evident in the SDS scenario as a result of climate policy and technological development, while the physical risks are most evident in the SPS scenario. The risks primarily arise through the bank's business and can lead to increased credit risk and reputational risk for Swedbank. As regards opportunities, they are usually in terms of increased/new business volumes in the sectors where transition is underway.

The main insight gained from the analyses is that regardless of the scenario, conditions change in every sector, creating both opportunities and risks. Political decisions, technological progress and demands from stakeholders all have an impact.

	Short term	Medium term	Long term
Risks	<p>Oil-related revenue and asset values fall, increasing credit risk in the energy sector.</p> <p>Costly investments for transition and electrification of the transport sector.</p> <p>Lower EU subsidies to farmers in favour of measures that target the environment and climate change could be a financial issue for the agricultural and forestry sector.</p> <p>New political initiatives and regulations in all sectors.</p> <p>Rapid changes in consumption patterns in all sectors.</p>	<p>Demand for new resource efficiency technology, e.g. precision agriculture in farming and forestry.</p> <p>Challenge to improve agricultural production methods that help to meet food demand with less climate impact.</p> <p>Lower demand for energy-intensive properties could lead to price declines/lower valuations in the real estate sector.</p> <p>ESG investors exclude engagements with significant exposure to areas with elevated climate risk within the financial sector.</p> <p>Reputational risk if the bank's own management of climate risks is seen as insufficient.</p> <p>Stricter climate policies force customers to develop solutions to reduce GHG admissions in all sectors.</p> <p>Customer demand for ESG advice in all sectors.</p>	<p>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.</p> <p>Sea level rise in flood-prone areas could lead to price declines and increased need for building maintenance and repairs in the real estate sector.</p> <p>Unsuccessful energy transformation in the real estate sector.</p> <p>Global impacts due to climate change that affect the global economy could have negative consequences for the financial sector.</p> <p>Investment and holding companies that have little focus on climate change or own assets that cannot be adapted are at risk of seeing some of their assets grounded in the financial sector.</p>
Opportunities	<p>Increased financing need for investments in technology and distribution for the transition in energy sector.</p> <p>Expected growth in solar and wind power in both the energy and real estate sectors.</p> <p>Increased need for energy efficiency in the real estate sector.</p> <p>Established relations with major players make direct climate adaptation measures possible in the agricultural and forestry sector.</p> <p>Regulations and subsidies open up opportunities for investments in electric vehicles and renewable fuels in the transport sector.</p> <p>Develop advisory services focused on transition and integration of climate aspects, related products and issuance of debt and capital instruments in the financial sector.</p>	<p>Increased investment needs for climate change adaptation in order to reduce physical risks, mainly in the agricultural and forestry and real estate sectors.</p> <p>The transition to more circular and resource-efficient processes could give customers a competitive edge in the real estate sector.</p> <p>Increased demand for ESG products and services in all sectors.</p> <p>Financing of new technologies, e.g. electrification, digitisation and automation, in all sectors.</p>	<p>Extended growing season in Northern Europe due to higher temperatures and longer warm periods could result in increased food and lumber production, benefitting the agricultural and forestry sector.</p> <p>A growing bioeconomy could give customers access to new markets and segments due to increased demand for bioenergy as renewable raw materials in the agricultural and forestry sector.</p> <p>Lending to customers with a deep insight into the impact of climate change and their sector-specific transition needs in the financial sector.</p>

Governance

During the year, Swedbank reviewed and revised its Enterprise Risk Management (ERM) policy. The work has also included clarifying the risk appetite set by the Board, which indicates the level of risk that the Board of Directors is prepared to expose the company to in order to achieve the strategic targets. In connection with this, the perspective on sustainability risks has been clarified. The Board monitors that the bank's risk level is not exceeded, including through regular reporting from Group Risk.

The risk level is regulated and monitored at the CEO, Group Executive Committee and business area level through risk indicators and limits that encompass the bank's lending to the customer segments that, through the scenario work, are thought to have the highest climate risk. During the year, members of the bank's management participated in the scenario work and the final reports were submitted to the managers of each business area, who are then responsible for integrating the conclusions and recommendations in their strategy and planning in terms of both business development and risk management.

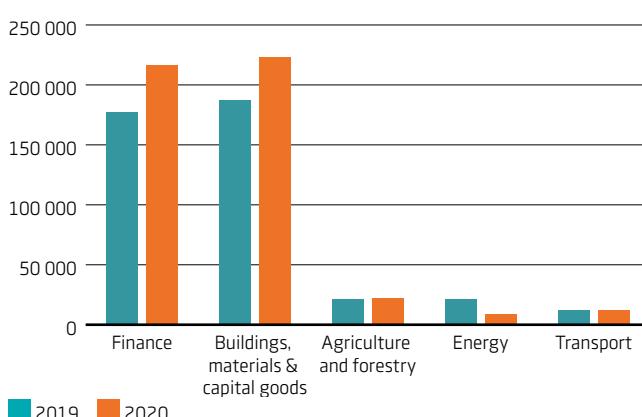
Strategy

In line with the bank's strategy and the identified risks and opportunities, the following steps are important for the bank to enable the many companies to undergo a sustainable transition:

- **Support the transition to a low carbon economy** – Swedbank strives to be part of the transition and help customers make sustainable decisions. The bank has continued to place more focus on sustainability in the advisory and to offer sustainability-linked products.
- **Increase climate change awareness** – It is important that the bank's employees have a thorough understanding of climate change so that they can proactively, through advice, help customers manage risks and fully capitalise on opportunities, at every level of and by everyone in the bank.
- **Transparent reporting** – Swedbank is continuously improving its climate reporting in response to the growing demand for climate-related and forward-looking information. The bank is working actively to increase the collection and analysis of data from relevant sectors to meet this demand.

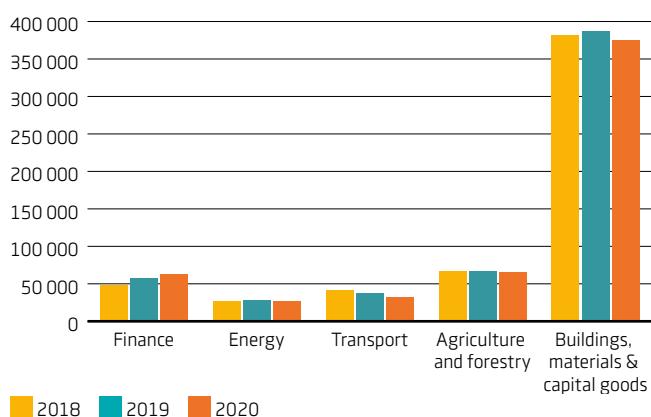
Swedbank's scenario analyses have facilitated the identification of risks and opportunities in sectors with elevated risk due to climate change, which thereby serve as the basis of future business strategies. Swedbank's investments and lending to sectors with elevated risk due to climate change and the changes over time are shown in the following figures.

Investments in TCFD material groups through Swedbank Robur, SEKm¹



¹⁾ Total fund assets under management refers to holdings in TCFD significant groups.

Lending to TCFD material groups, SEKm



Detailed TCFD information on Swedbank's exposure to climate risks in its lending can be found in Note 3.1.9 (Climate-related information).

Against the backdrop of the scenario analyses that have been conducted and other knowledge it has on its customers and lending, the bank is considered resilient in both the short and long term. The transition risks that have been identified in the next decade are limited due to the bank's low credit exposure to the most vulnerable sectors, such as energy and transport. The transition risks that can be identified are of a nature that they can be managed in close collaboration with customers and through agreements by which the bank is adapting its advisory and financing. In the longer term, physical risks could become material as the bank, through its lending, has a much greater exposure in the real estate, agriculture and forestry sectors. They are also considered manageable. Much of the physical risk involves preventing and thereby mitigating the effects of various climate and weather events. This could mean protecting properties or ensuring that a company is able to handle increased volatility in production and cash flows. Here as well, the bank and its customers are thought to be able to manage this and adapt financing to the new needs.

It should be underscored that this is the bank's assessment now, and as indicated is mainly based on qualitative analysis applied to the current portfolios. The greatest uncertainty is in the area of physical risks, where more knowledge, methodologies, standards and data will have to be developed and continuously improved.

Risk management

Swedbank's framework for governance, risk appetite and risk management

Risk management is integrated in Swedbank's various processes. The Group's ERM policy serves as the basis of risk management and governance and provides guidance in managing risks. In addition, the risk management framework includes other policies, tools and processes for risk management.

Swedbank updated the ERM policy during the year and clarified the risk appetite for the various types of risks. The policy describes sustainability aspects and provides further guidance to the business units. According to the policy, Swedbank will play an active role in addressing climate change and help its customers transition to a sustainable future. Sustainability risk is a separate type of risk and includes the risk that comes from being unable to correctly manage environmental, social and governance aspects, such as human rights, fair labour and business ethics, which have the potential to adversely affect finances and/or the Group's brand and reputation. Sustainability is an important risk driver and can affect several types of risks, e.g. governance, strategic, credit and operational risks.

Climate-related training

During the scenario analysis work, it was decided to broadly increase understanding of climate change within Swedbank. As a result, three levels of training were developed and launched in 2020: a general level that is mandatory for all employees, more in-depth training mandatory for all those who interact with customers and related support functions, and detailed training for everyone who participates in scenario analyses.

Management of climate risks in the credit portfolio

A sustainability analysis is required in connection with all corporate loans. The analysis is integral to the credit analysis and is designed to evaluate how risks related to these areas impact the bank's reputation as well as the bank's and customer's profitability. The sustainability analysis is mandatory for all corporate exposures where the total group credit limit exceeds SEK 8m in Sweden and EUR 0.8m in the Baltic countries after deducting credits secured by residential mortgages.

The annual Credit Risk Outlook continuously identifies climate risks and provides recommendations on the credit strategy. The bank regularly analyses how various trends affect lending. These analyses are incorporated in business plans and credit strategies, where climate change is integrated by identifying transition risks and physical risks in various sectors.

Management of climate risks in the investment portfolio

During the year, Swedbank Robur began implementing its new climate strategy, which is based on the Paris Agreement and net zero targets. Holdings of corporate bonds and equities in the sectors most affected by the transition to a low carbon society are tracked and analysed in terms of climate change. An important tool in the application of the climate analyses is the Paris Agreement Capital Transition Assessment (PACTA), developed for institutional investors by Two Degree Investor Initiative with support from PRI. It is used to analyse how well the portfolio is aligned with the IEA's climate scenarios and provides information at a sector and company level.

Swedbank Robur has a number of collaborations involving climate change. Through networks such as Climate Action 100+ and International Investors Group on Climate Change (IIGCC), Swedbank Robur is working actively to encourage governments and companies to transition to sustainable solutions. Climate change is included in sustainability analysis and corporate engagement. Companies with especially high GHG emissions and climate impacts were contacted during the year and encouraged to accelerate their transition.

Targets and metrics

As a signatory of the Science Based Targets initiative, Swedbank has pledged to set emissions reduction targets for its value chain that align with the Paris Agreement. A completely new type of data is needed to decide on targets and monitor climate-related performance. Energy efficiency in mortgage lending is one example where the bank has begun internal projects and external collaborations.

Targets and metrics in the credit portfolio

The Board of Directors and the Group Executive Committee monitor risks and risk exposure in various reports and thereby receive regular updates on sustainability-related risks. Key indicators for climate risks show exposures to sectors with elevated transition risks. Through these indicators, exposures that could potentially drive credit risk can be monitored.

Given that all of the banks customers directly or indirectly impact total GHG emissions, the bank is working broadly to encourage them to reduce their impacts. This can be measured as a transition from "brown" to "green" according to the proposed EU taxonomy. Swedbank intends to gradually structure environmental and climate-related information on loans and assets according to the emerging standard in the EU taxonomy so that it can measure and monitor that the bank, along with its customers, is contributing to a transition in accordance with the Paris Agreement.

Targets and metrics in investment portfolio

Swedbank Robur's aim is to gradually increase investments in sectors with lower carbon intensity, e.g. renewable energy, in order to reduce its funds' GHG emissions and contribute to a sustainable transition.

Aggregated assets under management will align with the Paris Agreement by 2025, i.e. with the International Energy Agency's (IEA) Sustainable Development Scenario. Swedbank Robur is gradually adapting its investments in the most relevant sectors and using recognised models to perform scenario analyses.

By 2040, Swedbank Robur's fund capital will also be carbon neutral. This means net zero absolute GHG emissions in Scope 1 and 2 and relevant Scope 3 categories from companies and issuers in the funds. According to IPCC, this is how far emissions will have to be cut by 2050 to limit global warming to 1.5°C.

Swedbank Robur annually reports the carbon emissions of the companies in its equity and balanced funds in relation to their income (see page 214). A number of key indicators show their performance versus current climate targets. For the energy and transports sectors, adjustments to Swedbank Robur's invested capital will be measured with the help of the PACTA tool. For other sectors such as materials and buildings and agricultural and forestry, tools are currently lacking. Swedbank Robur is monitoring developments in these sectors and gradually expanding its measurements.

Sustainability notes

S1 Accessible banking

Material topic:
High availability



- During the year, 9 713 participants completed the bank's training in digital economics.
- Due to COVID-19, the bank has expanded availability for both private and corporate customers in every channel and provided information on various types of support and relief that the bank and authorities offer. The customer center has been strengthened as well.

Share of sales in digital channels, %



Swedbank's vision is a financially sound and sustainable society. Providing ways to meet the bank simply and conveniently is a high priority. Digitisation and new technology enable the bank to reach seven million customers with services that save time, reduce costs and make everyday banking easier. Examples include subscription tools, shake balance inquiries by mobile phone, contact-less payments, integrated cost controls, budgeting tools, e-bookkeeping and 24/7 virtual user help. In addition to a large branch network, the bank has a customer center responsible for non-physical channels, also available 24/7. Most services are available on digital platforms such as the internet bank and mobile app.

Digital inclusion

With a large and broad customer base, it is important that the bank is available in various ways to meet the needs of so many customers. Swedbank has taken several initiatives to make it easier to obtain information on and understand the products and services it offers.

Classes on digital services are held in a number of branches and for pensioners' networks, so that seniors and others who are not used to banking digitally feel included in the bank's digital development. An initiative called "Digital economy" is a partnership with the savings banks and savings bank foundations with the aim of helping those who feel uncomfortable trying digital services such as BankID and Swish. One of the points of emphasis is online security and how to avoid fraud. Customers in the Baltic countries are also able to log into the internet bank with biometric authentication, i.e. fingerprint or facial recognition.

Security information is available in over ten languages and options that allow the hearing impaired to receive personal assistance by phone. In addition, the security token is available with larger buttons and louder sound, and folders/product sheets are printed in Braille.

Available banking service

Prepaid cards are used to pay out financial assistance and benefits to people without an ID number or bank account, and as a collective debit card for employees of schools, public housing, social services etc. The card, which is offered to municipalities, county councils, authorities and state-owned enterprises, often replaces cash handling and can be used in all stores and ATMs. It is currently used by around half of the country's municipalities.

Physical meeting points

The traditional bank branch offers personal advice. In Sweden all branches are accessible for those with disabilities, and in the Baltic countries the figure is 94 percent.

In partnership with retailers and suppliers of various services, Swedbank can offer banking services in more locations in its four home markets. The bank is also located at various times in shopping centers and other public places such as pop-up stores. ATMs for cash handling are provided as well. In Estonia, Latvia and Lithuania there are over 1 100 ATMs. Swedbank partners with Bankomat AB, which has ATMs in over 500 locations in Sweden.

Swedish banking	2020	2019	2018
Number of card purchases (million)	1 271	1 372	1 320
Branches	159	168	186
Number of digitally active customers (million) ¹	3.2	3.1	3.0
Availability in digital channels, internet bank (%)	99.74	99.84	99.98
Availability in digital channels, app (%)	99.71	99.76	99.99
Share of sales in digital channels, (%)	70	54	50
- of which Daily Banking products ²	36	29	29
- of which Savings & Pension	92	85	82
- of which Private Lending	20	17	11
- of which Corporate	7	7	6
- of which Insurance	17	11	10
Swish payments (million)	282	248	192
Prepaid cards (number) ³	13 642	16 172	17 334

1) Number of customers with at least 3 logins, including shake balance inquiries, in a digital channel in the last month. Including savings banks.

2) Refers to cards and payments.

3) Number of activated cards.

Baltic banking	2020	2019	2018
Number of card purchases (million)	652	628	537
Branches	82	99	125
Accessible branches and representation points	100	116	115
ATMs	1 148	1 162	1 174
Number of digitally active customers (million) ¹	2.0	1.9	1.8
Availability in digital channels, internet bank (%)	99.77	99.94	
Availability in digital channels, app (%)	99.55		
Share of sales in digital channels, (%)	78	65	59
- of which Daily Banking products ²	74	64	60
- of which Savings & Pension	80	64	38
- of which Private lending	85	83	75
- of which Corporate	58	36	23
- of which Insurance	72	72	70

1) Number of customers with at least 3 logins, including shake balance inquiries, in a digital channel in the last month.

2) Refers to cards and payments.

S2 Sustainable investments

Material topic:
Promote sustainable investments

Key parameters



Thematic areas



- Investing sustainably is one way to positively impact environmental, social and economic factors.**
- Through active impacts and dialogue, Swedbank Robur can inspire and place sustainability and governance demands on the companies it invests in.**
- During the year, Swedbank Robur adopted more stringent investment criteria for fossil fuels for all its funds. They took effect on 1 January 2021.**
- Swedbank Robur was named Fund Company of the Year 2020.**

Participation in annual meetings

593

Companies contacted on ownership and sustainability issues

948

Swedbank and Swedbank Robur believe that responsible investments make a difference for sustainable development. Sustainability has grown in importance and become an integral part of asset management, and the demand is rising. Various forms of sustainable savings are offered today. Swedbank Robur manages capital for customers, either in funds or discretionary management, and makes investment decisions based on the interests of its fund investors.

Sustainability in Swedbank Robur's funds

Swedbank's subsidiary Swedbank Robur has a vision to be a world leader in sustainable value creation. To achieve this, Swedbank Robur's strategy is to offer sustainable, simple and innovative products that create value. During the year, sustainability criteria were expanded to more funds and new sustainability linked products were launched. Swedbank Robur has played an active role in industry forums to improve customer information on sustainable funds, not least to meet future EU regulations on sustainable finance. As a major shareholder on the Stockholm Stock Exchange and with holdings in companies both in and outside Sweden, Swedbank Robur has a responsibility and an opportunity to impact. Through dialogue and active ownership, the fund management company can encourage companies to embrace sustainability and responsible governance.

Swedbank Robur has continued to refine its responsible investment policy, which serves as the basis of the sustainability work in all its funds and today is an integral part of asset management. New funds added during the year included Transition Energy and a number of funds in the Access Edge fund family: Access Edge Global, Access Edge Europe, Access Edge Sverige, Access Edge Asien and Access Edge Japan. In September, the Access Edge funds were classified as Paris Aligned, i.e. funds that align with the Paris Agreement. The management and analysis methodology Swedbank Robur has developed is based on EU climate benchmarks and is an important step in the efforts to reach the ambitious climate targets that the fund company has set. Like other Transition funds, Transition Energy has sustainable development goals and extensive exclusions, but differs from other Transition funds by offering the option to invest in companies championing the transition away from fossil fuels.

Sustainable asset management

Sustainability is integrated in the investment philosophy of all asset management operations and sustainability criteria are part of the investment analysis for every class of asset. During the year, Swedbank Robur's sustainability and corporate governance specialists, together with the fund managers, continued to meet with companies digitally, evaluate their risks and opportunities, and provide concrete suggestions. Swedbank Robur's funds actively invest in companies that are specifically targeting the environment and climate change, human rights, fair labour or business ethics. Swedbank Robur has also participated in several issues of green and other sustainable bonds and continues to be a major player in this market. All managers developed a sustainability process for their funds during the year and presented their sustainability work to the CEO, Head of asset management and Head of sustainability. Fund managers and sustainability analysts frequently dialogue with companies to develop and support the sustainability work of each fund.

Asset management	2020	2019	2018
Total assets under management by 2020-12-31 (SEKbn) ¹	1 678	1 530	1 266
– of which in funds (SEKbn) ¹	1 220	1 083	857
Assets under management factoring in sustainability (%) ²	100	100	100
Assets under management with expanded exclusion or inclusion criteria (%) ³	52	54	50
Assets under management where ESG aspects are critical to investment (%) ⁴	5	5	5
Investments in sustainable bonds (SEKbn)	29	21	12
Funds with extended exclusion or inclusion criteria (of the total number)	46/89	38/85	37/84
Funds where ESG aspects are critical to investment (of the total number)	23/89	17/85	16/84
Funds managed for the purpose of meeting the 17 UN Sustainable Development Goals (of the total number)	11/89	6/85	1/84
Charitable donations from Swedbank Robur Humanfond ⁵	43	45	42

1) Assets under management as of 31 December 2020 refer to Swedbank's fund companies in Sweden, Estonia, Latvia and Lithuania. Other metrics in the table refer to Swedish funds.

2) Share of total assets under management. Since 2018 all assets under management are subject to Swedbank Robur's responsible investment policy, risk assessments and exclusion on ethical and sustainability grounds.

3) Share of total assets under management. Assets under management with exclusion or inclusion criteria that are more extensive than the responsible investment policy.

4) Share of total assets under management which in addition to exclusions require an analysis of sustainability aspects or positive sustainability assessments.

5) There were 73 affiliated charitable organisations. Total distributions since the fund's inception amount to approximately SEK 1.2bn.

Impact as an owner

Swedbank Robur is an active owner and maintains continuous contact with the boards and managements mainly of companies in which its funds are major shareholders. To create sustainable value, the companies must have a good strategy and tight operational controls, which includes opportunities and risks involving sustainability. This benefit both the companies and fund investors. Swedbank Robur impacts companies around the world – partly on its own and partly through collaborations, e.g. with the UN-supported Principles for Responsible Investment (PRI) network, investor groups, analysis providers and lobbying groups. Besides working directly with companies, a number of themes are identified where entire industries can be impacted. Dialogues during the year focused on supply chains and how they are monitored. Climate transition, human rights and labour standards were key topics in the discussions with companies, mainly in manufacturing. Occupational health and safety, renewable energy and deforestation were also themes in the dialogues.

During the year, Swedbank Robur was the first Swedish financial company to sign the new Finance for Biodiversity pledge. In total, 37 banks, asset managers, insurers and fund companies have committed to collaborating, engaging, assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024.

Transparency is a key to Swedbank Robur's ownership work and is constantly improved. For several years, Swedbank Robur has reported in detail on its voting at the annual meetings of Swedish and international companies and its participation in nomination committees. Swedbank Robur's principles for shareholder engagement (formerly Swedbank Robur's ownership policy), which have been public since 1996 and cover all its funds, are the basis of its ownership work. Important topics from a shareholder perspective include board composition, management compensation (including share-related incentive programs), capital structure, sustainability and that the companies have adequate systems for governance, control and disclosure. Swedbank Robur promotes boards with the right combination of competence, experience and diversity, including gender parity, as well as a balance between independent and non-independent directors. The board must also actively address sustainability

issues relevant to their company. For companies where Swedbank Robur has been on the nomination committee, the average share of women has increased versus the baseline and, as in previous years, was higher than for listed companies. The fund company voted during the year at several annual meetings outside Sweden, including in the US, UK and Japan. In US companies, it has voted for several shareholder proposals e.g. on climate change and the environment and improved corporate governance.

Engagement work in funds	2020	2019	2018
Participation in annual general meetings	593	429	424
– of which companies listed in Sweden	261	229	232
– of which companies listed outside Sweden	332	200	192
Participation in nominating committees ¹	96	94	91
– Share of women on corporate boards (%) ²	38	37	38
Dialogues on governance and sustainability issues ³	948	645	425
Share of holdings in companies with dialogue			
– of which combined dialogues on E, S, G (%)	61	62	31
– of which dialogues primarily on the environment (%)	13	9	42
– of which dialogues primarily on social issues (%)	3	4	19
– of which dialogues primarily on governance (%)	23	25	8

1) Of which 95 (93) companies publicly listed in Sweden and 1 (1) listed in Finland.

2) Including CEO if elected as board member at AGM. Refers to boards where Swedbank Robur has participated in the nomination committee. Nomination committee companies vary from year to year. The baselines for the years 2018-2020 were on average 35%, 36% and 35%, which is an annual increase of 3 (2018), 1 (2019) and 3 (2020) percentage points.

3) Refers to unique companies adjusted for duplications. Total number of companies contacted by Robur's sustainability analysts, fund managers and corporate governance specialists: 625 (534); by suppliers: 206 (217); and as part of investor collaborations: 178 (125).

Exclusions

For the last several years, Swedbank Robur has not invested in tobacco, cannabis, coal or pornography, nor in companies that manufacture, modernise, sell or buy cluster bombs, antipersonnel mines, chemical and biological weapons, and nuclear weapons. During the year, the exclusion criteria were broadened in tobacco, cannabis, coal and pornography beyond production to include distribution and companies that generate the majority of their revenue from services. A decision was also made to tighten investment criteria for fossil fuels in all funds. The updated responsible investment policy, which took effect on 1 January 2021, thereby includes criteria for carbon-based fuels such as oil and gas, as well as power production from fossil fuels. Investments in unconventional fossil fuels such as shale oil/gas and oil sands as well as extraction in the Arctic were also excluded. Exemptions can be made under special circumstances for companies in transition that are judged as meeting the Paris Agreement's goal of net zero emissions by 2050; they are reported on a Green List on Swedbank Robur's website.

In addition to the above-mentioned criteria, companies have been excluded because they seriously violate international norms and conventions to protect people and the environment without showing a willingness to change. Several funds have applied more extensive exclusion criteria and refrained from investing in alcohol, gambling and weapons, as well as additional businesses tied to fossil fuels.

Exclusions	2020	2019	2018
Number of companies excluded due to responsible investment policy ¹	473	338	159

1) Excluded companies per product category are shown on Swedbank Robur's website.

Carbon footprint of the funds

Swedbank Robur's climate strategy includes a pledge that all its fund assets under management will be placed in carbon neutral investments by 2040 (see page 12). As a result, Swedbank Robur took a more active role in its collaborations to address climate change. Through networks such as Climate Action 100+ and International Investors Group on Climate Change (IIGCC), Swedbank Robur encourages companies and governments to transition to sustainable solutions and laws that support this. In October, Swedbank Robur held its first Sustainability Summit to highlight the need to invest in climate and energy transition. In collaboration with the Carbon Disclosure Project (CDP), Swedbank Robur committed to the Science Based Targets initiative (SBTi) to stress the importance of setting science-based targets. The purpose of these climate-centric activities has been to increase opportunities for positive climate investments that also generate sustainable returns.

Climate issues have been part of the fund company's sustainability analysis and corporate engagement. Based on each fund's unique investment model, adjustments have been made to opt in, opt out and inspire companies to embrace the two climate targets. Specific metrics have been developed for each asset class and incorporated into Swedbank Robur's climate strategy. An important part of advocacy work has been to support especially vulnerable companies in aligning their businesses with the Paris Agreement. Companies with especially high GHG emissions and a big climate impact have also been contacted and asked to accelerate their transition. Swedbank Robur annually reports the GHG emissions of the companies in its equity and balanced funds in relation to their income. In 2018, Swedbank Robur endorsed the Task Force on Climate Related Disclosure's (TCFD) recommendations to develop strategies and goals, risk management, metrics and reporting routines, and to determine how the companies in its funds are affected financially by climate change. Swedbank Robur's annual climate report, which can be found on its website, describes the results of its funds' climate work.

Climate footprint ¹	2020	2019	2018
Climate footprint of equity funds, weighted average (tonnes CO ₂ e) ²	6	7	10
Total GHG emissions (million tonnes CO ₂ e) ³	2.4	3.5	5.5

1) Refers to holdings in equity funds. Shareholdings in blend funds are not included.

2) Method in accordance with TCFD's recommendations. Weighted average emission intensity Scope 1+2, tonnes CO₂e/SEKm. The portfolio company's GHG emissions distributed by portfolio weight, i.e. the value of the company investment in relation to the portfolio value.

3) Method in accordance with TCFD's recommendations. Total CO₂e emissions from equity fund portfolios based on ownership interests in the portfolio companies.

Swedbank Insurance

Swedbank Insurance, a wholly owned subsidiary of Swedbank, offers pension, endowment and personal/risk insurance for private customers and businesses. The company is committed to a sustainable society and environment and is raising the level of sustainability in its customer offers and the work internally. At the start of the year, a head of sustainability was appointed to strengthen the organisation and Swedbank Insurance's sustainability work. The responsible investment policy, which serves as the basis of the sustainability work and covers all investments in traditional insurance and all funds offered to customers, has been updated as well. A long-term perspective was introduced for pension assets, since sustainability is especially relevant to these products. The insurance company offers funds that are evaluated based on sustainability criteria at both the fund and fund company level. Swedbank Insurance's goal is to offer funds that embrace financial, social and environmental sustainability in their management.

Swedbank Insurance is working to increase awareness of sustainability in investments in order to help customers make sustainable investment decisions. The company is active in industry forums to improve customer information on sustainability in insurance products, partly in order to meet upcoming EU sustainable finance laws. During the year, the insurance company was in contact with external fund managers to discuss their sustainability work and plans to meet these laws. The strategies of these fund companies will be of great importance to Swedbank Insurance's offering of sustainable products in accordance with the upcoming rules, since it is possible within the framework of insurance products to invest in funds among other things. As a result, the insurance company's work with the fund offering from a sustainability perspective will become even more important.

During the year, Swedbank Insurance chose to eliminate a number of funds that did not live up to the Responsible Investment Policy. The insurance company annually publishes a report on what it is doing to integrate sustainability in its investment offer for customers who save for retirement in traditional, unit linked or variable universal life insurance.

When it comes to sustainability, climate change is an unavoidable factor and one of today's most pressing environmental problems. Swedbank Insurance requires the funds its savers are offered to work actively with climate change. The insurance company's carbon footprint is measured and reported for each investment portfolio in accordance with Swedish Insurance's recommendation. During the year, Swedbank Insurance conducted a climate analysis of its equity and corporate bond holdings in the sectors most impacted by the transition to a fossil free society. The analysis was based on PACTA in combination with stress tests defined by the Bank of England. The overarching conclusion was that the insurance company's share of investments that are highly exposed to climate risks is low compared with the global market. This reduces the risk that Swedbank Insurance will own investments in companies whose business models do not align with the climate transition.

S3 Sustainable finance

Material topic:
Promote sustainable finance

Key parameters

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Thematic areas

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- Sustainability analysis in corporate lending.
- Swedbank has guidelines and recommendations for integrating sustainability in the lending process.

Sustainable finance volume 2018–2020 (SEKbn)



Emissions avoidance (tCO₂e) from loans in the green asset register

589 547 ↑

Lending is one of Swedbank's core businesses. Swedbank promotes responsible long-term lending by assessing each customer's long-term financial situation, identifying their sustainability risks and providing advice.

The stricter amortisation requirements that the Swedish FSA has introduced to slow the rise in consumer debt aligns with Swedbank's commitment to responsible lending. Due to Covid-19, the bank offers private customers, whose personal finances have been affected, the opportunity to apply for an amortisation exemption. The amortisation table shows amortisation in relation to loan-to-value.

Responsible lending, Swedish Banking, private customers (%)

	2020	2019	2018
Households with loan to value ratios above 70% of property value	14	16	16
Share of households with loan to value ratios above 70% that amortise (new lending) ¹	98	99	99
Share of households with loan to value ratios above 70% that amortise (total portfolio)	84	98	97

1) New lending refers to all mortgages paid out in the fourth quarter of each year.

Increased digital availability

Availability in the digital channels is continuously being improved and customers can apply for a mortgage and receive response if they for example want to borrow more against their existing home, but also when they want to transfer loans from other banks to Swedbank. Customers appreciate the simplicity of being able to apply for a loan in the channel that suits them best. The bank's advisors also see that automation is simplifying mortgage processing. Swedbank will continue to work with digitisation and strengthen opportunities for dialogue with customers regardless of channel.

Sustainability analysis in lending

In the lending process sustainability risks are taken into consideration in loan reviews. A detailed sustainability analysis is done for corporate loan applications over SEK 8m in Sweden and EUR 0.8m in the Baltic countries. For other customers a basic assessment is made of sustainability-related factors based on the nature and complexity of the business. Development of the bank's system support for sustainability analysis of corporate customers continued during the year and is expected to carry over into next year.

The sustainability analysis is supported by 13 sector guidelines, which serve as a tool to gain better insight into sustainability issues in various industries and provide recommendations and advice on which aspects should be addressed with the customer.

If a loan application is considered to have an elevated sustainability risk, it is escalated to the Business Ethics Committee for a more thorough analysis and guidance. The cases submitted to the committee in 2020 concerned ethical dilemmas related e.g. to defence equipment, taxes and large-scale hydropower.

Sustainability analysis corporate lending	2020	2019	2018
Swedish Banking (no. of approved loan applications) ¹	36 484	35 668	38 905
Baltic Banking (no. of analyses)	2 655	2 453	2 102
Large Corporate and Institutions (no. of approved loan applications)	1 647	1 403	1 448
Total number of cases escalated to Ethics Committee	8	10	13
– of which customer-related cases	3	8	
– of which policy and governance-related cases	5	2	

1) In 2020, the limit for mandatory sustainability analysis in Sweden was raised from SEK 5m to SEK 8m. Revisions for the years 2018 and 2019 due to the modified calculation method where only cases with validated dates in the current period are included.

Swedbank also has Group-wide position statements on climate change and the defence industry, which describe the bank's position in issues in these two areas. There Swedbank states that it will not directly finance coal-fired power plants or finance companies that generate over 5 per cent of their revenue from coal production. The criterion for excluding companies that produce coal was tightened in November after having previously been 30 per cent of revenue. At the end of the year, Swedbank adopted a new strategy and as a consequence of the updated business strategy, the bank has decided not to grant new financing for the prospecting of new oil and gas fields or for unconventional extraction of fossil fuels. The position statements serve as the basis of the Group's exclusion list of companies it will not work with. Companies can be excluded if they violate various international norms on human rights and the environment.

Swedbank has created a checklist that can be used as support in the dialogue with customers on real estate-related sustainability risks. The real estate sector accounts for about half of Swedbank's lending, making this a strategic sector to focus on in order to maximise the impact of the bank's sustainability risk management. During the year, Swedbank joined the EU Commission's Energy Efficient Mortgages Initiative, which includes 60 lenders. The initiative is developing standards and financing models that can give mortgage customers more favourable terms on loans for energy efficiency improvements in their homes.

Mortgage loans, Swedish Banking, Energy class (SEK m)²

	2020	2019	2018
Energy class A	1 629		
Energy class B	12 802		
Energy class C	33 783		
Energy class D	63 009		
Energy class E	87 219		
Energy class F	43 224		
Energy class G	15 381		
Not classified	796 441		

1) Volumes as of 31 December 2020, energy classes as of October 2020.

Share of loans to the public by country, %	2020	2019	2018
Sweden	85	85	86
Estonia	6	6	5
Latvia	2	2	2
Lithuania	4	4	3
Norway	3	3	3

Share of corporate lending by sector, %	2020	2019	2018
Property management	46	46	42
Agriculture, forestry and fishing	12	12	13
Manufacturing	8	8	9
Retail	5	6	6
Shipping	2	3	4
Public sector and utilities	5	4	4
Construction	4	3	4
Corporate services	4	4	5
Transportation	2	3	3
Finance and insurance	4	3	2
Hotel and restaurant	2	2	2
Information and communications	2	2	2
Other corporate lending	4	4	4

Framework for green lending

Swedbank established a framework for green bonds in 2017 which clarifies and categorises financing that contributes to a reduced environmental impact. After the framework was established, the bank issued its first green bond, with a volume of EUR 500m. In 2018, Swedbank issued its second green bond, with a volume of SEK 2bn, also with a five-year tenor. The loan volume and expected impact are shown in the Swedbank Green Bond Impact Report, which is available to the public on Swedbank's official website. The invested capital is mainly used to finance sustainable investments in real estate, renewable energy sources, green transports, forestry and waste management.

Swedbank's Green bonds	2020	2019	2018
Green Asset Register, total (SEK m) ¹	18 344	13 958	10 319
- share of renewable energy (%)	15	17	18
- share of green buildings (%)	75	83	82
- share of waste management (%)	6		
- share of green transports (%)	1		
- share of forest (%)	3		
Outstanding green bonds (SEK m) ²	7 028	7 216	7 133
Environmental impact			
Avoided emissions (tCO ₂ e)	589 547	434 678	481 863
Green buildings – energy savings (GWh)	19	13	9
Renewable energy – energy production (GWh)	1 831	1 725	1 495
Waste management – processed waste (tonnes)	150 000		
Forestry – FSC/PEFC certified forest area (ha)	26 740		
Green transport – public transit million passenger km	94		

1) Qualified green loans according to Swedbank's green bond framework. Also reported per business area in the tables Sustainable finance Swedish Banking, Sustainable finance, Baltic Banking and Sustainable finance, Large Corporates and Institutions LC&I.

2) Swedbank AB issuer.

Sustainability linked products for transition

Swedbank encourages sustainable business models and plans to continue to develop financing products and services that contribute to the transition to a more sustainable society.

Offers for private customers

- **Green mortgages** Swedbank wants to promote sustainable housing and offers customers who live in green housing a discounted mortgage rate.
- **Green car loans** Swedbank wants to encourage customers to use cars that pollute less as a way to reduce emissions. Customers are therefore offered a discount when they borrow for a clean car that meets certain criteria.
- **Solar loans** Discounted interest rate on loans for solar panels, which produce renewable energy and reduce electricity costs.
- **State-guaranteed mortgage loan** In the three Baltic countries Swedbank participates in a state-guaranteed mortgage assistance programme to aid various groups in financing a home, based on established criteria. In Latvia, for example, families and those up to the age of 35 with a higher education or professional training can apply for these loans.

State guaranteed mortgage loan programmes	2020	2019	2018
Estonia			
- number of loans granted during the year	1 062	1 053	976
- portfolio volume (SEK m)	2 583	2 478	1 511
Latvia			
- number of loans granted during the year	1 581	1 521	1 347
- portfolio volume (SEK m)	4 119	3 241	2 134
Lithuania			
- number of loans granted during the year	726	746	358
- portfolio volume (SEK m)	1 118	877	582

Offers for corporate customers

- **Green loans** Green loans, which are part of Swedbank's total financing offer, promote the environment and sustainability. They offer a flexible form of financing for specific purposes to support positive climate impacts and create solid and sustainable companies. Green loans are flexible in terms e.g. of tenor and volume, and specific terms and conditions are customised for each borrower and the underlying purpose of the financing.
- **Sustainability linked loans** differ from green loans in that they can be used for general business purposes rather than a specific purpose. They are tied to the borrower's sustainability targets and strategy, and are monitored through social, ethical or environmental indicators. The borrower's sustainability performance is tied to the loan's pricing in relation to predetermined performance targets. Improved performance reduces the financing costs. If the targets are not reached, the interest rate can instead be raised and result in a higher financing cost.
- **Corporate loans for renewable energy** are offered by Baltic Banking to encourage small businesses to finance the installation of solar panels, wind power farms and/or geothermal energy in order to cut electricity costs and contribute to higher renewable energy production.
- **Liquidity loans** are offered to companies that want to apply for a state loan guarantee. They are designed to help companies bridge short-term economic difficulties due to COVID-19.
- **ESG-related bonds** for capital market customers have been used for over ten years to finance or refinance specific green or social projects/investments. Swedbank Sustainable Capital Markets, in business area Large Corporates and Institutions, offers green, social and sustainability bonds. Swedbank also offers sustainability linked bonds, which were introduced in the capital market in 2019. Their structure differs from traditional green, social and sustainability bonds in that this type of debt instrument is used for general business purposes and the coupon rate is linked to meeting specific sustainability targets by a deadline. All types of ESG-related bonds favour both issuers that are seeking ESG financing, e.g. companies and municipalities, and investors who want sustainable investments e.g. insurance companies, pension managers and fund managers.
- **Green equity** The equity side of sustainable finance to date has not received as much attention as the debt side. To facilitate equity finance that supports the climate transition, Swedbank has begun offering green equity. For a share to be classified as green, the majority (> 50%) of the company's revenue and investments must also be green. Green equity is available through IPOs, new share issues or public recognition that all the company's outstanding shares are green (without any specific transactions).

- Sustainability-related advice** Swedbank Sustainable Capital Markets offers sustainability-related advice to both issuers and investors in the capital market. This includes ESG Risk Rating peer reviews based on data from external sources, evaluations of compliance with the EU taxonomy, and weekly newsletters. Swedbank also offers analysis and advice on practically any sustainability question through our partnership with Kepler Cheuvreux. Swedbank Macro Research continuously updates national sustainability indicators, which measure the progress of the Nordic and Baltic countries in meeting the UN Sustainable Development Goals.

Sustainable finance, Swedish Banking	2020	2019	2018
Private			
Private lending, total (SEK bn)	972	948	936
Green mortgages (SEK m) ¹	479	52	
Green car loans (SEK m)	105	3	
Solar loans (SEK m)	136	69	
Energy loans (SEK m) ²	22	30	
Corporate			
Corporate lending, total (SEK bn)	239	248	252
Liquidity loans, COVID-19 (SEK m) ³	782		
Green loans, portfolio volume (SEK m) ⁴	2 098	1 394	654
- of which renewable energy	276	377	504
- of which green buildings ⁵	1 822	1 017	150

1) The figure for 2020 refers only to loans discounted during the year.

2) Financing of energy efficiencies in buildings. Does not include the savings banks.

3) Loans offered to companies that want to apply for a state loan guarantee. They are designed to help companies bridge short-term economic difficulties due to COVID-19.

4) Qualified green loans according to Swedbank's green bond framework.

5) Green and/or energy-efficient properties.

Sustainable finance, Baltic Banking	2020	2019	2018
Private			
Private lending, total (SEK bn)	106	104	93
Sustainable mortgages (SEK m)	9		
Green car leasing (SEK m)	134		
Solar panels loans (SEK m)	31		
Corporate			
Corporate lending, total (SEK bn)	76	82	77
Liquidity loans, COVID-19 (SEK m) ¹	215		
Renewable energy loans – small businesses (SEK m)	6		
Green loans, portfolio volume (SEK m) ²	3 022	571	
- of which renewable energy	1 140	571	
- of which green buildings ³	165		
- of which waste management	1 154		
- of which forestry	563		

1) Loans offered to companies that want to apply for a state loan guarantee. They are designed to help companies bridge short-term economic difficulties due to COVID-19.

2) Qualified green loans according to Swedbank's green bond framework.

3) Green and/or energy-efficient properties.

Sustainable finance, Large Corporates and Institutions LC&I	2020	2019	2018
Corporate			
Corporate lending, total (SEK bn)	221	222	219
Green loans, portfolio volume (SEK m) ¹	13 224	11 993	9 665
- of which renewable energy	1 314	1 469	1 344
- of which green buildings ²	11 645	10 524	8 321
- of which green transports	265		
Sustainability linked loans, portfolio volume (SEK m) ³	4 481	1 708	
Capital market - ESG transactions			
Transactions that Swedbank arranged during the year (number)*	63	51	30
Total volume that Swedbank arranged during the year (SEK bn) ⁴	36.6	25.3	15.1
Share in relation to total volume that Swedbank arranged during the year (%) ⁴	23.8	14	11
Total volume that Swedbank arranged from the start (SEK bn) ⁴	91.2	54.6	29.3

1) Qualified green loans according to Swedbank's green bond framework.

2) Green and/or energy-efficient properties.

3) Adjusted data for 2019 to correspond to utilised credit.

4) Swedbank AB issuer of ESG bonds (green, social and sustainability bonds).

Socially important lending (SEK m)	2020	2019	2018
Healthcare	4 582	4 143	3 597
- of which Swedish Banking	1 583	1 162	1 411
- of which Baltic Banking	505	530	489
- of which Large Corporates and Institutions	2 494	2 451	1 697
Education	1 730	1 774	1 746
- of which Swedish Banking	1 535	1 567	1 591
- of which Baltic Banking	13	2	7
- of which Large Corporates and Institutions	182	206	148

Equator Principles

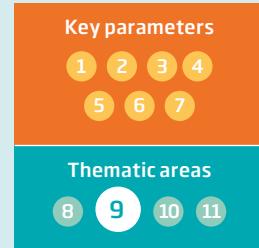
Swedbank signed the Equator Principles in 2019 and during the year the bank applied the risk framework to determine, assess and manage environmental and social risks in a project-related loan to a corporate customer in the forest industry. In Swedbank's directive on sustainability in lending, the equator principles constitute part of the internal guidelines for risk assessment. The process clarifies that the bank's business areas are responsible for identifying potential transactions that should be reviewed. When a transaction is identified, an internal review team is formed. This team consists of representatives from the bank's risk and sustainability units and the business area in question, where each member has a clear role depending on expertise. If a transaction is assessed as not being aligned with the equator principles, measures need to be taken to ensure compliance for the transaction to be executed.

Equator Principles	2020	2019	2018
Number of transactions			
- of which approved category A transactions		1	
- of which approved category B transactions ¹			1
- of which approved category C transactions			

1) Project-related corporate loans.

S4 Procurement

Material topic: Promote climate transition



- **Swedbank's supplier code of conduct is part of a binding contract.**
- **A digital supplier platform is used for sustainability assessment and risk classification of suppliers.**

Number of active suppliers	4107
Total procurement volume	14 219

The central procurement process ensures that reported purchases over EUR 50 000 receive support from the bank's central procurement unit. Swedbank has in the last four years signed additional framework agreements and thereby reduced the total number of procurement cases due to call-offs under existing agreements. This is especially evident in terms of consulting. Swedbank's business areas own supplier contracts and demand specifications below EUR 50 000, so some contracts can be signed without the central purchasing unit's involvement.

Swedbank is an available full-service bank with around 4 100 active suppliers, mainly in Europe. The bank's annual procurement costs amount to approximately SEK 10bn divided into three main categories: IT and digital banking services, group services, financial products and corporate banking.

Strategy for sustainable procurement

Swedbank is committed to a sustainable supply chain. A procurement strategy has been established with a vision to be the best in the industry. To get there, the procurement unit is working with three overarching areas: minimise risk, accentuate positive impacts and innovation. During the year, Swedbank focused on minimising risk, which includes setting requirements, evaluations and monitoring suppliers. To effectively achieve this, Swedbank during the year strengthened internal processes, allocated resources, trained employees and developed digital tools.

Supplier Code of conduct for suppliers

The central procurement unit requires all suppliers to sign Swedbank's code of conduct as part of a binding contract. The code governs important areas such as human rights, labour practices, business ethics and the environment. Certain sustainability issues are also included directly in the specific tender, such as relevant certifications and process descriptions.

Sustainability assessment in procurement

At the start of the procurement process each supplier is screened. Potential sustainability risks are assessed taking into account country and sector risks as well as business critical risks e.g. procurement cost and reputational risk. The suppliers that are selected at this stage are included in Swedbank's digital supplier platform for a further sustainability assessment. The platform was established in 2018 and is used to evaluate suppliers in relation to the sustainability requirements in the supplier code of conduct. Suppliers are specifically analysed based on approval of the supplier code, country and sector assessments, and a self-assessment. The primary purpose is to support suppliers in mitigating sustainability risks, and to identify and spotlight sustainability opportunities. The employees of the central procurement unit received training during the year on sustainability analysis through the digital platform.

Monitoring

Existing suppliers are monitored mainly through continuous dialogue. In this way Swedbank gains a better understanding and can support suppliers with sustainability challenges and draw attention to opportunities. Site visits are made if needed based on the results of the sustainability analysis and to monitor compliance with the agreed-upon actions.

An established escalation process is in place for suppliers that could pose a material risk for the bank. These cases are escalated to the Procurement Sustainability Council, which decides on actions and whether the supplier's contract should be terminated. The Business Ethics Committee can also be consulted if an ethical dilemma arises.

Supplier audits	2020	2019	2018
Number of active suppliers	4 107		
Total procurement volume (SEK m) ¹	14 219	9 680	8 354
Share of suppliers evaluated on the basis of sustainability in Swedbank's digital platform (%) ²	9		

1) Whereof SEK 4bn is the administrative fine to the Financial Supervisory Authority.

2) Share of suppliers that have been invited to our new digital platform for sustainability assessment. Based on number of active suppliers at year-end.

S5 Environmental impacts

Material topic:
Promote climate transition

Key parameters



Thematic areas



- ISO 14001 certified environmental management system, performance reported in "Management Review".
- Sustainability analyses of corporate customers in the credit and investment processes where environmental aspects are an important component.

Total GHG emission reductions 2018–2020 Climate action produces results



GHG emissions per earned krona, tonnes CO₂e/SEK



GHG emissions per employee, tonnes CO₂e/FTE



Extensive reductions in GHG emissions are critical to slow global warming. Society today is facing a major transition, and the financial sector is responsible for allocating capital to sustainable solutions that can limit GHG emissions and contribute to the climate adjustments society will need to mitigate the consequences of a changing climate.

ISO 14001 certified environmental management system

The sustainability policy, which is adopted annually by the Board of Directors, serves as the basis of the bank's environmental work. This work is governed by an environmental management system certified according to ISO 14001 since 2003. Swedbank's subsidiaries Swedbank Robur, Swedbank Insurance, Swedbank Mortgage, Sparia, Swedbank Fastighetsbyrå and PayEx AB are covered by Swedbank's ISO 14001 certification. The system enables the bank to work in a structured way to continuously reduce its negative impacts and promote the positive. This includes impacts generated indirectly through financing, investments, payments and procurement, as well as directly through Swedbank's internal operations. Operating managers are responsible for their unit's own environmental work, and a network of sustainability ambassadors coordinates target-setting and monitoring while also providing support for the sustainability work.

Products with an environmental focus

Swedbank offers several different products that promote a sustainable economy and make it easier for customers to make sustainable choices. The bank's solar loans enable customers to install solar panels and reduce their electricity costs while contributing to higher production of renewable energy. The green car loan encourages customers to buy vehicles that produce less emissions.

Swedbank has two outstanding green bonds issued as part of the bank's Green Bond Framework. The green loans that serve as a basis of the bonds provide environmental benefits and promote a sustainable economy. Swedbank also works actively to reduce climate impacts from its car leasing business, where it is one of Sweden's largest fleet owners. With AutoPlan fleet administration, customers receive help with drafting green car policies and sustainability issues, as well as measuring and reporting their carbon footprint. Swedbank also has its own company cars and is working actively to reduce the environmental impact. In Estonia, Latvia and Lithuania Swedbank also offers green car leasing, with a lower interest rate for green cars.

Climate action

Swedbank has pledged to adopt and implement targets that align with the Paris Agreement through the Science Based Targets initiative and in doing so support the transition to a low carbon society. Late in 2020, a methodology was launched for four asset classes. Swedbank has intensified its efforts to develop climate targets for the bank's residential and commercial mortgage business. This way of managing and minimising climate risks changes how the bank handles information and data and requires the development of processes and system support.

The bank's impacts are monitored each year and as far back as 1996 climate change was an important parameter in Swedbank's environmental report. In 2020, the bank strengthened its climate work by adopting a Group-wide operational target to lower direct GHG emissions by 60 per cent in 2019–2030. To complement the measures, it has taken to achieve emission reductions, Swedbank has purchased carbon offsets for its remaining emissions. The offsets support Vi Agroforestry, which contributes to carbon storage through tree planting, agroforestry and sustainable cultivation methods. In 2020, one of Sweden's largest solar parks, with Swedbank as one of the backers, was inaugurated outside Linköping, where production will reach an estimated 11.5 GWh per year. Adding new renewable capacity to the electrical network is an important part of climate transition.

Swedbank's emissions are largely generated by energy consumption in the bank's offices and through business travel, as shown in the following tables. The bank's internal property department encourages the use of energy-efficient and space-saving properties and works continuously with property owners to adopt energy conservation measures in the buildings where it operates. The bank has established intensity-based targets to reduce energy consumption in its offices by 10 per cent per m² in 2017–2021 and 15 per cent in 2017–2025.

There are internal targets as well, broken down by unit, to reduce the environmental impact from travel, where much of the focus is on increasing the share of digital meetings and in doing so free up more time and resources for the bank's employees as well as reduce the bank's environmental impact. In 2020, travel decreased sharply as a result of the global pandemic, and the number of flights taken decreased by 77 per cent compared with the previous year.

Greenhouse gas emissions ¹ , tonnes CO ₂ e	2020	2019	2018
Total emissions	11 646	25 014	26 983
Reduction target 2030, 60% ²	15 008	15 008	15 008
Carbon offsetting ³	11 646	25 014	6 500
Total emissions after carbon offsetting	0	0	20 483
<hr/>			
Emissions by scope according to GHG protocol			
Emissions scope 1 ⁴	632	1 020	1 017
Emissions scope 2 ⁵	5 331	6 067	6 014
Emissions scope 3 ⁶	5 683	17 927	19 952
<hr/>			
Emissions by country			
Emissions, Sweden	5 847	14 692	16 151
Emissions, Estonia	2 394	3 559	3 797
Emissions, Latvia	1 735	2 425	2 602
Emissions, Lithuania	1 366	2 908	3 511
Emissions, other ⁷	304	1 430	922
<hr/>			
Energy-related emissions according to Scope 2			
Market-based	5 331	6 067	6 014
Location-based	16 444	18 801	21 588

1) Included GHG: carbon dioxide, methane, nitrous oxide and chlorofluorocarbons (refrigerants). In all GHG calculations, Swedbank has used Ecometrica software through a system called Our Impact, which is administered by USWe. Emissions are reported in accordance with the Greenhouse Gas Protocol (World Resources Institute).

2) The baseline year is 2019, when Swedbank reported 25 014 tonnes of CO₂ emissions.

3) Carbon offsets relate to solar energy for the year 2018 and carbon storage through sustainable tree planting for 2019 and 2020.

4) Swedbank's direct emissions. Based on fuel consumption in company cars and refrigerant gas loss. Emissions from cooling equipment are estimated using operational controls (based on weight and type of cooling medium). Emissions from company-owned vehicles are estimated with the help of the bank's financial controls. None of Swedbank's Scope 1 emissions are biogenic.

5) Swedbank's indirect emissions in the form of electricity consumption and heating/cooling. Emissions are estimated based on operational controls in Swedbank's offices/buildings.

6) Swedbank's other indirect emissions from business travel, security transports, paper consumption, water consumption and waste. None of Swedbank's Scope 3 emissions are biogenic.

7) Norway, Finland, Denmark, USA, South Africa and China. Luxembourg was included in 2018 and 2019.

Emissions by category, tonnes CO ₂ e	2020	2019	2018
Sweden			
Office premises	2 229	2 555	2 579
Business travel	3 435	11 959	13 393
Other emissions ¹	183	178	179
Estonia			
Office premises	1 897	1 718	1 807
Business travel	466	1 806	1 937
Other emissions ¹	31	35	53
Latvia			
Office premises	1 156	1 284	1 386
Business travel	517	1 069	1 137
Other emissions ¹	62	72	79
Lithuania			
Office premises	785	888	1 104
Business travel	468	1 904	2 264
Other emissions ¹	113	116	143
Other countries			
Office premises	181	652	373
Business travel	122	776	547
Other emissions ¹	1	2	2

1) Security transports and paper consumption.

Other environmental data	2020	2019	2018
Energy consumption in our offices (MWh)	78 767	93 087	105 425
- of which Sweden	41 307	51 614	62 153
- of which Estonia	15 654	17 612	18 268
- of which Latvia	10 391	11 316	11 915
- of which Lithuania	10 469	11 453	12 096
- of which Other	946	1 092	993
Electricity consumption in our offices (MWh)	40 447	51 687	57 598
Renewable electricity as a share of total electricity consumption (%) ¹	98	82	90
Paper consumption (tonnes)	1137	1 100	1 184
Share of Ecolabel paper (%)	98		
Water consumption (m ³ /FTE)	5	7	8
Recycled waste (tonnes)	440	437	406
Incinerated waste (tonnes)	328	315	335
Landfill waste (tonnes)	297	153	276
Hazardous waste (tonnes)	1.7	3	
Number of digital conferences (million) ²	1.5	0.42	0.31
Number digital conference attendees (million) ²	4	1.69	1.20

1) Renewable energy refers to wind, biomass and hydroelectric.

2) Digital meetings via Skype/Teams.

Internal energy consumption ¹	2020	2019	2018
Total emissions from energy consumption (tonnes CO ₂ e/MWh)	0.07	0.07	0.06
Energy consumption per employee (MWh/FTE)	5.0	5.7	6.5
Energy consumption per m ² (MWh/m ²)	0.200	0.236	0.237
Energy reduction target of 10% per m ² 2017–2021 (MWh/m ²)	0.226	0.226	0.226
Energy reduction target of 15% per m ² 2017–2025 (MWh/m ²)	0.213	0.213	0.213

1) Swedbank's internal energy consumption consists of consumption of energy, heating, cooling and gas.

Comparative figures, tonnes CO ₂ e	2020	2019	2018
Total emissions per employee (tonnes/FTE)	0.74	1.52	1.68
Scope 1 and 2 emissions per employee (tonnes/FTE)	0.38	0.43	0.44
Total emissions per office space (tonnes/m ²)	0.030	0.063	0.061
Scope 1 and 2 emissions per office space (tonnes/m ²)	0.015	0.018	0.016
Emissions per income (tonnes/SEKm)	0.25	0.54	0.61
Scope 1 and 2 emissions per income (tonnes/SEKm)	0.13	0.15	0.16

Auto leasing AutoPlan	2020	2019	2018
Leasing of vehicles (tonnes CO ₂ e) ¹	175 777	195 219	196 497
Total number of leased cars	43 780	43 787	42 839
Average emissions, new cars CO ₂ (g/km) ²	87.07	110.6	111.9
Average emissions, total CO ₂ (g/km) ²	108.8	117.0	115.1
Average emissions, new company cars in Swedbank CO ₂ (g/km)	54	80	92

1) Emissions based on fuel consumption and fuel type per vehicle over one year.

2) Refers to company cars administered by Swedbank by Swedbank AutoPlan.

S6 Employees

Material topic: Attractive employer

Key parameters



Thematic areas



- Sustainable employees are a success factor and the goal is to continuously improve occupational health and safety work.**
- Surveys show that employees' willingness to recommend the bank as an employer has increased in recent years.**

Three years of improvements:

Engagement index, 2020

2019 81



Recommendation index, 2020

2019 33

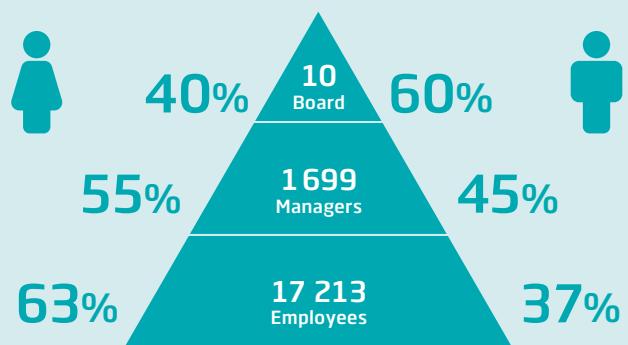


Sustainable employee index, 2020

2019 78



Share of women and men



Like many other banks and companies, Swedbank is undergoing change. Developments in digitisation are accelerating and new technology and new business models require new skills. The overarching aim during the year was to create a safe and secure workplace and limit the spread of COVID-19, but also to maintain an inspiring and stimulating work environment – and find new, flexible ways of working, including from home.

The assessment of the corporate culture during the year gives the bank a better idea of how it can be strengthened and improved. It is important to clarify what is expected of managers, and to give all employees an opportunity to develop and find inspiration as market conditions change, as well as take responsibility for their personal development. This is part of an effort to build sustainable employees, sustainable customer relationships and sustainable results for the bank in a time of digitisation.

Sustainable employees

Occupational health and safety is an important area to create a climate with sustainable employees. During the pandemic, management has focused on preventing illness by providing updated information and educational support. The aim is that the work environment at Swedbank will be safe and stimulating and that employees will be in a position to perform at their best and build valuable relationships internally and externally. To achieve this, Swedbank as an employer must work in a clear and structured way with these issues and every employee must take responsibility for their own health and well-being, where a work-life balance is the goal.

Swedbank has four focus areas that it continuously monitors: early signs of illness, repeated short-term absences, long-term illnesses and conflicts/difficulty cooperating.

Targets have also been set for occupational health and safety based on the following parameters: Sustainable Employee Index > 85%, sickness absences < 2.8%, preventive work to address early signs of illness, and zero tolerance for discrimination. During the year, sickness absences increased largely due to the global pandemic.

Diversity and inclusion

Swedbank has a strategy for diversity and inclusion to ensure that they are integrated in all HR processes and all relevant parts of the bank. A Group-level strategy has been developed to prevent all forms of discrimination and harassment. To maintain a diverse and inclusive bank with employees from different backgrounds, this is regularly monitored through controls and awareness is increased. The bank's business areas and Group Functions set targets in their business plans, and the bank's managers work with these issues in their teams. Discrimination policies and guidelines are regularly updated and managers receive continuous training. During the year, a more comprehensive survey and audit were conducted to further ensure a workplace free from discrimination and to identify and resolve any issues at an early stage. Training was also strengthened in this area through a partnership with Friends, a Swedish organisation to prevent bullying, when managers need it. The training covers e.g. social norms, antiracism and communication. The focus is on respect for human rights and zero tolerance for all forms of discrimination.

In addition to legally mandated salary reviews, the bank regularly conducts gender analyses and takes the necessary measures to ensure parity. Every business area and Group function has a goal to eliminate the gender pay gap, which is regularly monitored. Swedbank is aware of the systemic pay gap between women and men in the financial sector globally and faces a similar battle as the rest of the industry.

To track these results, Swedbank is part of several third-party evaluations and indexes to strengthen diversity and inclusion work, e.g. Equileap, Bloomberg Gender-Equality Index 2020 and EY She Index 2020 in Sweden. Moreover, Swedbank has signed the UN Women's Empowerment Principles and was invited to share its experience working with gender equality in the women's section of the UN Global Compact Leaders Summit 2020. Swedbank has also pledged its support for the EU's diversity conventions in all its home markets, thereby strengthening its commitment to gender equality in the global workplace.

Employee surveys

Monitoring and evaluating how employees feel about their workplace has been especially important during the pandemic. Engagement Pulse (EP) surveys were conducted three times in 2020 and included questions that are usually part of the more comprehensive survey that serves as the basis of the Sustainable Employee Index. Employees were asked among other things how they feel about their work situation during the pandemic. The results show that they remained motivated during the year despite the challenges and having to change the way they work, with around half of all employees working from home.

The EP survey normally asks employees about their work situation and leadership, with a question on the eNPS, i.e. the likelihood of recommending Swedbank as an employer. The purpose of the survey is to give employees and managers an opportunity to collaboratively evaluate and respond to the results in their units. The Human Capital Report (HCR) is a complementary, more extensive survey which includes four strategically important areas: Leadership Index, Employee Index and Sustainable Employee Index. The surveys that were conducted during the year had high response rates and reported improved results.

Employee surveys, index	2020	2019	2018
Sustainable Employee index¹	82	78	
Target for sustainable employee index	85		
Engagement index¹	81	81	78
– Sweden	78		
– Estonia	85		
– Latvia	84		
– Lithuania	84		
Recommendation index^{1,2}	43	33	24
Target for recommendation index	33		
Leadership index³		85	

1) Survey sent to all employees.

2) Likelihood of recommending Swedbank as an employer outside the company (eNPS). Calculated on a scale of 0-10, where the share of negative responses (0-6) is subtracted from the share of positive responses (9-10).

3) Not measured in 2018 and 2020.

Internal training	2020	2019	2018
Total number of training hours ¹	363 315 ²	556 983	465 165
Training costs per FTE (SEK)	4 700	7 900	7 700
– of which mandatory	1 200		
– of which non-mandatory	3 500		
– of which women	3 400		
– of which men	1 300		
Training hours per FTE ¹	24	37	32
– of which men	18	28	18
– of which women	28	44	24
– of which managers	28	45	28
– of which specialists	24	32	21
Completed training			
– ethics (number) ³	16 797	3 693	3 070
– sustainability incl. climate (number)	16 149	15 896	2 837
– anti-money laundering and counter-terrorist financing (number)	17 153	15 976	23 292
Number of advisors with Swedsec license ⁴	4 031	4 023	4 035
Number of employees who completed the annual knowledge update (ÅKU) ⁴	6 254	5 743	6 143

1) The number of training hours measures only how large a percentage of skills building is done through traditional training (e-training and classroom training). The table also includes savings banks.

2) Share of mandatory training 25.5%.

3) Contains a section on anti-corruption policies and procedures.

4) Refers to Sweden.

Employees who have received training in anti-money laundering and counter-terrorist financing, by region (%)	2020	2019
Sweden	98	99
Estonia	99	100
Latvia	99	100
Lithuania	99	99
Group total	98	99

Employees who have received training in anti-money laundering and counter-terrorist financing, by category (%)	2020	2019
Managers	99	98
Specialists	98	99

Total number of employees by employment type 2020, by gender ¹	Women	Men	Total
Full-time	9 503	5 818	15 321
Part-time	1 352	540	1 892
Total	10 855	6 358	17 213

1) The variation in the number of employees during the year is fairly constant.

Total number and share of employees by employment contract 2020, by gender ¹	Female	%	Male	%	Total
Permanent	10 079	63	5 917	37	16 056
Temporary	776	67	381	33	1 157
Total	10 855		6 358		17 213

1) The variation in the number of employees during the year is fairly constant.

Total number of employees by employment contract 2020, by region ¹	Sweden	Estonia	Latvia	Lithuania	Total
Permanent	8 886	2 664	1 891	2 615	16 056
Temporary	760	99	139	159	1 157
Total	9 646	2 763	2 030	2 774	17 213

1) The percentage who are not employed by the bank is very low. The variation in the number of employees during the year is fairly constant.

Total number ¹ and share of new employees by gender, age group and country, %	2020	2019	2018
Women	55	61	62
Men	45	39	38
Under 30 years	45	54	59
30-50	49	42	37
50+	6	4	4
Sweden	57	34	30
Estonia	13	18	24
Latvia	13	21	17
Lithuania	17	27	29

1) Number of new employees: 2020: 2 043, of whom 43% were internal recruitments; 2019: 1 912 and 2018: 1 877.

Total number and rate of employee turnover by gender, age group and country, % ¹	2020	2019	2018
Women	6.4	9.3	9.8
Men	7.3	10.4	11.8
Under 30 years	9.0	14.1	14.8
30-50	5.5	8.0	9.8
50+	7.6	9.6	8.1
Sweden	6.0	9.4	9.3
Estonia	6.5	8.3	10.9
Latvia	7.3	10.9	11.4
Lithuania	9.3	11.7	13.8
Group total	6.8	9.7	10.5

1) Number of employees who left during the year: 2020: 1 166, whereof 763 voluntary; 2019: 1 601 and 2018: 1 683.

Wage difference women vs. men, managers ¹ by country, %	2020	2019	2018
Sweden	-20	-22	-22
Estonia	-34	-27	-28
Latvia	-28	-39	-43
Lithuania	-33	-32	-36
Group total	-32	-31	-32

1) Includes managers at every level. HR responsibility is the common denominator for this category.

Wage difference women vs. men, specialists ¹ by country, %	2020	2019	2018
Sweden	-20	-20	-20
Estonia	-30	-35	-36
Latvia	-35	-29	-29
Lithuania	-29	-34	-35
Group total	-30	-32	-34

Labour/management relations	2020	2019	2018
Percentage of employees with collective or local agreement or covered by labour law – Sweden ¹	100	100	100
Percentage of employees covered by collective bargaining agreements ^{2,3}	72	69	69

1) The members of the Group Executive Committee are not covered by collective agreements (except holiday regulations) and the Act on Employment Protection.
 2) 100 per cent in Sweden and Lithuania.
 3) Swedbank has established a Group-level European works council with participants from the various countries where it operates.

Level of education, %	2020	2019	2018
Sweden			
University degree	40	40	39
Other university education	11	11	13
Upper secondary school	47	48	47
Other education	2	1	1
Estonia			
University degree	64	62	61
Other university education	11	11	12
Upper secondary school	19	20	20
Other education	6	7	7
Latvia			
University degree	74	73	72
Other university education	16	16	16
Upper secondary school	10	11	12
Other education	0	0	0
Lithuania			
University degree	84	83	81
Other university education	5	6	6
Upper secondary school	5	5	5
Other education	6	6	8

Age distribution by country, %	2020	2019	2018
Sweden			
Under 30 years	21	21	20
30-50	50	49	49
50+	29	30	31
Estonia			
Under 30 years	19	20	21
30-50	68	68	68
50+	13	12	11
Latvia			
Under 30 years	22	24	24
30-50	71	70	70
50+	7	6	6
Lithuania			
Under 30 years	29	32	32
30-50	59	57	57
50+	12	11	11

Age distribution management and Board of Directors, %	2020	2019	2018
Group Executive Committee			
Under 30 years	0	0	0
30-50	21	25	24
50+	79	75	76
Board of Directors¹			
Under 30 years	0	0	0
30-50	40	22	10
50+	60	78	90

1) Excluding employee representatives.

S7 Business ethics and information security

Material topic:

Secure and stable

IT systems

Responsible corporate governance

Business ethics

Fight financial crime

Key parameters



Thematic areas



- Anti-money laundering (AML) is a continuous effort within Swedbank with steadily improving routines, system support and processes.
- Swedbank has clear routines to ensure access to the bank's systems with security, compliance and risk management principles.

Employees who have received anti-money laundering and counter-terrorism financing training

98%

Completed courses 17 153

Everything we at Swedbank do shall be characterised by high ethical standards, where Swedbank and its employees actively assess every transaction, relationship and activity from the standpoint of the bank's ethical norms and positions.

Anti-money laundering measures

The Swedbank's Group's anti-corruption policy and policy on anti-money laundering and counter-terrorism financing are adopted by the Board of Directors and revised annually. A code of conduct explains the bank's values and principles of conduct in terms of commitments, roles and the way we work internally as well as in relationships with customers and partners.

The preventive work to detect and report suspected money laundering and terrorism financing remains the highest priority at Swedbank. The bank has established an Anti-Financial Crime (AFC) unit to strengthen the fight against money laundering and financial crime. During the year, the focus was on correcting the shortcomings pointed out by the FSA's in Sweden and Estonia. The action plan to strengthen the bank's capacity and ability to detect money laundering risks has progressed according to plan with slight adjustments due to impact of the coronavirus pandemic.

The new Group framework for AML/CTF explains the bank's approach and the requirements to ensure compliance with current regulations. These requirements include Know Your Customer (KYC), which the bank continues to work actively with; it is one way the bank contributes to a safe and well-functioning society and maintains the confidence of shareholders and customers. The fight to stop criminals from exploiting the bank's platforms begins with the information it has on customers. The bank's many questions on transactions, counterparties and where money comes from is of value to society's efforts to stop criminality.

Swedbank started, together with the four other largest banks in Sweden, a collaboration with the Swedish Police Authority in order to better identify and combat money laundering and organised crime through increased information sharing.

Whistleblowers increase transparency

Swedbank has an internal whistleblower routine where employees and other stakeholders outside the Group can openly or anonymously report potential or actual violations of the bank's values, internal or external rules, or ethical norms. Previously, employees were able to report by mail, email, phone or an external, web-based reporting channel. During the year, the bank also enabled external stakeholders such as customers, suppliers and other partners to use the whistleblower function if they suspect any wrongdoing in our operations by using the bank's external websites. In 2020, the bank received 61 reports, of which nine related to operations in Estonia and three related to Latvia and Lithuania.

Internal routines and guidelines

Events and activities arranged by the bank to strengthen and build business relationships must comply with applicable laws and honest practices and be arranged in accordance with internal rules. The bank's anti-corruption policy clarifies the rules on gifts and entertainment. It is prohibited e.g. from accepting or offering travel and from providing, promising or offering a benefit to any person who represents a government authority or decides on public procurements.

Employees' sideline work is evaluated on an annual basis. Members of the Group Executive Committee are subject to special rules on personal investments, where the following normally do not give rise to significant conflicts of interest: UCITS funds and similar financial instruments, real estate intended for private use by members or their family, insurance, deposits, shares in Swedbank and other shares provided they are discretionary investments. Members of the Group Executive Committee are also covered by financial trading rules such as a duty to enquire and reporting obligations.

Personal data in accordance with GDPR

Swedbank has extensive experience storing and handling customer data and information in the normal course of business. It is important that the customer feels secure with how their personal information is used. Confidential information is used to execute the bank's services, in customer surveys and market analyses, and to prevent money laundering, prevent and investigate criminal activity, and facilitate payments and credit and risk assessments.

The General Data Protection Regulation (GDPR) applies to all EU member states. Among other things, it contains rules with fundamental principles on processing personal data and provisions on the legal use of personal data. It also contains rules on the right to information and access to personal data, rules on the correction of inaccurate personal data, and opportunities in certain cases to limit the processing of personal data.

Information security strategy

Swedbank operates in an environment where cyber threats are constantly evolving and becoming more advanced. This, combined with increased digitisation of services, products and channels, requires the bank to understand threat scenarios and determine if and where vulnerabilities exist and can be exploited to harm the bank and indirectly society as well. At the same time, banks face growing information security demands and expectations from their stakeholders, including supervisory authorities, customers, partners and society as a whole.

Swedbank's information security strategy is decided by the CEO, but the Board of Directors is also consulted. The Board also has access to, and gives its view of, the bank's risk and threat assessments. Training is provided for all its members. The strategy describes an optimal level of information security with goals to support the overarching Group strategy. It also describes initiatives that will lead the bank to that optimum. These initiatives are in turn supported by more detailed improvement and development activities. The activities are defined on an annual basis to accommodate changes in the organisation and macro environment. Implementation of the activities is continuously reported to the CEO and the Board.

Management of information security strategy work

Swedbank has established a function with responsibility for leading and coordinating the development and implementation of a management system for information security, including a risk framework. The system is based on the international ISO 27002 standard and the ISF Standard of Good Practice and manages all of the tools and controls that the bank uses to protect its information. The function is led by the bank's Chief Information Security Officer (CISO). An Information Security Manager is appointed by each business area and relevant Group functions as support for senior executives. Functions for security incident response and proactive security testing of the bank's IT environment are overseen by the CISO. It has become increasingly important for financial companies to test their information security capabilities and resilience.

In 2020, Swedbank conducted security tests within the Tiber-SE framework, which was developed by the Riksbank in Sweden as a standardised way to test resilience to cyber risks in the financial system. The test involves a controlled simulation of a cyberattack on an organisation's employees, processes and technology. The idea is to identify deficiencies in order to then improve resilience. In addition to the tests, the bank regularly searches all its IT systems for vulnerabilities. The external auditors continued in 2020 to review Swedbank's information security work to provide a further basis for improvements to the bank's capabilities. The incident response team, Swedbank SIRT, is an accredited SIRT organisation and member of the Trusted Introducer Network TF-CSIRT since 2010. The bank has insurance coverage for certain expenses that can arise in connection with a cyber incident. Swedbank has a rigorous framework to manage information security risks that arise when activities and assignments are outsourced. In connection with every procurement the supplier is analysed to ensure that they can live up to Swedbank's information security requirements, which is then included in the agreement and continuously monitored.

For information security to succeed, it is important to promote a security conscious culture. All employees must understand the importance of good security in their daily work, but at the same time are given the opportunity to develop their own security skills and awareness of current threats. Swedbank therefore offers training and activities to raise the awareness of all employees as well as customised measures for specific employee categories. It is also important that employees know how to report suspected incidents.

IT security, data protection and crime prevention	2020	2019	2018
Number of suspicious orders and transactions (MAR) ¹ reported	76	57	67
- of which Sweden	46	23	43
- of which Estonia	0	2	2
- of which Latvia	10	16	14
- of which Lithuania	20	16	8
Number of suspicious transactions involving money laundering/terrorist financing (SAR) ^{1,2} reported	5 501	4 597	5 084
- of which Sweden	3 480	2 736	2 774
- of which Estonia	973	882	956
- of which Latvia	591	632	770
- of which Lithuania	457	347	584
Whistleblower reports	61	30	58
Processing of personal data			
Number of complaints from registered parties to data protection officer, total	13	10	7
- of which Sweden	7	5	6
- of which Estonia	1	0	0
- of which Latvia ³	5	5	1
Number of complaints from data protection authority, total	6	7	4
- of which Sweden	0	0	0
- of which Estonia	0	0	0
- of which Latvia	1	1	0
- of which Lithuania	5	6	4

1) Market Abuse Regulation (MAR) and Suspicious Activity Report (SAR). Banks are obligated to report suspicions of market abuse: insider trading, market manipulation and unlawful disclosure of inside information (MAR).

According to the Anti-Money Laundering Act, Swedbank is also obligated, without delay, to report suspicions of money laundering or terrorist financing (SAR) to the Financial Intelligence Unit of the Swedish Police.

2) Registered parties that have submitted complaints through correspondence by mail or email to the data protection authority.

3) Complaints from registered parties to data protection authorities are not measured in Latvia.

S8 Societal engagement

Material topic: Societal engagement

Key parameters



Thematic areas



- Swedbank is engaged in social issues such as education, unemployment and entrepreneurship.
- In 2020, Swedbank and Gigstr launched an initiative called "Switch jobs", where companies can share employees to help both the companies and their employees during the pandemic.

Societal investments, SEKm

101

Number of presentations

2 101

Societal engagement has played a key role throughout Swedbank's history. The first savings bank was founded in 1820 to help the general public save and achieve long-term financial security. As a leading bank, Swedbank is part of and is affected by everything that happens in society. The bank is engaged in social issues such as education, health and well-being, unemployment and entrepreneurship. Progress in these areas is important for the development of society and the bank's business.

Financial literacy training for young people

Swedbank's societal engagement is largely focused on spreading understanding of personal finance, the value of money and savings, and how various life choices can affect the future. Swedbank meets many children and young people through various initiatives and helps to promote financial literacy in their education. In this way it reaches out broadly with its message and knowledge to thousands of children and young people, regardless of background and prior knowledge.

Through the "Young Economy" initiative with the Swedish savings banks and savings bank foundations, 53 753 (63 600) students attended lectures in 2020. Swedbank's employees in Sweden guest lecture in schools during working hours. In Latvia Swedbank held 218 (350) presentations for high school students through the Swedbank School Program. In both Sweden and Latvia materials have also been produced for digital presentations.

In Latvia and Lithuania the "Financial Laboratory" initiative gives children and young people access to digital presentations, virtual tours and other educational material. In Lithuania the bank launched even more digital presentations during the year as well as videos to reach more young people during the pandemic. Swedbank's Estonian employees have the opportunity during working hours to guest lecture in schools on the digital platform Back to School.

An initiative called Digital Economy contributes to digital inclusion in society. Through local presentations – both physical and digital – and get-togethers the bank's employees inform and guide those who want help getting started with digital services.

Educating the public in all four home markets also includes drawing attention to current economic issues. Swedbank arranges seminars on these and other current topics tied to its societal engagement.

Societal engagement for today

Swedbank has worked for several years with two labour market initiatives: "Young Jobs" and "A job at Last". Due to the pandemic, another initiative was added in 2020. In collaboration with the talent matching firm Gigstr, "Switch jobs" was launched to enable Swedish companies to share employees due to COVID-19.

In Latvia and Estonia, the bank is engaged in projects that train college graduates to become teachers who can help to create more equal schools around the country. The teachers are placed in areas with the greatest need. In 2020, 38 students were accepted to the programme in Estonia and 100 students in Latvia.

The bank participates each year in Politicians' Week in Almedalen, Sweden, and its equivalent events in Latvia, Estonia and Lithuania, to promote dialogue between politicians, businesses and other sectors of society. Because of COVID-19, most of these events were cancelled in 2020, but many new digital meeting points were created instead. A number of webinars were arranged by Swedbank in Sweden, and in Latvia the bank participated in the annual democracy festival LAMPA, which was mostly held in digital form.

Swedbank in Sweden has been working for several years with the organisation Friends, which is another important engagement in schools focused on preventing bullying. In Latvia a collaboration was established in 2020 with Neklusē ("Don't be silent"), which is also trying to prevent bullying in schools.

Health and exercise are also an important social issue. In addition to the health aspect, it is a proven way for many new immigrants in Sweden to integrate in society. The bank sponsors various forms of sporting activities, mainly with a focus on football, where the bank has been active for many years.

Entrepreneurship and innovation collaborations

To encourage innovation and entrepreneurship, Swedbank has projects with several organisations. One way is to teach entrepreneurship to young people whilst they are still in school, increasing their likelihood that they will start new businesses and create jobs.

Junior Achievement in Sweden and Latvia, Everyone Can in Lithuania and Prototron in Estonia are various types of entrepreneurial collaborations focused on young people. Prototron for example is working to eliminate the funding gap for tech startups by giving them an opportunity to develop their ideas into working prototypes to test on the market. To date, this collaboration between Swedbank, the Tallinn University of Technology and Science Park Technopol, has financed 86 projects with EUR 1 048 000. In 2020, Swedbank's Latvian operations also participated in Prototron. In several of the Baltic countries, the bank has also participated in hackathons and accelerators for sustainable start-ups.

A business networking platform was created by Swedbank in Latvia, the Institute of Finances and other external partners in 2013 to help corporate customers form business relationships and develop opportunities. In 2020, the Business Network was visited by more than 314 000 unique users.

In Lithuania Swedbank continues to work with Everyone Can, and in 2020 it expanded the range of educational material to support small businesses during the coronavirus pandemic.

Strong engagement among employees

Back in 2008 Swedbank and Good Deed Foundation joined together to establish the donation portal "I love to help", the largest website of its kind in Estonia, which brings together customers and various charitable organisations to provide social assistance in vulnerable areas. All employees of Swedbank in Estonia have an opportunity to volunteer.

In Lithuania Swedbank's volunteering programme is called We Care. Here as well employees have an opportunity during working hours to volunteer in a wide range of areas.

Societal investments, SEKm.	2020	2019	2018
Societal investments, total	101	104	106
-of which Sweden ¹	75	89	92
-of which Estonia	14	7	7
-of which Latvia	7	3	3
-of which Lithuania	5	5	4

1) Of which 43 SEKm consists of charitable donations from Swedbank Robur Humanfond 2020.

Societal investments per engagement 2020, %	Sweden	Estonia	Latvia	Lithuania
Sponsorship of social activities	42	55	87	27
Employees' societal engagement during paid working hours	2	13	2	16
Management costs	0	0	11	57
Products and services with a social value	0	0	0	0
Gifts from customers via the bank's products and services	56	33	0	0

Number of lectures	2020	2019	2018
Sweden ¹	1 498	2 283	2 183
Estonia	67	157	117
Latvia	218	683	573
Lithuania	318	674	433

1) Refers to the Young Economy initiative in collaboration with the Savings Banks and Savings Bank Foundations. Including savings banks.

	2020
Direct economic value generated and distributed, %	SEKm
Total income	45 676
Interest paid to the public (deposits)	847
Interest paid on other funding/financing	8 409
Deposit guarantee fees	566
Resolution fees	863
Tax for the year	3 944
Non-deductible VAT	1 746
Social insurance costs and pensions	3 696
Salaries and fees incl. shares in Swedbank	7 702
Payments to suppliers, home markets	14 219
Proposed shareholder dividend	3 252
Profit for the year reinvested in the bank	9 677
	21

1) Distribution of financial value creation in relation to total value.

S9 Human rights

Material topic:

Promote sustainable lending

Promote sustainable investments

Key parameters



Thematic areas



- Human rights is an important aspect in the sustainability analyses in the bank's core processes: investment, lending and procurement.

Human rights is one of the four areas to determine whether a company can be included in Swedbank Robur's sustainability funds.

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4**

Swedbank will always act in accordance with universal human rights. This commitment extends to every market where the bank is active. As a basis for its responsibility to respect human rights, Swedbank follows the UN Guiding Principles Reporting Framework and the UN Global Compact. The principles stress how important it is for companies to be aware of human rights risks and to strengthen human rights in their business operations. Swedbank Robur has signed the Principles for Responsible Investment (PRI), an open global initiative for institutional investors supported by the UN, which addresses among other things respect for human rights in investments.

A Group policy on human rights, adopted by the Board of Directors, clarifies the bank's responsibility to take precautionary measures and prevent human rights violations. In addition, the code of conduct makes clear that the bank's employees must abide by Swedbank's values and show equal respect for everyone. On this basis, human rights risks are continuously assessed in processes and business decisions.

Gender equality and diversity in the bank's operations

All employees of the bank receive mandatory sustainability training on topics such as gender equality, diversity and human rights (see page 222). Gender equality and diversity are important to the bank's work environment and corporate culture. The Group Executive Committee supports development in this area by clearly integrating an equality perspective.

Managers and other leaders regularly participate in training, both mandatory and at the request of teams. New e-training on discrimination was launched for the bank's managers. HR employees also received training during the year on the fundamentals of diversity and unconscious biases. Swedbank is taking action to promote women in leadership, with a focus on areas where they are underrepresented – including through the Swedbank Women in eCyber Security Network, which was launched in 2020. Stereotypical thinking and unconscious bias, which often result in lower positions and pay for women, are key components in diversity and inclusion training at Swedbank.

Responsible marketing is a natural part of the bank's sustainability commitment and during the year guidelines were developed. Swedbank wants people with different backgrounds, ethnicities and ages represented in its marketing. The bank's marketing is produced as sustainably as possible in collaboration with agencies that live up to the bank's requirements.

Human rights in lending and investments

Swedbank conducts a sustainability analysis in connection with all corporate loan applications. The analysis addresses with the customer any risks associated e.g. with its supply chain. If the company has production, procurement or sales in high-risk countries, its ability to manage sustainability-related risks is critical (the results are shown on page 215). As support for the analysis, the advisor has guidelines on sustainability risks specific to each sector, such as human rights risks, which are designed to facilitate dialogue and risk assessment. If the company is considered to have significant sustainability risks, the case is forwarded to a credit committee for final decision.

Swedbank expects the companies it invests in or finances and the suppliers and consultants employed by Swedbank to have zero tolerance for all forms of discrimination, including verbal, physical and sexual harassment. This is laid down in the bank's policy on human rights and policy on diversity and inclusion.

Swedbank Robur's investment processes include a sustainability analysis, which covers human rights. The analysis varies in scope for different funds depending on factors such as industry and geography. Special attention is given to industries with elevated risks e.g. companies operating in low-cost countries or non-democracies. Swedbank Robur actively dialogues with companies to improve sustainability and profitability and to prevent and reduce serious consequences for people and the environment. There are various types of dialogues e.g. with companies with especially high risks that are on Swedbank Robur's watch list, when following up incidents, in connection with a sustainability analysis, on topics such as human rights, and as a stakeholder in companies in which the funds are major investors. Children are often a vulnerable group and Swedbank Robur has a position statement on children's rights, which is used to influence companies. The purpose is to present Swedbank Robur's expectation that companies take children's rights into consideration.

Human rights is one of the four areas that serve as a basis for determining whether a company can be included in Swedbank Robur's sustainability funds. The focus in this year's dialogues was on issues related to supply chains and their monitoring. Human rights, fair labour and climate transition were central areas in conversations with the companies, mainly in engineering and manufacturing.

Swedbank has adopted a Group position on the defence industry, which sets the conditions for providing financial services to this sector and is protection against human rights violations. Swedbank has among other things zero tolerance for nuclear weapons and illegal weapons, which means it will not provide financial services to companies that produce, maintain or trade in these weapons.

Supply chain evaluations

Swedbank assesses risks related to human rights in its procurement process. The scope of the assessment depends on the industry and where the supplier is located geographically, which is determined through an initial screening. If the supplier is considered high risk in terms of human rights, a more thorough evaluation is conducted. Swedbank regularly dialogues with suppliers to verify that established requirements are being followed.

S10 Taxes

Material topic:

Responsible corporate governance

Business ethics

Key parameters

- 1
- 2
- 3
- 4
- 5
- 6
- 7

Thematic areas

- 8
- 9
- 10
- 11

- **Swedbank is an active member of the Swedish Bankers' Association's tax committee, which in turn is a consultative committee on new tax legislation.**

Reporting in accordance with the new GRI tax standard (GRI 207: TAX 2019), which includes disclosures on tax strategy, governance and risk management.

Being a good taxpayer and contributing to the community is a fundamental part of a company's sustainability work. In accordance with Swedbank's vision and values, it is important to address tax issues responsibly, ethically and transparently. This responsibility applies to tax issues that affect both the bank and its customers.

Taxes are an important sustainability issue for Swedbank. Since 2008, Swedbank has a Group-wide tax policy adopted by the Board of Directors (available on swedbank.com/sustainability). The policy is updated annually. Swedbank follows current Swedish and international tax laws, regulations and standards, but also strives to act in accordance with the laws' purpose. Swedbank openly reports operating profits, assets and tax costs in every country where it operates. Swedbank acts transparently in communications with tax authorities in all these countries and tries to maintain strong, long-term relationships built on openness and trust. In situations where there may be alternative interpretations of case law, Swedbank relies on internal and/or external experts to ensure appropriate and accurate interpretations. When needed Swedbank, dialogues with the tax authorities.

Swedbank's economic contributions

In addition to paying corporate tax, Swedbank is a major employer in its home markets and provides jobs more for than 16 000 people. By paying social security charges for its employees, the bank contributes to social welfare. Swedbank incurs large net costs for value-added tax (VAT). In addition, Swedbank pays bank fees in the form of a resolution fee and deposit guarantee fee, which contribute to society's financial stability. Swedbank's total cost for taxes and social security was approximately SEK 7 800m in 2020. During the year, Swedbank also paid approximately SEK 1 400m in bank fees.

Operating taxes

The sustainability analysis conducted in connection with corporate loan applications requires the borrower to transparently report taxes. Swedbank has internal processes to reduce the risk that its operations are exploited for tax evasion purposes.

Swedbank does not provide tax advice or engage in artificial arrangements whose main purpose is tax avoidance. Transactions containing elements that typically could be interpreted as tax-driven receive extra scrutiny. In difficult situations a transaction can be elevated to the Group's Business Ethics Committee. Swedbank withholds, pays and reports the taxes that its private customers owe for interest, dividends and various types of savings.

In addition to the tax policy, the Swedbank Group has position statements on tax issues, e.g. in the bank's sector guidelines and in Swedbank's public positions on investments and asset management.

Internal tax management

Ultimate responsibility for tax management and tax policy rests with the Board of Directors. Swedbank's CEO makes sure that tax policy is followed and that the right resources and competence are available to the organisation to manage tax issues. The Group Corporate Tax and Group Operational Tax departments monitor compliance, including by annually reviewing the tax statements of large Group companies, questioning any differences between the subsidiaries' effective tax rates and the standard tax rate, and examining the Group's internal pricing. Further, the bank's control functions perform risk-based compliance reviews of documentation, reporting and tax deductions for customers. In addition, there are externally performed controls made by the tax authorities in the bank's home markets and by US tax authori-

ties with respect to specific US requirements. The external auditors review the tax expense and the sustainability report.

All activities in Swedbank should be characterised by high ethical standards, where every transaction, relationship and activity are assessed based on the bank's ethical norms and positions. Swedbank will not engage in aggressive tax planning, the main purpose of which is to reduce tax costs. Swedbank has a whistleblower routine for employees and other stakeholders to report suspicious situations that do not align with the bank's values, policies or ethical norms, including Swedbank's tax policy.

Tax issues that entail a material financial risk and/or reputational risk for the Swedbank Group are reported to the CEO and Board of Directors. Through an annual materiality analysis, Swedbank evaluates the significance of external tax reporting by its stakeholders.

2020	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Finland	Denmark	Luxembourg	China	Spain
Primary activities of the organisation ¹	RB, WB, AM, Other	RB, WB, AM, Other	RB, WB, AM	RB, WB, AM	RB, WB, AM	RB, WB, Other	RB, WB	RB, WB	Business being phased out	RB, WB	Other
Number of employees ²	8 976	2 528	1 826	2 480	276	15	53	38		19	2
Revenues from third-party sales ³	35 432	4 238	2 022	2 841	1 534	109	549	209	-1	45	5
Revenues from intra-group transactions ³	834	208	88	242	-356	333	-40	14	-1	-16	
Operating profit (SEKm) ³	13 848	2 307	805	1 287	-2 022	73	336	143	-3	7	-2
Tangible assets (SEKm)	3 788	345	356	850	26		45	1		10	
Tax expense - paid (SEKm)	3 204	296	38	252	-10	8	33	4		-3	
Current tax expense - accrued (SEKm)	3 795	355	22	213	-545	16	71	17	-1	1	
Non-deductible VAT (SEKm)	1 502	69	48	109	17						
Social security contributions (SEKm)	1 667	265	108	14	53	3	2	5		2	
Resolution fees (SEKm)	747	28	40	25	18		4	1			
Deposit guarantee fees (SEKm)	381	51	74	60							
Effective tax rate, excl. temp differences (%)	27.4	15.4	2.8	16.5	27.0	21.5	21.2	11.9	39.5	20.1	0.0
Statutory tax rate (%)	21.4	14.0	20.0	20.0	25.0	25.0	20.0	22.0	25.0	25.0	25.0
Difference current/statutory tax	6% (832 SEKm)	1.4% (32 SEKm)	-17.2% (-139 SEKm)	-3.5% (-45 SEKm)	2% (-40 SEKm)	-3.5% (-3 SEKm)	1.2% (4 SEKm)	-10.1% (-14 SEKm)	14.5% (0 SEKm)	-4.9% (-0 SEKm)	-25% (0 SEKm)
Explanation difference current/statutory tax (SEKm) ⁴	F(856) C(83) IB(-171) A(-86) I(180) TD(-55) O(25)	TD(22) O(10)	L(-138) O(-1)	TD(-34) O(-9) V(-2)	V(-4) A(-25) TD(-3) O(-8)	O(-3)	O(4)	A(-13) TD(-1)			

1) RB-Retail banking, WB-Wholesale banking, AM-Asset management.

2) Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions.

3) The amounts are based on group reported figures. The operating profit has been adjusted; however, compared to the group profit for the SEK4bn fine, which in this table is solely allocated to Sweden. Intra-group transactions within each jurisdiction have been eliminated.

4) F - Fine, C - Adjustment of branch tax due to credit method, V - Variable tax rate within jurisdiction, IB - Special tax rate for insurance business, A - Associated companies reported after tax, L - Latvia taxed at dividend distribution (temporary difference), I - Non-deductible interest on subordinated loans, TD - Temporary differences, O - Other.

List of resident entities can be found at swedbank.com/investor-relations/risk-and-capital-adequacy.html

About this sustainability report

2020 is the twelfth year in a row that Swedbank's report has followed GRI's framework for sustainability reporting. The GRI report is linked to material topics, which are defined based on the bank's materiality analysis, and how these material topics coincide with GRI's general and topic-specific disclosures.

Data collection and calculation methods

Swedbank's data collection process utilises a large number of internal and external systems. The data that appears in the sustainability report is reported by the bank's data suppliers through Swedbank's digital sustainability platform.

The systems used to collect, and in some cases calculate, the data and statistics presented in each section are reported below:

S1 Accessible banking: The information in the section is mainly compiled through the bank's financial reporting. The number of payments is obtained through the platform jointly owned by Swedish banks to facilitate Swish payments in real time.

S2 Sustainable investment: The information on assets under management per fund is obtained from the bank's financial system. The climate calculations are based on data from an external supplier. Sustainability analyses are performed using an internal programme at Swedbank Robur based on data from several large ESG data suppliers. Dialogs are logged.

S3 Sustainable finance: The information on corporate loans is obtained from the bank's financial reporting. The volume of sustainability-related products is compiled from internal and external systems. The information on sustainability analyses that have been performed is obtained from several different CRM systems.

S4 Procurement: The bank's supplier statistics are compiled through the Supplier Risk & Contract Management and an external digital platform.

S5 Environmental impacts: A digital system for climate calculations is provided by an external supplier. Data on consumption of energy, paper and water as well as security transports and waste management is compiled directly from the bank's suppliers. Information on the bank's business travel

is compiled through a system from an external supplier, and Autoplan's car leasing data is obtained from the bank's fleet administration system.

A limited selection of environmental data is based on a different financial period than the standard sustainability reporting.

S6 Employees: The information is obtained from the bank's HR system and training data from the internal training portal.

S7 Business ethics and information security: Data on suspicious orders and transactions (MAR) and reports of suspicious transactions regarding money laundering/terrorist financing (SAR) are obtained from systems specially designed for this purpose. Whistleblower reports are registered and filed through internal systems and handled by the Compliance unit, PayEx is not included.

S8 Societal engagement: The information is compiled through several different internal systems and the bank's internal sponsorship navigator, a system designed for Swedbank.

H9 Human rights: Sustainability analyses by Swedbank Robur are based on data from several large ESG data suppliers. Information on sustainability analyses within lending is obtained from several different CRM systems.

S10 Taxes: The information is obtained from the bank's financial notes, internal reporting system and HR system.

Changes, recalculations and omissions

Changes and recalculations of measurement data are reported when the information that has been calculated in a new way is presented in the report. Swedbank report according to the GRI Standards, Core level, but make a few omissions as indicated in the table below.

GRI Standard	Reasons for omission	Explanation
205-1	Not applicable	The percentage, type of corruption risk identified through the risk assessment in each core process, and total number analysed based on corruption risks are measured only for certain parts of the organisation and, as a result, key figures cannot be presented for the Group as a whole. Swedbank is working actively to develop its risk assessments. The bank will work to include these indicators in coming years.
405-1	Not applicable	Age groups by employment contract is not a key indicator that Swedbank uses in its reporting today. The bank will work to include these indicators in coming years.

GRI Content Index

Swedbank reports according to the GRI Standards, Core level. Shown below are the GRI indicators associated with the key topics that were defined based on the bank's materiality analysis, and how these key topics coincide with GRI's general and topic-specific disclosures. The same table shows how Swedbank's work supports the Global Compact's ten principles and how well Swedbank lives up to the new act on sustainability reporting. One or more disclosures are reported for each material topic. Swedbank has used one or more of GRI's disclosures where available and report them in the table below with GRI's designations. For material topics that lack GRI disclosures, the bank's own disclosures have been used. At least one

general or topic-specific disclosure is reported for each of Swedbank's key topics in accordance with the GRI Standards. Swedbank's sustainability reporting aligns with the GRI's four principles for defining report content: stakeholder inclusiveness, materiality, sustainability context and completeness.

GRI 101: Foundation	GRI 200: Economic
GRI 102: General Disclosures	GRI 300: Environmental
GRI 103: Management Approach	GRI 400: Social

Disclosure number	Disclosure title	Page/reference number	Global Compact (principle no.)
GRI 101: Foundation			
GRI 102: General disclosures			
Organisational profile			
102-1 (GRI 2016)	Name of the organisation	Front cover	
102-2 (GRI 2016)	Activities, brands, products, and services	111 note G6	
102-3 (GRI 2016)	Location of headquarters	63 note G1	
102-4 (GRI 2016)	Location of operations	112 note G7	
102-5 (GRI 2016)	Ownership and legal form	24–25	
102-6 (GRI 2016)	Markets served	1, 26, 112 note G7	
102-7 (GRI 2016)	Scale of the organisation	11, 26, 58–60, 111 note G6, 118 note G13	
102-8 (GRI 2016)	Information on employees and other workers	118 note G13, 221–223	1–6
102-9 (GRI 2016)	Supply chain	218	1–6
102-10 (GRI 2016)	Significant changes to the organisation and its supply chain	61–62, 218	1–10
102-11 (GRI 2016)	Precautionary principle or approach	63 note G2, 201	7–9
102-12 (GRI 2016)	External initiatives	201	
102-13 (GRI 2016)	Memberships of associations	201	
Strategy			
102-14 (GRI 2016)	Statement from senior decision-maker	4–6	
Ethics and integrity			
102-16 (GRI 2016)	Values, principles, standards, and norms of behaviour	7, 201, 204	1–10
Governance			
102-18 (GRI 2016)	Governance structure	36–55	
Stakeholder engagement			
102-40 (GRI 2016)	List of stakeholder groups	203	
102-41 (GRI 2016)	Collective bargaining agreements	223	3
102-42 (GRI 2016)	Identifying and selecting stakeholders	203	
102-43 (GRI 2016)	Approach to stakeholder engagement	202–203, 221–222	
102-44 (GRI 2016)	Key topics and concerns raised	202–203	
Reporting practice			
102-45 (GRI 2016)	Entities included in the consolidated financial statements	26–35, 200	
102-46 (GRI 2016)	Defining report content and topic Boundaries	200–206, 229	1–10
102-47 (GRI 2016)	List of key topics	202	
102-48 (GRI 2016)	Restatements of information	63 note G2, 215, 217	
102-49 (GRI 2016)	Changes in reporting	202	
102-50 (GRI 2016)	Reporting period	200, 243	
102-51 (GRI 2016)	Date of most recent report	200	
102-52 (GRI 2016)	Reporting cycle	200	
102-53 (GRI 2016)	Contact point for questions regarding the report	253	
102-54 (GRI 2016)	Claims of reporting in accordance with the GRI Standards	200, 230	
102-55 (GRI 2016)	GRI content index	230	
102-56 (GRI 2016)	External assurance	200, 243	1–10

GRI Topic-specific disclosures

Below is a list of specific disclosures associated with the key topics as defined based on the year's materiality analysis, and how well these key topics coincide with GRI's topic-specific disclosures. The same table shows how our work supports the Global Compact's ten principles and UN's global sustainability goals.

One or more disclosures are reported for each key topic. Swedbank has used one or more of GRI's disclosures where available and report them in the table below using GRI's designations. For key topics that lack GRI disclosures, Swedbank has used its own disclosures, which do not have GRI designations. At least one topic-specific disclosure is reported for each of our key topics in accordance with the GRI Standards.

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (principle no.)	SDG
Business ethics					1-10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	202, 223-224		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	204-206		
GRI 201: Economic Performance					
201-1 (GRI 2016)		Direct economic value generated and distributed	226		
		Reporting of taxes for the year	123 note G18, 227-228		
		Reporting of profit for the year	3, 58-59		
Attractive employer					1-6
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	18-19, 202, 221-223		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	204-206		
GRI 404: Training and Education					
404-1 (GRI 2016)		Average hours of training per year per employee	222		
GRI 405: Diversity and Equal Opportunity					
405-1 (GRI 2016)		Diversity of governance bodies and employees	36-55, 118 note G13, 223		
Financially stable bank					1-10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	8-9, 26-35, 202		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	3, 26-33		
GRI 201: Economic Performance					
201-1 (GRI 2016)		Direct economic value generated and distributed	226		
		Results and ROE	3, 58-59		
		Capital adequacy ratio	102 note G4		
		Profit for the year	3, 58-59		
		Dividend per share	3, 24-25		
Sustainable investment					1-10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	17-18, 202, 209-211		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	206, 213-214		
G4-FS10		Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	213-214		

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (principle no.)	SDG
Sustainable financing					1-10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	16-17, 202, 209-211		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	206, 215-217		
		Households with loan-to-value ratio over 70% of property value	215		
		Share of households with loan-to-value ratio over 70% that amortise	215		
G4-FS6		Percentage of the portfolio for business lines by specific region, size and by sector	216, 244		
G4-FS7		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	216-217		
G4-FS8		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	216-217		
Promote climate transition					7-9
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	18, 202, 209-211, 219		
103-2 (GRI 2016)		Management	36-55, 204-205, 209-211		
103-3 (GRI 2016)		Sustainability management assessment	206, 219-220		
GRI 302: Energy					
302-3 (GRI 2016)		Energy intensity	220		
GRI 305: Emissions					
305-1 (GRI 2016)		Direct (Scope 1) GHG emissions	220		
305-2 (GRI 2016)		Energy indirect (Scope 2) GHG emissions	220		
305-3 (GRI 2016)		Other indirect (Scope 3) GHG emissions	220		
305-4 (GRI 2016)		GHG emissions intensity	219-220		
Combat financial crime					10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	19-23, 202		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	206, 223-224		
GRI 205: Anti-Corruption					
205-1 (GRI 2016)		Operations assessed for risks related to corruption	223-224, 229		
		Percentage of suppliers undergoing business ethics risk assessments	218		
		Percentage of holdings in fund portfolios undergoing business ethics risk assessments	213-214		
		Number of corporate customers undergoing business ethics risk assessments	215-217		
		Number of suspicious orders and transactions reported	224		
		Number of suspicious transactions regarding money laundering/terrorist financing reported	224		
Societal engagement					1-6
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	202, 225		
103-2 (GRI 2016)		Management	36-55, 204-205		
103-3 (GRI 2016)		Sustainability management assessment	206, 225-226		
GRI 201: Economic Performance					
201-1 (GRI 2016)		Direct economic value generated and distributed	226		
		Social investment	225-226		

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (principle no.)	SDG
Responsible governance					1–6, 10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	202, 223–224		
103-2 (GRI 2016)		Management	36–55, 204–205		
103-3 (GRI 2016)		Sustainability management assessment	118 note G13, 224–225, 228		
		Compensation within Swedbank	118 note G13		
GRI 201: Economic performance					
201-3 (GRI 2016)		Defined benefit plan obligations and other retirement plans	118 note G13		
207-1 (GRI 2016)		Approach to tax	227–228		
207-2 (GRI 2016)		Tax governance, control and risk management	227–228		
207-3 (GRI 2016)		Stakeholder engagement and management concerns related to tax	203, 227–228		
207-4 (GRI 2016)		Country-by-country reporting	112 note G7, 228		
Secure and stable IT systems					3–6, 10
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	19, 202		
103-2 (GRI 2016)		Management	36–55, 204–205		
103-3 (GRI 2016)		Sustainability management assessment	224		
		Number of complaints from registered parties to data protection officer	224		
		Number of complaints from Swedish Data Protection Authority	224		
High availability					1–2
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	202, 212		
103-2 (GRI 2016)		Management	36–55, 204–205		
103-3 (GRI 2016)		Sustainability management assessment	212		
		Availability in digital channels	212		

PRB Self-Assessment

The following table shows page references in Swedbank's Annual and Sustainability Report where PRB reporting is presented. Swedbank's PRB Self-Assessment follows the Principles of Responsible Banking's requirements for self-assessment. Areas 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 and have been reviewed by PwC (limited assurance) in accordance with the assurance report on page 243.

Requirement	Swedbank's self-assessment	Reference
Principle 1: Alignment		
<i>Swedbank will align its business strategy to be consistent with and contribute to the UN Sustainability Development Goals, the Paris Agreement and other relevant and national frameworks, from both the individual's and society's perspective.</i>		
1.1 Description of business model	<ul style="list-style-type: none"> • Swedbank is a leading bank for the many households and companies in its four home markets: Sweden, Estonia, Latvia and Lithuania. Swedbank's main business is organised in three product areas: lending (residential and commercial properties), payments (cards and payment processing) and savings (funds, equities and deposits). • Main customer segments: private customers, corporate customers, tenant owner associations, public sector and financial institutions. • Swedbank's corporate lending based on largest sector exposure: property management, agriculture, forestry & fishing, and manufacturing. 	10–11, 26–27, 71 note G3, 111 note G6, 244
1.2 Description of the business strategy	<ul style="list-style-type: none"> • Swedbank's purpose is rooted in its 200-year history, where the bank has, since the start of the savings bank movement, been committed to providing opportunities for all people to improve their financial situation. This idea remains unchanged and is central to the bank's purpose to this day. By offering relevant advice, service and products to the many customers in its home markets every day, Swedbank can have a positive impact on their lives and on society. • Swedbank is focused on long-term value creation for its stakeholders and therefore aims for a competitive return on invested capital, market-leading cost efficiency, sound risk management and delivering a positive customer experience, in combination with strong engagement in sustainability. • Swedbank has identified four strategic focus areas across the group: focus on core business, focus on fundamentals, focus on customer value creation and focus on operational efficiency. 	7–9
Principle 2: Impact and Target Setting		
<i>Swedbank will continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from the bank's activities, products and services. To this end, Swedbank will set and publish targets where the bank has the most significant impacts.</i>		
2.1 Impact analysis	<ul style="list-style-type: none"> • A portfolio impact analysis and a materiality analysis were conducted at the Group level during the year. The methodology/tool to undertake the impact analysis was the UNEP FI Portfolio Impact Analysis Tool. Products and services were analysed for the private and corporate markets in Sweden, Estonia, Latvia, Lithuania and Norway. Asset management, insurance, capital market products and Private Banking were not covered in the analysis. • Through our analysis, we determined that the bank, through its business, impacts climate change (emissions), resource efficiency (consumption), access to housing and decent employment. Differences in conditions between countries in terms of the areas impacted by sustainability aspects were analysed as well, including housing, resource efficiency, climate change, water quality and mobility. This was determined through an analysis of national and international sources such as the UN SDG indicator and World Bank data. The analysis shows that Swedbank, through activities in the real estate and manufacturing sectors, as well as the professional, scientific and technological sectors, has a positive impact on housing and employment. Conversely, there were negative impacts on the areas of climate change and resource efficiency from activities in property management, manufacturing, agriculture, forestry and fishing, as well as in the energy sector connected with the extraction of fossil fuels. • Swedbank will work together with sectors where the bank has opportunities to increase positive impacts, e.g. by meeting and financing transition pathways. 	207–208, 234
2.2 Target setting	<ul style="list-style-type: none"> • Swedbank has adopted two targets based on the outcome of the impact analysis. The first is that the bank in 2021 will develop climate targets for the real estate sector that align with the Paris Agreement. The baseline year is 2020. However, for any future climate targets that are adopted the baseline year may differ. This target is a key element in the bank's strategic approach to climate change and is focused on sectors where the bank has a major impact and exposure. The second target is that in 2021 Swedbank will increase its sustainable finance compared with 2020 (baseline year). To achieve this target, the bank will work with customers by offering advice and financing solutions to support their transition. The bank concludes that the targets that have been adopted do not constitute a risk for society and the UN Sustainable Development Goals. However, the bank believes it is important to continuously evaluate this aspect. 	208, 234
2.3 Plan for target implementation and monitoring	<ul style="list-style-type: none"> • The targets comprise the entire Group and are implemented at the management level within each business area and relevant Group function as a part of the bank's day-to-day activity and business planning. This means that the targets are monitored continuously during the year. A Group-wide project with representatives from the bank's various business areas, Group functions and subsidiaries was established to draft climate targets for the real estate sector aligned with the Paris Agreement. These targets will be implemented in operations and measured and continuously monitored in accordance with established performance metrics as soon as they are approved. To support the transition in sectors (e.g. agriculture and forestry) where it has identified an opportunity to reduce the impacts on the climate and resource consumption, the bank considers it important to develop sustainable financing. The target to increase the bank's sustainable finance is integrated in the business areas' activity plans and specific KPIs are implemented to monitor volume growth. 	208, 234
2.4 Progress on implementing targets	<ul style="list-style-type: none"> • Implementation of the targets is continuously monitored internally and reported publicly in the next sustainability report. 	208, 234
Principle 3: Clients and Customers		
<i>Swedbank will work responsibly with its customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</i>		
3.1 Policies and practices	<ul style="list-style-type: none"> • Swedbank's governing sustainability framework, policies (adopted by the Board of Directors), instructions/position statements (adopted by the CEO) and sector guidelines are implemented in the bank and updated annually. • The rules and frameworks that have been adopted by the European Commission as an element in achieving the objectives in the EU Action Plan for Financing Sustainable Growth provide support for the bank's efforts to encourage sustainable choices in interactions with customers. 	200, 204–206
3.2 Encourage sustainable practices and activities	<ul style="list-style-type: none"> • A high priority at Swedbank is to enable both private and corporate customers to meet the bank and do their banking simply and conveniently. Digitisation and new technology enable the bank to reach its seven million customers with services that save time, reduce customers' costs and make banking services more widely available. To promote sustainable growth, it is vital that the bank allocate capital to companies whose business models contribute to the necessary transition. During the year, several new sustainability-oriented products and services were launched and extensive work to develop advisory services was initiated. 	7–9, 16–18, 212–217

Requirement	Swedbank's self-assessment	Reference
Principle 4: Stakeholders <i>Swedbank will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</i>		
4.1 Stakeholder engagement and partnerships	<ul style="list-style-type: none"> Communication with stakeholders is important to the bank's operations, and an open dialogue is maintained with various groups in society. Swedbank's main stakeholder groups are customers, employees, owners/investors and society at large. Issues that were addressed and which the bank collaborated on with stakeholders during the year are shown on page 203. One example is that the bank, through its dialogue with customers, has understood the need for support, tools and access to financial services for customers to manage the pandemic's impact on their personal finances and their businesses. The bank's online information and tools have provided deeper insight and helped customers to make well-informed decisions. The bank has established partnerships with the goal of developing and delivering solutions for sustainable production and consumption. One example is the partnership with the talent matching firm Gigstr, where an initiative called "Switch Jobs" helps companies to share employees to meet their staffing needs. A Group-wide materiality analysis was conducted during the year with nearly 2 000 responses to a survey on how the bank should prioritise various sustainability issues. Two key areas that were given high priority were secure and stable IT systems and business ethics. 	201–203
Principle 5: Governance and Culture <i>Swedbank will implement its commitment to these principles through effective governance and a culture of responsible banking.</i>		
5.1 Governance structure	<ul style="list-style-type: none"> Swedbank has an effective governance structure, which enables the creation of long-term value for the bank's owners and other stakeholders. Swedbank's policies, position statements and guidelines in this area provide the foundation for governance of Swedbank's sustainability work. Swedbank has established an ethics committee to support the CEO with effective management and oversight in the areas of ethics and sustainability. The members represent the bank's various business areas and Group Functions. Members of the Group Executive Committee are represented as well. Swedbank's Head of Sustainability is chairman of the Business Ethics Committee. The committee's purpose is to guide the organisation to minimise sustainability risks and any negative impacts caused by and for the bank. The committee handles cases where the environment, human rights, social responsibility and business ethics are a decisive factor in business decisions and where an ethical dilemma has arisen. 	36–55, 204–205
5.2 Initiatives and measures	<ul style="list-style-type: none"> Swedbank has implemented several initiatives and measures to support sustainability integration. Group-wide employee training on climate change, a corporate culture assessment, measures to implement sustainable finance rules and new, sustainability-oriented products are just a few examples. 	16–23, 200, 209–211, 221
5.3 Governance structure for implementation of the principles	<ul style="list-style-type: none"> The governance structure and increased focus on sustainability support the bank's implementation of the principles. Swedbank has established two Group-wide targets as a result of the impact analysis of its portfolio. KPIs to monitor targets set by Group Executive Management are implemented in relevant business areas and group functions and align with the bank's ordinary activity structure. To support efforts to achieve the targets, the number of sustainability-oriented products has been expanded, a clearer focus on sustainability in advisory services has been established, and an extensive training program on climate change has been launched to improve the knowledge of the bank's employees. A thorough follow-up of the targets is made continuously. 	207–208, 235

Principle 6: Transparency and Accountability

Swedbank will periodically review its individual and collective implementation of the principles and be transparent about and accountable for its positive and negative impacts and contribution to society's goals.

6.1 Progress on implementing the Principles for Responsible Banking	<ul style="list-style-type: none"> The bank is reporting for the first time according to the Principles for Responsible Banking. The year's report shows the results of the impact analysis that was conducted and the targets that have been adopted based on the results. Swedbank thoroughly monitors other banks' reporting of the principles and the work to implement them. The bank's aim is to achieve a high level in its reporting and be inspired by best practices to deeply integrate the principles in daily work. 	207–208, 235
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Conclusion:

Swedbank concludes that it has met the requirements for progress in implementing the Principles for Responsible Banking. Swedbank's conclusion is that the bank specifically meets the requirements for progress on the principles 2.1, 2.2, 2.3, 2.4, 5.3, and 6.1.

TCFD index

The following table shows page references in Swedbank's Annual and Sustainability Report where TCFD reporting is presented.

Reference	Page
Governance	
a) Describe the board's oversight of climate-related risks and opportunities.	16, 204–205, 210
b) Describe management's role in assessing and managing climate-related risks and opportunities.	16, 204–205, 210
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	7–9, 16, 209–211
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	7–9, 16, 209–211
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	209–211
Risk management	
a) Describe the organisation's processes for identifying and assessing climate-related risks.	16, 92, 209–211
b) Describe the organisation's processes for managing climate-related risks.	16–17, 209–211, 215
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	16, 102 not G4, 209–211, 214–215
Targets and metrics	
a) Describe the metrics used by the organisation to assess climate-related risks and opportunities aligned with its strategy and risk management process.	211, 214, 215, 220
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	219–220
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	12, 206, 214, 219

SASB index

The table below provides references on where to find information in Swedbank's sustainability reporting related to metrics applied in the Sustainability Accounting Standards Boards (SASB) industry-specific standard for commercial banks.

Topic	Accounting Metric	Code	Page
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected 2 Description of approach to identifying and addressing data security risks	FN-CB-230a.1 FN-CB-230a.2	223–224
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development 3 (1) Number and (2) amount of past due and non-accrual loans qualified to programs designed to promote small business and community development Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers 4	FN-CB-240a.1 FN-CB-240a.2 FN-CB-240a.3 FN-CB-240a.4	212, 215–217, 225–226
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-410a.1 FN-CB-410a.2	215–217
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations Description of whistleblower policies and procedures	FN-CB-510a.1 FN-CB-510a.2	223–224, 105 not G5
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.1 FN-CB-550a.2	Swedbank's systematic importance indicators, accessible at swedbank.com, 102 not G4
Activity Metric		Code	Page
(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business		FN-CB-000.A	
(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate		FN-CB-000.B	

Sustainability reporting

In 2017 sustainability reporting requirements were introduced in the Swedish Annual Accounts Act (chapter 6, paragraph 12). The new requirements state that sustainability reports must contain the sustainability disclosures needed to understand the company's development, financial

position and results and the consequences of its activities, including disclosures on the environment, social conditions, HR, respect for human rights and anti-corruption. The following table with page references to the report is provided to show how Swedbank meets the new legal requirements.

Page reference by area	Environment	Employees and Social conditions	Human rights	Anti-corruption
Business model	10–11	10–11	10–11	10–11
Material risks	16, 202, 204–205, 209–211, 219	16, 202, 204–205, 221, 225	16, 202, 204–205, 226	16, 202, 204–205, 223–224
Policy, results and indicators ¹	Not G3 page 71, 204, 209–211, 219–220 Environmental policy ISO 14001 certified environmental management system Position on climate change Sustainability policy Swedbank's code of conduct Code of conduct for suppliers Responsible investment policy Exclusion list	204, 221–223, 225–226 Occupational health and safety policy Policy on Gender equality, Diversity and Inclusion Human rights policy Sustainability policy Swedbank's code of conduct Code of conduct for suppliers Responsible investment policy Exclusion list	204, 213–215, 218, 226 Human rights policy Policy on Gender equality, Diversity and Inclusion Position on defence industry Sustainability policy Swedbank's code of conduct Code of conduct for suppliers Responsible investment policy Exclusion list	204, 223–224 Anti-corruption policy Anti-money laundering and counter-terrorist financing policy Financial reporting policy Sustainability policy Swedbank's code of conduct Code of conduct for suppliers Tax policy Whistleblower routine Exclusion list
Management of risks	16, 209–211, Note G3 page 71, Pillar 3 report, available at swedbank.com	16, Note G3 page 71, Pillar 3 report, available at swedbank.com	16, Note G3 page 71, Pillar 3 report, available at swedbank.com	16, Note G3 page 71, Pillar 3 report, available at swedbank.com

1) All policies are available at swedbank.com/sustainability

Signatures of the Board of Directors and the CEO

The Board of Directors and the President hereby affirm that the annual report has been prepared in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the Parent Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the Group.

Stockholm 25 February 2021

Göran Persson
Chair

Bo Magnusson
Vice Chair

Bo Bengtsson

Göran Bengtsson

Hans Eckerström

Kerstin Hermansson

Bengt Erik Lindgren

Josefin Lindstrand

Anna Mossberg

Biljana Pehrsson

Roger Ljung
Employee representative

Åke Skoglund
Employee representative

Jens Henriksson
President and CEO

Our auditors' report was submitted on 25 February 2021

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Auditors' report

To the annual meeting of the shareholders of Swedbank AB (publ), corporate identity number 502017-7753

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Swedbank AB (publ) for the financial year 2020 except for the corporate governance statement on pages 36–55. The annual accounts and consolidated accounts of the company are included on pages 26–198 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages **xx–xx**. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management and the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Swedbank's banking activities in all countries are audited by local PwC audit teams. The Swedbank group has centralised service centers, systems and processes for a number of processes. We have organized the audit work by having our central audit team to carry out the testing of all centralised systems and processes. Local audit teams carry out additional testing based on our instructions.

Full scope audit and reporting is performed at entities with high significance and risk to the group. The audit is carried out in accordance with ISA and local audit requirements. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating evidential matter in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

As part of our audit we place reliance on internal controls for the business processes, applications/systems and related platforms that support Swedbank's accounting and financial reporting. Therefore, we perform audit procedures to determine that systems and processes are designed, maintained, operated and kept secure in such a way as to provide assurance that the risk of error is minimised. The audit procedures include walk-throughs of processes and evaluation of design and test of effectiveness of controls. Substantive testing has also been performed.

Our audit is carried out continuously during the year with special attention at each quarter end. In connection with the Swedbank group's issuance of interim reports, we report our observations to the audit committee of the Board of Directors and issue interim review reports. Twice a year, we also report our main observations to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and

extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Credit Impairment allowances on loans Accounting for impairment of loans to customers requires subjective judgement over both timing and size of any such impairment. Swedbank makes provisions for expected credit losses (ECL) in accordance with the accounting standard IFRS 9 which categorise loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. Stage 1 representing a probable 12 month Expected Credit Loss (ECL) applies to all loans performing as originally intended. For loans where there is deemed to be a significant increase in credit risk since initial recognition, stage 2, or loans in default, stage 3, a lifetime ECL is calculated. The ECL is calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. IFRS 9 also allows for expert credit judgement to be applied to loan loss provisioning. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECLs are: Model estimations – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD models are the key drivers of the ECLs and also impact the staging of assets. As a result, the PD models are considered the most significant judgemental aspect of the Group's ECL modelling approach. Economic scenarios – IFRS 9 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied to them. Management overlays – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. The economic scenarios and qualitative adjustments have been subject to an increased level of subjective judgement this year due to the effects of the Corona pandemic which has meant that the uncertainty involved in forward looking information has been increased from prior years. Refer to Annual Report note G2 and P1 Accounting policies for critical judgments and estimates, G3 and P2 Risks for credit risk disclosures and note G17 and P13 Credit Impairments.	In our audit we perform a variety of procedures over the credit impairments. Throughout the audit, the effects of the Corona pandemic have been considered. Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process. Key aspects of our controls testing included testing the design and operating effectiveness of the controls covering the completeness and accuracy of the input data as well as the application of the staging criteria. We also evaluated the controls over the design, implementation and monitoring of the models as well as controls over the calculation and authorisation of year end management overlays. Model estimations: Our experts on credit modelling have, together with the audit team, reviewed key assumptions and estimates and performed detailed recalculations for a sample of loans and model outputs in order for us to obtain comfort that the ECL is calculated correctly and that it is in line with our expectations. These recalculations were performed on the most significant models used in the loan portfolio. Economic scenarios: We have involved our valuation experts to assess the reasonability of the assumptions Swedbank use in their calculations of economic scenarios. This included analysis of Gross Domestic Product, property price increase and unemployment rate projections against other independent sources as well as our own professional judgement. Tests of details: We have performed tests of details in many areas including the testing of key model inputs for a sample of loan contracts as well as testing the year end management overlays. Disclosures: We have assessed whether the disclosures in the annual report appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we have assessed whether the disclosure of the key judgements and assumptions used is sufficiently clear.

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of complex or illiquid financial instruments held at fair value</p> <p>When accounting for financial instruments held at fair value, these are divided into three levels in accordance with IFRS 9. Level 1 are actively traded instruments where the value can be derived from a marketplace. Level 2 are instruments where the value is calculated using a model but the model inputs can be derived from an actively traded market place such as foreign exchange rates or interest rates. Level 3 are instruments where the value is calculated using a model that is to a large extent dependent on estimates and judgements made by Swedbank.</p> <p>Valuation of level 2 and level 3 financial instruments held at fair value was an area of audit focus due to the degree of complexity involved in valuing these positions, the judgements and estimates made by management and their significance in presenting both financial position and performance in the financial statements.</p> <p>Determining the fair value of level 2 and level 3 financial instruments held at fair value is inherently complex due to a number of factors including the structure of the instrument. The value of level 3 instruments are also based on inputs which are not observable in active markets and the use of valuation models to calculate the fair value. Because of these factors, the valuation of level 3 instruments is subject to significant estimation uncertainty and therefore involves significant judgement and estimates made by management.</p> <p>Refer to the Annual Report note G2 and P1 Accounting policies for critical judgments and estimates, note G3 and P2 Risks for related market risk disclosures, note G45 Valuation categories of financial instruments, note G46 and P40 Fair value of financial instruments.</p>	<p>In our audit we perform a variety of procedures over valuation of financial instruments held at fair value.</p> <p>Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the valuation processes. We tested the relevant general IT and applications controls over key systems used in the valuation of financial instruments held at fair value.</p> <p>Key aspects of our controls testing included testing the design and operating effectiveness of key controls supporting the identification, measurement and oversight of valuation risk of financial instruments, including:</p> <ul style="list-style-type: none"> • test of appropriate segregation of duties; • examined Swedbank's model validation and approval processes; • controls over data feeds and valuation inputs; • fair value adjustments; and • Swedbank's governance and reporting processes. <p>Test of details: We have performed tests of details for all three levels of financial instruments. For valuations dependent on unobservable inputs or models which involved a higher degree of judgement, we used our valuation specialists to perform independent valuations of a sample of positions.</p> <p>Disclosures: We have assessed whether the disclosures in the annual report are appropriate.</p>
<p>Financial effects from regulatory investigations of money laundering</p> <p>As disclosed in the Board of Directors' report, authorities' investigations into anti money laundering and counter terrorist financing (AML/CTF) related matters continue. These investigations could potentially lead to significant consequences in the form of fines, withdrawn licenses, restrictions on currency trading and others ("the sanctions"). None of these investigations have been completed as of today.</p> <p>Due to ongoing investigations, Swedbank have considered whether possible sanction fees should be accounted for as a provision or a contingent liability. The criteria to be evaluated are:</p> <ul style="list-style-type: none"> • if it is more likely than not that an economic outflow as a result of ongoing; • investigations will occur, and • if the amount of the sanction can be reliably estimated. <p>At present, Swedbank considers that it is not yet possible to reliably estimate the timing or amount of any potential settlements or fines. Such amounts can be material.</p> <p>Refer to the Annual Report, Board of Directors' report, note G2 and P1 Accounting policies for critical judgments and estimates and G50 and P44 Assets pledged, contingent liabilities and commitments.</p>	<p>We have considered the extent to which any deficiencies in regulatory compliance may affect the financial statements of the annual report. This includes accounting and disclosure regarding provisioning and contingent liabilities. We have assessed the risk that any of the ongoing investigations may result in effects that need to be presented in the annual report and, if so, to what amount and in what way this would occur.</p> <p>We have not conducted a separate study regarding historical deficiencies in regulatory compliance. We have reviewed Swedbank's assessments in relation to accounting and formed our own independent conclusion.</p> <p>We have performed this through the following activities</p> <ul style="list-style-type: none"> • inspected correspondence between Swedbank and authorities investigating the bank; • Inquiry meetings and review of reports and legal opinions from Swedbank's internal and external legal counsel; • Regular inquiries with responsible parties in order to understand the subject matter and communication with the applicable authorities. <p>Responsible parties, include but are not limited to, the Risk committee of the board, the Audit committee of the board, the managing director, the Chief Financial Officer, the Group Compliance Officer, the Group Internal Auditor, the head of the Anti-Financial Crime unit, and the head of Special investigations task force.</p>

Other Information than the annual accounts

and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25, 199-236, and 244-253. The other information also includes the Remuneration Report which we received before the signing date of this Auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Directors of Swedbank AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report.

We recommend the general meeting of shareholders that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Opinion

In addition to our audit of the annual report and consolidated financial statements, we have also performed a review that the Board of Directors and the Managing Director have prepared the annual report and consolidated financial statements in a format that enables uniform electronic reporting (ESEF report) pursuant to Chapter 16, Section 4(a) of law (2007:538) on the securities market for Swedbank AB (publ) for the year 2020.

Our review and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report Swedbank-2020-12-31 has been prepared in a format that essentially enables uniform electronic reporting.

Basis for the opinion

We have performed the review in accordance with the FAR's draft recommendation RevR 18 Review of the uniform electronic reporting (ESEF) for annual reports and consolidated statements for companies with securities listed on regulated markets within the EU. Our responsibility under this recommendation is described in more detail in the Auditor's responsibility section. We believe that the evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the ESEF report has been prepared in accordance with the Chapter 16, Chapter 4(a) of law (2007:538) on the securities market, and for the existence of internal controls that are deemed necessary to prepare the ESEF report without material errors, whether due to irregularities or mistakes.

Auditor's responsibilities

Our responsibility is to form an opinion with reasonable certainty whether the ESEF report is in all material respects prepared in a format that meets the requirements of the Chapter 16, Section 4(a) of law (2007:538) on the securities market, based on our review.

RevR 18 requires us to plan and execute review procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high degree of certainty, but it is no guarantee that a review carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material error, if one exists. Errors may arise as a result of irregularities or mistakes and are considered to be material if they can individually or collectively be expected to influence the financial decisions taken by users based on the ESEF report.

The audit firm applies ISQC 1 (International Standard on Quality Control) and thus has a comprehensive quality control system which includes documented policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable requirements of laws, regulations and administrative provisions.

The review involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and

consolidated accounts. The auditor determines the procedures to be performed, including assessing the risk of material misstatement in the report, whether due to irregularities or mistakes. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor takes into account those elements of internal control that are relevant to the preparation of the report by the Board of Directors and the Managing Director, but not with a view to providing an opinion on the effectiveness of those internal controls. The review also includes an evaluation of the appropriateness and reasonableness of the Board of Directors' and the Managing Director's assumptions.

The review procedures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual report and consolidated accounts.

Furthermore, the review also includes an assessment of whether the ESEF report has been marked with iXBRL, which enables a true and complete machine-readable version of the Group's profit and loss, balance sheet and equity accounts and the cash flow statement.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 36–55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

PricewaterhouseCoopers AB, was appointed auditor of Swedbank AB (publ) by the general meeting of the shareholders on 28 March 2019 and has been the company's auditor since 2019.

Stockholm 25 February 2021

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Auditor's Limited Assurance Report on Swedbank AB's Sustainability Report, self-assessment of the Principles for Responsible Banking and statement on the Statutory Sustainability Report

This is a translation of the original report in Swedish
 To the annual general meeting of Swedbank AB (publ.),
 corporate identity number 502017-7753

Introduction

We have been engaged by the Board of Directors and the Chief Executive Officer of Swedbank AB to undertake a limited assurance of Swedbank AB's Sustainability Report and Swedbank AB's self-assessments/assertions of its fulfilment of its commitments as a signatory of the Principles for Responsible Banking for the year 2020. The company has defined the scope of its sustainability report on page 200. The self-assessment/assertions is defined on page 234. The statutory sustainability report is defined on page 236.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, and the self-assessment of the Principles for Responsible Banking and the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria for the Sustainability Report are described on page 200 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Swedbank has developed. The criteria for Swedbank AB's self-assessment of its fulfilments of its commitments as signatory of the Principles for Responsible Banking are described on page 234 and cover the Principle for Responsible Banking assessment areas including 2.1 Impact Analysis, 2.2 Target Setting, 2.3 Plans for Target Implementation and Monitoring, 2.4 Progress on Implementing Targets, 5.3 Governance Structure for Implementation of the Principles and 6.1 Progress on Implementing the Principles for Responsible Banking. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report and self-assessment of the Principles for Responsible Banking based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We

have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Swedbank according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report and self-assessment of the Principles for Responsible Banking.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report and the self-assessment of the Principles for Responsible Banking is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 25 February 2021

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant

Karin Juslin
Specialist Member of FAR

Market shares

	Market shares, per cent					Volumes, SEKbn				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Sweden										
Private Market										
Deposits ¹	19	19	20	20	20	420	384	381	357	337
Lending	21	22	23	23	23	950	921	904	867	825
of which mortgage lending	23	24	24	24	25	851	820	800	761	720
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	4 384	4 345	4 291	4 226	4 152
Corporate Market										
Deposits ¹	16	16	18	17	18	241	190	186	173	163
Lending ¹	16	17	18	18	20	403	418	415	399	403
Baltic countries	Market shares, per cent					Volumes, SEKbn				
Private Market	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Estonia (as of 2020-11)										
Deposits	51	50	55	55	55	50	47	43	39	35
Lending	43	44	47	46	47	44	45	40	36	33
of which mortgage lending	45	45	46	46	46	38	37	36	33	30
Bank Cards (thousands) (as of 2020-09)	61	61	62	60	60	928	957	966	1 118	1 108
Latvia (as of 2019-09)										
Deposits	33	32	34	32	31	33	31	29	26	24
Lending	35	34	33	31	31	19	19	18	17	16
of which mortgage lending	40	38	37	34	34	17	17	15	14	14
Bank Cards (thousands)	48	48	46	45	43	1 005	1 017	1 007	1 000	988
Lithuania (as of 2019-09)										
Deposits	44	43	42	40	40	71	67	54	47	43
Lending	39	39	35	34	34	41	40	33	29	26
of which mortgage lending	38	38	35	33	33	37	36	30	26	23
Bank Cards (thousands)	53	52	51	51	50	1 679	1 668	1 664	1 673	1 705
Baltic countries	Market shares, per cent					Volumes, SEKbn				
Corporate Market	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Estonia (as of 2020-11)										
Deposits	44	45	47	43	43	48	43	40	35	35
Lending	37	38	37	37	34	41	41	42	37	34
Latvia (as of 2020-09)										
Deposits	28	24	25	15	15	22	20	19	17	19
Lending	22	21	20	17	16	17	18	16	15	15
Lithuania (as of 2020-09)										
Deposits	27	30	29	25	25	23	25	21	18	17
Lending	22	23	20	18	20	22	21	20	18	19

1) Swedbank has updated the definitions of corporate lending and deposits in Sweden from Q2 2018. Corporate lending includes lending to non-financial corporations. Corporate deposits includes deposits from non-financial corporations. Previous periods have been restated.

Five-year summary

Key ratios	2020	2019	2018	2017	2016
Profit					
Return on equity, %	8,9	14,7	16,1	15,1	15,8
Return on total assets, %	0,48	0,79	0,84	0,79	0,82
Cost/income ratio	0,54	0,43	0,38	0,39	0,38
Net interest margin before trading interest is deducted, %	1,01	1,06	1,02	1,03	1,01
Capital adequacy					
Common Equity Tier 1 ratio, %	17,5	17,0	16,3	24,6	25,0
Tier 1 capital ratio, %	18,7	19,4	18,0	27,3	28,7
Total capital ratio, %	21,0	21,8	21,5	30,7	31,8
Common Equity Tier 1 capital	120 496	110 073	103 812	100 510	98 679
Tier 1 capital	128 848	126 226	114 761	111 560	112 960
Total own Funds	144 737	141 554	136 993	125 256	125 189
Risk exposure amount	689 594	649 237	637 882	408 351	394 135
Credit quality					
Credit impairment ratio, %	0,26	0,09	0,03	0,08	0,09
Total credit impairment provision ratio, %	0,48	0,40	0,37	n/a	n/a
Share of Stage 3 loans, gross, %	0,62	0,82	0,69	n/a	n/a
Share of impaired loans, gross, %	n/a	n/a	n/a	0,55	0,52
Provision ratio for impaired loans, %	n/a	n/a	n/a	34	33
Total provision ratio for impaired loans, %	n/a	n/a	n/a	45	46
Other data	2020	2019	2018	2017	2016
Private customers, million ¹	7	7	7,3	7,4	7,3
Corporate customers, thousands ¹	616	618	620	625	651
Full-time employees	16 213	15 218	14 865	14 588	14 061
Branches ¹	431	464	521	561	603
ATMs ¹	1 148	1 162	1 166	1 199	1 238

1) Including savings banks and partly owned banks.

Comments to five-year summary

2020 – Profit for the year decreased to SEK 12 929m, compared with SEK 19 697m 2019, due to higher expenses including the Swedish FSA's administrative fine, higher credit impairments and lower net gains and losses on financial items. Income decrease to SEK 45 676m (45 960). Expenses increased to SEK 24 560m (19 984), mainly due to the Swedish FSA's administrative fine and higher staff costs and IT expenses. Credit impairments increased to SEK 4 334m (1 469), mainly due to increased provisions for a few oil-related counterparties, negative risk class changes in pandemic affected industries, and experienced credit adjustments due to the uncertainty surrounded future economic impacts of Covid-19.

2019 – Profit for the year decreased 7 per cent to SEK 19 697m, compared with SEK 21 162m 2018. Higher income was offset by higher expenses and credit impairments in 2019. Income rose 4 per cent to SEK 45 960m (44 222). Expenses rose to SEK 19 984m (16 835), mainly related to higher staff costs and investigative costs connected with money laundering. Credit impairments increased to SEK 1 469m (521) and mainly related to additional provisions for a few oil-related problem loans.

2018 – Profit for the year rose 9 per cent to SEK 21 162m, compared with SEK 19 350m 2017. The increase was due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively. Income increased 5 per cent to SEK 44 222m (42 203). Expenses rose to SEK 16 835m (16 415), largely due to increased staff costs following the acquisition of PayEx. Credit impairments according to IFRS 9 amounted to SEK 521m.

2017 – Profit for the year decreased to SEK 19 350m, compared with SEK 19 539m in the equivalent period in 2016, mainly because the 2016 result was positively affected by a gain of SEK 2 115m on the sale of Visa Europe. Income increased 4 per cent to SEK 42 438m (40 821). Expenses rose to SEK 16 415m (15 627) mainly due to increased staff costs. A restructuring reserve of SEK 300m was established during the year due to changes in the IT organisation. PayEx added SEK 194m to expenses. FX effects raised expenses by SEK 64m. Credit impairments fell to SEK 1 285m (1 367) due to lower provisions for oil related commitments within Large Corporates & Institutions. Credit impairments increased in Swedish Banking due to provisions for a number of individual commitments while Baltic Banking reported net recoveries.

2016 – Profit for the year increased by 24 per cent to SEK 19 539m (15 727). Increased income, mainly due to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income contributed positively to the result. Expenses decreased to SEK 15 627m (15 816). The main reason was higher compensation to the savings banks due to higher lending margins during the year. Staff costs amounted to SEK 9 376m (9 395). Credit impairments increased to SEK 1 367m (594) due to increased provisions within Large Corporates & Institutions for oil related commitments, while Swedish Banking and Baltic Banking reported net recoveries during the period.

Income statement, SEKm	2020	2019	2018	2017	2016
Net interest income	26 853	25 989	25 228	24 595	22 850
Net commissions	12 770	12 984	12 836	12 206	11 502
Net gains and losses on financial items	2 655	3 629	2 112	1 934	2 231
Net insurance	1 518	1 465	1 192	937	754
Share of profit or loss of associates and joint ventures	582	822	1 028	736	2 263
Other income	1 298	1 071	1 826	1 795	1 017
Total income	45 676	45 960	44 222	42 203	40 617
Staff costs	11 873	11 119	10 284	9 945	9 376
Other expenses	7 107	7 314	5 865	5 870	5 622
Depreciation/amortisation of tangible and intangible fixed assets	1 580	1 551	686	600	616
Administrative fine	4 000				13
Total expenses	24 560	19 984	16 835	16 415	15 627
Profit before impairments	21 116	25 976	27 387	25 788	24 990
Impairments of intangible fixed assets		79	306	175	35
Impairments of tangible fixed assets	2	8	8	21	31
Credit impairments	4 334	1 469	521	1 285	1 367
Profit before tax	16 780	24 420	26 552	24 307	23 557
Tax expense	3 851	4 711	5 374	4 943	4 005
Profit for the year	12 929	19 709	21 178	19 364	19 552
Profit for the year attributable to:					
Shareholders in Swedbank AB	12 929	19 697	21 162	19 350	19 539
Non-controlling interests	0	12	16	14	13

Balance sheet, SEKm	2020	2019	2018	2017	2016
Loans to credit institutions	47 954	45 452	36 268	30 746	32 197
Loans to the public	1 680 987	1 652 296	1 627 368	1 535 198	1 507 247
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	137 191	137 094	99 579	85 903	107 571
Bonds and other interest-bearing securities	59 975	57 367	53 312	59 131	74 501
Shares and participating interests					
Financial assets for which customers bear the investment risk	252 411	224 893	177 868	180 320	160 114
Shares and participating interests	17 215	6 568	4 921	19 850	23 897
Shares and participating interests in associates	7 287	6 679	6 088	6 357	7 319
Derivatives	52 177	44 424	39 665	55 680	87 811
Others	339 445	233 455	201 023	239 451	153 546
Total assets	2 594 642	2 408 228	2 246 092	2 212 636	2 154 203
Amounts owed to credit institutions	150 313	69 686	57 218	68 055	71 831
Deposits and borrowings from the public	1 148 240	954 013	920 750	855 609	792 924
Debt securities in issue	732 814	855 754	804 360	844 204	841 673
Financial liabilities for which customers bear the investment risk	253 229	225 792	178 662	181 124	161 051
Derivatives	54 380	40 977	31 316	46 200	85 589
Other	66 680	80 634	81 993	58 364	44 176
Senior non-preferred liabilities	10 359	10 805			
Subordinated liabilities	23 434	31 934	34 184	25 508	27 254
Equity	155 193	138 633	137 609	133 572	129 705
Total liabilities and equity	2 594 642	2 408 228	2 246 092	2 212 636	2 154 203

Three-year summary

Swedish Banking

SEKm	2020	2019	2018
Income statement			
Net interest income	16 276	16 254	15 386
Net commissions	7 922	7 854	7 588
Net gains and losses on financial items	351	433	404
Share of profit or loss of associates and joint ventures	642	839	693
Other income	954	977	1 480
Total income	26 145	26 357	25 551
Staff costs	3 079	2 950	3 106
Variable staff costs	48	48	69
Other expenses	6 855	6 001	5 765
Depreciation/amortization	53	237	57
Total expenses	10 035	9 236	8 997
Profit before impairments	16 110	17 121	16 554
Impairment of intangible assets		0	
Impairment of tangible assets			
Credit impairments	664	154	598
Operating profit	15 446	16 967	15 956
Tax expense	3 007	3 270	3 072
Profit for the year attributable to:			
Shareholders of Swedbank AB	12 439	13 685	12 868
Non-controlling interests	0	12	16
Balance sheet, SEKbn			
Cash and balances with central banks	1	1	1
Loans to credit institutions	7	6	6
Loans to the public	1 211	1 196	1 187
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk	246	219	174
Derivatives			
Other assets	11	11	8
Total assets	1 476	1 433	1 376
Amounts owed to credit institutions	27	26	28
Deposits and borrowings from the public	646	571	566
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	247	220	174
Derivatives			
Other liabilities	489	551	545
Subordinated liabilities			
Total liabilities	1 409	1 368	1 313
Allocated equity	67	65	63
Total liabilities and equity	1 476	1 433	1 376
Income items			
Income from external customers	26 090	26 294	25 496
Income from transactions with other business areas	55	63	55
Key ratios			
Return on allocated equity, %	18,5	21,2	20,9
Loans/deposits	187	209	212
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	1211	1 196	1 187
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	646	571	560
Credit impairment ratio, %	0,06	0,01	0,05
Cost/income ratio	0,38	0,35	0,35
Risk exposure amount	391	391	382
Full-time employees	3 991	3 644	3 854
Allocated equity, average, SEKbn	67	64	62

Three-year summary

Baltic Banking

SEKm	2020	2019	2018
Income statement			
Net interest income	5 354	5 232	4 761
Net commissions	2 430	2 627	2 513
Net gains and losses on financial items	337	396	374
Share of profit or loss of associates and joint ventures			
Other income	876	899	744
Total income	8 997	9 154	8 392
Staff costs	1 194	1 104	959
Variable staff costs	45	57	58
Other expenses	2 153	2 075	1 917
Depreciation/amortization	171	175	91
Total expenses	3 563	3 411	3 025
Profit before impairments			
Impairment of intangible assets			
Impairment of tangible assets	2	8	8
Credit impairments	237	3	-208
Operating profit	5 195	5 732	5 567
Tax expense	869	816	806
Profit for the year attributable to:			
Shareholders of Swedbank AB	4 326	4 916	4 761
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	3	3
Loans to credit institutions	0	0	0
Loans to the public	182	186	169
Bonds and other interest-bearing securities	1	1	1
Financial assets for which customers bear inv. risk	6	6	4
Derivatives	0	0	0
Other assets	122	77	73
Total assets	314	273	250
Amounts owed to credit institutions	0	0	0
Deposits and borrowings from the public	284	241	221
Debt securities in issue	0	1	1
Financial liabilities for which customers bear inv. risk	6	6	5
Derivatives	0	0	0
Other liabilities	0	0	0
Subordinated liabilities	0	0	0
Total liabilities	290	248	227
Allocated equity	24	25	23
Total liabilities and equity	314	273	250
Income items			
Income from external customers	8 994	9 154	8 392
Income from transactions with other business areas			
Key ratios			
Return on allocated equity, %	17,5	19,6	20,8
Loans/deposits	64	77	77
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	182	186	169
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	284	241	221
Credit impairment ratio, %	0,12	0,00	-0,13
Cost/income ratio	0,40	0,37	0,36
Risk exposure amount	92	94	89
Full-time employees	3 769	3 689	3 599
Allocated equity, average, SEKbn	25	25	23

Three-year summary

Large Corporates & Institutions

SEKm	2020	2019	2018
Income statement			
Net interest income	3 834	3 769	3 973
Net commissions	2 436	2 411	2 683
Net gains and losses on financial items	1 897	2 085	1 671
Share of profit or loss of associates and joint ventures			
Other income	116	111	122
Total income	8 283	8 376	8 449
Staff costs	2 332	2 196	2 065
Variable staff costs	94	176	223
Other expenses	1 429	1 447	1 318
Depreciation/amortization	248	233	177
Total expenses	4 103	4 052	3 783
Profit before impairments	4 180	4 324	4 666
Impairment of intangible assets		79	24
Impairment of tangible assets			0
Credit impairments	3 425	1 312	139
Operating profit	755	2 933	4 503
Tax expense	-271	682	951
Profit for the year attributable to:			
Shareholders of Swedbank AB	1 026	2 251	3 552
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	131	42	3
Loans to credit institutions	109	81	116
Loans to the public	263	270	261
Bonds and other interest-bearing securities	52	45	46
Financial assets for which customers bear inv. risk			
Derivatives	65	53	46
Other assets	27	12	13
Total assets	647	503	485
Amounts owed to credit institutions	263	177	201
Deposits and borrowings from the public	226	149	142
Debt securities in issue	7	10	13
Financial liabilities for which customers bear inv. risk			
Derivatives	67	55	45
Other liabilities	51		59
Subordinated liabilities			
Total liabilities	614	391	460
Allocated equity	33	28	25
Total liabilities and equity	647	503	485
Income items			
Income from external customers	8 266	8 361	8 439
Income from transactions with other business areas	17	15	10
Key ratios			
Return on allocated equity, %	3,2	8,3	13,9
Loans/deposits, %	111	159	160
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	223	223	222
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	200	142	139
Credit impairment ratio, %	1,16	0,47	0,06
Cost/income ratio	0,50	0,48	0,45
Risk exposure amount	168	144	147
Full-time employees	2 385	2 273	2 159
Allocated equity, average, SEKbn	32	27	25

Definitions

CAPITAL REQUIREMENT REGULATIONS, CRR, STATED IN EU REGULATION NO 575/2013

Additional Tier 1 capital

Capital instruments and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Average risk weight

Total risk exposure amount divided by the total exposure value for a number of exposures.

Common Equity Tier 1 capital

Capital consisting of capital instruments, related share premium accounts, retained earnings and other comprehensive income after considering regulatory adjustments.

Common Equity Tier 1 capital ratio

Common Equity Tier 1 capital in relation to the total risk exposure amount.

Default

Credit exposures are regarded to be in default if there has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or if the counterpart is past due more than 90 days.

Expected loss (EL)

Expected loss shall provide an indication of the mean value of the credit losses that Swedbank may reasonably be expected to incur. The expected loss (EL) is the product of the parameters PD, LGD and exposure value.

Exposure at default (EAD)

Exposure at default (EAD) measures the utilised exposure at default. For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) estimating the future utilisation level of unutilised amounts.

Exposure value IRB

The exposure after taking into account credit risk mitigation with substitution effects and credit conversion factors, the exposure value is the value to which the risk weight is applied when calculating the risk exposure amount.

Leverage ratio

Tier 1 capital in relation to the total exposure measure, where the exposure measure includes both on- and off-balance sheet items.

Liquidity Coverage Ratio (LCR)

The LCR was introduced by the EU through LCR according to the Commission Delegated Regulation (EU) 2015/61 in October 2015. The LCR is used to define a quantitative regulatory requirement on European banks' liquidity risk. A LCR ratio above 100 per cent implies that the bank has enough of

liquid assets to cover its liquidity over 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Loss given default (LGD)

Loss given default (LGD) measures how large a proportion of the exposure amount that is expected to be lost in the event of default.

Minimum capital requirement

The minimum capital a bank must hold for its credit, market, credit value adjustment, settlement and operational risks according to Pillar I, i.e. 8 per cent of total risk exposure amount.

Net stable funding ratio (NSFR)

The Net Stable Funding Ratio measures an institution's amount of available stable funding to its amount of required stable funding over a one-year horizon. The objective is to require institutions to hold a sufficiently large proportion of long-term stable funding in relation to long-term stable assets. The measure is defined by the amended Capital Requirements Regulation (EU) 2019/876 ("CRR2").

Own funds

The sum of Tier 1 and Tier 2 capital.

Probability of default (PD)

The probability of default (PD) indicates the risk that a counterparty or contract will default within a 12-month period.

Risk exposure amount

Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital according to article 25 in CRR.

Tier 1 capital ratio

Tier 1 capital in relation to the total risk exposure amount.

Tier 2 capital

Capital instruments and subordinated loans and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Total capital ratio

Own funds in relation to the total risk exposure amount.

Definitions

OTHERS

Allocated equity

Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP).

Cost/income ratio

Total expenses in relation to total income.

Credit impairment

Established losses and provisions for the financial year less recoveries related to loans as well as the financial year's net expenses for guarantees and other contingent liabilities.

Credit impairment provision ratio Stage 1 loans

Credit impairment provisions Stage 1 in relation to the gross carrying amount Stage 1 loans.

Credit impairment provision ratio Stage 2 loans

Credit impairment provisions Stage 2 in relation to the gross carrying amount Stage 2 loans.

Credit impairment provision ratio Stage 3 loans

Credit impairment provisions Stage 3 in relation to the gross carrying amount Stage 3 loans.

Credit impairment ratio

Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to public after provisions. More information see page 43 in Facts.

Earnings per share after dilution

Profit for the financial year allocated to shareholders in relation to the weighted average number of shares outstanding during the financial year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

Earnings per share before dilution

Profit for the financial year allocated to shareholders in relation to the weighted average number of shares outstanding during the financial year, rights issue adjustment factor included.

Equity per share

Shareholders' equity in relation to the number of shares outstanding.

Forborne loan

A loan where the terms have been modified to more favorable for the borrower, due to the borrower's financial difficulties.

Loan/deposit ratio

Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.

Interest fixing period

Contracted period during which interest on an asset or liability is fixed.

Investment margin

Calculated as Net interest margin, in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Maturity

The time remaining until an asset or liability's terms change or its maturity date.

Net investment margin before trading interest is deducted

Calculated as Net interest margin before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Number of employees

The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

P/E ratio

Market capitalisation at year-end in relation to Profit for the financial year allocated to shareholders.

Price/equity

The share price at year-end in relation to the equity per share at year-end.

Return on allocated equity

Calculated based on profit for the financial year for the operating segments (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures, including the prior year end.

Return on equity

Profit for the financial year allocated to shareholders in relation to average equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.

Return on total assets

Profit for the financial year in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Share of Stage 2 loans, gross

Carrying amount of Stage 2 loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Share of Stage 3 loans, gross

Carrying amount of Stage 3 loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Total credit impairment provision ratio

Credit impairment provisions in relation to the gross carrying amount loans.

Total return

Share price development during the financial year including the actual dividend, in relation to the share price at the beginning of the year.

VaR

Value at Risk (VaR) is a statistical measure used to quantify market risk. VaR is defined as the expected maximum loss in value of a portfolio with a given probability over a certain time horizon.

Annual General Meeting

The Annual General Meeting will be held on Thursday 25 March 2021.

Due to the current pandemic, the Board of Directors have decided that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies and third parties, and that voting can only be made by post before the meeting.

Information on the decisions of the Annual General Meeting will be published as soon as the outcome of the postal voting is finally compiled on 25 March 2021.

Notification

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB ("Euroclear", the Swedish Central Securities Depository) on 17 March 2021 (the "Record Date"),
- give notice of their attendance by casting their postal vote, in accordance with instructions under the heading "Postal Voting" below, so that the postal vote is available to Euroclear no later than 24 March 2021.

Please note that notification of attendance to the AGM can only be made through postal voting.

Nominee-registered shares

Shareholders whose shares are nominee-registered through a bank or through another authorised depositary, e.g. shares are in a custody account, must – in addition to giving notice of their attendance by postal voting – request that the shares be temporarily re-registered in their own name so that the shareholder is registered in Euroclear's share register as of the Record Date on 17 March 2021. Such registration may be temporary (so-called voting rights registration) and is requested at the nominee in accordance with the nominee's routines in such time in advance as the nominee determines. Registration of voting rights that has been requested by the shareholder in such time that the registration has been made by the nominee no later than 19 March 2021, will be taken into account in the preparation of the share register.

Postal voting

As stated above, the Board of Directors has decided that shareholders shall only be able to exercise their voting rights by postal voting in accordance with section 22 of the Act (2020:198) on temporary exemptions to facilitate the conduct of general meetings. For postal voting, a special form must be used. The postal voting form is available on Swedbank AB's website www.swedbank.com/AGM.

Completed and signed postal voting forms can be sent by post to Swedbank AB, "AGM", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm or by e-mail to GeneralMeetingService@euroclear.com. The completed form must be available to Euroclear no later than 24 March 2021. Shareholders who are physical persons may also, on or before 24 March 2021, cast a postal vote electronically via verification with BankID on Euroclear's website <https://annalan.vpc.se/EuroclearProxy>.

The shareholder may not give other instructions than to mark one of the answer alternatives specified in the form. If the shareholder has included special instructions or conditions in the form, or changed or made amendments to the pre-printed text, the postal vote will be considered invalid. Further instructions and conditions can be found in the postal voting form and at <https://annalan.vpc.se/EuroclearProxy>.

Notice and agenda

A list of the items on the agenda for the Annual General Meeting is included in the notice of the meeting. The notice will be published 18 February 2021 at <http://www.swedbank.com/ir> under the heading Annual General Meeting and in Post och Inrikes Tidningar (The Official Swedish Gazette) on 19 February. An announcement of notice publication will also be published in Dagens Nyheter and elsewhere.

Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 2.90 per ordinary share. The proposed record day for the dividend is 29 March 2021. The last day for trading in Swedbank's shares including the right to the dividend is 25 March 2021. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 1 April 2021.

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