

**2019
Annual and
Sustainability Report**

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Financial information 2020

Q1 Interim report	23 April
Q2 Interim report	17 July
Q3 Interim report	20 October

Annual General Meeting 2020

The Annual General Meeting will be held on Thursday, 26 March at 11 am (CET) at Cirkus, Djurgårdssläätten 43–45, Stockholm, Sweden. The proposed record day for the dividend is 30 March 2020. The last day for trading in Swedbank's shares including the right to the dividend is 26 March 2020. For more information, see page 223 and the notice of the AGM at www.swedbank.com. 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.

Vision

We enable people, businesses and society to grow.

Purpose

We promote a sound and sustainable financial situation for the many households and businesses.

Values

Simple, open and caring.

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.

Digital channels



APP AND INTERNET BANK
Everyday banking services
Sales
Virtual assistants

Physical meeting points



BRANCHES
168 in Sweden
99 in Baltic countries

CONTACT CENTER
Telephone, email, chat, social media

FLEXIBLE MEETING PLACES
Pop-up branches
Partners

COMPETENCE HUBS
Complex questions
Specialists

Learn more about Swedbank



On our website
www.swedbank.com

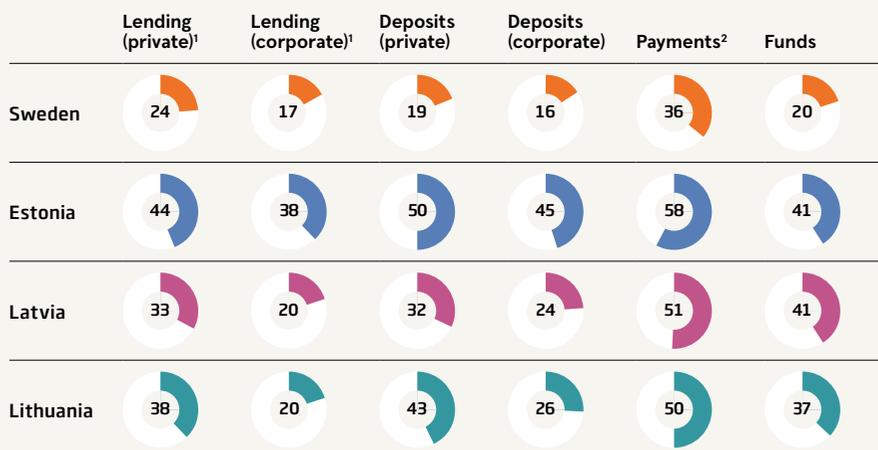


In our interim reports:
www.swedbank.com/ir



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

Market shares, per cent



¹ Excluding the Swedish National Debt Office and repurchase agreements.

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

Market-leading cost efficiency

Costs in relation to income, C/I ratio

0.46

Sustainability is part of our DNA

Dow Jones Sustainability Index Score

76

Stable earnings

Return on equity

14.7 %

Low risk

Credit impairment ratio

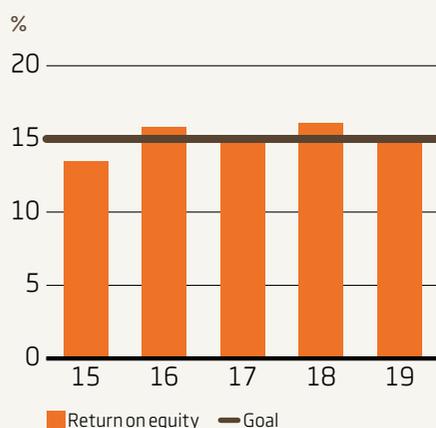
0.09 %

Continuously innovative

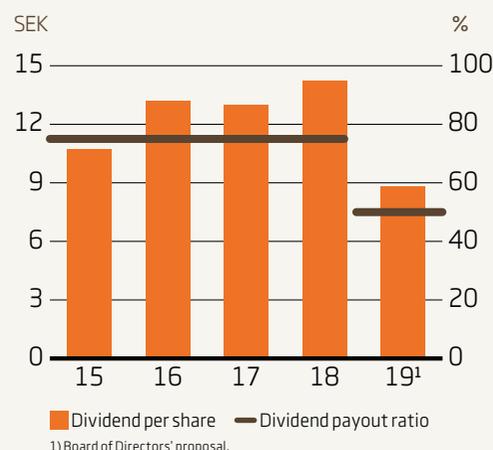
Digital customer interactions per year

1.8 BN

Return on equity of at least 15 per cent



50 per cent of profit for the year is paid as a dividend



Financial information, SEKm	2019	2018
Total income	45 960	44 222
Net interest income	25 989	25 228
Net commission income	12 984	12 836
Net gains and losses on financial items	3 629	2 112
Other income ^{1,2}	3 358	4 046
Total expenses	19 984	16 835
Profit before impairments	25 976	27 387
Depreciation/amortisation of tangible and intangible assets	87	314
Impairments	1 469	521
Taxes	4 711	5 374
Profit for the year attributable to the shareholders	19 697	21 162
Earnings per share, SEK, after dilution	17.56	18.89
Return on equity, %	14.7	16.1
Cost/income ratio, %	0.43	0.38
Common Equity Tier 1 capital ratio, %	17	16.3
Credit impairment ratio, %	0.09	0.03

¹) Includes income from sale of UC of SEK 677m in 2018.

²) Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

Result burdened by higher costs

- Lower resolution fund fee and higher lending volumes supported net interest income
- Net commission income benefitted from higher income from cards and asset management
- Costs weighted by investigation costs
- Higher credit impairments due to oil-related provisions
- Strong capitalization
- Proposed dividend of SEK 8.80 per share

The year in brief

A selection of key events during the year.

16 JANUARY

Swedbank Robur appointed Fund Manager of the Year

Swedbank Robur has been appointed Fund Manager of the Year 2018 by Fondmarknaden.se for its investment strategy and well-integrated sustainability work. In addition, Swedbank Robur American Fund was named North American Fund of the Year.

29 JANUARY

Increased mortgage volumes in Sweden and broad-based lending growth in the Baltic countries

Year-end report for 2018.

21 FEBRUARY

The Swedish FSA launches an investigation of Swedbank

Together with the Estonian supervisory authorities the Swedish FSA starts to investigate what happened and whether Swedbank breached the anti-money laundering regulation. A number of US authorities also initiated investigations about Swedbank during the year

20 FEBRUARY

The television programme Uppdrag Granskning broadcasts a show on money laundering and directs allegations against Swedbank

Money laundering is one of the industry's biggest challenges. Preventing money laundering is one of our highest priorities.

27 FEBRUARY

Swedbank hires the law firm Clifford Chance

Swedbank hires the law firm Clifford Chance to lead an internal investigation to confirm the facts and circumstances linked to historical shortcomings in regulatory compliance and exposure to money laundering.

28 MARCH

Swedbank's CEO Birgitte Bonnesen leaves the bank

Swedbank's Board of Directors appoints current CFO Anders Karlsson as Acting President and CEO of Swedbank.

17 MAY

Investment in innovative digital services

Swedbank becomes one of three key investors in the fintech company Minna Technologies, which is expanding in Europe. The bank and Minna became innovation partners in 2017 with the aim of creating innovative digital services that add value for Swedbank's customers.

25 APRIL

Swedbank establishes Anti-Financial Crime (AFC) unit

A new unit is established to focus on preventing money laundering and combating other financial crime.

5 APRIL

Change in Chair

Chair Lars Idermark leaves Swedbank and is replaced by Deputy Chair Ulrika Francke.

25 APRIL

Strong capital and liquidity position

Interim report for the first quarter 2019.

28 MAY

Development of innovative payment solutions

Swedbank starts a commercial collaboration with the fintech company KACHING Retail to continue to develop flexible and smart payment solutions for both merchants and consumers.

19 JUNE

Extraordinary General Meeting

Göran Persson is elected as Chairman of the Board of Directors and Bo Magnusson as Deputy Chairman at the bank's Extraordinary General Meeting.

5 JULY

Strengthening KYC processes

Six Nordic banks (Danske Bank, DNB Bank, Nordea Bank, Skandinaviska Enskilda Banken, Svenska Handelsbanken, Swedbank) establish a joint venture to develop a platform for handling KYC (Know Your Customer) data on large and medium-sized companies in the Nordic region. The objective is to improve the customer experience by simplifying KYC processes for corporate customers while strengthening financial crime prevention in the Nordic region.

27 JUNE

Investment in solar energy

Swedbank partners with Eneo Solutions to build Sweden's largest solar park and reduce its carbon footprint, at the same time that the bank continues to develop sustainably oriented services and products.

17 JULY

Dividend policy changed from 75 to 50 per cent of annual profit

Interim report for the second quarter 2019.

22 SEPTEMBER

Responsible and sustainable banking

Swedbank becomes one of the first banks to sign the UN's Principles for Responsible Banking as part of an effort to integrate sustainability in its operations. By signing the principles, the bank commits to strategically adapt its business in line with the UN's Sustainable Development Goals and the Paris Agreement.

28 AUGUST

Swedbank's new CEO

The bank's Board of Directors appoints Jens Henriksson as the new President and CEO of Swedbank.

1 OCTOBER

Gender equality and diversity

Swedbank is ranked as the third most equal company in Sweden in Equileap's 2019 Financial Services Gender Equality Global Report & Ranking. In the report Equileap ranked the 100 best companies on gender equality globally after analysing 3 519 companies in 23 countries.

9 DECEMBER

Swedbank creates a new organisation for more transparent governance

23 OCTOBER

Good credit quality and strong capitalisation

Interim report for the third quarter 2019.

29 OCTOBER

Swedish SFA opens a sanction case into Swedbank

Swedbank agrees with many of their observations and assessments.

A turbulent year with many challenges

I have had the privilege of working at Swedbank since 1 October 2019. I have used my first weeks on the job to meet customers, colleagues, investors, authorities, union representatives, suppliers, partners, competitors, journalists and other key stakeholders. These meetings have taken place in our home markets, but also in Germany, the UK and the US. The meetings with customers have been especially productive. It is for them that we exist. My purpose has been to listen and learn. And I plan to continue doing so.

I have been impressed after these meetings by the high level of skills of my colleagues, the professionalism in the bank, and the willingness to do the right thing and help our customers. I have also felt great support from our customers and owners. We are a strong bank with sound values and a strategy that both we and our customers are confident in.

Our vision at Swedbank is to enable people, businesses and society to grow. A growing society that today is best defined by the UN's Sustainable Development Goals and where our purpose is to promote a sound and sustainable financial system for the many households and businesses. We have a desirable position. A large percentage of people and companies in our home markets see us as the leading bank and obvious platform for their financial services. Our customer relations are strong and built on mutual trust and loyalty. We are profitable, sustainable and together we mean a great deal for our customers and society as a whole. The road ahead is paved with these strengths.

Extensive work initiated with the goal of becoming a leader in the fight against financial crime

The last year has shown, however, that we have to question whether we have lived up to our high ambitions. We have not maintained proper internal oversight and control over the bank's operations and have not succeeded in preventing suspected money launderers from exploiting us. In addition, the working environment has on occasion been too loose with too many decisions made without debate and sufficient transparency.

We are now engaged in a comprehensive process to address our shortcomings. Much of the work is done, but a great deal still remains. A large share of the projects we have initiated to make Swedbank an even more sustainable bank that lives up to the market's high expectations will be completed in 2020. At the same time it is important to remember that protecting the bank from being exploited for money laundering and other criminal activity never ends. It continues every day.

Return to our roots and further increase in customer value

Swedbank is an inclusive bank. Our core business is to help a large number of customers, both individuals and companies. We believe in a traditional banking model based on close customer relations and advice and are dedicated and proud to help our customers at every stage of life. We offer innovative, proactive and customised

offers and advice. We have a long-term perspective on value creation for our customers, employees, owners and society as a whole.

The hard thing isn't knowing what to do, but doing it. We have to go back to our roots and core values: simple, open and caring.

Swedbank has a 200-year history of promoting a sound and sustainable financial situation for the many people. Swedbank is a bank with extremely competent and dedicated employees, but we now have to focus on our fundamental values.

For me, management means being open and letting the best ideas win. Having as simple an organisation and governance structure as possible, but also promoting a sound corporate culture. And caring.

Despite the challenges, 2019 contained a number of highlights. We continued to improve our offers for customers with an emphasis on digital solutions. This is an extensive process and has just begun, but Swedbank is well-positioned to continue to develop innovative solutions. Solutions that simplify the customer experience while also providing more choice for our customers.

Important steps were taken during the year to provide greater customer value, including giving Baltic customers access to our virtual assistant. In Sweden we have improved our payment solution and now offer customers the option of using Apple Pay and Google Pay. Beginning this year we are also able to offer remote advisory sessions, where our customer service can be contacted through a chat function. Swedbank's digital partnerships have continued and during the year we invested in and began collaborating with Kaching Retail to develop even more convenient and effective mobile payment solutions, as well as Minna Technologies, whose subscription service, "My services," has already helped our private customers save money. Our playfulness and innovation in developing useful digital solutions for our customers is a unique strength.

We have high ambitions when it comes to contributing to sustainable social development and during the year signed the UN Principles for Responsible Banking. Doing so means that we are committed to contributing to a sustainable future and that we will help our customers to make sustainable choices and investments. Financing projects with concrete sustainability criteria will be a priority. Robur is an important part of our sustainability work and therefore includes sustainability parameters in its investments.

Stable earnings

Global growth slowed during the year and this is also affecting economic development in our home markets. The ongoing trade war between the US and China and uncertainty surrounding Brexit hurt the economy for a large part of the year. Development is bifurcated, however, and there are glimmers of hope. The Nordic countries have shown resilience, supported by strong domestic consumption, and are well-equipped to handle an economic slow-

Swedbank is a bank with extremely competent and dedicated employees, but we have to focus on our fundamental values.



down. The housing market in Sweden is stable and household finances are strong with a high level of personal savings. Despite weaker global growth, Swedbank delivered a stable underlying result with continued high profitability and an increase in net interest income in both Sweden and the Baltic markets. Notwithstanding higher costs, mainly due to the ongoing investigations of suspected money laundering, our underlying costs are stable. Our capitalisation is strong with a healthy buffer relative to the regulators' requirements. To further strengthen the bank's financial position, the Board of Directors adopted a new dividend policy during the year where 50 per cent of profit will be distributed to the shareholders.

The bank's fundamental values and strengths as well as our robust financial position are a solid foundation to stand as there is no lack of challenges. We have to address our shortcomings with regard to money laundering. Consequently, we have to strengthen our internal controls and corporate governance. This must be done at the same time that we, in a challenging competitive situation in the Swedish mortgage market, for example, with the margin pressure from both new and established players, will develop and strengthen our position in our home markets. We also have to continue working to become the preferred financial partner for small and midsize companies and follow our customers into the world.

As the leading bank for the many households and businesses, we must have the right responses to these challenges and will have to focus on our fundamental values and competencies and deliver solutions that benefit us and our customers. For this, we will need the engagement, knowledge and experience of all 15 000 employees of Swedbank.

Stockholm in February 2020

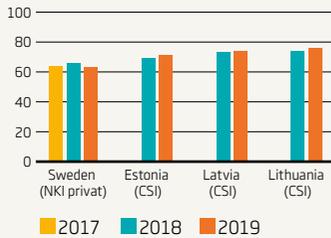
Jens Henriksson
President and CEO

Focus on responsible value creation...

Swedbank's strong commitment to sustainability is fundamental to our business, and our goals will help to create long-term value for all our stakeholders.

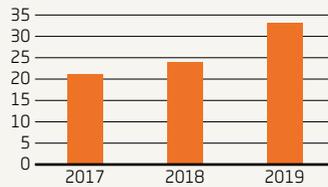
Goal	Increased customer value	Increased employee engagement	Responsibility for climate change and society
Why?	Customer value, together with customer satisfaction, trust and a positive brand image, explains why customers choose our products and services. High customer value is a precondition to sustainable profitability. We track customer value through our own and public surveys to measure satisfaction, among other things.	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 if Swedbank is going to continue to offer products and services of high quality. We work continuously to develop and monitor these areas.	Swedbank's aim is to promote sustainable development and to help people and companies make sustainable choices. Sustainable choices can mean how and which companies we finance as well as how we manage savings and pension capital. It can also mean teaching students to manage their finances, promoting entrepreneurship or setting high sustainability demands in the services and products we buy.

Result Customer satisfaction, private customers



In Sweden customer satisfaction is mainly measured through the NKI survey. Satisfaction among private customers decreased in Sweden in 2019, from 66 to 63 and was unchanged among corporate customers. In the Baltic countries customer satisfaction is since 2018 measured by the CSI survey which is similar to the Swedish survey. Compared with 2018 customer satisfaction increased among private customers in all three Baltic countries.

Recommendation index



The willingness of recommending Swedbank as an employer, the so-called eNPS score, further improved during the year.

GHG emissions



- Swedbank has made good progress toward the Group's climate goal to reduce direct emissions by 20 per cent between 2017–2022.
- In November 2019 Swedbank Robur adopted new climate goals: That asset management will be in line with the Paris Agreement's goal to limit the increase in the average global temperature to 1.5°C by 2025 and that Swedbank Robur's entire asset management business will be carbon neutral by 2040.
- Held nearly 3 800 lectures in schools to increase financial awareness and literacy among children and young adults, an increase of 15 per cent compared with 2018.

...for customers, employees, owners and society as a whole

Return on equity of at least 15 per cent

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, %

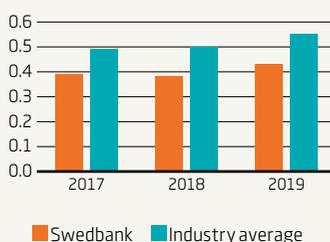


The return on equity was 14.7 per cent (16.1) during the year, compared with the target of 15 per cent.

Market-leading cost efficiency

Digitisation is increasing competition and transparency in parts of the market at the same time that 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



Costs rose in 2019 to SEK 19.9bn (16.8) due to increased investigative costs as well as higher staff and IT costs. At the same time the underlying cost level was stable. Swedbank's cost/income ratio in 2019 was 0.43 (0.38). The average for the three other major banks in Sweden – Nordea, SEB and Handelsbanken – was 0.55. The goal in 2020 is to keep underlying costs at about the same level as in 2019.

Solid capitalisation

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

Swedbank's Common Equity Tier 1 capital ratio, %



The Common Equity Tier 1 capital ratio as of 31 December 2019 was 17.0 per cent (16.3). This compares with a total Common Equity Tier 1 capital requirement of 15.1 per cent. The Common Equity Tier 1 capital ratio and the capital requirement, expressed as a percentage, have since 2017 decreased due to the Swedish FSA's decision to include the risk weight floor for Swedish mortgages as a basic capital requirement in Pillar 1, instead of as before, when it was applied within the overall capital assessment in Pillar 2.

Stable earnings create value for our stakeholders

With over seven million private customers and more than 600 000 corporate customers, Swedbank has a leading position in financial products and services in Sweden, Estonia, Latvia and Lithuania.

We focus on profitable long-term growth and therefore aim for low risk in our lending, stability in our earnings and high cost efficiency. Together with an innovative corporate culture, this creates value for both our customers and owners. Despite this, 2019 was a challenging year in which the bank failed to live up to the level expected of a bank with regard to managing money laundering risks.

Swedbank offers products mainly in the areas of lending, payments and savings. We are a welcoming and inclusive bank for the many households and businesses with leading positions in all these product areas in our four home markets: Sweden, Estonia, Latvia and Lithuania. In Sweden we are the leader in mortgages, consumer deposits, fund savings and bank giro payments. In Estonia we are the biggest in every product category, but we also have a strong position in Latvia and Lithuania, especially in retail banking.

Low risk

Maintaining low risks 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.

We achieve this in among other ways by maintaining low risk in our lending, which largely consists of mortgage loans secured by residential property and a well-diversified corporate portfolio. As a result, our credit impairments have been below 0.1 per cent of total lending more than five years in a row.

To better prepare for unforeseen events, the dividend policy was revised during the year from 75 per cent to 50 per cent of profit. We have a healthy buffer over and above the regulators' capital and liquidity requirements. Our Common Equity Tier 1 capital ratio was 17.0 per cent at the end of 2019, compared with the requirement of 15.1 per cent, while our NSFR and LCR were 120 and 182, respectively.

Learn more about how we manage risk in note G3 on page 67 and in our Pillar 3 report at www.swedbank.com/ir.

Market-leading cost efficiency

With a cost/income ratio of 0.43 per cent, Swedbank is one of the most cost-efficient major banks in the Nordic region. We achieve this by focusing on simplicity and availability. We are the largest bank in our home markets by number of customers. This gives us economies of scale, and by digitising basic banking products we can raise internal efficiency and at the same time give customers a better experience.

Cost efficiency also allows us to continuously invest in our products and channels and offer competitive prices to our customers, at a time when transparency and choice are increasing due to digitisation. Costs were higher during the year as we continued digitization of our internal processes, but also had high costs related to investigations of the bank's work against money laundering. Learn more about our costs in our other financial publications at www.swedbank.com/ir.

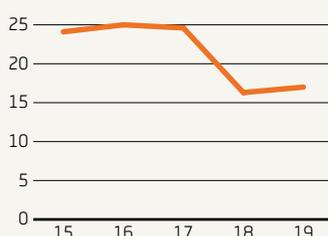
Stable earnings

We value consistent profitability over fast growth, since it creates stability and predictability for our customers and owners as well as society as a whole. This is why we do not follow short-term market trends and instead price our products based on risk and capital requirements. Together with our market leading cost efficiency, it has helped us to reach our profitability goal of 15 per cent. Despite a turbulent year with increasing costs, we still managed to reach a return of 14.7 per cent. This has contributed to our dividend goal to distribute 50 per cent of profit, at the same time that we have grown our credit portfolio. Learn more about our profitability on page 26.

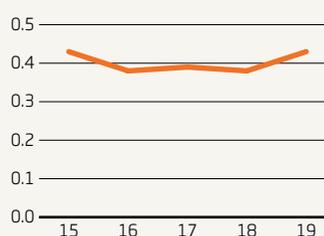
Credit impairment ratio, %



Common Equity Tier 1 capital ratio, %



Cost/income ratio



Customer-centric strategy

Swedbank's overarching strategy is customer centric and rests on four pillars: available full-service bank, offerings based on our customers' needs, high cost efficiency and low risk. Strategies are also in place at the product and channel level to support the ambition to be the leading bank and financial platform for the many households and business. To achieve this, we have chosen to prioritise seven strategic initiatives in the coming years.

1. Customer relations and trust based on data

The purpose of the initiative is to deeply analyse customer data and by doing so drive customer loyalty and build trust through effective, proactive, relevant and personal service and offers in the right channel at the right time.

2. Daily banking

By expanding functionality in our digital channels, including aggregation of account information from other financial service providers, increased use of virtual assistants and making it easier for our customers to make their payments in a way that suits the individual's needs – we ensure a positive customer experience.

3. Channel transformation

Since our customers increasingly want to reach us digitally, we continue to adapt the way we distribute our products and services. Our customers must be able to securely and easily bank through our digital channels, but can also get frictionless support at any of our physical meeting places.

4. Digital commerce offering

We defend our strong position within card acquiring and strengthen and develop our e-commerce offering towards our corporate customers by creating relevant commerce offerings through our own and external channels.

5. Digital lending process

To make it easier for our customers and increase internal efficiency, we are digitising our lending process. Our customers will be able to apply and be approved for a loan quickly and conveniently, 24 hours a day.

6. Financial health and advice

With the ambition to make it easier for our customers to make deliberate decisions that promote sound and sustainable finances throughout life, the bank creates a concept around financial health and holistic advisory that will be rolled out in all channels during the coming years.

7. Corporate self-service and cash management

Improved self-service capabilities in our digital channels and improved cash management services will make it easier for our corporate customers to control, optimise and administer payments, currencies and liquidity.

Sustainability is part of our DNA

Our roots are in the savings bank movement and by promoting savings and lending money to businesses and households we have supported the national economy for nearly 200 years.

Since we are a big part of the financial infrastructure in Sweden, Estonia, Latvia and Lithuania, it is critical that our IT systems are secure and that customers can rely on us. We also have a responsibility, and an opportunity, to contribute to the sound and sustainable development of our customers, employees, owners and society as a whole. During the year we have therefore invested in and improved our processes around the bank work to counter money laundering. We are also committed to integrate sustainability in our business strategy and strategy decisions, at the same time that we support global initiatives such as the UN's Global Compact (the UN's principles for sustainable business) and TCFD.

Learn more about our sustainability work on pages 14–25 and www.swedbank.com/sustainability.

Continuously innovative

Swedbank has a strong innovation culture. Over the years we have often been the first to launch new digital solutions for our customers, who are becoming more digitally active. This is partly a result of the high IT maturity level in the markets we serve, but is also due to our large private customer base, our focus on everyday banking services, and the IT competence of the Group Executive Committee and the Board of Directors.

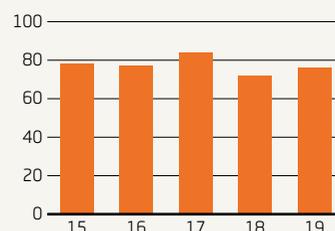
At Swedbank, IT development is integrated with business development. Together with our flexible IT platform, this allows us to quickly launch new solutions for our customers. We realise, however, that we cannot do everything ourselves and therefore partner with various fintech firms such as Meniga and Mina Tjänster (My Services) in a number of areas to continuously improve our offers and availability.

Learn more about our fintech partnerships on <https://www.swedbank.com/openbanking/>.

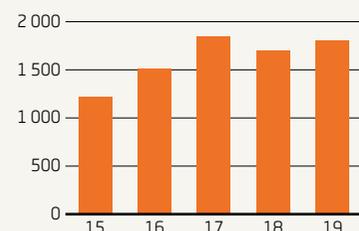
Return on equity, %



Dow Jones Sustainability Index Score



Digital customer interactions, million



Our business model must be built on a sustainable economy

Swedbank offers its customers secure and effective solutions to manage their savings and at the same time meet their financing needs. This has to be done with the goal of a sound and sustainable financial situation for the many households and businesses.

An important part of society

Swedbank is part of the financial infrastructure, and thus an important part of society. By promoting savings and lending money to consumers and businesses, we increase financial well-being, support the national economy and help to create jobs in our home markets. Our business is affected by a number of factors, the most important of which are:

- **Customer choice** – Customers are increasingly choosing phone, computer and tablet for their financial services. At the same time many still want personal assistance with more complex questions. Our aim is to make day-to-day banking fully digital, but also offer personal assistance at our physical meeting places.
- **Competition** – Our competition consists of traditional banks as well as new firms. We therefore have to continuously improve our offers in among other ways by analysing customer data to design more personalised services and products.
- **Macroeconomic development** – As a deeply ingrained part of economy, we are dependent on the business cycle and what happens globally. To stay competitive and relevant, we have to be able to quickly adapt to changing market conditions.
- **Regulation** – The banking sector is subject to a number of regulations, many of which are designed to increase financial stability and empower customers. This affects competition and how we price our products.
- **Financial crime** – Banks are to larger extent being used for financial crime. To improve security for our customers, but also for society as a whole, we have to continuously update the methods we use. Our aim is to follow the industry's best practices.

Net interest income is our largest source of income

Swedbank's main source of income is the interest paid on the money we lend. Lending must be financed, however, through deposits from businesses and private customers and through funding from the capital market. Net interest income, the bank's most important profit variable, is the difference between the interest income on deposits and funding expenses.

To contribute to the stability of the financial system, we have to understand and correctly price risk. It is also crucial to our survival. The margin we earn on our lending has to be high enough to cover any credit impairments for borrowers who fail to pay interest or amortise their loans. It must also cover administrative expenses and provide a return on shareholders' equity.

It is important for us that the money we lend contributes to sustainable development. This is manifested in many ways. In 2017, for example, we established a green asset framework that provides a foundation for the issuance of green bonds, two of which have already been issued. The money is used to finance sustainable investments in real estate and renewable energy sources that reduce carbon emissions.

Net interest income and credit impairments are strongly tied to the real economy and are affected by factors such as economic growth, interest rates and unemployment. To limit the impact of a severe recession and continue to support our customers regardless of economic conditions, we also maintain capital for unforeseen losses. The size of this buffer, which largely consists of the capital our shareholders have invested, is determined by various regulators and depends in part on how risky the assets are considered to be.

Funds and cards are important to net commission income

Net commission income is our second largest source of income and is comprised of a range of services and products that mainly generate fees. This income, adjusted for transaction expenses, is reported in the income statement as net commission income. The large part comes from asset management and cards. Our asset management company, Robur, managed SEK 1 083bn at year-end 2019. To manage assets and cover costs, we charge a fee based on a percentage of the invested amount. Income in the fund business therefore depends on growth in assets under management, which in turn is affected by the stock market's performance. Sustainability aspects are important in asset management as well, and we have a fund, Swedbank Robur Global Impact, which invests in companies that meet the UN's 17 Sustainable Development Goals.

In the card business, which represents the large share of our payment operations, we are both a card issuer and payment acquirer. Our income is generated from customers who use our cards to make purchases and the stores and restaurants that use our terminals for payments. The income consists of annual fees, but is also based on transaction volume.

Personnel and IT are our largest operating expenses

Swedbank's largest operating expense is salaries. Other major expenses include IT as well as properties and rents, which is partly because of the distribution network we provide our customers in the form of digital channels and physical meeting places. Swedbank is also a major taxpayer in the markets where we operate.

Simplified income statement

+ Our income	SEKm
Net interest income (interest income – interest expenses)	25 986
Lending generates interest income. Interest expenses are incurred for deposits (savings) and the bank's capital market funding.	
Net commission income	12 984
Fees charged for services such as cards and payments, asset management, loan commissions, equity trading, insurance and corporate finance.	
Net gains and losses on financial items at fair value	3 629
Result of the market valuation of lending, funding, currencies and securities held by the bank. Arises through trading in financial instruments by customers and the bank itself and as a result of valuation effects in the accounts, primarily from interest and exchange rate movements.	
Other income	3 358
Share of result from associated companies, services sold to cooperating savings banks, net insurance, capital gains.	
Total income	45 960

– Our expenses	SEKm
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– Staff costs	11 119
To develop the best services and give professional advice, we have to be a relatively personnel-intensive business dependent on attracting and developing people with the right skills as customer needs change.	

– Other expenses	8 865
An effective customer offering generates development, production and distribution expenses. IT expenses are incurred for development, systems and licences. Production expenses are to develop new and existing products and maintain product platforms. Distribution expenses through the retail network are significantly higher than when transactions are executed through digital channels.	

= Profit before impairment	25 976
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– Impairments	1 556
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 reflects changes in credit risk or macroeconomic variables like GDP and unemployment. In the figure above, impairments on tangible and intangible assets are also included.	

– Tax	4 711
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.	

– Non-controlling interests and profit from discontinued operations	12
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= Our profit attributable to shareholders	19 697
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Earnings distribution

50 per cent of profit is distributed as a dividend to shareholders, who demand a competitive return on the capital they invest. The remaining 50 per cent is allocated to an equity buffer in the balance sheet to withstand economic slowdowns and to finance future investments to increase customer value and create opportunities for growth.

Dividend	Equity
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Simplified balance sheet

Our assets	SEKbn
Cash, treasury bills and bonds	390
Swedbank maintains a liquidity buffer in the form of cash and liquid securities to meet its commitments even if access to financing is closed for an extended period.	
Loans to the public	1 652
About half of Swedbank's lending to the public consists of mortgages in Sweden. Swedbank is one of the biggest lenders to private and corporate customers in its four home markets.	
Loans to credit institutions	45
As part of the financial system, Swedbank also offers lending and deposits to other banks and credit institutions.	
Derivatives	44
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, mainly swaps, which are reported on both the asset and liability sides of the balance sheet.	
Other assets	277
Total assets	2 408

Our liabilities and equity	SEKbn
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Deposits and borrowings from the public	954
Customer deposits finance a significant share of lending. Swedbank has a large, stable base of deposits in its home markets.	

Debt securities in issue	856
Lending not financed with deposits is funded through the capital markets. Swedbank's market financing is almost exclusively long-term and mainly consists of covered bonds.	

Derivatives	41
See comment under assets above.	

Other liabilities	418
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Equity	139
The rules on how much capital a bank must maintain have been tightened and ensures that it can operate well even under unfavourable conditions.	

Total liabilities & equity	2 408
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For more detailed information on Swedbank's income statement and balance sheet, see pages 54 and 56.

Two hundred years of sustainability

Swedbank has its roots in the Swedish savings bank movement, whose history dates back to 1820. This means 200 years of banking during a time of enormous change, when poor farming villages have developed into communities whose prosperity in many cases is dependent on technology.

Since the first branch was opened, the bank has maintained a strong local connection by promoting sustainability with an emphasis on education and savings. The concept of sustainability is more than that, however, and also includes areas such as reducing negative impact on the environment and climate, preventing money laundering and strengthening human rights.

Swedbank works actively to integrate sustainability throughout its operations, to create lasting value for all our stakeholders and contribute to a more sustainable society. The bank's vision is to enable people, businesses and communities to grow. To create a society as defined by the UN's Sustainable Development Goals (SDGs), and where the bank's operations, products and services contribute to achieving the goals.

Swedbank is in the process of integrating economic, social, environmental and ethical perspectives in its strategic work in pace with growing expectations and demands for a more sustainable financial sector. We can also expect new rules and tougher demands from stakeholders, which are contributing to a greater sustainability focus in the risk management of financial companies.

Responsible banking

The UN's Principles for Responsible Banking were introduced in autumn 2019. Swedbank was one of the 132 banks to sign the principles, a shared commitment to adopt the Paris Agreement and SDGs in their businesses and do more to deliver on them. The principles are supported by a framework for implementation and accountability. By signing them, Swedbank pledges to be transparent in reporting its impacts, both positive and negative, on people and the planet.

The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the EU's action plan for financing sustainable growth are important steps in the development of an international regulation where the banks can play a clear role in financing the investments needed to achieve the goals in the Paris Agreement and SDGs. Swedbank follows these recommendations and is working with the Science Based Targets Initiative to develop a credible methodology to set scientific climate targets in the financial sector.

It is important for Swedbank to promote transparency in all banking operations. The financial sector is regulated by a large number of different frameworks and regulations, which have increased significantly in recent years, including the sustainability area. The EU has accelerated its work on these issues and developed new EU-regulations for sustainability covering the entire financial sector. An example is the new taxonomy that will serve as a tool for classifying investments that are environmentally sustainable and investments which are not. A common taxonomy

provides mutual guidelines for what investments that should be called "green", which is fully in line with Swedbank's ambition to develop the business, its products and services.

The bank's stakeholders gain greater insight through the transparency that comes with these regulations, both in sustainable financing but also in other banking operations. In the business community, the concept of transparency is used as a measure of a company's openness towards various external stakeholders. GDPR, MiFID and PSD2 are examples of regulations that have been introduced in recent years that provide greater transparency by setting concrete requirements for companies' openness and accounting.

Management of sustainability risks

Sustainability risks as described in the risk management framework are related to the impacts on, or the impacts of, climate change, globalisation, human rights, resource scarcity, population growth, etc., which have the potential to impact the bank's operations, income or expenses. Sustainability risks include, but are not limited to, strategic, reputational, credit and legal risks. Managing sustainability risks in a responsible way is important to Swedbank's success and trust in our brand.

At Swedbank, risk management and sustainability are integrated in the business, and the framework for risk and governance provides support in managing sustainability risks. Swedbank is working on several fronts to identify and manage sustainability risks, especially climate related risks, that the bank can be exposed to through its portfolio and products. In the future, climate change is likely to cause more frequent and/or serious weather events such as floods, droughts and storms, which could pose a potential risk to the bank's credit portfolio. Over time it is likely that physical assets will also 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, are likely to affect us and our customers, giving rise to transition risks. Changes in policies and laws and social activism directed at 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 lending process, where a sustainability analysis is conducted for corporate loans. As part of our commitments to the Paris Agreement, Swedbank supports the TCFD recommendations and applies them to the relevant portfolios/sectors.

Sustainable financing solutions

Lending is one of the bank's core businesses and an important component in the business model, i.e. to finance investments by private customers and businesses. There is a growing interest in making sustainable choices, and in this respect 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 business and society, and is the basis for sustainable financial value creation. A big responsibility rests on the bank's officers, who perform the sustainability assessment. It is important to know the customer, their business, its future prospects and their impact on society. Swedbank conducts a more comprehensive sustainability analysis when the credit limit exceeds SEK 5m in Sweden and EUR 0.8m in the Baltic countries based on social and environmental aspects. The analysis discusses sustainability related issues such as human rights, the environment and climate, taxes and corruption. For principles and guidance, Swedbank also has Group-level policies, position statements and sector guidelines. If ethical dilemmas arise, Swedbank's Business Ethics Committee will provide further recommendations.

Positive impact finance, where loans are evaluated based on their contribution to one or more areas of sustainable development, is another product area that Swedbank offers its customers and that promotes more sustainable financing. Swedbank also works actively to scenario test its loan and investment portfolios according to the TCFD's recommendations based on climate related risks and opportunities.

Since 2017, Swedbank has issued green bonds and, based on this business can target and support financing for sectors that are in transition to a sustainable society. Swedbank Debt Capital Mar-

kets also provides advice on green, social and sustainability bonds. This benefits both issuers that are looking for green financing, e.g. companies and municipalities, as well as investors who are seeking out sustainable investments e.g. insurance companies and pension managers.

In May 2019, the bank began offering low-interest consumer and business loans for installation of solar panels, which is positive for the sustainability of their finances and for society's energy transformation. Green mortgages and car loans had already been available as well.

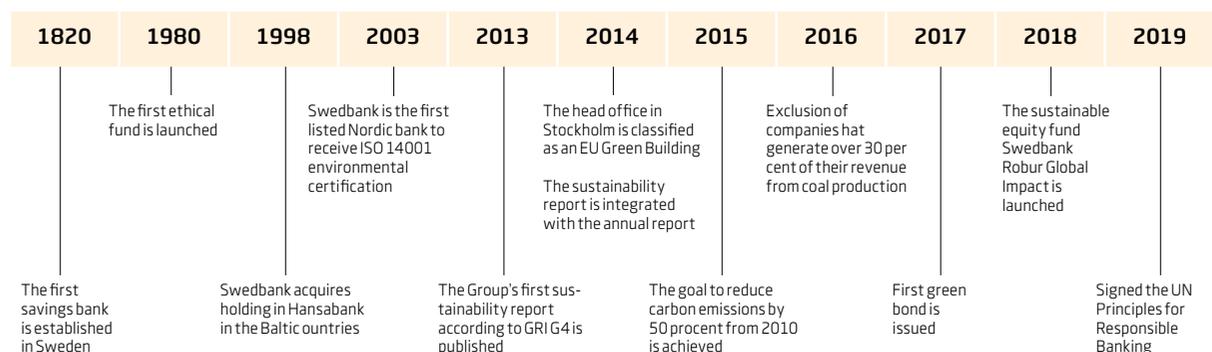
Long-term asset management

Sustainability is also integrated in the investments that the bank makes and in the products and services we offer. Engagement and interest in sustainability are increasing, and so is demand for sustainable savings, at the same time that a survey conducted by Swedbank has shown that seven of ten people want to save sustainably, but only four of ten do so. It is important therefore to increase awareness that sustainable savings can make a difference.

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 with sustainable companies is its participation 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. Since 2009, Swedbank Robur has embraced the Principles for Responsible

Historical background



Investment. In 2015, it began to report the carbon footprint of its equity and mixed funds. Swedbank will apply the TCFD's recommendations to calculate how the companies in the funds are affected financially by climate change. In November, climate targets were adopted as well: that asset management be aligned with the Paris Agreement's 1.5°C goal by 2025 and that the entire business be carbon neutral by 2040.

Swedbank Robur will continue through collaborations with other investors and networks such as Swedish Investors for Sustainable Development (SISD), Climate Action 100+ and International Investors Group on Climate Change to encourage companies to transition to sustainable solutions. During the year, Swedbank Robur participated in SISD and Global Investors for Sustainable Development and was a member of a working group assigned over a two-year period to draft a global standard to measure the sustainability impact of investments.

Swedbank Robur has expanded its range of funds with sustainability criteria. For example, the equity fund Swedbank Robur Global Impact invests only in companies that already directly contribute to the SDGs. During the year, the Ethica funds changed name to Transition to reflect a broader mission: to also invest in companies that are driving the transition to the SDGs. Five of Swedbank Robur's funds satisfy Nordic Swan's eco-label criteria, which means that they meet stringent sustainability requirements and exclude fossil fuels.

Sustainability requirements in the supply chain

Swedbank has a large number of suppliers and therefore has a big responsibility but also good opportunities to influence them based on sustainability specifications and expectations. The aim is to work together to promote sustainability at every level.

The supplier code of conduct is the basis for the requirements and expectations that Swedbank advocates and is the starting point for contracts with the bank's suppliers. The code sets requirements on the suppliers' work in areas such as human rights, labour rights, business ethics and the environment. It clarifies the bank's vision and position on these issues and distinguishes between mandatory and voluntary criteria. This facilitates a dialog and development together with the suppliers. To ensure that the procurement process supports Swedbank's overarching sustainability strategy, a digital platform is used to effectively manage sustainability related data, analysis and monitoring based on the supplier code. Compliance is obviously important. Additional follow-ups are conducted as needed in the form of site visits and inspections. Cases can be escalated to the procurement unit's sustainability forum, which will decide on actions against the supplier or whether the contract should be terminated. Swedbank's Business Ethics Committee can also be consulted if ethical dilemmas arise.

Swedbank will continue to create opportunities for innovation in sustainability with the help of strategic partnerships along the entire supply chain, to speed up the transition to a sustainable society in line with the SDGs and the Paris Agreement.

Focus on the climate

Climate change is an issue affecting every company today. The financial sector has a big responsibility in the transition that busi-

nesses face, with sustainability naturally integrated in the business model. Through its operations, Swedbank is able to have both a direct and indirect impact, i.e. directly through its own operations – mostly travel and heating of premises – and indirectly through customers, their businesses and their choice of products and services.

Swedbank has pledged to set climate goals in line with the Science Based Targets Initiative. Today there is no established method for exactly what this process should look like for the financial sector, and Swedbank therefore took part during the year in developing a methodology as part of the initiative. Swedbank's focus has been to identify where emission reductions have to be made in its mortgage business and commercial real estate lending to ensure that the bank's climate targets for these holdings are 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 2010-2019 Swedbank's direct greenhouse gas emissions were reduced by 65 per cent. Behind these numbers lie active efforts to reduce travel and energy consumption in the branches. The aim of Swedbank's climate related targets is to further reduce the bank's direct emissions. As a complement to reducing its climate impact, Swedbank buys carbon offsets for all its direct greenhouse gas emissions.

A structured approach based on an environmental management system is used to reduce the bank's own, as well as its customers' and suppliers', environmental impacts. Environmental policies, goals and strategies are integral to the work that the bank has committed to. Since 2003, Swedbank's environmental management system is certified according to ISO 14001, where compliance is reviewed annually through internal and external audits. Operating managers are responsible for their own environmental work, and a network of sustainability ambassadors coordinates goal-setting and follow-ups and provides support for the sustainability work.

A value-based way of working

Swedbank's biggest strength is its engaged and competent employees. A strong, values-based corporate culture with openness, simplicity and caring as its watchwords contributes to an environment where every part of the company is strongly focused on the customer with the goal of delivering a high level of satisfaction.

Occupational health and safety is a strategically important area. All employees at Swedbank should feel that their workplace is safe and secure. This is fundamental to foster high performance and long-term customer relationships.

Diversity and gender equality are cornerstones of the business and also apply to employees and external stakeholders. Swedbank is an inclusive bank where everyone, regardless of background and ethnicity, has the right to financial services and to be treated with respect. The bank wants its employees to reflect our customers in terms of gender, age and ethnicity. A goal for many years has been gender equality according to the 40/60 model in both the highest management and the entire organisation. At year-end women accounted for 43 per cent of the Group Executive Committee.

Swedbank operates in a complex and rapidly changing environment, where digitisation and new laws and regulations have major consequences. This requires development, adjustments and new competence, where strong leaders and education are important components. Acquiring new knowledge and developing also create engagement and motivation among employees, who are encouraged to take responsibility for and drive their own development.

Swedbank's deeply rooted social engagement largely consists of sharing expertise in personal finance and entrepreneurship. Through the initiative Young Economy, the bank has reached almost 64 000 young people during the year. Through the bank's engagement in A Job at Last, a collaboration with the Swedish Public Employment Service, where foreign-born academics can qualify for a 6-month trainee position with Swedbank, the bank promotes inclusion and integration.

Swedbank's deep-rooted social commitment largely consists of sharing expertise in personal finance and entrepreneurship. Through the Ung Ekonomi (Young Economy) initiative, the bank has reached almost 64,000 young people during the year. Through the bank's commitment to the Äntligen Jobb (Finally Job), a collaboration with the Swedish Employment Service, where foreign-born people have been given the opportunity for 6 months internship at Swedbank, the bank promotes inclusion and integration.

Digitisation requires increased security

In a world where digitisation and use of cloud services are a natural part of business, secure network access, IT systems and data are critical. Disruptions to the bank's systems that affect the stability and availability of the bank's products and services not only cause problems for customers and higher costs, but also damage confidence in the bank. Fraud and hacking attempts are increasing in society in general and require greater awareness and increased investment in information and cybersecurity by the financial industry.

It is critical for Swedbank to protect its customers' and its own data as well as other sensitive information. This is a continuous process and involves a wide range of measures to prevent and limit harm to our services. The bank's services and IT systems are monitored to detect new types of threats, fraud and hacking. To prevent the bank's payment systems from being exploited for criminal activity, there is a set of internal rules, processes, collaborations and support functions. This is also done to comply with applicable laws and regulations in the area.

The work to prevent criminals from exploiting the bank took on greater prominence during the year when allegations of money laundering were made against Swedbank. These allegations had a major effect on the bank, its customers, owners and employees in 2019.

Money laundering – a global problem

Money laundering is a global problem. The UN estimates that the value of money laundering (ML) corresponds to 2-5% of global GDP each year. Criminals the world over are becoming more sophisticated in their approach, and the methods they are using to avoid detection are continuously developing.

Lawmakers are responding by increasing the responsibility put on banks and other financial institutions to protect the finan-

cial infrastructure. Regulations are being tightened and sanctions for violations are being increased. Swedbank welcomes this as banks are important in the fight against ML and financial crime, although collaborations with other parts of society are also necessary to find a solution.

One example of this work is the creation of harmonised anti-money laundering (AML) rules by the EU. On 1 January 2020 a new law went into effect in Sweden based on The 5th Anti-Money Laundering Directive, which makes it easier for member states to share information on suspected ML. Whistleblowers now receive greater protection as well. US authorities are also paying increasing attention to these issues and are prosecuting violations beyond the country's borders.

As stricter rules have been introduced nationally and internationally, Swedbank has improved its systems support, processes and routines. The bank has also terminated relations with customers that do not meet current regulations or the bank's internal requirements. Prior to the introduction of The 4th Anti-Money laundering Directive in 2017, this work intensified through a special AML programme with a focus on the Baltic markets, where many customer relations were terminated.

Accusations against the bank and regulators' investigations

In November 2018, within the framework of its normal supervision, the Swedish FSA initiated an investigation regarding Swedbank's compliance with the money laundering regulations. After media allegations, in February 2019, of money laundering in Swedbank's Estonian operations the Swedish FSA initiated another investigation regarding the bank's governance and control of measures against money laundering in its Baltic subsidiaries. In connection with this, the FSA's in Estonia and Sweden decided to conduct parallel investigations, which formally started on April 1.

Both investigations are expected to be completed by the beginning of 2020. In addition, investigations are ongoing by US authorities.

In April the Board of Directors hired attorney Björn Riese and the communication firm Kreab as independent advisors to the Board on issues connected to the investigations and communication related to this.

On 16 September Swedbank replied to questions from the FSA's. In its replies, Swedbank noted that FSA's observations correspond in several key ways to the bank's own.

On 29 October Swedbank received the Swedish FSA's decision to initiate a sanction process as part of its ongoing investigation. FSA's may decide on sanctions if a bank is found to have shortcomings that have led to a breach of ML or other regulations. Sanctions can be calculated in two different ways: either as a percentage of the bank's turnover or a fixed amount.

During the autumn of 2019 the Estonian FSA informed that part of their investigation was handed over to the Estonian prosecutor.

The Swedish SFA indicated on 18 December that its ruling on the ongoing sanctions case will be announced in March 2020, when the investigation is completed. The Estonian SFA is expected to announce, in close connection to the Swedish SFA's announcement, which measures the bank must take.

The Estonian prosecutor has not announced a timeframe for its decision on possible sanctions.

On 20 December Swedbank replied to a request for comment on the Swedish and Estonian FSA's preliminary observations and conclusions. In its response the bank stated that it concurs with many of these observations and conclusions.

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

Swedbank is being investigated by the US authorities. These investigations could take several years.

In the fourth quarter the European Central Bank (ECB) completed its investigation. Swedbank received a decision on a number of remedies that it is now being implemented, and which will be monitored.

Need for provisions

Swedbank has not allocated any provisions for fines or penalties. Current accounting rules provide that the bank with a high probability is able to determine the size of any fines or penalties before a provision can be allocated. This has not been possible to date. New estimates are made continuously in collaboration with the bank's external auditor, PwC.

Changes in the Board of Directors

On 5 April Chair of the Board Lars Idermark decided to step down and Deputy Chair Ulrika Francke took over. The Extraordinary General Meeting on 19 June elected new Board members with complementary skills. Göran Persson was elected as the new Chair. Bo Magnusson and Josefin Lindstrand were elected as Board members. The General Meeting also resolved that there shall be nine elected Board members. Board members Ulrika Francke, Peter Norman, and Siv Svensson, who were elected by the AGM, resigned from their positions at the Extraordinary General Meeting, after which the Board consisted of Göran Persson, Bodil Eriksson, Mats Granryd, Kerstin Hermansson, Bo Johansson, Josefin Lindstrand, Bo Magnusson, Anna Mossberg and Magnus Uggla.

Management changes

As a result of the accusations against the bank, President and CEO Birgitte Bonnesen was dismissed on 28 March. CFO Anders Karlsson was appointed Acting President and CEO.

As a consequence of Swedbank's internal investigation, the Council of Swedbank's Estonian subsidiary decided on 17 June to appoint Olavi Lepp as acting Chairman of the Management Board and acting CEO of Swedbank Estonia. Anna Kõuts was appointed as acting CFO and acting member of the Management Board. Both of these appointments were made permanent later in the year.

Former CEO Robert Kitt and former CFO Vaiko Tammeväli left their positions in Swedbank Estonia. Council member Priit Perens ended his employment. All three have left the bank.

In August Jens Henriksson was appointed the new CEO. He took office on 1 October.

On 9 December Jens Henriksson presented a number of management changes. The number of members in the Group Executive Committee was reduced from 17 to 14. Former Chief Risk Officer Helo Meigas and former head of Baltic Banking Charlotte Elsnitz left the bank. Gunilla Domeij Hallros was appointed the acting Chief Risk Officer and Jon Lidfelt the acting head of Baltic Banking. The recruitments of a new CRO and new head of Baltic Banking are underway. Erik Ljungberg has been recruited as the new head of Group Communications and Sustainability. He will take up the position by summer 2020 at the latest.

The Board's ML work

In July 2019 the Board established a working group consisting of Bo Magnusson, Magnus Uggla, Kerstin Hermansson and Josefin Lindstrand. The working group is the Board's advisory body to monitor the bank's work with the ongoing investigations as well as the Clifford Chance investigation. It held regular meetings during the second half of 2019. The Board has created a new committee, the Corporate Governance Committee, that among other things will take over the working group's duties.

Clifford Chance and Special Task Force

The international law firm Clifford Chance was hired in February 2019 to, with forensic support from FTI and FRA, conduct an investigation of historical shortcomings in compliance, exposure to money laundering of the possible breach of sanctions. The investigation includes Swedbank AB, its global network of branches and relevant wholly owned subsidiaries. Clifford Chance's assignment also spans the areas that a special audit would cover, according to a proposal presented at the Extraordinary General Meeting on 19 June.

The investigation will determine what happened, how it could have happened and what has to be done to prevent it from happening again. In addition, the investigation provides a basis for replies to the questions from regulators.

In total, over 30 billion transactions made between 2007 and March 2019 are included in the investigation, of which 15 billion from Baltic Banking. The Clifford Chance investigation, which is scheduled to be presented in the first quarter 2020, is expected to describe among other things:

- how the bank has dealt with AML issues
- shortcomings in routines and processes
- if, when and how these shortcomings were addressed
- scope and management of inappropriate high-risk customers
- if and when inappropriate high-risk customers were identified and removed
- potential OFAC sanctions exposure in the Baltics
- management of internal and external information disclosures
- scope of transaction volumes
- assessment of the seriousness of identified shortcomings
- accountability

Clifford Chance is also reviewing the bank's current compliance work with respect to ML, with the aim of issuing recommendations to ensure improvements in the AML work.

The responsibility for the Clifford Chance investigation of historical shortcomings in AML work has been transferred to the new Special Task Force. This unit is led by former Head of Group Treasury Tomas Hedberg, who in his new role reports directly to the CEO. Swedbank has also expanded its legal advisory group. In addition to the international law firm Clifford Chance, the forensic expertise of FTI and FRA and attorney Biörn Riese, it now also includes the US law firm Quinn Emanuel.

Measures to prevent money laundering

Swedbank continued in 2019 to invest in resources, processes and technology to prevent ML/TF and other financial crime.

In April the Anti-Financial Crime unit (AFC) was established with the aim of bringing together resources and expertise to lead and coordinate the bank's work in this area. A large part of the implementation is carried out in the business areas. At year-end the unit had a staff of more than 300.

Besides AFC, the bank's three business areas, Swedish Banking, Baltic Banking and Large Corporates & Institutions, significantly increased their staffs and hired consultants to help the bank avoid being exploited for financial crime, and to comply with current laws and regulations. In total, the number of full-time employees who work with these issues was 420 at year-end, an increase of more than 170 since the first quarter 2019.

In October an action plan was presented to align the bank with the industry's best practices for the prevention of financial crime. The plan, which is led by the AFC, is progressing largely according to plan and at year-end comprised 152 initiatives. A total of 67 initiatives had been completed as of 31 December, including 47 in the fourth quarter. Eleven initiatives could not for various reasons be completed as planned by the end of the year. They will be completed in Q1 2020.

The programme is continuously reviewed and new initiatives are added when the Clifford Chance investigation, investigative authorities, employees or other stakeholders identify shortcomings and potential improvements. Twenty initiatives were added in the fourth quarter 2019. Some were the result of the shortcomings identified by the Estonian and Swedish FSA's in their investigations. These initiatives will be completed in 2020. New initiatives will continue to be added, however, extending the programme beyond 2020.

The programme is divided into seven areas in accordance with standard AML/ATF processes.



The figures show the number of initiatives per area in Swedbank's anti-money laundering process as of 31 December.

The key aspects of the initiatives are summarised below.

Risk assessment

An improved Group risk assessment framework was developed in the fourth quarter 2019. It describes a uniform strategy for collective risk assessments and the mandatory risk assessments that all legal entities within the Group are obligated to perform. The bank is also creating a new risk database that provides a unified overview of ML risks.

Regulations and routines

In the second half of 2019 Swedbank introduced an updated and improved framework for ML compliance. The new framework creates a centralised AML strategy, contributes to higher efficiency and facilitates compliance within the Group.

A project has been launched to ensure that all business and product areas are able to apply the changes resulting from the new framework.

In addition, a Group Financial Crime Committee (GFCC) has been established to ensure adequate and effective management of ML/TF risks. The Group Security Investigations AML Office, which ensures the new framework's implementation and compliance, has recruited new employees and established new processes.

Training

Broad-based training is provided to increase awareness of ML risks in general as well as targeted training e.g. in KYC.

Know Your Customer (KYC)

A new Know Your Customer (KYC) system that connects the bank's various channels for the entire customer lifecycle is developed. The new system is being launched in Swedish Banking in 2020 and will then be introduced in other business areas in line with the goal of a Group-wide KYC platform.

In addition, several initiatives are underway to improve quality assurance of customer information. A digital solution to collect KYC information on private customers has been introduced in Swedish Banking. In the fourth quarter 2019 the solution was rolled out to 3.6 million private customers of Swedbank and the savings banks. Baltic Banking has an initiative to collect data from several external sources.

Swedish Banking has established a new centre of excellence to manage high-risk customers throughout the customer lifecycle. The centre had around 80 full-time positions as of year-end. The bank has also introduced new and improved routines that apply when certain types of customer relations are terminated.

In 2019 Swedbank joined the Nordic KYC Utility. Together with five other Nordic banks, the bank established a joint venture that offers standardised processes for managing KYC information for corporate customers. The launch in 2020 will impact selected corporate customers.

Risk classification

A new risk classification model with predictive elements was developed and launched in the fourth quarter 2019 in Swedish Banking, where risk classification is increasingly based on customer behaviour. The risk model is continuously improved

through development and by using data generated by the model's algorithms. The risk model, which follows customers through the entire lifecycle, can be applied to individuals as well as small and midsize companies.

Monitoring

In 2019 the bank improved its processes, routines and systems support for monitoring transactions. The work has resulted in among other things a doubling of the number of scenarios in the bank's transaction monitoring system as well as the development of advanced and complex analysis models that more reliably identify suspicious transactions. Improvements to the bank's ML/TF monitoring will continue in 2020 and involve every unit of the Group, including subsidiaries and branches. Improvements are also being made to the technological environment to ensure system stability.

In 2019 the units that monitor suspicious ML transactions were provided with new resources and more expertise.

In addition to the monitoring of transactions, improvements are being made to the bank's processes and systems support to identify transactions with individuals or companies that appear on sanction lists. Among other things, new data sources have been added to improve accuracy.

Reporting to the Financial Intelligence Unit of the Swedish Police

The GSI unit added resources and expertise in 2019 to improve its ability to report to the Financial Intelligence Unit of the Swedish Police. In addition, the process for reporting suspected ML to the Financial Intelligence Unit has been further developed and modified using a new digital format.

Quality assurance

The bank's management decided during the year to investigate and assure the quality in three areas with the help of external expertise.

The quality of the bank's work with ML and other financial crime will be reviewed. External consultants are being hired.

An evaluation will compare the bank's compliance work with best practices to ensure that it is being done as effectively as possible.

Future challenges and Swedbank's level of ambition

Swedbank's goal is to be an industry leader in the prevention of ML and other financial crime. The action plan described above will put Swedbank well on its way toward meeting the goal in 2020.

It is not enough, however, that Swedbank introduces best routines, processes and systems support to address the fundamental problem. It is only through improved cooperation between law-makers, authorities and banks that society can successfully fight financial crime.

Swedbank therefore participates in various forums, in our home markets and internationally, to develop information collaborations and share experience.

Nordic KYC Utility is a good example of how the banks are taking the initiative and cooperating to reduce the risk that our infrastructure will be exploited for criminal purposes. Nordic KYC Utility will offer companies a digital platform to register and update their information. The goal is to improve efficiency and make it easier to manage KYC information for companies, banks and other financial players, and at the same time contribute to the prevention of ML.

Introduction of the TCFD recommendations

Task Force on Climate-related Financial Disclosures (TCFD), are recommendations for reporting climate-related financial risks and opportunities. These were produced by a working group led by Michael Bloomberg on behalf of the Financial Stability Board.

Since the work to integrate the TCFD recommendations began in 2018, Swedbank has revised its governance model and completed a pilot project in the energy sector. In 2020 a scenario analysis will be done in other sectors with an increased risk from climate change, and the banking sector will launch an industry-wide skill-building exercise.

A number of parallel activities are underway at Swedbank relating to climate change. During the year the bank signed the UN's Principles for Responsible Banking, which means that our business strategy will be aligned with the Paris Agreement and we will actively contribute to the UN's Sustainable Development Goals. The fund management company Swedbank Robur has in turn updated the climate goals in its responsible investment policy, which take effect in 2020. To show how much exposure there is to climate risks through Swedbank's lending and Swedbank Robur's investments, a materiality analysis has been conducted with a focus on sectors with elevated risks in accordance with the TCFD recommendations (see note G3 for credits and Swedbank Robur's annual report).

Governance

The updated governance model for the bank integrates a climate perspective through scenario analyses as well as new Key Risk Indicators for selected sectors. The scenarios used are New Policy Scenario (NPS, 3°C) and Sustainable Development Scenario (SDS, 1.5°C), both based on the IEA. The PACTA method is used for investments. During the work with scenario analyses climate-related risks and opportunities were identified and documented.

An important lesson from the scenario analysis work in the pilot project was that the cross-functional working groups were a success. This has been confirmed in the process now being established for implementation in the future. The sustainability group will coordinate the work that the business areas perform, with expertise and support from Group functions such as Risk, Credit and Finance.

Strategy

A number of strategic positions have been identified for the energy sector, one of which is further investment in renewable energy sources. The bank is also working actively with a strategy for companies that are seriously embracing the transition, in order to be a proactive facilitator.

Last spring's scenario analysis work identified a need for more competence within the organisation on what climate change means and how this affects the bank's customers and in the long run the bank itself. A comprehensive training programme is being developed for launch in 2020, and will be continuously updated.

Since competence is being further developed both within the organisation and by recruiting key competencies, even more productive scenario analysis work will be possible.

Risk management

In this year's edition of Credit Risk Outlook, an internal, forward-looking report that the risk department produces and shares with the business areas for use in their business plans and credit strategies, a climate perspective is integrated by identifying both transition risks and physical risks in various sectors. Transition risks are especially apparent in shipping and offshore, energy, manufacturing and transports. Physical risks, over a longer horizon, have been singled out in real estate management as well as agriculture, forestry and fishing. In the investment portfolio an elevated risk has been identified for assets owned by manufacturers that produce for customers in CO₂-intensive sectors.

The climate-related risks identified through the pilot project (Oil and Gas, Coal and Power) are limited given the size of the portfolio. In the SDS scenario transition risks increase but with limited credit risk for the bank, while in the NPS scenario there is increased risk/uncertainty about investments in renewable energy sources given the competition from existing energy sources.

The common denominator for both scenarios is increased reputational risks follow from a lack of understanding of climate change and its impacts, with the subsequent risk that competitive products are not developed to meet future customer needs.

Targets, metrics and monitoring

Swedbank has been monitoring direct emissions for many years and working actively to reduce them. The efforts to understand the indirect emission exposure were intensified during the year. Among other things Swedbank tested its portfolios of commercial properties and mortgages with the Science Based Target Initiative, where we are collaboratively developing credible methods for defining future climate goals. Lessons from this work will be used to define targets in coming years in order to realise the transition to a climate-neutral society.

Swedbank Robur expanded its fund reporting in 2019 with Weighted Average Carbon Intensity, in line with the TCFD recommendations and according to an agreement among members of the Swedish Investment Fund Association.

The bank's risk department monitors the exposure in customer segments that have been identified as having the highest climate-related risk. Growth in these segments sends a signal within the bank and in certain cases leads to more extensive analysis of the underlying causes.

The UN's Sustainable Development Goals

During the year Swedbank signed the UN's Principles for Responsible Banking and thereby endorsed the Paris Agreement and the UN's Sustainable Development Goals (SDG's). The bank participates in the collaboration Nordic CEOs for a Sustainable Future to collaboratively speed up these efforts.

Swedbank has performed an analysis of the bank's contribution to the SDG's. The analysis showed that the bank contributes to all of the goals to varying degrees. Based on the analysis, Swedbank has chosen to focus on Goals **4, 8, 12** and **16**. In addition, the bank has two complementary focus areas that combine several goals that affect Swedbank's strategy and goal-setting: Sustainable employees (e.g. Goals **3, 5** and **10**) and a Fossil-free society (e.g. Goals **7, 9, 11** and **13**).



The UN's Sustainable Development Goals (target)

Example of contributions

3.A



- Companies that generate more than 5 per cent of their revenue from tobacco products are excluded from all of Swedbank Robur's funds.
- The credit process's sustainability analysis contains a guideline on the tobacco sector, which gives insight into the industry's sustainability problems as well as suggestions and advice on what aspects should be brought up with the customer.

Implement the World Health Organization's Framework Convention on Tobacco Control

4.1



- Through various initiatives, Swedbank's teaches financial literacy to children and young adults. The bank reaches various groups in society, regardless of background, and educates them about money, savings and how conscious choices can impact a person's finances and career. The magazine Lyckoslantén, which since 1926 has helped children better understand financial issues, is distributed quarterly to Swedish students ages 10-12.

Free, equitable and quality primary and secondary education

5.5



- Swedbank during the year signed the UN's Women's Empowerment Principles, which comprise seven principles to adapt the financial sector to the UN's Global Sustainability Goals.
- In Equileap's list of the 100 best global companies based on gender equality, Swedbank ranked as the third highest in Sweden.

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making

7.2



- Increased number of green loans through more funding for energy-efficient properties and renewable energy production within Swedbank's green bond framework.
- Launched a loan for installation of solar panels by consumers and businesses in the Swedish market in order to promote small-scale renewable energy production.

Increase the share of renewable energy in the global energy mix

8.10



- To prevent digital exclusion, Swedbank works with an initiative called "Digital Economy" to help those who are unfamiliar with digital services such as BankID and Swish.
- The security information provided in 12 languages expands the access to the bank's products and services. The hearing impaired are able to receive personal assistance by phone.

Access to banking, insurance and financial services for all

9.1



- Provide financing for sustainable infrastructure projects as part of Swedbank's green bond framework.
- Signed an agreement to buy electricity from the solar park being built on 13 hectares in Linköping, which is expected to deliver around 10 000 MWh per year.

Create sustainable, resilient and inclusive infrastructure

The UN's Sustainable Development Goals (target)

Example of contributions

10.2



Promote social, economic and political inclusion

- Swedbank is represented in the EU's Diversity Charter, which promotes diversity and equal opportunities.
- "A Job at Last", an initiative to hire foreign-born academics as trainees for up to six months at the bank and an opportunity to gain a foothold in the job market. In many cases trainee positions lead to permanent employment and contribute to the bank's talent management.

11.3



Inclusive and sustainable urbanization

- Swedbank Fastighetsbyrå collaborates with BRIS, SOS Barnbyar and Sveriges stadsmissioner and donates SEK 100 per transaction to the initiative Ett tryggt hem för alla. So far just over SEK 9m has been collected.
- In the Baltic countries state-subsidised mortgage loans are offered based on various criteria to promote home buying. The product is designed for groups in society who have difficulty meeting the bank's standard lending terms.

12.6



Encourage companies to adopt sustainable practices and reporting

- Sustainability analyses are conducted in the bank's lending process and in asset management to determine how well companies manage business-related sustainability risks and assess their long-term operations. An important part of the sustainability analysis is the company's sustainability report.

13.1



Strengthen and resilience and adaptive capacity to climate-related disasters

- Swedbank assesses its loan portfolio according to the TCFD recommendations based on related climate-related risks and opportunities, and through the Science Based Targets initiative the bank has endorsed the Paris Agreement.
- Group position on preventing climate change, which excludes companies that generate more than 30 per cent of their revenue from coal production as well as direct financing for coal-fired power production.

16.4



Combat organised crime and illicit financial and arms flows

- Swedbank has a set of internal rules to prevent its systems from being exploited for criminal activities and ensure that current laws and regulations are followed. Swedbank has an obligation to know all its customers, understand where their money comes from. The bank's know-your-customer process is providing increased opportunities to detect unusual behaviour.
- Group position on the defence industry, which excludes companies that manufacture, modernise, sell or buy products specially designed for cluster bombs, anti-personnel mines, chemical and biological weapons, and nuclear weapons.

Swedbank's sustainability goals

Focus and progress in 2019

Swedbank strives to be a responsible and sustainable bank and is therefore constantly trying to raise its sustainability aspirations by better targeting commitments and leading the way on important issues such as climate change, gender equality and local engagement. Swedbank's aim is to help customers make sustainable choices. In 2019 Swedbank launched several sustainability oriented products and services in both lending and asset management, and a new sustainability training programme for the entire Group is keeping employees better informed. Swedbank has also endorsed the UN's Principles for Responsible Banking and Women Empowerment Principles as well as the Equator Principles.



Priorities in 2020

- Implement the UN's Principles for Responsible Banking and the EU's action plan for financing sustainable growth.
- Further refine strategies and products in sustainable financing.
- Increase internal understanding of upcoming rules and regulations.
- Continue to strengthen customer due diligence and prevention of money laundering in the bank.

Sustainability goal 2019	Result 2019	Status	Contribution to SDG target
Develop a loan product that incentivises the transition to a sustainable society.	Sustainability linked loans were launched in 2019. They are linked to specific criteria to monitor a company's sustainability performance. If its performance improves, the interest rate is lowered, reducing financing costs. If the goals are not met, the interest rate may rise.	●	9.4 12.6
Update and expand the internal sustainability analysis used in lending.	A new sustainability analysis tool for large corporate customers will be launched early 2020. During the year the bank improved its existing analysis tool for lending by integrating an external ESG analysis.	●	12.6
Arrange at least 35 green, social and sustainable bonds.	During the year Swedbank's Debt Capital Market unit arranged 51 green bonds.	●	7.2 13.1
Dialog with companies, especially those with high sustainability risks, through partnerships and suppliers, to help them make progress in accordance with the responsible investment policy.	During the year Swedbank Robur dialogued with 645 companies and participated in 94 nomination committees.	●	12.6 17.16
Active participation nationally and internationally to accelerate the transition to a more sustainable financial industry through collaborations with other actors and at the same time realise Swedbank Robur's vision to be a world leader in sustainable value creation.	Swedbank Robur participates in the reference group on sustainable finance regulation as part of the EU's 2030 Agenda for Sustainable Development and in the Stockholm Sustainable Finance Center. Robur also participates in several investor networks focused on sustainability as well as the EU Ecolabel.	●	17.16
All purchases over SEK 0.5m are evaluated in the bank's digital platform for sustainability assessments to determine how well they comply with the bank's supplier code of conduct.	As of July all purchases over SEK 0.5m went through the bank's digital platform for sustainability assessments.	●	12.6
Reduce Swedbank's direct greenhouse gas emissions by 20 per cent between 2017-2022.	Emissions decreased 14.8 per cent between 2017-2019. In addition, Sweden has chosen to buy carbon offsets for all its emissions.	●	13.1
Reduce energy consumption in the bank's branches by 10 per cent per m ² between 2017-2021 and 15 per cent in 2017-2025.	Energy consumption decreased 6 per cent per m ² between 2017-2019.	●	7.3
Achieve gender equality at the highest management level according to the 40/60 model.	Swedbank's management team consists of 43 per cent women and 57 per cent men.	●	5.5
Total sickness absence (rolling 12 months) < 2.8 per cent.	Sickness absence was 3 per cent in the Group.	●	3
Increase financial literacy among children and young adults by offering educational lectures in schools.	During the year 3 797 lectures were held.	●	4.4 8.3

● Met ● Ongoing ● Not met

Substantial decrease in value due to questions about the bank's anti-money laundering work

Despite that profit for the year was weighed down by higher costs related to the money laundering investigations, strong earnings contributed to a stable financial result. This means that the Board of Directors, in accordance with the revised dividend policy, is able to propose that 50 per cent of profit for the year be distributed to the shareholders.

Swedbank's strategy – to be an available full-service bank with offers based on customers' needs, high cost efficiency and low risk – aims at creating stability and predictability for our shareholders. Last year was overshadowed, however, by considerable uncertainty regarding the bank's anti-money laundering (AML) work. In 2019 the return on equity was 14.7 per cent, compared with the target of 15 per cent, affected not least by increased expenses to strengthen the AML work and address these charges. This contributed to a decrease in the share price of 29.5 per cent during the year, compared with the OMX Nordic Banks index, which fell 7.4 per cent, and the OMX 30 Large Cap index, which rose 25.8 per cent. The total return on the Swedbank share was -22.3 per cent and the market capitalisation was SEK 155.9bn at year-end 2019, compared with SEK 220.8bn at the end of 2018.

The Board of Directors resolved during the year to revise the dividend policy from 75 per cent of the annual profit to 50 per cent. The purpose of the change is to create greater flexibility to respond to the uncertainty regarding future capital regulations and regulators' decisions on the bank's AML work, and to enable the bank to continue to support its customers' growth. Our profitability, together with a strong capital position, facilitates a proposed dividend of SEK 8.80 per share for the full-year 2019, in accordance with the bank's updated dividend policy.

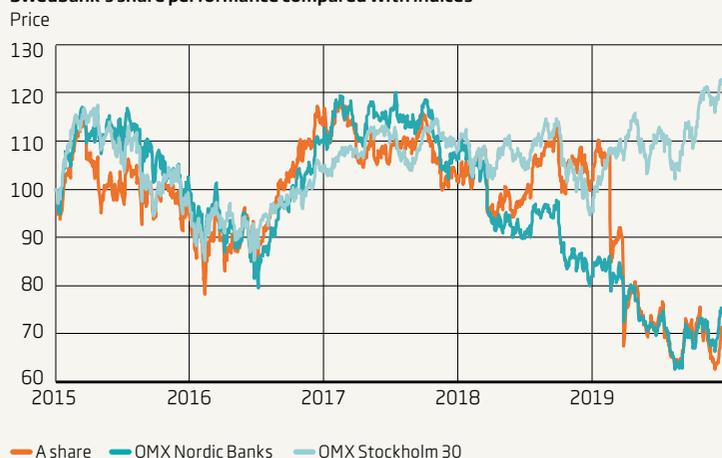
Trading on several markets

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 Depositary Receipt (ADR) programme, which enables investors, through depository receipts, to invest in Swedbank's share on the US OTC market without having to register with Euroclear or buy SEK. Swedbank's shares are traded on a number of different marketplaces, with Nasdaq OMX Stockholm generating the highest turnover. On average, Swedbank shares with a value of SEK 655m 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 that include Swedbank are STOXX ESG Leaders and FTSE 4Good. The latter was created to offer investments in companies that demonstrate globally recognised levels of responsibility. Other examples can be found on the website under Investor Relations/Swedbank shares.

Ownership and information

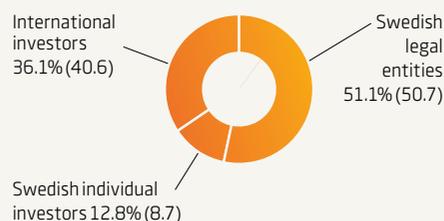
Swedbank had 1 132 005 722 shares in issue at year-end 2019, of which 36.1 per cent was owned by international investors and 63.9 per cent by Swedish investors, whereof 12.8 per cent are individual investors.

Swedbank's share performance compared with indices



Shareholder categories, %

as of 31 December 2019, figures in brackets refer to 2018



Source: Euroclear Sweden AB

Holding of own shares

Swedbank held 13 701 333 of its own shares as of 31 December 2019 to secure the commitments in its performance- and share-based remuneration programmes. Remuneration in the form of deferred shares is designed to building long-term engagement among employees through share ownership. In total, 1 630 028 shares were transferred in 2019, corresponding to a dilution effect of about 0.1 per cent based on the number of outstanding shares and votes as of 31 December 2018.

The 2019 AGM resolved to adopt new performance- and share-based remuneration programmes for 2019 and to transfer ordinary shares under these and previously approved programmes. The programmes for 2019 are expected to result in the transfer of approximately 2.3 million ordinary shares, corresponding to a total dilution effect of about 0.2 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 2019 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 were to help meet the capital requirements set by the

Largest shareholders, 31 December 2019, by owner group

Share of capital and votes, %	2019
Sparbanksgruppen	10.9
Folksam	7.08
Swedbank Robur fonder	4.95
Alecta Pensionsförsäkring	4.55
AMF Försäkring & Fonder	4.45
Sparbanksstiftelser - ej Sparbanksgruppen	3.44
BlackRock	2.97
Norges Bank	2.9
Vanguard	2.73
Capital Group	1.7
Total number of shareholders	368 312

Source: Modular Finance AB/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, it needs to acquire its own shares. Accordingly, the 2019 AGM resolved that the bank, until the 2020 AGM, may acquire its own shares on an ongoing basis such that the total holding does not exceed 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	2019	2018	2017	2016	2015
Earnings per share before dilution	17.62	18.96	17.38	17.6	14.23
Earnings per share before dilution, continuing operations	17.62	18.96	17.38	17.6	14.24
Earnings per share after dilution	17.56	18.89	17.3	17.5	14.13
Earnings per share after dilution, continuing operations	17.56	18.89	17.3	17.5	14.14
Equity per share	123.9	123	119.8	116.6	114.4
Cash dividend per ordinary share	8.8 ¹	14.2	13	13.203	10.703
P/E	7.9	10.5	11.4	12.5	13.15
Price/equity per share	1.13	1.61	1.65	1.89	1.64

1) Board of Director's proposal.

Share statistics, A share	2019	2018	2017	2016	2015
High price, SEK	214.8	221.7	231.4	229.3	223.9
Low price, SEK	120.75	177.15	194.2	150.8	177.2
Closing price, 31 Dec., SEK	139.45	197.75	197.9	220.3	187.1
Average number of trades per listed day ¹	10 622	6 733	6 090	5 413	4 869
Average turnover per listed day, SEKm, ¹	655	597	538	526	564
Total market capitalisation, 31 Dec., SEKbn	156	221	224	245	207
ISIN code A share: SE0000242455					

1) Turnover data include turnover on Nasdaq Stockholm.

Sources: NASDAQ OMX, www.nasdaqomxnordic.com

Number of shareholders, 31 December 2019

Size of holding	No. of shareholders	Holding. %
1–500	304 766	82.8%
501–1 000	32 922	8.9%
1 001–5 000	26 073	7.1%
5 001–10 000	2 332	0.6%
10 001–15 000	654	0.2%
15 001–20 000	351	0.1%
20 001–	1 214	0.3%
Total	368 312	100%

Source: Euroclear Sweden AB

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 192.

Higher expenses reduced profit

Profit decreased 7 per cent to SEK 19 697m (21 162). Higher income was offset by higher expenses and credit impairments in 2019. Income in the previous year was positively affected by SEK 677m by the divestment of UC. Adjusted for the capital gain profit decreased 4 per cent in 2019. The cost increase is mainly related to higher staff costs and costs for investigations related to money laundering. Credit impairments were mainly affected by a few oil-related problem loans. Foreign exchange effects increased profit by SEK 125m compared with the previous year. The return on equity was 14.7 per cent (16.1) and the cost/income ratio was 0.43 (0.38).

Income rose 4 per cent to SEK 45 960m (44 222) and foreign exchange effects contributed SEK 277m to the increase.

Net interest income rose 3 per cent to SEK 25 989m (25 228). The increase was mainly due to a lower resolution fund fee and higher lending volumes.

Net commission income increased 1 per cent to SEK 12 984m (12 836). Fees from asset management, cards and customer concepts increased, but were offset by lower income from lending, guarantees and securities.

Net gains and losses on financial items rose to SEK 3 629m (2 112). This was mainly due to a higher result within Group Treasury, where the value of the holdings in Visa and Asiakastiето rose. A higher result from fixed income and bond trading within Large Corporates & Institutions also had a positive effect.

Other income including the share of profit or loss of associates decreased 17 per cent to SEK 3 358m (4 046) due to the above-mentioned UC sale in the previous year.

Expenses increased to SEK 19 984m (16 835), mainly due to higher staff costs and consulting costs. Underlying staff costs rose mainly due to annual wage increases and a higher number of employees. Severance pay for former members of the Group Executive Committee, including Swedbank's former CEO, also had an impact. The consulting costs to manage the money laundering related investigations in 2019 amounted to SEK 1 104m. A VAT provision of SEK 256m was also recognised during the year, as was SEK 125m in fraud losses. Foreign exchange effects increased expenses by SEK 132m.

Credit impairments increased to SEK 1 469m (521) and was mainly related to provisions for a few oil-related problem loans within Large Corporates & Institutions. Credit impairments were lower in Swedish Banking and only marginal in Baltic Banking.

The tax expense amounted to SEK 4 711m (5 374), corresponding to an effective tax rate of 19.3 per cent (20.2). The single biggest reason why the effective tax rate was lower in 2019 is the lower corporate tax rates in Sweden and Estonia. The Group's effective tax rate is estimated at 19–21 per cent in the medium term. Any future tax in Sweden on financial businesses could affect the future effective tax rate.

Volumes continue to rise

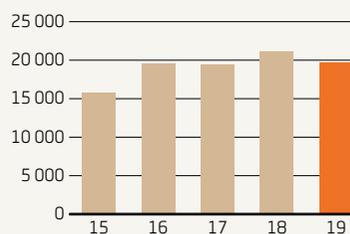
Swedbank's main business is organised in three product areas: lending, payments and savings.

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, increased in the year by SEK 28bn, corresponding to annual growth of nearly 2 per cent. The biggest contribution to the increase came from mortgages in Sweden, which grew by SEK 20bn. Corporate lending increased SEK 5bn. A decrease in lending to tenant-owner associations had a nega-

Income statement, SEKm	2019 Full-year	2018 Full-year	2018 Full-year excl. income UC
Net interest income	25 989	25 228	25 228
Net commission income	12 984	12 836	12 836
Net gains and losses on financial items	3 629	2 112	2 112
Share of profit or loss of associates	822	1 028	1 028
Other income ¹⁾	2 536	3 018	2 341
of which UC		677	
Total income	45 960	44 222	43 545
Total expenses	19 984	16 835	16 835
Impairments	1 556	835	835
Operating profit	24 420	26 552	25 875
Tax expense	4 711	5 374	5 374
Profit for the period attributable to the shareholders of Swedbank AB	19 697	21 162	20 485
Return on equity	14.7	16.1	15.6
Cost/Income ratio	0.43	0.38	0.39

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

Profit for the period, SEKm



Swedbank's profit amounted to SEK 19 697m, compared with SEK 21 162m in the previous year. The increase is mainly due to higher income and lower credit impairments.

tive effect of SEK 7bn. Foreign exchange effects positively affected lending by SEK 6bn in the year.

The total number of Swedbank cards in issue at the end of the year was 8.1 million, a slight increase compared with year-end 2018. At the end of 2018 there were 4.3 million cards in issue in Sweden and 3.8 million in the Baltic countries. Corporate card issuance increased more than private card issuance. The number of debit cards increased 1 per cent in Sweden in the year, while the number of card transactions acquired increased 3 per cent in the Nordic countries in the same period. In the Baltic countries growth was significantly higher; the number of card purchases rose 15 per cent and the number of card transactions acquired was up 14 per cent. The higher growth rate in the Baltic countries is due to good economic growth as well as generally lower card usage there than in Sweden.

Total deposits increased SEK 34bn to SEK 954bn in the year, corresponding to growth of 4 per cent. The increase was mainly due to higher deposit volumes in Swedish and Baltic Banking, although deposits within Large Corporates & Institutions also increased. Foreign exchange effects positively affected deposits by SEK 5bn in the year.

Assets under management by Swedbank Robur rose in the year to SEK 1 083bn at 31 December, compared with SEK 857bn at year-end 2018. The change corresponds to an increase of just over 26 per cent and is largely due to higher valuations. Of the assets under management, SEK 1 026bn relates to Sweden and SEK 59bn to the Baltic business. Swedbank Robur's market share was unchanged at 20 per cent.

Credit quality in Swedbank's lending portfolios remained strong with low credit impairments, with the exception of certain oil-related loans. In 2019 credit impairments amounted to SEK 1 469m, corresponding to a credit impairment ratio of 0.09 per cent (0.03). The increase compared with the previous year is

mainly due to provisions for a few oil-related problem loans within Large Corporates & Institutions.

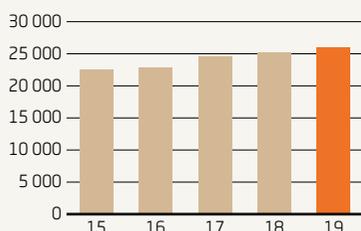
The Swedish housing market recovered in 2019. Prices and the number of transactions both rose due to high demand, a shortfall of new housing and low interest rates. The weaker market for new residential homes continued as the demand for housing under construction declined. Residential development represents a limited share of Swedbank's total credit portfolio and lending is primarily to large, established companies with which Swedbank has a long-term relationship. The risks in mortgage lending are low and customers' repayment capacity is generally good. Swedbank's internal rules focus on customers' long-term repayment capacity, which ensures high credit quality and low risks for both the customer and the bank.

Strong liquidity position

Funding activity was higher in 2019 than in the previous year and most of the funding was accomplished by covered bond issuances. In the fourth quarter Swedbank issued its inaugural senior non-preferred bond to fulfil the MREL subordination requirements, which must be met by 1 January 2022. In 2019 Swedbank issued SEK 143bn (117) in long-term debt instruments, of which SEK 131bn (88) was covered bonds and 11bn (0) was senior non-preferred liabilities. Additional Tier 1 capital of USD 500m was issued as well. The total issuance need for 2020 is expected to be in line with issuance volume for the full-year 2019. The issuance need is affected by the maturing volume as well as by the lending and deposit growth. As a result, funding volumes may be adjusted over the course of the year.

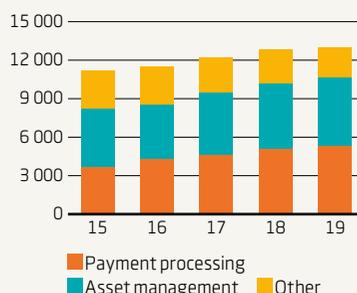
As of 31 December, outstanding short-term funding, commercial paper, included in debt securities in issue amounted to SEK 129bn (131). Available cash and balances with central banks and excess reserves with the Swedish National Debt Office amounted

Net interest income, SEKm



Net interest income increased 3 per cent, to SEK 25 989m, mainly due to a lower resolution fund fee and higher lending volumes.

Net commission income, SEKm



Net commission income rose 1 per cent, mainly due to increased fees from asset management, cards and customer concepts.

Expenses, SEKm



Total expenses rose 19 per cent mainly due to higher staff and consulting costs. The consulting costs to manage the money laundering related investigations in 2019 amounted to SEK 1 104m.

to SEK 195bn (209). The liquidity reserve as of 31 December amounted to SEK 380bn (421). The Group's liquidity coverage ratio (LCR) was 182 per cent (144) and for USD, EUR and SEK was 157 per cent, 379 per cent and 111 per cent respectively. The net stable funding ratio (NSFR) was 120 per cent (111). The increase is largely due to a change in the calculation method from Basel III to CRR2; for a comparison, see the Fact book available on swedbank.com/ir.

Swedbank's ratings outlook was changed to negative during the year by Moody's, S&P and Fitch against the backdrop of the information on shortcomings in Swedbank's anti-money laundering work. All three rating agencies have however confirmed their previous ratings in connection to the changed outlooks. When the regulatory authorities in Sweden and Estonia complete their respective investigations, the rating agencies are expected to conduct new reviews.

Strong capitalisation

Swedbank's Common Equity Tier 1 capital ratio was 17.0 per cent (16.3) at the end of the year. This compares with the requirement of 15.1 per cent (14.6). Common Equity Tier 1 capital increased in the year by SEK 6.3bn to SEK 110.1bn. Profit after deducting the proposed dividend, based on the new dividend policy, affected Common Equity Tier 1 capital positively by SEK 9.5bn, while the revaluation of the pension liability according to IAS 19 reduced Common Equity Tier 1 capital by SEK 3.2bn.

Swedbank's leverage ratio on 31 December was 5.4 per cent (5.1).

The risk exposure amount (REA) increased in 2019 to SEK 649.2bn (637.9). The increase is mainly due to REA for credit risk, which rose SEK 11.2bn in the year, mainly because of higher lending volumes coupled with the implementation of IFRS 16 and foreign exchange effects. Counteracting factors were lower REA for credit risk due to increased collateral values and shorter maturities, both mainly for corporate exposures within Large Corporates & Institutions. The REA add on for article 3 in CRR, which compensates for the underestimation of the default frequency in the

model for exposures to large corporates, resulted in a decrease in REA of SEK 7.9bn. The decrease is mainly explained by changes in the portfolio composition as well as the annual update of SREP for IRB models. REA for market risk increased SEK 3.3bn and REA for operating risks increased SEK 3.7bn in 2019.

Other events

On 12 February Swedbank's Nomination Committee proposed the re-election of Board members Lars Idermark, Ulrika Francke, Siv Svensson, Bodil Eriksson, Peter Norman, Mats Granryd, Bo Johansson, Magnus Ugglå and Anna Mossberg. Lars Idermark was proposed as Chair of the Board of Directors. On 26 March Kerstin Hermansson was proposed as a new Board member. All members were elected at the Annual General Meeting on 28 March.

On 21 February the FSA's in Sweden and Estonia announced the launch of a joint money laundering investigation against Swedbank. US authorities also launched investigations of Swedbank during the year.

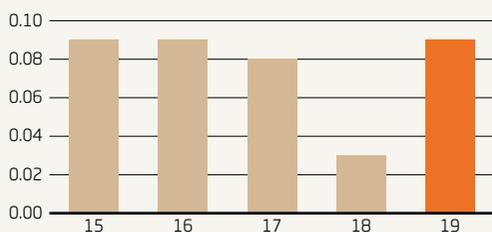
On 27 February the Swedish Economic Crime Authority announced that it had launched a preliminary investigation into Swedbank over allegations of unlawful disclosure of insider information. On the 27 mars the preliminary investigation was widened to aggravated swindling.

On 28 March Swedbank's Board of Directors announced the dismissal of Birgitte Bonnesen as President and CEO. Anders Karlsson was appointed acting President and CEO. The Annual General Meeting on the same day discharged all members of the Board of liabilities, but not the bank's former CEO. The dividend for the financial year 2018 of SEK 14.20 per share was approved at the Annual General Meeting.

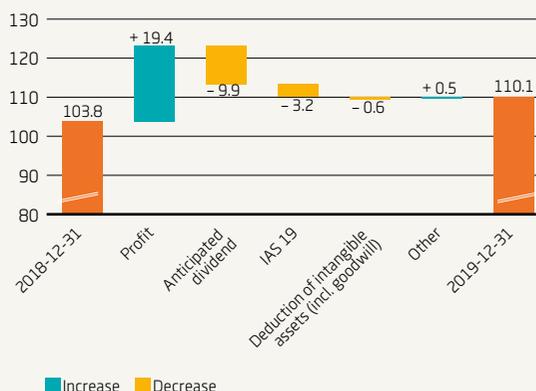
On 5 April Lars Idermark notified the Chair of the Nomination Committee that he was immediately stepping down from the role of Chair of Swedbank. Ulrika Francke took over as the new Chair of the Board.

On 25 April Swedbank announced the creation of an Anti-Financial Crime unit (AFC). Anders Ekedahl was appointed to head the new unit.

Credit impairment ratio, %



Change in Common Equity Tier 1 capital, 2019, Swedbank consolidated situation, SEKbn



On 28 April Swedbank's Nomination Committee proposed Göran Persson as the new Chair of the Board of Swedbank. On 13 May it also proposed the election of Bo Magnusson and Josefin Lindstrand as new Board members. The proposals were approved at the Extraordinary General Meeting on 19 July.

On 17 July the Board of Directors of Swedbank AB announced a change in the dividend policy from 75 to 50 per cent of annual profit to further strengthen the bank's capital position. In connection with the announcement of the changed dividend policy, the bank also announced a capital target whereby the Common Equity Tier 1 capital ratio will exceed the Swedish FSA's requirement by 1–3 percentage points.

On 28 August the Board of Directors of Swedbank AB announced the appointment of Jens Henriksson as the new President and CEO of Swedbank, and that Anders Karlsson had returned to his previous position as CFO.

On 16 September it was announced that Swedbank's Annual General Meeting in 2020 will be held on Thursday, 26 March 2020.

On 30 September it was announced that the former CEO, CFO and another senior officer of Swedbank Estonia were leaving the bank. Olavi Lepp was appointed as the new CEO and Anna Köouts as the new CFO.

On 1 October Jens Henriksson took over as CEO of Swedbank.

On 9 December Swedbank announced major organisational changes to create clearer decision-making structures and facilitate the realisation of the bank's strategy. The main features of the organisational changes are as follows:

- Group IT and Digital Banking were merged under the new name Digital Banking & IT.
- Most of Customer Value Management was transferred to the business area Swedish Banking and the cash management, PayEx and payment infrastructure functions were integrated in Large Corporates & Institutions.
- A new unit to advise customers was created under the name Group Financial Products & Advice.
- The new Special Task Force was formed to manage the Clifford Chance report and other external investigations on historical shortcomings in the anti-money laundering work.

On 19 December Swedbank announced the recruitment of Ana Maria Matei as the new head of Internal Audit. Ana Maria Matei begins her new role on 1 April.

The bank's Board of Directors has decided not to fund the 2019 variable remuneration programme for the 170 highest ranking executives in the bank. The decision was made to make clear that all senior managers have a responsibility to ensure that the bank lives up to current regulations.

Events after 31 December 2019

On 13 January Swedbank announced the recruitment of Erik Ljungberg as the new head of Group Communications. Erik Ljungberg will take up his position no later than July this year.

On 30 January Swedbank's Nomination Committee announced its proposal on Board members to the Annual General Meeting. It proposes the re-election of current Board members Göran Persson, Bo Magnusson, Kerstin Hermansson, Josefin Lindstrand and Anna Mossberg. Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson are proposed as new members. Göran Persson is proposed as Chair of the Board of Directors.

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 194 and 216.

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 168 branches in Sweden.

Result 2019

Profit increased to SEK 13 568m (12 858). The increase was mainly due to increased net interest and net commission income as well as lower credit impairments. Net interest income increased to SEK 16 253m (15 386). The main reason was increased net interest income from deposits. This was offset by slightly lower lending margins, mainly driven by increased market interest rates. A lower resolution fund fee compared with 2018 positively affected net interest income. Net commission income increased to SEK 7 862m (7 598). The increase was mainly due to higher income from asset management, cards and payments. The share of profit or loss of associates and joint ventures increased, mainly due to a higher result from partly owned savings banks. Other income decreased mainly because of one-off income of SEK 677m in 2018 due to the UC sale. Total expenses increased mainly due to higher expenses for the digitisation of customer offerings. Staff costs together with expenses for marketing decreased. Credit impairments fell to SEK 154m (598), mainly due to higher recoveries in 2019.

Condensed income statement, SEKm	2019	2018
Net interest income	16 253	15 386
Net commission income	7 862	7 598
Net gains and losses on financial items at fair value	433	406
Other income	1 824	2 177
Total income	26 372	25 567
Staff costs	2 986	3 172
Other expenses	6 381	5 850
Total expenses	9 367	9 022
Profit before impairments	17 005	16 545
Impairments	154	598
Operating profit	16 851	15 947
Tax expense and non-controlling interests	3 283	3 089
Profit for the year attributable to Shareholders in Swedbank AB	13 568	12 858
Business volumes, SEKbn		
Lending ¹	1 196	1 187
Deposits ¹	571	560
Key ratios		
Return on allocated equity, %	21.0	20.9
Cost/income ratio	0.36	0.35
Credit impairment ratio ² , %	0.01	0.05
Full-time employees	3 610	3 833

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

With around 3.3 million private customers and around 300,000 corporate customers Swedbank is the largest bank, in terms of customers, in Estonia, Latvia and Lithuania. According to independent surveys, Swedbank is also the most loved brand in the Baltic countries. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 26 branches in Estonia, 30 in Latvia and 43 in Lithuania.

Result 2019

Profit increased to SEK 4 918m (4 743) due to higher income. Foreign exchange effects positively affected profit by SEK 138m. Net interest income rose 7 per cent in local currency, largely due to increased lending volumes. Foreign exchange effects positively affected net interest income by SEK 145m. Lending increased 8 per cent in local currency. Household and corporate lending both increased in all three Baltic countries. Foreign exchange effects contributed an increase of SEK 3bn. Deposits grew 8 per cent in local currency and foreign exchange effects contributed with an increase of SEK 4bn. Net commission income increased 4 per cent in local currency. Higher income from cards and payments was partly offset by a lower result in asset management. Net gains and losses on financial items increased 3 per cent in local currency. The increase is largely due to positive revaluations of bond holdings. Other income increased 10 per cent in local currency, mainly due to an improved result in the insurance operations. Expenses rose 9 per cent in local currency largely due to higher staff costs and expenses related to anti-money laundering work as well as costs for improved customer due diligence. Consulting and marketing expenses and investments in digital solutions increased as well. Credit impairments amounted to SEK 3m, compared with credit recoveries of SEK 208m in 2018.

Condensed income statement, SEKm	2019	2018
Net interest income	5 239	4 768
Net commission income	2 690	2 503
Net gains and losses on financial items at fair value	286	272
Other income	831	737
Total income	9 046	8 280
Staff costs	1 147	1 011
Other expenses	2 156	1 924
Total expenses	3 303	2 935
Profit before impairments	5 743	5 345
Impairments	11	-200
Operating profit	5 732	5 545
Tax expense and non-controlling interests	814	802
Profit for the year attributable to Shareholders in Swedbank AB	4 918	4 743
Business volumes, SEKbn		
Lending ¹	186	170
Deposits ¹	241	221
Key ratios		
Return on allocated equity, %	19.6	20.7
Cost/income ratio	0.37	0.35
Credit impairment ratio ² , %	0.00	-0.13
Full-time employees	3 656	3 586

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

Result 2019

Profit decreased to SEK 2 481m (3 560), largely due to higher credit impairments. Net interest income decreased to SEK 3 776m (3 982), mainly because higher market interest rates negatively affected lending margins. Net commission income decreased to SEK 2 321m (2 065), partly as a result of the transfer of payment acquisition customers to Swedish Banking in the first quarter. A transfer of compensation from savings banks to other business areas as well as increased commission expenses also contributed negatively. Net gains and losses on financial items increased to SEK 2 201m (1 777). The main reason was a higher result from fixed income and bond trading. Total expenses increased to SEK 3 976m (3 841) due to the closure of the Luxembourg branch as well as a higher expense level at PayEx. Credit impairments increased to SEK 1 312m (142), partly due to increased provisions for oil-related exposures.

Condensed income statement, SEKm	2019	2018
Net interest income	3 776	3 982
Net commission income	2 321	2 605
Net gains and losses on financial items at fair value	2 201	1 777
Other income	211	156
Total income	8 509	8 520
Staff costs	1 548	1 557
Other expenses	2 428	2 284
Total expenses	3 976	3 841
Profit before impairments	4 533	4 679
Impairments	1 312	142
Operating profit	3 221	4 537
Tax expense and non-controlling interests	740	977
Profit for the year attributable to Shareholders in Swedbank AB	2 481	3 560
Business volumes, SEKbn		
Lending ¹	223	221
Deposits ¹	142	139
Key ratios		
Return on allocated equity, %	9.1	14.0
Cost/income ratio	0.47	0.45
Credit impairment ratio ² , %	0.47	0.06
Full-time employees	1 244	1 196

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 consisted in 2019 of central business support units and the product areas Group Lending & Payments and Group Savings. The central units serve as strategic and administrative support and comprise Accounting & Finance, Communication, Risk, IT, Compliance, Public Affairs, HR and Legal. Group Treasury is responsible for the bank's funding, liquidity and capital planning. Group Treasury sets the prices on all internal deposit and loan flows in the Group through internal interest rates, where the most important parameters are maturity, interest fixing period, currency, and need for liquidity reserves.

Result 2019

Profit decreased to SEK -1 271m (1). Group Treasury's profit increased to SEK 935m (481). Net interest income fell to SEK 721m (1 092). Group Treasury's net interest income fell to SEK 877m (1 133), mainly due to higher expenses for short-term foreign funding and effects of the bank's internal pricing model in connection with rising short-term interest rates. Net gains and losses on financial items increased to SEK 710m (-345). Net gains and losses on financial items within Group Treasury increased to SEK 695m (-345) due to the appreciation of the value of the holdings in Visa and Asiakastieto as well as derivatives linked to the bank's funding, among other things. Covered bond repurchases also had a slightly negative effect compared with the previous year. Expenses rose to SEK 3 447m (1 183) due to increased staff costs and consulting expenses to manage money laundering investigations. A VAT provision, severance pay to former members of the Group Executive Committee and fraud related expenses also had an impact. The tax expense amounted to SEK -114m (522). A deferred tax asset arose this year because Group Functions & Other posted a negative result before tax. An adjustment of the previous year's tax of SEK 64m also contributed after a positive settlement with the Swedish Tax Agency.

Condensed income statement, SEKm	2019	2018
Net interest income	721	1 092
Net commission income	57	84
Net gains and losses on financial items at fair value	710	-345
Other income	653	1 170
Total income	2 141	2 001
Staff costs	5 439	4 544
Other expenses	-1 992	-3 361
Total expenses	3 447	1 183
Profit before impairments	-1 306	818
Impairments	79	295
Operating profit	-1 385	523
Tax expense and non-controlling interests	-114	522
Profit for the year attributable to Shareholders in Swedbank AB	-1 271	1
Full-time employees	6 708	6 250

Corporate governance report 2019

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 as well as society as a whole. This requires a corporate governance model with a clear delegation of responsibilities and satisfactory internal control, risk management and transparency.

2019 was a turbulent year for Swedbank. There was great focus from the media and internally on Swedbank's anti-money laundering work and historical shortcomings in the bank's routines and processes in the Baltic countries. Swedbank was also investigated during the same period by regulatory authorities in our home markets and the US. There is a connection between the observations and shortcomings that were noted and Swedbank's corporate governance, because of which these issues were a point of emphasis for the Board and management in 2019, and will remain a high priority in 2020.

Importance of corporate governance

Good corporate governance means managing the bank as sustainably, effectively and responsibly as possible. Decision-making processes should be simple, systematic and have clear lines of responsibility. There have to be clearly defined routines to manage conflicts of interest and effective tools for internal governance, risk management and control of risk management. The corporate culture should be characterised by transparency, compliance and risk awareness.

Regulations

Swedbank is a Swedish public banking company listed on Nasdaq Stockholm and will therefore 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 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 these regulations have become more extensive and detailed. As a result, greater effort is needed by the bank to ensure that it lives up to all pertinent regulations.

Swedbank also has internal Group regulations. Through the internal and external regulations, responsibility for governance, control and monitoring operations is divided between the shareholders, the Board and the CEO. Internal regulations include the following overarching documents:

- Governance policy and governance instruction
- The rules of procedure for the Board and instructions for the Board's committees
- The instructions for the CEO and the head of Internal Audit
- The Group's ERM policy and policy for operational risks
- Credit policy
- Policy and instruction on anti-money laundering and counter-terrorist financing
- Remuneration policy
- Policy for the Compliance function
- Code of Conduct and policy for managing conflicts of interest
- Anti-corruption policy
- Policy on gender equality, diversity and inclusiveness
- Sustainability policy and environmental policy
- Policy for financial reporting

No deviations from the Swedish Code of Corporate Governance (the Code) or the rules of the stock exchange (NASDAQ OMX Stockholm) were reported in 2019.

The Swedbank Group consists of the parent company, Swedbank AB, as well as several subsidiaries, including the subsidiary banks in the Baltic countries, Swedbank Robur, Swedbank Hypotek and Swedbank Försäkring. Board members of major subsidiaries are appointed through a process where the proposals are approved by the bank's Board.

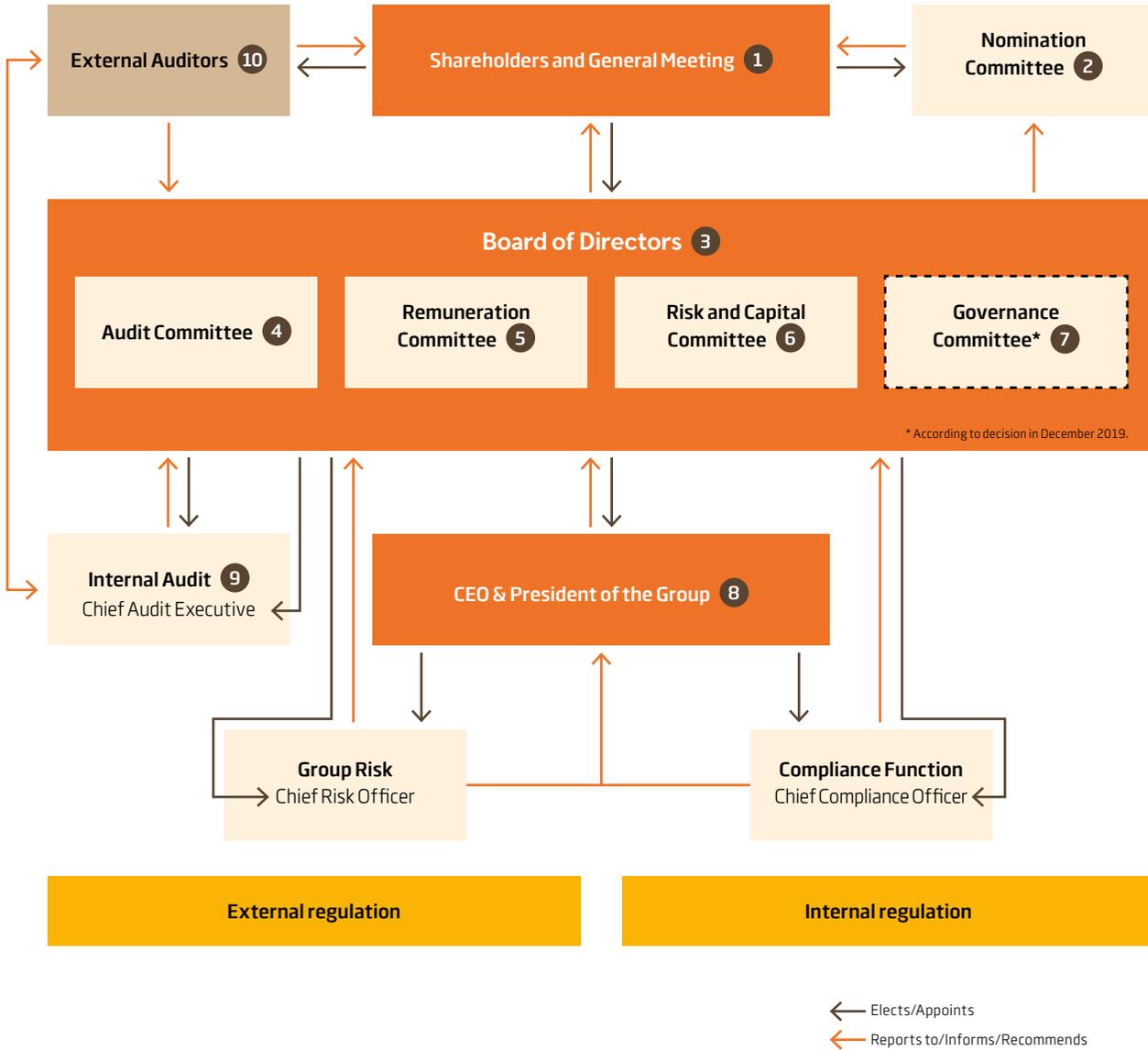
The bank uses a matrix organisation to complement the legal structure, e.g. by allocating resources in an appropriate manner and exercising governance and control from a Group perspective. The bank's governance model describes the delegation of responsibilities within the Group, with role descriptions designed to create strong and efficient processes. In accordance with the model, authority and responsibilities are delegated based on Group-wide principles. Business decisions are made close to customers, which places high demands on risk control and monitoring.

The Board and the CEO initiated a review of the bank's corporate governance model late in the fourth quarter 2019, which will be implemented in 2020. Within the framework of the review, the bank will ensure that the new matrix organisation approved in December 2019 is integrated into the bank's internal rules and mandates in a clear and appropriate manner and that improved routines and processes are implemented where needed to improve the efficiency in the Group's governance and control.

A sampling of important events in 2019:

Date	Event
9 January	Annika Poutiainen asked to step down from the Board due to a conflict of interest
28 March	The Board dismissed CEO Birgitte Bonnesen and appointed Anders Karlsson as acting CEO.
Annual General Meeting 28 March	Ulrika Francke, Lars Idermark, Siv Svensson, Bodil Eriksson, Anna Mossberg, Peter Norman, Mats Granryd, Bo Johansson and Magnus Ugglå were re-elected as Board members. Kerstin Hermansson was elected as a new Board member. Lars Idermark was elected as Chair of the Board. Birgitte Bonnesen was not discharged from liability by the AGM.
4 April	The Board decided to hire attorney Biörn Riese as a legal advisor and Peje Emilsson, Kreab, as a communication advisor.
5 April	Lars Idermark announced his intention to immediately step down as the Board's Chair. Vice Chair Ulrika Francke took over as Chair.
25 April	The Anti Financial Crime unit was established after a decision by the Board. The Board resolved to appoint a new Head of Compliance and a new acting Head of Internal Audit.
Extraordinary General Meeting 19 June	Prior to the Extraordinary General Meeting, Ulrika Francke, Siv Svensson and Peter Norman announced their intention to step down from the Board in connection with the Extraordinary General Meeting. Josefin Lindstrand, Bo Magnusson and Göran Persson were elected as new board members. Göran Persson was appointed the Board's Chair.
27 August	The Board decided to establish a work group to manage the ongoing investigations and anti-money laundering measures.
28 August	A new CEO of the bank was appointed by the Board.
17 September	The Board appointed a permanent Head of Compliance.
1 October	A new CEO of the bank took office.
9 December	The CEO named a new Group Management effective 1 January 2020. The Board dismissed the Head of Group Risk and appointed an acting Head of Group Risk, both effective immediately. The CEO established the Special Task Force.
19 December	A new head of Internal Audit was appointed by the Board.

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.



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) must 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

In addition to appointing the Board, Swedbank's AGM decides, as shown above, 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 2020 AGM will decide whether to discharge the Board and CEO from liability for the financial year 2019.

Annual General Meeting 2019

The 2019 AGM was held on 28 March in Stockholm. A total of 1 770 shareholders attended, representing about 57 per cent of the votes in the bank. All Board members who were nominated for re-election and new election, the majority of the Group Executive Committee and the Chief Auditor attended the AGM.

Among the 2019 AGM resolutions were as follows:

- Adoption of the annual report.
- Dividend for the 2018 financial year of SEK 14.20 per share.
- The number of Board members shall be ten. Nine Board members were re-elected and one new member was elected.
- Lars Idermark was elected as the Chair
- The Articles of Association were amended to increase the Board's flexibility in terms of the number of Board meetings per year.
- Remuneration to the Board members and the Auditor.
- Repurchase of shares by the securities operations and authorisation of the Board to resolve to repurchase additional shares to adjust the bank's capital structure to prevailing capital needs.
- Mandate to issue convertibles that can be converted to shares.
- Remuneration guidelines for senior executives.
- Group-level performance- and share-based remuneration programmes for 2019. 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.
- The Board's members were discharged from liability.
- The CEO was not discharged from liability

Extraordinary General Meeting 2019

An Extraordinary General Meeting was held on 19 June in Stockholm. A total of 1 158 shareholders attended, representing about 58 per cent of the votes in the bank. All Board members who were nominated for election and the majority of the Group Executive Committee and the Chief Auditor attended the Extraordinary General Meeting. The General Meeting resolved that there shall be nine elected Board members, three of whom were newly elected. Göran Persson was elected as Chair of the Board.

2 Nomination Committee

The Nomination Committee has adopted guidelines for its work, whereby the Board shall at all times be composed of members with a diversity and breadth in terms of competence, experience and background. Gender parity is encouraged. The bank's operations, stage of development and future direction are 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. At the 2020 AGM, the AGM will adopt an instruction for the work of the Nomination Committee.

The 2019 AGM decided on the principles for the appointment of the Nomination Committee prior to the 2020 AGM. They include that the committee comprise six members, including representatives of the five largest shareholders, 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. From the time that former Chair Lars Idermark stepped down on 5 April 2019 until 16 September 2019, when a new Nomination Committee was assembled, the Nomination Committee consisted of five members.

As part of its work, the Nomination Committee had personal conversations with every Board member to ask for their input on the Board's performance and their experience with the last year's events and how the bank handled them. The Board's Chair was not present during these conversations. Based on the Board evaluation, oral statements and other information, the Nomination Committee discussed the Board's composition, which competencies should 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 the candidates' experience and competence, reputation, any conflicts of interest and suitability.

During its term the Nomination Committee also:

- Noted 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.
- The candidates' independence and any conflicts of interest.
- Evaluated the collective knowledge and expertise of the Board.

Current composition of the Nomination Committee prior to the 2020 AGM (announced on 16 September 2019).

Member	Representing
Lennart Haglund, Chair of the Nomination Committees	Sparbankernas Ågareförening
Ylva Wessén	Folksam
Charlotte Rydén	Alecta
Anders Oscarsson	AMF and AMF Fonder
Peter Karlström	Ownership group Sparbanks-stiftelserna
Göran Persson, Chair of the Board	Swedbank AB (publ)

3 Board of Directors

The Board of Directors has overarching responsibility for managing Swedbank's affairs in the interests of the bank and its shareholders. This is done sustainably with a focus on the customer and sound risk taking to ensure the bank's long-term survival and instil the market's trust.

The Board currently consists of nine members elected by the AGM for one year. It also includes two employee representatives and two deputies. The Board meets the requirements of the Code with respect to its members' independence. All members except Bo Johansson 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 44 per cent women and 56 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 46–49.

The Board's responsibilities and their delegation

The Board is the highest decision-making body after the AGM, and the highest executive body. Swedbank's Board sets the financial goals and strategies; appoints, dismisses and evaluates the CEO; verifies that effective systems are in place to monitor and control operations and that laws and regulations are followed; and ensures transparency and accurate information disclosures. The Board is also ultimately responsible for ensuring that the bank has an effective organisation and corporate governance. The Board

appoints/dismisses the heads of Group Risk, Compliance and Internal Audit. Internal Audit is directly subordinate to the Board.

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 2020 AGM will decide whether to discharge the Board and CEO from liability for the financial year 2019. The Board appoints and dismisses the head of Internal Audit, the CRO and the head of Compliance. The Internal Audit function is directly subordinate to the Board.

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

- Lead Board meetings and work and encouraging an open and constructive debate
- Monitor and evaluate the competence, work and contributions of individual Board members
- Oversee the CEO's work, serve as a sounding board and support, and monitor that the Board's decisions and instructions are implemented
- Represent the bank on ownership and other key issues with investors and other stakeholders.

The Board's overarching responsibility cannot be delegated. The Board has appointed committees, however, to monitor, prepare and evaluate issues within specific areas for resolution by the Board. See below. In autumn 2019 the Board began a review of the Board's committees, which was completed in early 2020.

The division of tasks between the Board, the Chair of the Board and the CEO is determined annually through the Board's rules of procedure, the corporate governance policy and the instruction for the CEO, among other things. In October 2019 an evaluation of the Board's work was conducted to obtain input on the Board's performance. A summary of the results was presented to the Board.

The Board's work

The Board's work was very intensive in 2019 and it held 38 meetings, seven of which were by correspondence. The Board was unanimous in its decisions, and no dissenting opinions were noted on any issue during the year. Potential conflicts of interest for Board members are reported at each meeting and mean that the member may not take part in discussions or decisions on the particular topic.

Each year the Board establishes a work plan where it decides which issues to treat in depth. In 2019 the Board largely focused on the anti-money laundering and counter-terrorist financing work and within the Board established a work group to manage the ongoing regulatory investigations, follow up the anti-money laundering action plan established in 2019, and analyse reporting from the Anti Financial Crime, which was established during the year. The Board also hired attorney Biörn Riese as a legal advisor and Peje Emilsson from Kreab as an advisor on communication issues. In addition, the international law firm Clifford Chance was hired, with forensic expertise support, to conduct a comprehensive investigation to among other things describe how the bank

has dealt with money laundering issues, shortcomings in routines and processes, internal and external information disclosures, and liability issues. Clifford Chance was also asked to review the bank's current compliance work with respect to money laundering with the aim of issuing recommendations to ensure that the bank follows best industry practices. The Board decided in late autumn 2019 to expand its circle of legal advisors to include the US law firm Quinn Emanuel.

Other major issues in 2019 included:

- The bank's strategic plan with underlying strategies
- Measures to improve customer satisfaction and restore confidence in the bank.
- Implementation of sustainability issues in the bank's main processes: fund management, payments, lending and procurement
- Greater focus on customers and digital channels.
- Information security issues.
- Corporate governance and other regulatory issues.
- Macroeconomic developments and their impact on the bank and its limits and exposures.
- Capital and liquidity issues with an emphasis on the 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 total Group credit limit exceeds a certain amount as well as limits for credit risk concentrations and loans to bank officials with a vested interest.
- Major ongoing projects within the bank.
- Competition and business intelligence.

The Board's competence

Once a year the Board conducts a detailed analysis of one or more areas. In 2019 the focus was on the Baltic operations. Each year the Board establishes a training plan. For 2019 it comprised among other things action plans and improvements to anti-money laundering work, training on new regulatory requirements and corporate governance, and monitoring of the implementation of PSD2, GDPR, GL 11 and GL 12, among other regulations. The Board also receives regular training in cybersecurity.

New Board members attend the bank's introductory training, which is designed to quickly familiarise them with the organisation and operations and to help them better understand Swedbank's values and culture. Members are also informed of their legal responsibility as directors and of their roles on the various committees.

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.

4 Audit Committee

The Audit Committee, through its work and in consultation with the external Auditor, the head of Internal Audit and the Group Executive Committee, provides the Board with access to information on the operations. Its purpose is to identify any deficiencies in routines and the organisation in terms of governance, risk management and control.

The Audit Committee's purpose is to ensure that the bank's executive management establishes and maintains effective routines for internal governance, risk management and control. These routines must be designed to provide reasonable assurance with respect to reporting (financial reporting, operational risk) and compliance (laws, regulations and internal rules) and ensure the suitability and efficiency of the bank's administrative processes and the protection of its assets. The Audit Committee also reviews the work of the internal and external auditors to ensure that it has been conducted effectively, impartially and satisfactorily. The committee proposes measures that are decided on by the Board as needed.

The head of Internal Audit is a co-opted member of the committee. 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 special competence in accounting or auditing.

The work of the Audit Committee also includes:

- Reviewing and evaluating the Group's financial reporting process
- Responsibility for the quality of the company's reporting
- Responsibility for ensuring that interim and year-end reports are audited or reviewed by the external Auditor
- Meeting the external Auditor on each reporting date
- Approving consulting services by the external Auditor that exceed a set amount
- Staying informed of accounting standards
- Evaluating the head of Internal Audit
- Reviewing and approving Internal Audit's budget, instruction and annual plan
- Reviewing Internal Audit's quarterly reports and suggested improvements
- Monitoring Internal Audit's annual plan and strategic priorities
- Monitoring the external Auditor's plan and risks in the financial reporting

Auditing issues associated with the financial reporting within the Audit Committee were primarily addressed in 2019. In December 2019, however, the Board decided that all issues associated with internal and external audits would be handled by the Audit Committee.

Members of the Audit Committee:

22 March 2018- 28 March 2019	28 March- 19 June 2019	19 June- 26 March 2020
Siv Svensson, Chair	Siv Svensson, Chair	Bo Magnusson, Chair
Ulrika Francke	Ulrika Francke	Mats Granryd
Mats Granryd	Mats Granryd	Kerstin Hermansson
Peter Norman	Kerstin Hermansson	Josefin Lindstrand
Annika Poutiainen (until 9 January 2019)	Peter Norman	Anna Mossberg

Members of the Remuneration Committee:

22 March 2018-19 June 2019	19 June-26 March 2020
Lars Idermark, Chair (to 5 April 2019)	Göran Persson, Chair
Bodil Eriksson	Bodil Eriksson
Ulrika Francke, Chair (from 5 April 2019)	Bo Magnusson
Anna Mossberg	Anna Mossberg

5 Remuneration Committee

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

The committee's chair and members must have the knowledge and experience with 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 G13.

The work of the Remuneration Committee also 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 senior 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 effectiveness 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
- Succession planning

In December 2019 the Board decided that issues concerning the nominating process for Board members of major subsidiaries as well as the instruction for the bank's internal Nomination Committee will be prepared by the Remuneration Committee.

6 Risk and Capital Committee

The Board's Risk and Capital Committee supports the Board in its work to ensure that routines are in place to identify and define risks relating to business activities as well as to measure and control risk-taking. The members of the committee have special competence and experience working with risk and capital issues as well as compliance.

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, including its largest exposures and provisions and the largest provisions.
- Stress tests of various credit portfolios and other analyses of the credit portfolios, especially the Swedish mortgage portfolio's composition and its importance to the bank's funding
- The size of the bank's liquidity portfolio and other liquidity issues
- Funding-related issues and strategies, especially with respect to covered bonds
- Reviews reporting from Compliance.

Each month the committee receives a risk report from Group Risks, which contains among other things a report on the Group's risks. A more detailed description of the Group's risk areas can be found in note G3.

The Compliance function reports quarterly on the Group's compliance risks and non-compliance. In addition, the function drafts an annual compliance plan, which contains the Group's principal compliance risk areas. The reporting of the Compliance function is prepared by the Risk and Capital Committee.

In December 2019 the Board decided to streamline the reporting to the Risk and Capital Committee to reports from the first and second lines of defence, i.e. the Credit, Group Risk and Compliance functions. This means that the Internal Audit function will continue to report primarily to the Audit Committee.

The annual plans for the Internal Audit, Group Risk and Compliance functions are presented each year to the Risk and Capital Committee and the Audit Committee.

Members of the Risk and Capital Committee:

22 March 2018–19 June 2019	19 June–26 March 2020
Magnus Ugglå, Chair	Magnus Ugglå, Chair
Ulrika Francke	Bo Johansson
Lars Idermark (to 5 April 2019)	Josefin Lindstrand
Bo Johansson	Bo Magnusson
Peter Norman	Göran Persson
Siv Svensson	

7 Governance Committee

In December 2019 the Board decided to convert the work group it formed in 2019 (see above) to a permanent Governance Committee. This committee will support the Board in its work to ensure that the bank's overarching organisation and corporate governance processes are effective and appropriate given the nature and scope of the business. The committee will also ensure that the business has clear mandates and principles for reporting, escalation and monitoring of internal control at the Group level. Through the new committee, more time is allocated for detailed preparations of corporate governance issues, including recurring reviews of the Board's overarching principles for corporate governance as well as internal control and monitoring of the implementation of the Group's internal rules by the subsidiaries. The committee will also monitor and coordinate regulators' investigations with an impact on the Group's operations or that relate to money laundering and financial crime.

The previous Board's work group

Bo Magnusson, Chair
Kerstin Hermansson
Josefin Lindstrand
Magnus Ugglå

8 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 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 Compliance. Follow-ups are done 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 45. 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 decision management forum and consists of 17 members. In 2019 Anti Financial Crime unit was formed, the Head of which also added to the GEC.

Jens Henriksson was appointed as CEO on 1 October 2019 and decided on 9 December 2019 to reorganise the GEC, which as of 1 January 2020 consists of 14 members: the Chief Executive Officer, the Heads of the business areas 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. 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 every Monday.

The GEC drafts proposals for remuneration systems and recommends variable remuneration for employees to the Board's Remuneration Committee. The view is that remuneration should be individually based as far as possible and to 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) and Group Crisis Management Team (GCMT).

GAAC is led by the CFO. One of GAAC's goals is to consolidate financial control of capital, liquidity, financing and tax issues as well as management and governance issues.

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.

Since the reorganisation, the GIC is led by 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.

The CEO has also established a Senior Management Forum (SMF), composed of senior executives in the bank, to ensure implementation and coordination of strategically important issues. The CEO evaluates SMF's composition to ensure it has a suitable combination of competence and experience.

Priority issues for the GEC in 2019

In 2019 the GEC addressed a number of issues of which the following is a selection:

- Measures to address money laundering, terrorist financing and corruption.
- Regulators' investigations on the bank's anti-money laundering work.
- New organisation, including a new GEC.
- Establishment of the Special Task Force to coordinate the ongoing investigations
- Investments to increase customer confidence and value.
- Capital and liquidity issues.
- Mobile payment alternatives were further expanded to include Google Pay and Apple Pay.
- Investment in and collaboration with the fintech company Kaching Retail.
- Sustainability issues, e.g. signing of the UN's Principles for Responsible Banking.
- Investor meetings.
- Further work with IT development and security.
- Internal control and risk management.

Internal control and risk management

The basis for effective 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 are the business operations. In their day-to-day operations Swedbank's business units ensure that decisions are sound and that risk-taking is done under controlled and conscious forms in accordance with internal and external rules. Employees of the business units have a good understanding of their customers and specific insight into the local market. The bank's risk classification tools also serve as support for all business processes. As support in the first line the bank has built up certain central support functions to reduce risks in the first line of defence. These functions include Anti Financial Crime, Group Communication and Sustainability, Group Credit, Group Human Resources and Infrastructure, Group Finance and Group Legal.

Second line of defence – independent control functions

The second line of defence consists of the internal control functions Group Risk and Compliance, which among other things monitor, control and report the Group's risks and whether the Group

follows internal and external regulations. The bank has established central, independent control functions for risk and compliance that act in the business units. The control functions identify, monitor and report on risk management, including operational risks and compliance-related risks.

Risk control

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 is responsible for identifying, quantifying, analysing and reporting risks and for conducting independent analyses and stress tests of how outside events impact Swedbank. Group Risk also provides expert advice and serves as an advisor to ensure that decisions are consistent with the bank's risk appetite and risk tolerance (limits). Accordingly, internal rules are issued for risk management and risk control at various levels.

Group Risk prioritizes resources to the areas where they the most significant risks exist.

The Board's Policy on Enterprise Risk Management (ERM) contains frameworks and describes roles and responsibilities pertaining to risk management and control. It also contains guidelines on the size of the capital buffer maintained as protection against major economic slowdowns.

Compliance

Swedbank has an independent compliance function responsible for monitoring and control of the Group's compliance. The Head of Compliance is directly subordinate to the CEO and reports to the CEO and the Board.

Compliance's work is based on four processes: plan compliance work based on risk assessments, monitor operations through random and recurring inspections, report to the CEO, the Board and other operations on areas of improvement identified through inspections, and advice and support.

Compliance's work is risk-based and thus prioritises resources to areas with the highest compliance risks. Compliance's work is governed by the Policy for the Compliance Function adopted by the Board.

9 Third line of defence – Internal Audit

Swedbank has an independent Internal Audit function. The Head of Internal Audit is directly subordinate to 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 evaluating risk management, governance and internal control.

All of the bank's activities and Group companies are the purview of Internal Audit. Internal Audit evaluates whether the executive management, through the internal controls and governance structures it has implemented, has ensured that the controls in

business operations are effective, risk management processes are effective, and governance processes and the organisation are appropriate, functioning and support the purpose of the business. Internal Audit also works proactively to suggest improvements in internal control.

In its work, Internal Audit follows professional guidelines on internal audits and the code of ethics of the Institute of Internal Auditors as established in the International Professional Practices Framework.

10 External Auditor

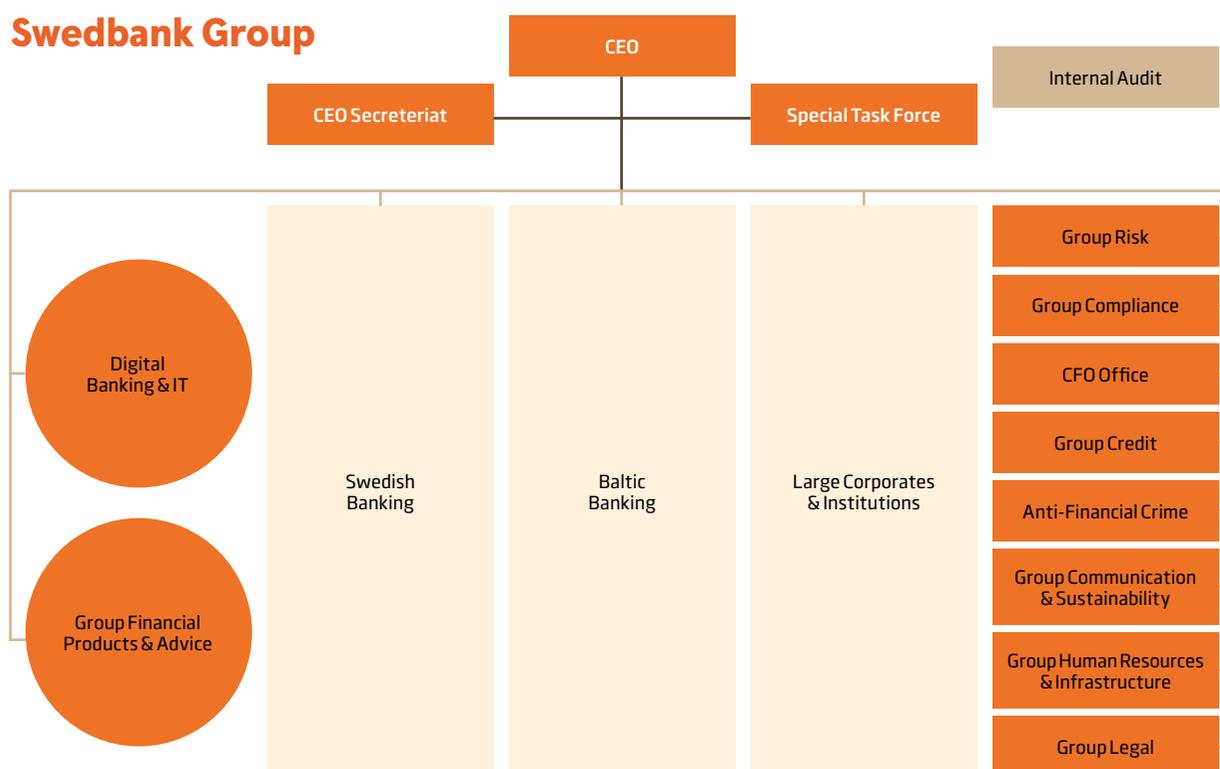
The external Auditor is an independent reviewer of the bank's financial accounts and determines whether they are materially accurate and complete and provide a fair view of the bank and its financial position and results. The Auditor also ensures that they are prepared according to current laws and recommendations. Moreover, the Auditor reviews the administration of the Board of Directors and the CEO.

At the AGM the Auditor presents the Auditors' report and describes the audit work. The Auditor presented its review and observations to the Board on three occasions in 2019. The Auditor has met regularly with the Chair of the Board, the Chair of the Audit Committee, the executive management and other operating managers on a regular basis. Swedbank's interim reports are reviewed briefly by the Auditor. The sustainability report has been

reviewed briefly as well, in accordance with the definition on page 194. According to the Articles of Association, the bank shall have no less than one and no more than two authorised public accountants and 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. Remuneration for the Group's Auditor is reported in note G14. In addition to the assignment as elected auditor, PwC has performed audit-related services, mainly involving accounting issues, tax services and other services such as transaction support. Assignments closely associated with the audit normally do not constitute a threat to the Auditor's independence. Other consulting services by the Auditor are, according to the bank's policy, performed restrictively. In accordance with current rules on auditor independence, all consulting services must be approved in advance by the Audit Committee and may not commence until then. The Audit Committee annually evaluates the Auditor's objectivity and independence. The Auditor annually reaffirms its independence in the audit report.

Group structure

An effective 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 that 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. CVM was dissolved and large parts 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 business area managers' responsibilities are to:

- Implement the Group's strategies and compile business plans for each business area and ensure that they are implemented and reported to the CEO.
- Create and maintain reporting and escalation routines to highlight issues for information or decision by the CEO or Board level.
- Ensure that policies and instructions are implemented within the business area.
- Responsible for customer offering and product development.
- Integrate sustainability in business decisions and procedures.
- Responsible for profitability and financial stability in the business area.
- Monitor, supervise and manage the business area's assets, liabilities and profitability.
- Maintain a sound internal control system to identify, manage and mitigate risks.
- Effective implementation of the bank's corporate governance model within the business area.

Group Functions

The Group Functions' role is to support the CEO and the Group's business operations as well as to create consistent routines, ensure effective governance 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. Moreover, they 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 procedures, which serve as support for the business operations and facilitate a 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 issues that require immediate action within their respective area and thereby creating an effective solution to the problem. The heads of each Group Functions have 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 issues, 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 senior 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 financial reporting complies with external regulations as well as 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 identify and assess risks in relation to the financial reporting.

Risk analysis: Risk assessment based on essentiality 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 analysis within the ICFR framework is conducted at the Group level to identify and create an understanding of the risks in financial reporting with regard to both essentiality and complexity. The risk analysis is then used as a basis for deciding which areas should be covered by the framework.

Control activities: Controls at different levels

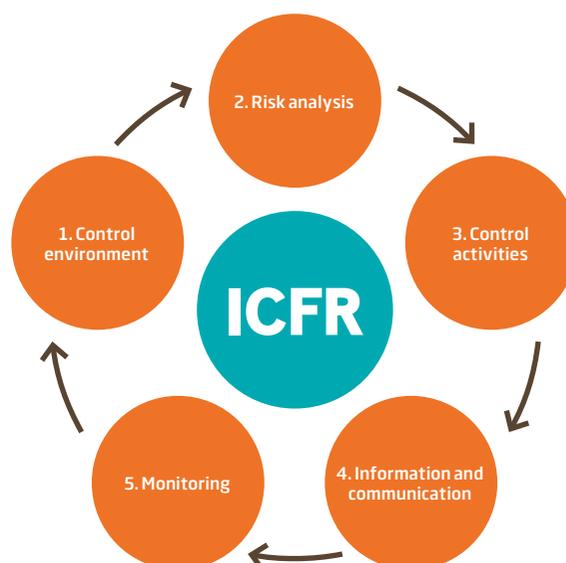
Controls are performed at various levels of the bank to ensure reliable financial reporting. They are categorised according to the ICFR framework's structured controls as follows: Group-level controls, controls at the process/ transaction level, and general IT controls.

Compliance – 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 as support for the bank's change and improvement work.

Communication - Follow-up and assessment

The self-assessment is compiled and analysed by the ICFR department to identify any risks of misstatement in the financial reporting as well as potential improvement areas. 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 19 June 2019
Shareholdings in Swedbank¹	Own and closely related parties: 25 000
In Swedbank as	<ul style="list-style-type: none"> ■ Chair ■ Remuneration Committee, chair ■ Risk and Capital Committee, member Attendance: ■ 12/12 ■ 3/3 ■ 5/6 Total annual fees: ■ 2 630 000 ■ 105 000 ■ 250 000
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: 5 years (2015)
Professional experience	JKL Group, senior advisor Sveaskog, Chair • Scandinavian Air Ambulance, Chair • Swedish Prime Minister • Swedish Finance Minister • Wiklöf Holding AB, Board member
Non-executive assignments	LKAB, Chair • Scandinavian Biogas Fuels International AB, Chair • Greengold, Chair



Bo Magnusson

Year of birth	Born 1962 Vice chair since 19 June 2019
Shareholdings in Swedbank¹	Own and closely related parties: 20 000
In Swedbank as	<ul style="list-style-type: none"> ■ Vice chair ■ Remuneration Committee, member ■ Risk and Capital Committee, member ■ Audit Committee, chair Attendance: ■ 12/12 ■ 3/3 ■ 5/6 ■ 3/3 Total annual fees: ■ 885 000 ■ 105 000 ■ 250 000 ■ 395 000
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	Wallenberg Institute, Executive Leadership Program • Barclays Bank, London, International Banking Program Higher banking training
Bank specific experience	Operational: 29 years Board: 7 years (2013)
Professional experience	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 • Senior positions at SEB
Non-executive assignments	Rikshem AB, Chair • Rikshem Intressenter AB, Chair • KBC Bank NV (Belgium), Board member



Bodil Eriksson

Year of birth	Born 1963 Board member since 2016
Shareholdings in Swedbank¹	Own and closely related parties: 0
In Swedbank as	<ul style="list-style-type: none"> ■ Board of Directors, member ■ Remuneration Committee, member Attendance: ■ 32/38 ■ 7/7 Total annual fees: ■ 605 000 ■ 105 000
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
Bank specific experience	Board: 4 years (2016)
Professional experience	Chief Executive, Volvo Cars Mobility Executive Vice President, Volvo Cars USA, LLC • Senior Vice President, Volvo Car Corporation • Executive Vice President, Apotek Hjärtat • Senior Vice President, SCA • Executive Vice President, Axfood
Non-executive assignments	

1) Holdings as of 31 December 2019

**Mats Granryd**

Born 1962
Board member since 2017

Own and closely related parties: 1 000

■ Board of Directors, member
■ Audit Committee, member
Attendance: ■ 30/38 ■ 4/5
Total annual fees: ■ 605 000 ■ 240 000

Mats Granryd comes from the telecom industry and, through his experience at Ericsson and Tele 2 is used to leading large companies in a regulated environment.

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

MSc Royal Institute of Technology in Stockholm

Board: 3 years (2017)

Director General, GSMA
President and CEO Tele 2 • Senior positions within Ericsson

COOR, Chair

**Kerstin Hermansson**

Born 1957
Board member since 2019

Own and closely related parties: 0

■ Board of Directors, member
■ Audit Committee, member
Attendance: ■ 25/25 ■ 4/4
Total annual fees: ■ 605 000 ■ 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.

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: 1 year (2019)

CEO, Swedish Securities Dealers Association (Svenska Fondhandlarföreningen) • Global Head of Legal & Compliance, Enskilda Securities AB (subsidiary of SEB Group) • Securities lawyer, SEB • Attorney, Jacobsson&Ponsbach Fondkommission AB • Notary services at Linköping's District Court and the police authorities in Katrineholm

European Banking Federation and ESMA's (European Securities and Market Authority) Securities and Markets Stakeholder Group

**Bo Johansson**

Born 1965
Board member since 2017

Own and closely related parties: 6 500

■ Board of Directors, member
■ Risk and Capital Committee, member
Attendance: ■ 38/38 ■ 11/12
Total annual fees: ■ 605 000 ■ 250 000

Bo Johansson has a strong background in the Swedish savings bank movement and at Swedbank, where he has worked for a large part of his professional life. Today he leads a savings bank.

Bo Johansson is the CEO of Swedbank Sjuhärads, which according to the Swedish Corporate Governance Code is a closely related company to Swedbank. Thus, Bo Johansson is not considered independent in relation to Swedbank and the executive management. Bo Johansson is considered independent in relation to the bank's major shareholders.

MSc Economics

Operational: 29 years
Board: 3 years (2017)

CEO, Swedbank Sjuhärads AB
Bank Manager Swedbank AB Jämtland/Härjedalen • Head of Trade Finance, Swedbank Markets • Bank Manager Härjedalen • Acting branch manager Sparbanken Sveg

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 2019

Board of Directors



Camilla Linder

Year of birth	Born 1968 Employee representative since 2015 and deputy since 2013
Shareholding¹	Own and closely related parties: 1 127
In Swedbank as	<ul style="list-style-type: none"> ■ Board of Directors, member, employee representative Total annual fees: No fees Camilla Linder is an employee representative and has extensive experience in banking, including retail banking.

Board member's independence	Not applicable
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Education	Upper secondary school
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Bank specific experience	Operational: 24 years
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Professional experience	Employee, Swedbank AB • Sparbanken Alfa • Föreningsparbanken
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Non-executive assignments	Finansförbundets koncernklubb Swedbank, Chair • SPK, Board member
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Josefin Lindstrand

Year of birth	Born 1976 New board member since 19 June 2019
Shareholding¹	Own and closely related parties: 0
In Swedbank as	<ul style="list-style-type: none"> ■ Board member ■ Risk and Capital Committee, member ■ Audit Committee, member Attendance: ■ 12/12 ■ 6/6 ■ 3/3 Total annual fees: ■ 605 000 ■ 250 000 ■ 240 000 Josefin Lindstrand is an attorney with many years of experience in the financial industry, including as a director. She brings to the Board mainly her expertise in compliance and money laundering issues.

Board member's independence	Independent in relation to the bank and the executive management and independent in relation to the bank's major shareholders
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Education	LLM, University of Stockholm • University Diploma in Business Administration, University of Stockholm
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Bank specific experience	Operational: 11 years Board: 4 years (2016)
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Professional experience	Specialist advisor in corporate governance through private practice Specialist Counsel, Advokatfirman Hammar-sköld & Co • BNP Paribas, member of the board of SevenDays Finans AB • Sörmlands Sparbank, vice chairman • Clearstone AB, founder and owner • Intertrust Group, Business Unit Director, Compliance Services • Citi, senior positions in Legal and Compliance • Swedbank AB, in-house counsel
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Non-executive assignments	
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Roger Ljung

Year of birth	Born 1967 Employee representative since 2015
Shareholding¹	Own and closely related parties: 0
In Swedbank as	<ul style="list-style-type: none"> ■ Board of Directors, member, employee representative Total annual fees: No fees Roger Ljung is an employee representative and has broad experience at Swedbank.

Board member's independence	Not applicable
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Education	Upper secondary school
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Bank specific experience	Operational: 32 years
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Professional experience	Business advisor, Swedbank AB • Retail advisor, branch manager, Swedbank AB • Finansförbundets förbundsstyrelse, Board member
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Non-executive assignments	Finansförbundets koncernklubb Swedbank, Deputy Chair • Finans och försäkringsbranschens A-kassa, Board member • SPK, Deputy Chair
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1) Holdings as of 31 December 2019

**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: ■ 37/38 ■ 7/7 ■ 3/3
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 Telecom 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: 2 years (2018)

Full-time working director
Business Area Manager, Google Sverige AB • CEO, Bahnhof AB • SvP, Strategy and Portfolio Management, Deutsche Telecom AG • Director Internet Services, Telia AB • Vice President, Telia International Carrier AB

SwissCom AG, Board member • Schibsted ASA, Board member

**Magnus Uggla**

Born 1952
Board member since 2017

Own and closely related parties: 10 000

■ Board of Directors, member
■ Risk and Capital Committee, Chair
Attendance: ■ 36/38 ■ 12/12
Total annual fees: ■ 605 000 ■ 430 000

Magnus Uggla has an extensive background from Handelsbanken, including as Vice President of Handelsbanken International, Head of Handelsbanken's UK region and Head of the Stockholm region.

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

MSc Royal Institute of Technology in Stockholm • MBA Stockholm School of Economics • Stanford Executive Program

Operational: 34 years
Board: 3 years (2017)

Full-time working director
Vice President, Handelsbanken • Axel Johnson AB • Swedish Ministry of Industry • Sveriges Riksbank

Year of birth

Shareholding¹

In Swedbank as

Board member's independence

Education

Bank specific experience

Professional experience

Non-executive assignments

1) Holdings as of 31 December 2019

Group Executive Committee



Jens Henriksson

President and CEO
Born 1967. Employed since
1 October 2019
Shareholdings in Swedbank:¹ 0
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
3 049
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
6 523
Education: Studies in business
and economics



Anders Ekedahl

Head of Anti-Financial Crime Unit
Born 1960. Employed since 1987
Shareholdings in Swedbank:¹
21 933
Education: MSc, Stockholm School
of Economics



Johan Eriksson

Acting Head of Group Communi-
cations & Sustainability
Born 1976. Employed since 2016
Shareholdings in Swedbank:¹ 0
Education: MSc in Business
administration.



Eva de Falck

Chief Legal Officer and Head of
Group Legal
Born 1960. Employed since 2010
Shareholdings in Swedbank:¹
1 642
Education: Master of Laws, LL.M.



Gunilla Domeij Hallros

Acting Chief Risk Officer
Born 1961. Employed since 2010
Shareholdings in Swedbank:¹
2 491
Education: Economist



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

¹) Holdings as of 31 December 2019

**Ola Laurin**

Head of Large Corporates & Institutions
Born 1971. Employed since 2000
Shareholdings in Swedbank:¹
7 269
Education: M.Sc. in Business Administration

**Jon Lidfeldt**

Acting Head of Baltic Banking
Born 1973. Employed since 2013
Shareholdings in Swedbank:¹
1 278
Education: MSc Engineering Physics

**Lotta Lovén**

CIO and Head of Digital Banking & IT
Born 1967. Employed 1986–1999 and since 2004
Shareholdings in Swedbank:¹
2 993
Education: Market economist
Directorships: Finansiell ID-teknik, Board member

**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 2019

Proposed disposition of earnings and statement of the Board of Directors

In accordance with the balance sheet of Swedbank AB, SEK 49 340m is at the disposal of the Annual General Meeting:

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

A cash dividend of SEK 8.80 per ordinary share	9 856
To be carried forward to next year	39 484
Total disposed	49 340

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 118 304 389 outstanding ordinary shares at 31 December of 2019, plus 1 715 349 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 26 March 2020 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 781m.

The proposed record day for the dividend is 30 March 2020. The last day for trading in Swedbank's shares with the right to the dividend is 26 March 2020. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 2 April 2020. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 40 788m. The surplus in Swedbank AB was SEK 82 146m.

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	2019	2018
Interest income on financial assets at amortised cost		32 810	32 015
Other interest income		2 560	2 043
Interest income		35 370	34 058
Interest expense		-9 381	-8 830
Net interest income¹	G8	25 989	25 228
Commission income		19 472	18 967
Commission expense		-6 488	-6 131
Net commission income	G9	12 984	12 836
Net gains and losses on financial items	G10	3 629	2 112
Net insurance	G11	1 465	1 192
Share of profit or loss of associates and joint ventures	G27	822	1 028
Other income	G12	1 071	1 826
Total income		45 960	44 222
Staff costs	G13	11 119	10 284
Other general administrative expenses	G14	7 314	5 865
Depreciation/amortisation of tangible and intangible fixed assets	G15	1 551	686
Total expense		19 984	16 835
Profit before impairment		25 976	27 387
Impairment of intangible assets	G30	79	306
Impairment of tangible assets	G16	8	8
Credit impairment	G17	1 469	521
Operating profit		24 420	26 552
Tax expense	G18	4 711	5 374
Profit for the year		19 709	21 178
Profit for the year attributable to:			
Shareholders of Swedbank AB		19 697	21 162
Non-controlling interests		12	16
Earnings per share, SEK	G19	17,62	18,96
Earnings per share after dilution, SEK	G19	17,56	18,89

1) Presentation of net interest income related to interest income and interest expense have changed compared to 2018. Refer to Note G2 for further information.

Statement of comprehensive income, Group

SEKm	Note	2019	2018
Profit for the year reported via income statement		19 709	21 178
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	G39	-3 866	-1 806
Remeasurements of defined benefit pension plans related to associates and joint ventures		-127	-63
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	G46	17	22
Income tax	G20	793	361
Total		-3 183	-1 486
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations			
Gains/losses arising during the year		739	1 870
Hedging of net investments in foreign operations:			
Gains/losses arising during the year	G29	-600	-1 474
Cash flow hedges:			
Gains/losses arising during the year	G29	159	421
Reclassification adjustments to income statement, Net gains and losses on financial items		-154	-403
Foreign currency basis risk:			
Gains/losses arising during the year		-18	-72
Share of other comprehensive income of associates and joint ventures:			
Exchange rate differences, foreign operations		32	36
Income tax:			
Gains/losses arising during the year	G20	134	211
Reclassification adjustments to the income statement, Tax expense		33	86
Total		325	675
Other comprehensive income for the year net of tax		-2 858	-811
Total comprehensive income for the year		16 851	20 367
Total comprehensive income for the year attributable to:			
Shareholders of Swedbank AB		16 839	20 351
Non-controlling interests		12	16

Balance sheet, Group

SEKm	Note	2019	2018	1/1/2018
Assets				
Cash and balances with central banks		195 286	163 161	200 364
Treasury bills and other bills eligible for refinancing with central banks, etc.	G21	137 094	99 579	85 962
Loans to credit institutions	G22	45 452	36 268	31 020
Loans to the public	G23	1 652 296	1 627 368	1 534 893
Value change of interest hedged item in portfolio hedge		271	766	789
Bonds and other interest-bearing securities	G24	57 367	53 312	59 447
Financial assets for which the customers bear the investment risk	G25	224 893	177 868	180 320
Shares and participating interests	G26	6 568	4 921	19 850
Investments in associates and joint ventures	G27	6 679	6 088	6 161
Derivatives	G28	44 424	39 665	55 680
Intangible assets	G30	17 864	17 118	16 329
Tangible assets	G31	5 572	1 966	1 955
Current tax assets		2 408	2 065	1 375
Deferred tax assets	G18	170	164	173
Other assets	G32	8 859	13 970	14 527
Prepaid expenses and accrued income	G33	3 025	1 813	1 607
Total assets		2 408 228	2 246 092	2 210 452
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	G34	69 686	57 218	68 244
Deposits and borrowings from the public	G35	954 013	920 750	855 713
Financial liabilities for which the customers bear the investment risk	G36	225 792	178 662	181 124
Debt securities in issue	G37	855 754	804 360	850 209
Short positions securities	G38	34 345	38 333	14 459
Derivatives	G28	40 977	31 316	46 200
Current tax liabilities		836	1 788	1 379
Deferred tax liabilities	G18	1 571	1 576	2 226
Pension provisions	G39	8 798	4 979	3 200
Insurance provisions	G40	1 894	1 897	1 834
Other liabilities and provisions	G41	28 807	30 035	25 577
Accrued expenses and prepaid income	G42	4 383	3 385	2 990
Senior non-preferred liabilities		10 805		
Subordinated liabilities	G43	31 934	34 184	25 864
Total liabilities		2 269 595	2 108 483	2 079 019
Equity				
Non-controlling interests		25	213	202
Equity attributable to shareholders of the parent company		138 608	137 396	131 231
Total equity	G44	138 633	137 609	131 433
Total liabilities and equity		2 408 228	2 246 092	2 210 452

Statement of changes in equity, Group

Equity attributable to shareholders of Swedbank AB											
SEKm	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 reserve	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
Dividend								-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.

Equity attributable to shareholders of Swedbank AB											
SEKm	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 reserve	Own credit risk reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1 January 2018	24 904	17 275	3 602	-2 255	-10	38	-36	87 713	131 231	202	131 433
Dividend								-14 517	-14 517	-5	-14 522
Share based payments to employees								321	321		321
Deferred tax related to share based payments to employees								-9	-9		-9
Current tax related to share based payments to employees								19	19		19
Total comprehensive income for the year			1 906	-1 189	14	-57	18	19 659	20 351	16	20 367
of which reported through profit or loss								21 162	21 162	16	21 178
of which reported through other comprehensive income, before tax			1 906	-1 474	18	-72	22	-1 869	-1 469		-1 469
of which income tax reported through other comprehensive income				285	-4	15	-4	366	658		658
Closing balance 31 December 2018	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609

1) Other contributed equity consists mainly of share premiums.

Statement of cash flow, Group

SEKm	Note	2019	2018
Operating activities			
Operating profit		24 420	26 552
Adjustments for non-cash items in operating activities	G4B	4 952	-2 098
Taxes paid		-5 981	-6 531
Increase (-) / decrease (+) in loans to credit institution		-9 130	-5 257
Increase (-) / decrease (+) in loans to the public		-27 282	-86 339
Increase (-) / decrease (+) in holdings of securities for trading		-43 187	6 720
Increase (+) / decrease (-) in deposits and borrowings from the public including retail bonds		33 488	56 594
Increase (+) / decrease (-) in amounts owed to credit institutions		12 249	-12 167
Increase (-) / decrease (+) in other assets		-678	15 946
Increase (+) / decrease (-) in other liabilities		8 556	33 714
Cash flow from operating activities		-2 593	27 134
Investing activities			
Business disposals		52	
Acquisitions of and contributions to associates and joint ventures		-81	
Disposal of shares in associates and joint ventures		184	277
Dividend from associates and joint ventures		529	354
Acquisition of other fixed assets and strategic financial assets		-224	-15 321
Disposals of/matured other fixed assets and strategic financial assets		535	16 361
Cash flow from investing activities		995	1 671
Financing activities			
Issuance of interest-bearing securities	G3.3	148 250	116 506
Redemption of interest-bearing securities	G3.3	-94 929	-152 614
Issuance of commercial paper	G3.3	483 569	1 000 665
Redemption of commercial paper	G3.3	-487 865	-1 018 910
Amortisation of lease liabilities	G3.3	-718	
Dividends paid		-15 893	-14 522
Cash flow from financing activities		32 414	-68 875
Cash flow for the year		30 816	-40 070
Cash and cash equivalents at the beginning of the year			
Cash flow for the year		30 816	-40 070
Exchange rate differences on cash and cash equivalents		1 309	2 860
Cash and cash equivalents at end of the year		195 286	163 161

Comments on the consolidated 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 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 36 372m (33 899) and interest payments of SEK 9 809m (7 435). 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.

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 25m.

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, 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.

Contributions were provided to the joint ventures Nordic KYC Utility AB of SEK 57m and to P27 Nordic Payments Platform AB of SEK 24m.

On June 29, 2018, the associated company UC AB was sold. Swedbank received a cash payment of SEK 206 m. In connection with the divestment, Swedbank also received shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc, which corresponded to a value of SEK 502m. The recognised capital gain was SEK 677m.

On January 9, 2017, the shares in the associate Hemnet AB were sold. Swedbank received parts of the cash payment, SEK 71m in 2019 as well as in 2018.

On March 23, 2018, the Group acquired 6 per cent of shares in Meniga Ltd for SEK 31m and, on December 19, 14 per cent of shares in Asteria AB for SEK 6m. In addition, on December 7, the investment in Minna Technologies AB (Mina Tjänster AB) was acquired for SEK 10m.

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 not G 3.3.

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 2019 were approved by the Board of Directors and the CEO for publication on 19 February 2020. The parent company, Swedbank AB, maintains its registered office in Stockholm at the following address: Landsvägen 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 26 March 2020.

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 hedge accounting at fair value 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

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2019.

Leases (IFRS 16)

On 1 January 2019 the Group adopted IFRS 16 Leases. The standard replaced IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognise right-of-use (RoU) assets and lease liabilities arising from most leases on the balance sheet. In the income statement general administrative expenses are replaced by depreciation of the RoU asset and interest expense related to the lease liability. 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 Group accounted for the transition to IFRS 16 requirements according to the modified retrospective approach, which means adoption from 1 January 2019 with no restatement of the comparative periods. For all leases classified as operating leases under IAS 17 and where the Group acts as lessee, a lease liability and a RoU asset are recognised in the balance sheet. The lease liabilities were at transition to IFRS 16 measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, 1 January 2019. The RoU assets were initially recognised at the value of the corresponding lease liability, adjusted for prepaid lease payments.

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 RoU 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 the commencement date. The RoU asset is thereafter depreciated over the lease term. The 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 RoU asset. Gains or losses relating to modifications are recognised in the income statement.

Where Swedbank acts as a lessor, the requirements remain largely unchanged and the distinction between finance and operating leases is maintained. The adoption impacts are disclosed in note G57.

Amendments to IFRS 9, IAS 39, IFRS 7 due to the Interest Rate Benchmark Reform

On 31 December 2019, the Group adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 due to the Interest Rate Benchmark Reform. These Amendments were approved by the EU on 15 January 2020, with early application permitted. The amendments provide certain temporary relief from the hedge accounting requirements in connection with the Reform. In particular, the LIBOR-based interest rates related to the Group's hedged items and hedging instruments are assumed to not change as a result of the Reform. This has the effect that the Reform will not generally cause hedge accounting relationships to be terminated. The Group has applied the amendments retrospectively to hedging relationship that existed at the start of the reporting period or were designated thereafter. The adoption did not have any significant impact on the Group's financial position, results or cash flows.

Other changes in IFRS and Swedish regulations

Other new or amended IFRSs or interpretations or Swedish regulations which have been adopted during 2019 have had no or immaterial impact on the Group's financial position, results, cash flows or disclosures.

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.

Changed presentation of net interest income

From 2019 the Group presents interest income on financial assets at amortised cost on a separate row in the income statement. Comparative figures have been restated, see note G58. The Group presents negative yield on financial assets and financial liabilities, which were previously presented in the income statement, in note G8.

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 currency hedges of investments in foreign operations are also recognised in other comprehensive income, taking into account 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 obtain the cash flows from a financial instrument has expired or has been transferred 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 at 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, with the exception of 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 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-impairment 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)

Hedge accounting at fair value 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 hedge accounting at fair value 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 designed and documented. The hedge's effectiveness is proven to remain prospectively effective.

3.5 Leases (IFRS 16, IAS 17)

3.5A Leases 2019 (IFRS 16)

Lessee

Where the Group act as a lessee, the standard requires that right-of-use (RoU) assets and lease liabilities arising from most leases are recognised on the balance sheet. RoU assets are presented within Tangible assets and lease liabilities within Other liabilities. Depreciation of the RoU 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 RoU 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 RoU 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 RoU 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.

3.5B Leases 2018 (IAS 17)

Lessee

The Group acts as the lessee for operating leases, which are those leases where the lessor bears the economic risks and benefits. Lease payments where the Group acts as lessee are expensed linearly over the lease term.

Lessor

Same accounting policies as in 2019, see 3.5A Lessor above.

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 indications 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, provided they do not relate to investment properties. 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 taken into account. The calculation is made according to the Projected Unit Credit Method and also comprises 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 (IFRS 15)

Revenues from contracts with customers consist primarily of service-related fees and are reported as Commission income, including Asset Management, Cards and Payment processing. Such revenues are recognised when a performance obligation is satisfied, which is when control of the services is transferred to the customer. The revenues typically reflect the consideration which is expected to be received in exchange for those services. Where the consideration includes a variable component, for example due to discounts, refunds or performance-based elements, revenue is only recognised when it is highly probable that a significant reversal in the amount will not occur. The total consideration is allocated to each performance obligation and is dependent on whether the performance obligations are satisfied at a point in time or accrued over a period of time. The Group recognises unbilled receivables for performance obligations which have been satisfied but not invoiced as accrued income and contract liabilities for short-term advances received but where the performance obligation has not yet been satisfied as prepaid income.

Commission expenses are transaction-dependent and are directly related to the transactions for which income is recognised in Commission income.

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 above 3.12 Net commission.

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 judgments of how many shares it expects to be vested based on the non-market based vesting terms. Any deviation from the original judgment 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 operating profit less estimated tax and non-controlling interests in relation to average allocated equity.

4 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments, 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 judgments 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 judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments 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 169bn (129) are recognised as Financial assets for which the customer bears the investment risk and the corresponding liabilities of SEK 169bn (129) 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 77bn (44) 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 854m (1 266), 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 14 237m (14 011). The unrecognised deferred tax liability amounted to SEK 2 847m (2 802).

Provisions for credit impairments

Credit impairment provisions that 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 judgment, 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. An analysis of the sensitivity of credit impairment provisions in relation to significant increase in credit risk assumptions is found on page 69 and in relation to the forward-looking macroeconomic scenarios is found on page 70.

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 869m (832). The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

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 calculation 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 709m (13 549) at year-end, of which SEK 10 582m (10 413) 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 2019 did not lead to any impairment losses. Until 2001, 60 per cent of the Baltic banking operations had been acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 11 387m (11 206) of the goodwill before impairments arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. 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 2019 an expense of SEK 3 866m (1 806) 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 1.46 per cent as per year end 2019 compared to 2.42 per cent last year end. The inflation assumption was 1.98 per cent compared with 1.92 per cent last year end. The changed assumptions represent SEK 4 929m of the expense in other comprehensive income. The fair value of plan assets increased during 2019 by SEK 1 063m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 8 798m compared with SEK 4 979m 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 2019 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 2020. 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 2019 annual report.

Insurance (IFRS 17)

IFRS 17 was issued in May 2017 and is applicable from 1 January 2021, with a proposed deferral to 1 January 2022. The standard 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 or 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 potentially 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 an Enterprise Risk Management (ERM) policy depicting the risk framework, risk management process, and roles and responsibilities for risk management. Swedbank continuously identifies the risks generated in its operations and has designed processes to manage them.

Risk management includes the processes that ensure that the Group identifies, measures/values, handles, follows-up and reports on risk. The processes encompass all types of risk and result in a description of Swedbank's risk profile, which in turn serves as the basis of the internal capital adequacy assessment process.

To ensure that Swedbank's risk profile maintains a low level also in the long-term perspective, the Board has set 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 prerequisites in the risk landscape change.

The capital adequacy assessment process evaluates capital needs based on Swedbank's aggregate risk level and business strategy as decided upon. 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.

Risk	Description
Credit risk	The risk that a borrower fails to meet its obligations to the Group and the risk that the pledged collateral does not cover the claims. Credit risk also includes Counterparty risk, Concentration Risk and Foreign Exchange Settlement risk.
Market risk	The risk to value, earnings, or capital arising from movements of risk factors in financial markets. This 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) and risks from changes in volatilities or correlations.
Liquidity risk	The risk of not being able to meet payment obligations at maturity or when they fall due.
Operational risk	The risk of losses, business process disruption or negative reputational impact, negative impact on privacy related rights and freedoms of natural persons' whose personal data the Group processes resulting from inadequate or failed internal processes, people and systems, or from external events. It also includes risk from external events not covered by any other risk type. The definition includes Information security risk.
Insurance risk	The risk of a change in value due to a deviation between actual insurance costs and anticipated insurance costs.
Other risks	Include business risk, strategic risk, reputational risk, conduct risk, money laundering and terrorist financing risk and sustainability risk.

3.1 Credit risks

DEFINITION

Credit risk refers to the risk that a counterparty or a borrower will fail to meet its contractual obligations towards Swedbank and the risk that pledged collateral will not cover the claim.

Credit risk also includes concentration risk, counterparty risk and foreign exchange (FX) settlement risk.

Concentration risk comprises, among other things, large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographies.

Counterparty risk is the risk that a counterparty in a trading transaction will not meet its financial obligations towards Swedbank and that the collateral received will not be enough to cover the claim against the counterparty. In this context, trading transactions refer to repos, derivatives and security financing transactions.

Foreign exchange (FX) settlement risk is the risk that a counterparty fails to meet its obligations as Swedbank has already fulfilled its agreement at the time of the executed transaction (delivery/payment).

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 the 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 and credit risk management throughout the Group. The principle is reflected in the independent credit risk 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 risk classification system is a central part of the credit process and 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. 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.

Risk measurement

Swedbank's internal risk classification system is the basis for:

- Risk assessment and credit decisions
- Calculating risk-adjusted returns (including RAROC)
- Credit impairment provisions
- Monitoring and managing credit risks (including migrations)
- 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

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. The risk classification is also a key part of the monitoring of individual credit exposures.

Swedbank has received approval from the Swedish Financial Supervisory Authority to apply the IRB approach to calculate the major part of the capital requirement for credit risks. The bank applies the IRB approach to the majority of its lending to the public, with the exception of lending to sovereigns. For exposures where the IRB approach is not applied, the standardised approach is adopted instead.

The goal of the risk classification is to predict defaults within one year. It is expressed on a scale of 23 classes, where 0 represents the highest risk and 21 represents the lowest risk of default, with one class for defaulted loans. The table below describes the Group's risk classification and how it relates to the theoretical probability of default

(PD) within 12 months as well as an indicative rating from Standard & Poor's. Of the total IRB-assessed exposures, 85 per cent (82) fall in the risk classes 13–21, investment grade, where the risk of default is considered low. Of the exposures, 54 per cent (53) have been assigned a risk grade of 18 or higher, which corresponds to a rating of A from the major rating agencies. The exposures relate to the consolidated situation.

Risk grade according to IRB methodology

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

To ensure the most accurate internal rating possible, various risk classification models have been developed. There are primarily two types of models; one 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. In cases where statistical methods are not applied, models are created where the evaluation criteria are based on expert opinions.

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. The models normally produce a likelihood of default over a one-year horizon.

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 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.

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 country, business area, or product group.

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 accounting policies section 3.4.3 Credit impairment, Determining a significant increase in credit risk since initial recognition. The tables on next page shows 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.

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.

Incorporation of forward-looking macroeconomic scenarios

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

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

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

2019							2018				
Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating down-grade ^{1, 2, 3}	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 units	-11,2%	11,2%	681	43%	-8,3%	12,4%	904	52%	
9-12	0,5-2,0%	1-5 units	-21,5%	20,7%	363	9%	-9,7%	13,0%	793	11%	
6-8	2,0-5,7%	1-3 units	-8,2%	6,6%	149	3%	-8,0%	6,4%	212	4%	
0-5	>5,7% and <100%	1-2 units	-2,3%	0,0%	107	1%	-1,8%	0,0%	193	1%	
			-13,1%	12,4%	1 300	56%	-8,2%	10,9%	2 102	69%	
Financial instruments subject to the low credit risk exemption					3	6%			5	10%	
Stage 3 financial instruments					3 839	1%			3 902	1%	
Total provisions⁴					5 142	63%			6 009	79%	

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

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

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

4) Of which provisions for off-balance exposures are SEK 492m (407m).

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

2019					
Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁵	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%	-10,6%	8,7%	267	25%
9-12	100-200%	-0,5%	1,1%	235	7%
6-8	50-150%	-1,3%	3,0%	95	2%
0-5	50%	-0,1%	0,3%	182	1%
		-4,0%	3,7%	779	34%
Financial instruments subject to the low credit risk exemption				6	3%
Stage 3 financial instruments				1 340	0%
Total provisions⁶				2 125	37%

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

6) Of which provisions for off-balance exposures are SEK 91m.

The Group considers at least three scenarios when estimating expected credit losses, which are incorporated into the PD and LGD inputs for model-based expected credit losses. 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 probability of occurring.

The following table presents the credit impairment provisions as at year end that would result from only the downside respectively only the upside scenarios, which are considered reasonably possible.

Expected credit losses on credit-impaired assets

The criteria for credit-impaired assets are disclosed on page 60.

The Group estimates expected credit losses on significant impaired exposures individually and without the use of modelled inputs. By significant meant 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 the discounted expected cash flows and considering a min 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.

IFRS 9 vs Regulatory capital framework

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

	Regulatory capital	IFRS 9
PD	<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 specific 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 significance thresholds

2019

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	1 816	20%
	Upside scenario	1 347	-11%
Baltic Banking	Downside scenario	868	36%
	Upside scenario	533	-16%
LC&I	Downside scenario	6 616	30%
	Upside scenario	2 798	-45%
Group	Downside scenario	9 300	28%
	Upside scenario	4 678	-36%

2018

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions as, %
Swedish Banking	Downside scenario	2 076	13%
	Upside scenario	1 424	-22%
Baltic Banking	Downside scenario	884	35%
	Upside scenario	563	-14%
LC&I	Downside scenario	5 657	43%
	Upside scenario	2 512	-36%
Group	Downside scenario	8 617	34%
	Upside scenario	4 499	-30%

Maximum credit risk exposure, geographic distribution

The following tables presents the Group's maximum credit risk exposure, before taking account of any collateral held, by geography and type of counterparty (for loans to the public – type of collateral). For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that would have to be paid if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

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	G22	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 ²		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, G33	2 540	797	551	316	4 188	7	267	30	108	8 804
Contingent liabilities and commitments											
Guarantees		35 339	2 513	745	1 123	5 136	262	349	6 521	47	52 035
Commitments		214 454	9 094	6 327	9 705	24 670		23 256	695	259	288 460
Total		1 904 841	124 602	67 201	120 330	93 579	4 539	104 834	30 247	31 045	2 481 218
% 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.

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

Derivatives, netting gains and collateral held 2019

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	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%

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 522m (0).

2018

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		4 595	23 197	21 885	37 108	795	61	49 222	26 228	70	163 161
Treasury bills and other bills eligible for refinancing with central banks	G21	93 637		776	1 746	1 797	572			1 051	99 579
Swedish central bank											
Governments		88 830		776	1 746	1 797	572			1 051	94 772
Municipalities		4 806									4 806
Other		1									1
Loans to credit institutions	G22	31 696	2 601	1 038	1 619	55	0	11	146	-896	36 268
Banks		14 489	2 601	1 038	1 619	54	0	11	146	-2 310	17 646
Other credit institutions		17 116								1 415	18 530
Repurchase agreements, banks ¹		-1				1					
Repurchase agreements, other credit institutions ¹		92									92
Loans to the public	G23	1 384 167	79 819	34 827	54 501	53 010	3 137	13 268	1 992	2 647	1 627 368
Swedish National Debt Office		10 152									10 152
Repurchase agreements, Swedish National Debt Office ¹		2 436									2 436
Repurchase agreements, other public ¹		34 265				3 013					37 278
Real Estate Residential		942 278	34 668	14 772	29 264		1 402				1 022 384
Real Estate Commercial		160 146	18 091	7 940	9 265	3 362	1 339				200 143
Guarantees		29 282	2 614	541	1 331	371		207	538	858	35 742
Received cash		8 015	223	437	519	33					9 227
Other collateral		118 337	14 777	7 099	8 840	8 106	369		211		157 739
Unsecured ²		79 255	9 446	4 038	5 282	38 125	27	13 061	1 243	1 789	152 266
Bonds and other interest-bearing securities	G24	36 048	43	30	65	5 186	1 088	4 102	2 212	4 538	53 312
Mortgage institutions		26 545									26 545
Banks		1 760	10			4 143	283	1 228	2 175	1 853	11 452
Other financial companies		3 833	8						11	130	3 982
Non-financial companies		3 910	25	30	65	1 043	805	2 874	26	2 555	11 333
Derivatives	G28	13 530	166	35	81	3 110	1 160	1 445	211	19 926	39 665
Other financial assets	G32, G33	9 030	659	738	384	2 417	2	378	24	257	13 889
Contingent liabilities and commitments											
Guarantees		32 796	2 595	980	1 725	5 067	147	476	5 490	79	49 355
Commitments		209 712	9 229	7 479	9 857	24 264		16 191	1 269	338	278 339
Total		1 815 211	118 309	67 787	107 086	95 701	6 167	85 093	37 571	28 010	2 360 935
% of total		77	5	3	5	4	0	4	2	1	100

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

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

Derivatives, netting gains and collateral held 2018

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	13 530	166	35	81	3 110	1 160	1 445	211	19 926	39 665
Netting agreements, related amount not offset in the balance sheet	3 748				851	747	1 038	150	10 141	16 676
Credit exposure, after offset of netting agreements	9 782	166	35	81	2 259	414	407	60	9 785	22 989
Collateral held ¹	296				396	11	4	1	955	1 664
Net credit exposures after collateral held	9 485	166	35	81	1 863	403	403	60	8 829	21 325

1) Collateral consist of cash 91.9% and AAA rated bonds by Standard & Poor's 8.1%.

Loans to the public¹ in Stage 3 by collateral type

2019 ¹	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 ²	220	145	38	17	2 307	22	1	7		2 757

1) Loans to the public excluding the Swedish National Debt Office and repurchase agreements.

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

2018 ¹	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Real Estate Residential	832	166	229	473						1 700
Real Estate Commercial	324	93	10	132	112					671
Guarantees	268	22	3	1						294
Received cash	9	3	6	12						30
Other collateral	444	160	18	56	3 351	119		72		4 220
Unsecured ²	203	22	35	37	2 30					527

1) Loans to the public excluding the Swedish National Debt Office and repurchase agreements.

2) "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 13m (414). None of this collateral had been sold or repledged as of year end.

Gross carrying amount by credit risk rating

The tables below present the credit quality, gross carrying or nominal amount of financial instruments and stage, where the financial instruments are subject to the IFRS 9 impairment requirements. The associated credit impairment provisions are also presented.

2019	Not credit-impaired		Credit-impaired		Total
	Stage 1	Stage 2	Stage 3	Purchased or Originated	
Cash and balances with central banks					
Low risk	195 286				195 286
Total	195 286				195 286
Treasury bills and other bills eligible for refinancing with central banks					
Low risk	120 574				120 574
Total	120 574				120 574
Loans to credit institutions					
Low risk	43 757	8			43 765
Normal risk	1 403	17			1 420
Augmented risk	213	19			232
Non-rated exposures		30			30
Credit impairment provision	-4	-1			-5
Total	45 369	74			45 443
Loans to the public					
Low risk	1 272 603	14 052	85	2	1 286 742
Normal risk	180 732	43 329	124	10	224 195
Augmented risk	32 115	29 669	128	14	61 926
High risk	4 301	18 875	467	47	23 690
Defaults			12 575	72	12 647
Non-rated exposures	2 621	264	69		2 954
Credit impairment provision	-479	-1 347	-4 848	-5	-6 679
Total	1 491 893	104 842	8 600	140	1 605 475
Bonds and other interest-bearing securities					
Low risk	38				38
Total	38				38
Other financial assets					
Low risk	14	1			15
Normal risk	13	2			15
Augmented risk	7	1			8
High risk	11	10			21
Defaults			7		7
Non-rated exposures	9 012	1			9 013
Credit impairment provision		-1	-3		-4
Total	9 057	14	4		9 075
Total Financial assets at amortised cost	1 862 700	106 279	13 455	145	1 982 579
Total credit impairment provisions	-483	-1 349	-4 851	-5	-6 688
Total	1 862 217	104 930	8 604	140	1 975 891

2018	Not credit-impaired		Credit-impaired		Total
	Stage 1	Stage 2	Stage 3	Purchased or Originated	
Cash and balances with central banks					
Low risk	163 161				163 161
Total	163 161				163 161
Treasury bills and other bills eligible for refinancing with central banks					
Low risk	80 304				80 304
Total	80 304				80 304
Loans to credit institutions					
Low risk	34 981	18			34 999
Normal risk	1 103	42			1 145
Augmented risk	5	1			6
Non-rated exposures		29			29
Credit impairment provision	-2	-1			-3
Total	36 087	89			36 176
Loans to the public					
Low risk	1 256 659	10 034	48	2	1 266 743
Normal risk	179 847	42 036	58	8	221 949
Augmented risk	31 125	32 942	128	16	64 211
High risk	4 635	22 258	898	49	27 840
Defaults			9 878	100	9 978
Non-rated exposures	2 432	304	54		2 790
Credit impairment provision	-490	-1 736	-3 788	-9	-6 023
Total	1 474 208	105 838	7 276	166	1 587 488
Bonds and other interest-bearing securities					
Low risk	2 210				2 210
Total	2 210				2 210
Other financial assets					
Low risk	82	1			83
Normal risk	15	1			16
Augmented risk	11	1			12
High risk	4	15			19
Defaults			5		5
Non-rated exposures	14 520	1	1		14 522
Credit impairment provision			-2		-3
Total	14 632	18	4		14 654
Total Financial assets at amortised cost	1 771 094	107 683	11 070	175	1 890 022
Total credit impairment provisions	-492	-1 738	-3 790	-9	-6 029
Total	1 770 602	105 945	7 280	166	1 883 993

Commitments and financial guarantees

2019	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Low risk	293 525	942	2	294 469
Normal risk	27 060	5 316	6	32 382
Augmented risk	4 599	3 309	1	7 909
High risk	1 691	1 374	103	3 168
Defaults			1 134	1 134
Non-rated exposures		384	2	386
Credit impairment provision	-113	-144	-326	-583
Total	326 762	11 181	922	338 865

2018	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Low risk	285 378	810		286 188
Normal risk	24 212	3 255	56	27 523
Augmented risk	5 473	4 075	1	9 549
High risk	1 858	1 369	6	3 233
Defaults			739	739
Non-rated exposures		460	2	462
Credit impairment provision	-94	-208	-105	-407
Total	316 827	9 761	699	327 287

Loans to the public and credit institutions, carrying amount

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

2019

	Non credit-impaired						Credit impaired			Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL			
	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	
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	45 448	5	45 443							45 443
Loans to the public and credit institutions	1 537 820	484	1 537 336	106 189	1 347	104 842	13 593	4 853	8 740	1 650 918

2018

	Non credit-impaired						Credit impaired			Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL			
	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	
Operating segments										
Swedish Banking	1 115 614	167	1 115 447	69 681	668	69 013	2 819	798	2 021	1 186 481
Baltic Banking	147 410	37	147 373	20 481	185	20 296	1 905	427	1 478	169 147
Large Corporates & Institutions	201 164	286	200 878	17 412	883	16 529	6 515	2 572	3 943	221 350
Group Functions & Other	357		357							357
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 464 545	490	1 464 055	107 574	1 736	105 838	11 239	3 797	7 442	1 577 335
Geographical distribution										
Sweden	1 258 703	302	1 258 401	77 616	950	76 666	3 229	1 149	2 080	1 337 147
Estonia	71 768	11	71 757	7 634	38	7 596	602	136	466	79 819
Latvia	28 797	13	28 784	5 823	81	5 742	430	129	301	34 827
Lithuania	46 845	13	46 832	7 024	66	6 958	873	162	711	54 501
Norway	37 901	93	37 808	9 087	591	8 496	5 754	2 061	3 693	49 997
Denmark	3 018		3 018				251	132	119	3 137
Finland	12 972	15	12 957	318	7	311				13 268
USA	1 920		1 920				100	28	72	1 992
Other	2 621	43	2 578	72	3	69				2 647
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 464 545	490	1 464 055	107 574	1 736	105 838	11 239	3 797	7 442	1 577 335
Sector/industry										
Private customers	976 455	76	976 379	51 735	335	51 400	2 317	485	1 832	1 029 611
Mortgage loans, private	830 234	31	830 203	44 054	232	43 822	1 869	316	1 553	875 578
Tenant owner association	104 321	8	104 313	2 537	15	2 522	64	4	60	106 895
Other, private	41 900	37	41 863	5 144	88	5 056	384	165	219	47 138
Corporate customers	488 090	414	487 676	55 839	1 401	54 438	8 922	3 312	5 610	547 724
Agriculture, forestry, fishing	58 495	17	58 478	8 617	109	8 508	173	31	142	67 128
Manufacturing	38 391	70	38 321	4 919	191	4 728	359	145	214	43 263
Public sector and utilities	18 663	14	18 649	947	11	936	62	14	48	19 633
Construction	16 211	15	16 196	3 883	66	3 817	110	22	88	20 101
Retail	25 448	30	25 418	5 107	117	4 990	792	510	282	30 690
Transportation	14 885	12	14 873	1 468	15	1 453	38	8	30	16 356
Shipping and offshore	12 270	40	12 230	6 444	445	5 999	5 587	2 021	3 566	21 795
Hotels och restaurants	7 512	6	7 506	1 065	18	1 047	84	8	76	8 629
Information and communications	11 407	16	11 391	2 117	95	2 022	154	124	30	13 443
Finance and insurance	14 239	8	14 231	537	3	534	16	8	8	14 773
Property management	227 851	142	227 709	15 765	262	15 503	830	214	616	243 828
Residential properties	67 383	31	67 352	6 035	68	5 967	273	81	192	73 511
Commercial	90 392	66	90 326	4 477	46	4 431	409	103	306	95 063
Industrial and warehouse	45 630	31	45 599	1 702	20	1 682	105	16	89	47 370
Other property management	24 446	14	24 432	3 551	128	3 423	43	14	29	27 884
Professional services	26 098	25	26 073	3 427	44	3 383	442	137	305	29 761
Other corporate lending	16 620	19	16 601	1 543	25	1 518	275	70	205	18 324
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 464 545	490	1 464 055	107 574	1 736	105 838	11 239	3 797	7 442	1 577 335
Loans to the public, Swedish National Debt Office	10 153		10 153							10 153
Loans to credit institutions excluding repurchase agreements	36 179	3	36 176							36 176
Loans to the public and credit institutions	1 510 877	493	1 510 384	107 574	1 736	105 838	11 239	3 797	7 442	1 623 664

Concentration risk, customer exposure

At end of 2018 and 2019, the Group did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Reconciliations of credit impairment provisions, Group

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 reporting period.

Loans to credit institutions	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2019	36 089	90		36 179
Closing balance 31 December 2019	45 373	75		45 448
Credit impairment provisions				
Opening balance 1 January 2019	2	1		3
Movements affecting Credit impairments				
New and derecognised financial assets, net	1			1
Changes in macroeconomic scenarios	1			1
Total	2			2
Movements recognised outside Credit impairments				
Closing balance 31 December 2019	4	1		5
Carrying amount				
Opening balance 1 January 2019	36 087	89		36 176
Closing balance 31 December 2019	45 369	74		45 443

Loans to credit institutions	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2018	29 079	1 452		30 531
Closing balance 31 December 2018	36 089	90		36 179
Credit impairment provisions				
Opening balance 1 January 2018	9	14		23
Movements affecting Credit impairments				
New and derecognised financial assets, net	-1	-9		-10
Changes in risk factors (EAD, PD, LGD)	-3	-3		-6
Changes in macroeconomic scenarios	-3	-1		-4
Total	-7	-13		-20
Movements recognised outside Credit impairments				
Closing balance 31 December 2018	2	1		3
Carrying amount				
Opening balance 1 January 2018	29 070	1 438		30 508
Closing balance 31 December 2018	36 087	89		36 176

Loans to the public	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
SEKm				
Gross carrying amount				
Opening balance 1 January 2019	1 474 698	107 574	11 239	1 593 511
Closing balance 31 December 2019	1 492 372	106 189	13 593	1 612 154
Credit impairment provisions				
Opening balance 1 January 2019	490	1 736	3 797	6 023
Movements affecting Credit impairments				
New and derecognised financial assets, net	41	-218	-813	-990
Changes in risk factors (EAD, PD, LGD)	5	-321	60	-256
Changes in macroeconomic scenarios	5	63	-3	65
Changes due to expert credit judgement (manual adjustments and individual assessments)			196	196
Stage transfers	-65	58	1 550	1 543
from stage 1 to stage 2	-86	367		281
from stage 1 to stage 3	-11		197	186
from stage 2 to stage 1	32	-109		-77
from stage 2 to stage 3		-218	1 429	1 211
from stage 3 to stage 2		18	-68	-50
from stage 3 to stage 1			-8	-8
Other			-149	-149
Total	-14	-418	841	409
Movements recognised outside Credit impairments				
Business disposal	-2	-5	-3	-10
Interest			149	149
Change in exchange rates	5	34	69	108
Closing balance 31 December 2019	479	1 347	4 853	6 679
Carrying amount				
Opening balance 1 January 2019	1 474 208	1 058 38	7 442	1 587 488
Closing balance 31 December 2019	1 491 893	104 842	8 740	1 605 475

Loans to the public	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2018	1 386 090	118 774	10 194	1 515 057
Closing balance 31 December 2018	1 474 698	107 574	11 239	1 593 511
Credit impairment provisions				
Opening balance 1 January 2018	390	2 126	2 861	5 378
Movements affecting Credit impairments				
New and derecognised financial assets, net	102	-148	-190	-236
Changes in risk factors (EAD, PD, LGD)	175	-73	-159	-57
Changes in macroeconomic scenarios	-2	-45	13	-34
Changes due to expert credit judgement (manual adjustments and individual assessments)			503	503
Stage transfers	-184	-223	623	216
from stage 1 to stage 2	-150	470		320
from stage 1 to stage 3	-65		78	13
from stage 2 to stage 1	29	-131		-102
from stage 2 to stage 3		-573	665	92
from stage 3 to stage 2		11	-78	-67
from stage 3 to stage 1	2		-42	-40
Other	-4		-110	-114
Total	87	-489	680	278
Movements recognised outside Credit impairments				
Interest			114	114
Change in exchange rates	13	99	141	253
Closing balance 31 December 2018	490	1 736	3 797	6 023
Carrying amount				
Opening balance 1 January 2018	1 385 699	116 647	7 332	1 509 679
Closing balance 31 December 2018	1 474 208	105 838	7 442	1 587 488

Commitments and financial guarantees

The following tables presents a reconciliation of the nominal amount and credit impairment provisions for commitments and financial guarantees.

Commitments and financial guarantees	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
SEKm				
Nominal amount				
Opening balance 1 January 2019	316 921	9 969	804	327 694
Closing balance 31 December 2019	326 875	11 325	1 248	339 448
Credit impairment provisions				
Opening balance 1 January 2019	94	208	105	407
Movements affecting Credit impairments				
New and derecognised financial assets, net	20	-21	5	4
Changes in risk factors (EAD, PD, LGD)	-9	-76	-16	-101
Changes in macroeconomic scenarios	12	20		32
Changes due to expert credit judgement (manual adjustments and individual assessments)			122	122
Stage transfers	-7	6	106	105
from stage 1 to stage 2	-9	30		21
from stage 1 to stage 3			27	27
from stage 2 to stage 1	2	-11		-9
from stage 2 to stage 3		-14	81	67
from stage 3 to stage 1		1		1
Total	16	-71	217	162
Movements recognised outside Credit impairments line				
Change in exchange rates	3	7	4	14
Closing balance 31 December 2019	113	144	326	583

Commitments and financial guarantees	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
SEKm				
Nominal amount				
Opening balance 1 January 2018	292 854	13 390	733	306 977
Closing balance 31 December 2018	316 921	9 969	804	327 694
Credit impairment provisions				
Opening balance 1 January 2018	117	261	267	645
Movements affecting Credit impairments				
New and derecognised financial assets, net	7	-78	-1	-72
Changes in risk factors (EAD, PD, LGD)	-11	34	-39	-16
Changes in macroeconomic scenarios	-12	-11		-23
Changes due to expert credit judgement (manual adjustments and individual assessments)			-167	-167
Stage transfers	-11	-16	26	-1
from stage 1 to stage 2	-16	46		30
from stage 1 to stage 3	-1		1	
from stage 2 to stage 1	6	-35		-29
from stage 2 to stage 3		-27	27	
from stage 3 to stage 2			-1	-1
from stage 3 to stage 1			-1	-1
Other		1		1
Total	-27	-70	-181	-278
Movements recognised outside Credit impairments				
Change in exchange rates	4	17	19	40
Closing balance 31 December 2018	94	208	105	407

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 reporting period.

Loans to the public and credit institutions, Swedish banking	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Closing balance as of 31 December 2018	1 116 873	69 624	3 065	1 189 562
Movement due to reorganization between LC&I and Swedish Banking business areas	-1 072	58	-246	-1 260
Opening balance 1 January 2019	1 115 801	69 682	2 819	1 188 302
Closing balance 31 December 2019	1 126 499	68 506	2 882	1 197 887
Credit impairment provisions				
Closing balance as of 31 December 2018	167	665	926	1 758
Movement due to reorganization between LC&I and Swedish Banking business areas		3	-128	-125
Opening balance 1 January 2019	167	668	798	1 633
New and derecognised financial assets, net	16	-45	-300	-329
Changes in risk factors (EAD, PD, LGD)	25	-195	27	-143
Changes in macroeconomic scenarios	-10	-10	-3	-23
Changes due to expert credit judgement (manual adjustments and individual assessments)			22	22
Stage transfers	10	-10		
Remeasurement of provisions due to stage transfers, net	-59	195	162	298
Disposal of subsidiary	-2	-5	-3	-10
Change in exchange rates and other		1	-4	-3
Closing balance 31 December 2019	147	599	699	1 445
Carrying amount				
Opening balance 1 January 2019	1 115 634	69 017	1 893	1 186 544
Closing balance 31 December 2019	1 126 352	67 907	2 183	1 196 442

Loans to the public and credit institutions, Swedish banking	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2018	1 086 163	62 632	2 829	1 151 624
Closing balance 31 December 2018	1 116 873	69 624	3 065	1 189 562
Credit impairment provisions				
Opening balance 1 January 2018	146	500	747	1 393
New and derecognised financial assets, net	36	5	-192	-151
Changes in risk factors (EAD, PD, LGD)	87	31	5	123
Changes in macroeconomic scenarios	14	32	11	57
Changes due to expert credit judgement (manual adjustments and individual assessments)			202	202
Stage transfers	-29	-98	127	
Remeasurement of provisions due to stage transfers, net	-88	193	26	131
Change in exchange rates and other	1	2		3
Closing balance 31 December 2018	167	665	926	1 758
Carrying amount				
Opening balance 1 January 2018	1 086 017	62 132	2 082	1 150 231
Closing balance 31 December 2018	1 116 706	68 959	2 139	1 187 804

Loans to the public and credit institutions, Baltic Banking	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2019	147 429	20 487	1 905	169 821
Closing balance 31 December 2019	162 025	22 608	1 589	186 222
Credit impairment provisions				
Opening balance 1 January 2019	37	185	427	649
New and derecognised financial assets, net	11	-1	-68	-58
Changes in risk factors (EAD, PD, LGD)	14	-43	2	-27
Changes in macroeconomic scenarios	-5	-2		-7
Changes due to expert credit judgement (manual adjustments and individual assessments)			7	7
Stage transfers	-10	46	-36	
Remeasurement of provisions due to stage transfers, net	-13	5	63	55
Change in exchange rates and other		3	7	10
Closing balance 31 December 2019	34	193	402	629
Carrying amount				
Opening balance 1 January 2019	147 392	20 302	1 478	169 172
Closing balance 31 December 2019	161 991	22 415	1 187	185 593

Loans to the public and credit institutions, Baltic Banking	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2018	127 697	20 150	2 661	150 508
Closing balance 31 December 2018	147 429	20 487	1 905	169 821
Credit impairment provisions				
Opening balance 1 January 2018	32	257	685	974
New and derecognised financial assets, net	12	-4	-232	-224
Changes in risk factors (EAD, PD, LGD)	15	-87	-215	-287
Changes in macroeconomic scenarios	1	12	2	15
Changes due to expert credit judgement (manual adjustments and individual assessments)			140	140
Stage transfers	-8		8	
Remeasurement of provisions due to stage transfers, net	-16	-5	4	-17
Change in exchange rates and other	1	12	35	48
Closing balance 31 December 2018	37	185	427	649
Carrying amount				
Opening balance 1 January 2018	127 665	19 893	1 976	149 534
Closing balance 31 December 2018	147 392	20 302	1 478	169 172

Loans to the public and credit institutions, LC&I	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Closing balance as of 31 December 2018	216 876	17 553	6 269	240 698
Movement due to reorganization between LC&I and Swedish Banking business areas	1 072	-58	246	1 260
Opening balance 1 January 2019	217 948	17 495	6 515	241 958
Closing balance 31 December 2019	228 698	15 150	9 122	252 970
Credit impairment provisions				
Closing balance as of 31 December 2018	288	887	2 444	3 619
Movement due to reorganization between LC&I and Swedish Banking business areas		-3	128	125
Opening balance 1 January 2019	288	884	2 572	3 744
New and derecognised financial assets, net	14	-172	-445	-603
Changes in risk factors (EAD, PD, LGD)	-34	-83	31	-86
Changes in macroeconomic scenarios	21	75		96
Changes due to expert credit judgement (manual adjustments and individual assessments)			167	167
Stage transfers	20	-210	190	
Remeasurement of provisions due to stage transfers, net	-13	32	1 171	1 190
Change in exchange rates and other	5	30	66	101
Closing balance 31 December 2019	301	556	3 752	4 609
Carrying amount				
Opening balance 1 January 2019	217 660	16 608	4 071	238 339
Closing balance 31 December 2019	228 397	14 594	5 370	248 361

Loans to the public and credit institutions, LC&I	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance 1 January 2018	177 117	37 444	4 704	219 265
Closing balance 31 December 2018	216 876	17 553	6 269	240 698
Credit impairment provisions				
Opening balance 1 January 2018	214	1 383	1 430	3 027
New and derecognised financial assets, net	53	-158	234	129
Changes in risk factors (EAD, PD, LGD)	76	-20	51	107
Changes in macroeconomic scenarios	-20	-90		-110
Changes due to expert credit judgement (manual adjustments and individual assessments)			161	161
Stage transfers	-5	-380	385	
Remeasurement of provisions due to stage transfers, net	-38	67	73	102
Change in exchange rates and other	8	85	110	203
Closing balance 31 December 2018	288	887	2 444	3 619
Carrying amount				
Opening balance 1 January 2018	176 903	36 061	3 274	216 238
Closing balance 31 December 2018	216 588	16 666	3 825	237 079

Forborne loans

Forborne loans refer to loans where the contractual terms have been changed due to the customer's 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 done 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 recovering. 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 contractual amount outstanding on loans that were written off during 2019 and are still subject to enforcement activity is SEK 425m (389).

Gross carrying amount of forborne loans 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

Gross carrying amount of forborne loans 2018

	Sweden	Estonia	Latvia	Lithuania	Norway	Other	Total
Performing	1 409	404	373	186	4 908	114	7 394
Non-performing	534	502	433	440	5 747	100	7 756
Total	1 943	906	806	626	10 655	214	15 150

Climate related information

Below shows the part of lending to the public and credit institutions that present material climate-related risks. Groups and sectors are defined in accordance with the recommendations of the Task force on Climate related Financial Disclosures (TCFD). Materiality was derived from greenhouse gas emissions, energy use and water use of various economic activities. Within the Transportation group, Swedbank has chosen to include manufacturing, trading and services with vehicles to capture the entire value chain. Compare with tables on page 77 and 78.

TCFD material groups	Gross carrying amount		TCFD sector	Gross carrying amount	
	2019	2018		2019	2018
Financial Group	57 621	47 611	Credit institutions	45 457	36 268
			Insurance companies	62	62
			Asset owners and asset managers	12 102	11 281
			Oil & Gas	17 132	17 180
Energy Group	27 985	27 342	Coal	0	0
			Utilities	10 853	10 162
			Air transport	363	498
Transportation Group	37 837	41 679	Shipping	12 917	15 460
			Rail transportation	373	836
			Trucks, busses and working machines	18 325	19 092
			Automobiles and components	5 860	5 792
			Agriculture	38 002	39 141
Agriculture, Food and Forest products Group	66 261	66 211	Beverages, Packaged food and Meats	4 163	3 878
			Forestry	18 447	18 262
			Paper & Forest products	5 649	4 929
			Metals & Mining	3 847	3 287
Materials and Buildings Group	387 232	381 226	Chemicals	7 283	6 349
			Construction materials (excl wood)	3 112	2 773
			Capital Goods	3 599	4 464
			Real Estate management and development	369 390	364 353
			Total TCFD portfolio	576 937	564 068

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.

	2019	
	Loans gross carrying amount	% av total TCFD sector
Manufacturing	43 418	
- of which TCFD:	36 011	
Air transportation	4	1
Automobiles and components	512	9
Beverages, Packaged foods and Meats	4 163	100
Capital goods	3 599	100
Chemicals	7 283	100
Construction materials	3 112	100
Metals & Mining	3 847	100
Oil & gas	5 510	32
Paper & Forest products	5 649	100
Rail transportation	24	7
Trucks, bus and working machines	2 306	13

Capital requirement for credit risks

The capital requirement for credit risks in Swedbank (consolidated situation) on 31 December 2019 amounted to SEK 25 220m (25 072).

For more information, see note G4 Capital.

3.2 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.

	2019				2018			
	Number	Carrying amount, over-taken during 2018	Carrying amount	Fair value	Number	Carrying amount, over-taken during 2017	Carrying amount	Fair value
Buildings and land	26	2	72	74	110	70	126	164
Other	69	10	55	57	65	2	81	115
Total	95	12	127	131	175	72	207	279

3.3 Liquidity risk

DEFINITION

Liquidity risk refers to the risk that the Group will not be able to meet its payment obligations at maturity.

The Board of Directors determines the Group's overall risk appetite for liquidity and has therefore established limits for the Survival Horizon as well as a limit on the minimum of unutilised capacity in the cover pool for issuance of covered bonds (Over Collateralisation, OC). The CEO is responsible for ensuring that the operations stay within the risk appetite and, due to that, more granular CEO limits have been defined and established. To ensure that the operations can be monitored on a daily basis in terms of the risk appetite and CEO limits, these limits have been complemented by limits set by the Chief Risk Officer.

Responsibility for managing and controlling the Group's liquidity rests within Group Treasury. Group Risk works independently to identify all relevant aspects of liquidity risk and is responsible for independent control, measurement and monitoring of risks.

Financing and liquidity strategy

Swedbank's funding strategy is based on the composition of the assets. More than half of the lending consists of Swedish mortgages, which are primarily funded with covered bonds. Swedbank is the savings leader in its home markets. Deposit volumes, together with 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 by a diversified set of funding sources as well as for complying with the MREL requirements.

Swedbank uses a number of different funding programmes to meet its short- and long-term needs e.g. commercial paper, certificates of deposit, covered bonds and unsecured funding.

For information regarding Swedbank's distribution of liabilities and encumbered assets, see the Group's Pillar 3 report.

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 where, for instance, markets are fully or partly closed for new issues over an extended period of time.

Liquidity Reserve¹

Level 1 assets	373 730
Cash and balances with central banks ²	195 284
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	132 647
Securities issued by municipalities and PSEs	4 081
Extremely high quality covered bonds	41 717
Level 2 assets	5 972
Level 2A assets	5 967
High quality covered bonds	5 967
Level 2B assets	5
Corporate debt securities (rated A+ to BBB-)	5
Total	379 702

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 Liquidity Reserve.

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 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.

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	15 144	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
Derivatives		11 543	11 435	19 224	1 742		480	44 424
Intangible fixed assets								17 864
Tangible assets								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			265	10 472		209	-141	10 805
Subordinated liabilities		6 990		24 139	427		378	31 934
Equity								138 633
Total	919 224	318 660	252 883	563 826	88 007	123 648	141 980	2 408 228

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Remaining maturity 2018	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	163 161							163 161
Treasury bills and other bills eligible for refinancing with central banks		80 762	2 503	10 756	1 757	942	2 859	99 579
Loans to credit institutions	12 508	2 975	6 839	12 240	772	934		36 268
Loans to the public		79 387	140 867	350 571	138 531	900 238	17 774	1 627 368
Bonds and other interest-bearing securities		7 198	10 780	30 320	3 860	138	1 016	53 312
Financial assets for which the customers bear the investment risk		33 938	2 303	16 317	22 263	72 171	30 876	177 868
Shares and participating interests								11 009
Derivatives		9 477	9 477	18 726	1 709		276	39 665
Intangible fixed assets								17 118
Tangible assets								1 966
Other assets		15 725	2 230	56			767	18 778
Total	175 669	229 462	174 999	438 986	168 892	974 423	83 661	2 246 092
Liabilities								
Amounts owed to credit institutions	35 987	20 639	294	298				57 218
Deposits and borrowings from the public	874 723	23 491	20 907	1 496	114	19		920 750
Debt securities in issue		100 930	96 873	557 060	39 957	24 223	-14 683	804 360
Financial liabilities where customers bear the investment risk		58 966	2 441	17 178	23 608	74 127	2 342	178 662
Derivatives		5 529	4 577	10 098	931	304	9 877	31 316
Other liabilities		71 332	1 940	2 791	1 930	4 000		81 993
Subordinated liabilities		7 700	111	25 760	406		207	34 184
Equity								137 609
Total	910 710	288 587	127 143	614 681	66 946	102 673	135 352	2 246 092

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Risk measurement

Group Risk is responsible for defining independent methods to measure the Group's liquidity risk as well as for reviewing and approving methods defined by Group Treasury. All liquidity risk is identified and measured. Swedbank uses a range of risk measures to capture different perspectives of the liquidity risk profile. A number of liquidity risk measures allows to assess short-term liquidity risks, including intraday, as well as the long-term structural liquidity risks, both under a normal and stressed assumptions. The liquidity metrics are either defined internally or developed based on the external regulatory requirements.

As part of the Group's ERM policy, a Survival Horizon limit is established. The limit represents the number of days with a positive cumulative net cash flow, taking into account future cash flows. Cash flows from liquid assets are modelled based on conservative estimates of when, at the earliest, they could occur. The risk measure is conservative in the sense that it assumes that there is no access to the funding markets and that there are large outflows of deposits from the bank's customers within a short period of time.

Moreover, Swedbank calculates and monitors the Group's liquidity risk with a number of different risk measures such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The purpose of 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 indicates a bank's ability to manage stressed situations over a one-year horizon. The NSFR ensures that a bank's illiquid long-term assets are financed with a minimum level of stable long-term funding. A NSFR of over 100 per cent means that long-term illiquid assets are, to a satisfactory degree, financed by stable long-term funding. As a complement to regulatory measures, Swedbank publishes the ratio of the size of its liquid assets to maturing funding, given various maturities. A ratio larger than 100 per cent indicates that the liquid assets exceed the amount of future maturities during a given time period.

To identify and act on increased liquidity risks as early as possible, Swedbank uses a number of forward-looking risk indicators, such as volatilities in selected market prices and price discrepancies between various financial instruments. These indicators provide signals regarding increased stress in the financial markets and hence increased liquidity risks. Swedbank has developed special continuity plans to manage the effects that would arise in the event of serious market disruptions. These plans are in place both on a Group level and at a local level in the countries where Swedbank operates.

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 take into account the combined effects that would occur if all these disruptions would occur at the same time.

In the scenarios, a number of the risk drivers underlying the Survival Horizon 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, the scenario assumes 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. Finally, it is assumed that access to capital markets dries up, but that Swedbank's liquid assets can still generate liquidity.

The table below provides a snapshot of the cover pool as of 31 December 2019 ("Current") and illustrates the effects on Swedbank Mortgage's OC given various price declines of the mortgages in the pool which could occur over a period of time. The more prices fall, the more difficult it becomes to issue bonds. Swedbank's ERM Policy stipulates that the cover pool must have an OC level that ensures that the highest rating from at least one rating agency and the compliance with the legal requirements is maintained in a scenario where house prices fall by 20 per cent. The purpose of the level is to ensure that there is sufficient cover to protect investors even if house prices should fall substantially.

Cover pool sensitivity analysis, house price decline

2019

House price decline	Current	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%
Total assets in the cover pool, SEKbn	990	985	975	962	944	923	897	866	830
Total outstanding covered bonds, SEKbn	560	560	560	560	560	560	560	560	560
Over collateralisation level, %	77%	76%	74%	72%	69%	65%	60%	55%	48%

Liquidity coverage ratio¹

High Quality Liquid Assets (HQLA), SEKbn

High quality liquid assets, Level 1

High quality liquid assets, Level 2

Total HQLA

Cash Outflows, SEKbn

Retail deposits and deposits from small business customers

Unsecured wholesale funding

Secured wholesale funding

Additional requirements

Other cash outflows

Total cash outflows

Cash Inflows, SEKbn

Secured lending

Inflows from fully performing exposures

Other cash inflows

Total Cash inflows

Liquidity coverage ratio, Total, %¹

Liquidity coverage ratio, EUR, %

Liquidity coverage ratio, USD, %

Liquidity coverage ratio, SEK2, %²

2019

2018

371

301

5

9

376

310

43

42

152

142

4

7

53

49

9

15

261

256

14

5

19

16

23

19

54

40

182

144

379

282

157

228

111

68

1) LCR - calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of October 2014.

2) There is one explicit regulation for total LCR to fulfill at least 75% in SEF and 100% in USD and EUR.

Liquidity and NSFR components

	31 Dec 2019	31 Dec 2018
NSFR, %	120	119
Available stable funding (ASF), SEKbn	1 550	1 533
Required stable funding (RSF), SEKbn	1 295	1 293

Issues of securities and lease liabilities

Swedbank has remained active in several capital markets to diversify its funding. In 2019, Swedbank issued a total of SEK 132bn (119) in long-term debt instruments, with the majority of the issues were covered bonds. To meet MREL requirement by January 2022, senior non-preferred liabilities were issued during the year.

Turnover during the year, 2019	Debts securities in issue					Senior non-preferred liabilities	Subordinated liabilities	Lease liabilities	Total
	Commercial papers	Covered bonds	Other interest-bearing bond loans	Structure retail bonds	Total debt securities in issue				
Opening balance	131 434	497 936	164 243	10 747	804 360		34 184		838 544
Changed accounting principle, IFRS 16								4 146	4 146
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

Turnover during the year, 2018	Debts securities in issue					Senior non-preferred liabilities	Subordinated liabilities	Lease liabilities	Total
	Commercial papers	Covered bonds	Other interest-bearing bond loans	Structure retail bonds	Total debt securities in issue				
Opening balance	149 974	525 038	160 348	14 849	850 209		25 864		876 073
Issued/New contracts	992 449	87 907	26 433	2 166	1 108 955		8 306		1 117 261
Repurchased		-54 078	-145		-54 223				-54 223
Repaid	-1 018 910	-62 486	-30 866	-5 040	-1 117 302		-1 559		-1 118 861
interest, change in market values or hedged item in hedge accounting at fair value		-6 446	-522	-1 227	-8 195		-18		-8 213
Change in exchange rates	7 921	8 001	8 995	-1	24 916		1 591		26 507
Closing balance	131 434	497 936	164 243	10 747	804 360		34 184		838 544

Capital requirement for liquidity risk

Currently banks and financial institutions are not subject to capital requirements for liquidity risk. However, disruptions to liquidity may arise due to imbalances between risk and capital. The purpose of the internal capital adequacy assessment process is to prevent these types of imbalances.

3.4 Market risk

Definition

Market risk refers to the risk to value, earnings, or capital arising from movements of risk factors in financial markets. 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.

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 financial risk-taking. Only so-called risk-taking units, i.e. units that have been assigned a risk limit by the CEO, are permitted to take market risks. To monitor the limits allocated by the CEO, the Group's CRO has established limits as well as other indicators that at certain levels, indicate elevated risk. In addition to the CRO's limits and selected indicators, there are local business area limits serving as important tools in the risk-taking units' daily activities. The Group's market risk analysis department is responsible, on a daily basis, for measuring, monitoring and reporting market risks within Swedbank.

The majority of the Group's market risks is of structural or strategic nature and is managed primarily by Group Treasury. Structural interest rate risks are a natural part in a bank that manages deposits and loans. Interest rate risk arises primarily when there is a difference in maturity between the Group's assets and liabilities. Group Treasury manages the 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 trading operations. The Group's currency risk is comprised of structural currency risk in the banking operations, currency risk as a result of the trading operations, and strategic currency risk arising through the Baltic operations. Share price risks arise only in the trading operations. All market risks are managed within given limits, for example by means of forward contracts.

Risk measurement

Swedbank uses a number of different risk measures, both statistical and non-statistical, with the purpose of guiding the Group's risk-taking units as well as to ensure compliance. 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 last year's movements in various market risk factors such as interest 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 the 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 Summer of 2008 and one year forward.

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.

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 (LCS&I).

Value-at-Risk (VaR)

During the year, the Group has maintained its market risks, measured in terms of VaR, at a stable level. The Group's total VaR does not include strategic currency positions, 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.

SEKm	Jan-Dec 2019 (2018)			2019	2018
	Max	Min	Average	31 dec	31 dec
Interest rate risk	83(78)	36(38)	57(53)	58	44
Currency risk	20(22)	2(3)	7(10)	11	5
Share price risk	7(10)	1(1)	3(4)	5	3
Diversification			-8(-15)	-10	-6
Total	93(78)	38(37)	59(52)	64	46

3.4.1 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 reduced the value of the Group's assets and liabilities, including derivatives, by SEK -365 m (-137) as of 31 December 2019. The effect on positions in SEK would have been a reduction of SEK -1 277 m (-1 368), while positions in foreign currency would have increased by SEK 912 m (1 232).

The Group's Net gains and losses on financial items would have been affected by SEK 1 052 m (1 486) as of 31 December 2019. The Group uses derivatives for so-called

cash flow hedges. A change in market interest rates, as indicated above, would affect the Group's other comprehensive income by SEK 19 m (21). 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 as of today hard to predict.

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 the issuer specific interest mark-up (the credit spread), for example 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 2019 would have reduced the value of these interest-bearing assets, including derivatives, by SEK 11 m (10).

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, (SEKm) when market interest rates rise by one percentage point.

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	-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

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	-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 impact on the net value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

2018	< 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	-58	-1	-119	-366	-294	-293	-106	-26	-105	-1 368
Foreign currency	-301	-290	-27	199	211	173	280	487	500	1 232
Total	-360	-291	-145	-167	-82	-120	174	460	395	-137

of which financial instruments measured at fair value through profit or loss.

2018	< 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	66	89	-110	-131	49	13	324	-245	-157	-102
Foreign currency	525	843	234	8	-11	-33	-40	-35	96	1 588
Total	591	932	125	-123	38	-20	284	-280	-61	1 486

3.4.2 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 a strategic currency position in EUR through goodwill in the Baltic operations. This position is financed in SEK and is not hedged since it does not affect either profit or the capital base. 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 risks that arise in the banking operations or that is strategic in nature are managed by Group Treasury through 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. The 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 investments 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 73m (-39). 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 21m (70).

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 +/- 862m after tax (+/- 842).

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 9m (10) after tax as of 31 December 2019.

Currency distribution

2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	31 699	144 058	18 977	118	111	195	128	195 286
Treasury bills and other bills eligible for refinancing	132 727	1 111	3 050			206		137 094
Loans to credit institutions	12 984	21 285	3 599	203	1 750	2 751	2 880	45 452
Loans to the public	1 356 524	226 944	32 606	3 156	4 669	26 726	1 671	1 652 296
Bonds and other interest-bearing securities	43 416	5 756	1 963		430	5 802		57 367
Derivatives and other assets, not distributed	320 733							320 733
Total	1 898 083	399 154	60 195	3 477	6 960	35 680	4 679	2 408 228
Liabilities								
Amounts owed to credit institutions	22 097	17 932	7 732	1 829	2 069	15 777	2 250	69 686
Deposits and borrowings from the public	671 220	261 606	19 129	636	83	546	793	954 013
Debt securities in issue	407 761	260 057	135 706	28 232		9 863	14 135	855 754
Senior non-preferred liabilities		7 893				2 912		10 805
Subordinated liabilities	1 222	12 169	16 482				2 061	31 934
Derivatives and other liabilities, not distributed	347 403							347 403
Equity	138 633							138 633
Total	1 588 336	559 657	179 049	30 697	2 152	29 098	19 239	2 408 228
Derivatives and other assets and liabilities		172 520	118 809	27 255	-4 804	-6 316	14 532	
Net position in currency		12 016	-44	36	4	266	-28	12 249

Funding in foreign currency with a corresponding recognised amount of SEK 33 640m (35 622) is used as a hedging instrument to hedge the net investment 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

2018	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	4 616	131 240	26 317	23	71	809	85	163 161
Treasury bills and other bills eligible for refinancing	93 623	855	2 718		572	1 811		99 579
Loans to credit institutions	14 203	2 762	11 652	340	1 801	1 647	3 862	36 268
Loans to the public	1 346 957	201 914	35 252	3 771	5 661	31 940	1 872	1 627 368
Bonds and other interest-bearing securities	38 348	6 911	2 962	155		4 935		53 312
Derivatives and other assets, not distributed	266 404							266 404
Total	1 764 150	343 683	78 901	4 289	8 105	41 143	5 819	2 246 092
Liabilities								
Amounts owed to credit institutions	20 137	10 940	18 206	1 279	2 003	1 784	2 869	57 218
Deposits and borrowings from the public	667 818	222 423	19 745	1 645	1 546	5 102	2 470	920 750
Debt securities in issue	349 918	224 487	176 675	33 385		5 450	14 445	804 360
Subordinated liabilities	1 340	19 715	11 169				1 960	34 184
Derivatives and other liabilities, not distributed	291 971							291 971
Equity	137 609							137 609
Total	1 468 793	477 565	225 795	36 309	3 550	12 336	21 745	2 246 092
Derivatives and other assets and liabilities		145 368	146 783	32 016	-4 532	-28 550	15 939	
Net position in currency		11 486	-111	-3	24	258	14	11 668

3.4.3 Market risks in the trading operations

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) in this operation is low.

SEKm	Jan-Dec 2019 (2018)			2019	2018
	Max	Min	Average	31 dec	31 dec
Value-at-Risk	31 (23)	12 (9)	18 (13)	22	14
Stressed Value-at-Risk	98 (91)	56 (38)	77 (58)	77	67

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 2019 showed that the model serves its purpose well, since only two of the hypothetical losses exceeded the actual VaR level.

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 21 m in 2019, which can be compared with the average value of 18 m for 2018.

SEKm	Jan-Dec 2019 (2018)			2019	2018
	Max	Min	Average	31 dec	31 dec
Credit spread risk	10 (27)	4 (4)	6 (12)	5	5
Share price risk	7 (11)	1 (1)	3 (4)	5	3
Currency risk	10 (16)	2 (2)	4 (7)	3	6
Interest rate risk	26 (20)	12 (6)	19 (11)	19	13
Diversification			-11 (-15)	-9	-10
Total	30 (31)	14 (12)	21 (18)	22	17

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.

3.4.4 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 in the trading operations 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 (-18).

3.4.5 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.

Capital requirement for market risks

The capital requirement for market risks in Swedbank amounted to SEK 1 308m (1 042) as of 31 December 2019, and is presented by risk type in note G4 under Capital adequacy.

3.5 Operational risks

DEFINITION

Operational risk is defined as 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. It also includes risk from external events not covered by any other risk type. The definition includes information security risk.

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.

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.

New Product Approval Processes (NPAP)

Swedbank has a Group-wide process for New Product Approval (NPA) covering all new and/or revised 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 immediately 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.

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.

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.

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.

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 2019 amounted to SEK 5 481m (5 182).

3.6 Insurance risks

Definition

Insurance risk refers to the risk of a change in value due to a deviation between actual and anticipated insurance costs. In other words, the risk that an actual outcome 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.

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.

Risk management

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 policyholder'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.

Risk exposure and risk measurement

Actual outcomes compared with the above-mentioned assumptions give rise to a risk result in the life insurance operations. Insurance risks in the insurance operations are 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.

Capital requirement for insurance risk

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 also incur market risk; however their capital buffer is designed to cover all types of risks.

As of 1 January 2016, 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 8 759m on 30 September 2019 (8 314). This compares with the Solvency Capital Requirement of SEK 5 845m (5 549). The solvency ratio was 1.50 (1.50).

The capital base in the Baltic life insurance operations amounted to SEK 1 573m as of 30 September 2019 (1 621). The solvency ratio was 1.52 (1.68). The capital base in the Baltic property and casualty insurance operations amounted to SEK 523m as of 30 September 2019 (441). The solvency ratio was 1.51 (1.53).

3.7 Other

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.

Brexit

The outcome of the UK general election secured a parliamentary majority for the proposed withdrawal agreement. This means that the UK will be in a Brexit transition period during 2020. The government's policy of refusing an extension beyond 2020 increases the risk of disruption at the end of the transition period if new agreements on trade and financial services have not been made. Swedbank continues to monitor the development to see if further actions need to be taken before the end of 2020. Swedbank is prepared for a hard Brexit and from a market risk perspective the impact is moderate since Swedbank's exposure to the GBP is low and there has been no significant change in the exposure levels. The impact from a liquidity risk perspective is seen as not material due to the small amount of funding in GBP.

Interest Rate Benchmark Reform

Interest Rate Benchmark Reform 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, transaction-based 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 Interest Rate Benchmark Reform 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 activity underway to continually identify and monitor the exposures and will be taking steps through the Interest Rate Benchmark Reform to manage and mitigate any risks which may arise.

Swedbank has already begun to adopt new RFRs for example (SONIA, SOFR, €STR) in some financial products in relevant parts of its business and will introduce capability to operate using new rates as and when they become available. Similarly Swedbank will prioritise 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 Interest Rate Benchmark Reform.

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. This makes the Group exposed to many predicate crimes in relation to Money Laundering (ML) as well as many different types of Money Laundering/Terrorist Financing (ML/TF) schemes. During 2019 Swedbank established an Anti-Financial Crime unit (AFC) with the purpose of concentrating the technological and investigative resources and competences connected to the prevention of financial crime. In addition to the organisational changes Swedbank is also investing heavily in additional resources and new systems regarding know your customer (KYC), risk classification as well as additional system support within this area. Swedbank has also initiated a project to update existing AML/CTF governance systems and frameworks to ensure robustness and consistency in the AML/CTF work that takes place across the Group.

G4 Capital

Internal capital assessment

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.

Measurement

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, also other types of risk are assessed and evaluated. There are certain risk categories that receive no 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 Capital is allocated?	Pillar 2 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
Liquidity risk	No	ILAAP ³
Strategic risk: Decision risk, Business plans, Projects and acquisitions	No	Yes ⁴

- 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 assess risks (both qualitatively and quantitatively) 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.
- 3) Liquidity needs are assessed annually in the internal liquidity adequacy assessment process (ILAAP).
- 4) Economic Capital and adverse Scenario Simulation calculations can be adjusted to reflect forward looking perspective.

To ensure efficient use of capital and predict the Group's capital adequacy even under exceptionally adverse market conditions, comprehensive stress tests are conducted at least once a year. The analysis provides an overview of the most important risks that the Group is exposed to by quantifying the impact on the income statement and balance sheet as well as the capital base and risk weighted assets. The method serves as a foundation for proactive risk- and capital management.

ICAAP 2019

As in previous years, Swedbank's ICAAP for 2019 shows that the bank is resilient to broad macroeconomic shocks and is expected to remain well capitalised even in the event of highly unfavourable developments. Swedbank's strong credit quality and capital situation is reaffirmed by external stress tests.

Stress test ICAAP scenario

Triggers

Extreme escalation of trade wars
World trading volumes drop significantly
Economic activity hurt, investments drop, confidence sours
Fall in global equity and oil prices
Fall in house prices and household consumption
Unemployment rises, GDP contracts for three years in a row
Initial increase in consumer prices is followed by deflationary period

Outcome in Swedbank's home markets

In Sweden, GDP vs starting point falls by a maximum of 6.8 per cent, unemployment increases to a maximum of 11.6 per cent and house prices fall by a maximum of 35 per cent.
In Estonia, GDP vs starting point falls by a maximum of 5.8 per cent, unemployment increases to a maximum of 12.1 per cent and house prices fall by a maximum of 30 per cent.
In Latvia, GDP vs starting point falls by a maximum of 5.4 per cent, unemployment increases to a maximum of 11.8 per cent and house prices fall by a maximum of 38 per cent.
In Lithuania, GDP vs starting point falls by a maximum of 7.1 per cent, unemployment increases to a maximum of 11.7 per cent and house prices fall by a maximum of 40 per cent.

Description of the 2019 adverse scenario

The scenario developed for ICAAP 2019 is based on the assumption that the recently much debated barriers to international trade are implemented in their most extreme form, which sets in motion a set of policy events and exaggerated bilateral responses. It is further assumed that the trade obstacles become permanent and are perceived as such by markets. Thus, the scenario takes as a starting point a massive drop in trade as global exports plummet for all countries in the scenario. The contraction of trade is accompanied by an initial increase in consumer prices, as tariffs are transferred on to consumers. Later on in the scenario, the initial inflation is transformed into stagnant and then negative price growth as the economic activity slows down. Furthermore, the tariffs trigger geopolitical tensions, which add to the burden of reduced world trade and growth, particularly because consumer sentiment (affecting consumption) and corporate investments plummet.

Stress test ICAAP-scenario - parameters¹

Sweden	2018	2019	2020	2021
GDP-growth, %	2.5	-3.9	-2.6	-0.4
Unemployment, %	5.9	8.9	11.4	10.7
Inflation, %	2.1	1.8	-0.3	-0.4
Residential real estate price index	100.0	85.7	73.2	65.1
Estonia	2018	2019	2020	2021
GDP-growth, %	3.9	-2.9	-3.0	-0.0
Unemployment, %	6.5	9.4	12.1	10.7
Inflation, %	3.7	3.3	-0.5	-1.2
Residential real estate price index	100.0	88.0	76.4	70.2
Latvia	2018	2019	2020	2021
GDP-growth, %	5.0	-2.9	-2.6	0.0
Unemployment, %	8.0	10.6	11.3	10.7
Inflation, %	3.2	2.7	-0.7	-0.8
Residential real estate price index	100.0	84.4	70.4	62.1
Lithuania	2018	2019	2020	2021
GDP-growth, %	3.8	-3.5	-3.6	-0.2
Unemployment, %	7.3	10.4	11.7	11.0
Inflation, %	2.4	2.9	-0.6	-1.1
Residential real estate price index	100.0	86.4	71.0	60.1
Interest Rates	2018	2019	2020	2021
3M government rates SEK, %	-0.73	-0.73	-0.73	-0.73
3M government rates EUR, %	-0.66	-0.66	-0.66	-0.66
FX	2018	2019	2020	2021
USD/SEK	8.90	9.12	9.23	9.35
EUR/SEK	10.19	10.57	10.65	10.74

- 1) Figures for 2018 are based on preliminary estimates due to final figures being published after the submission of the ICAAP report.

Income statement under ICAAP-Scenario¹

SEKbn	2018	2019	2020	2021
Net interest income	26.7	26.2	25.3	25.0
Total income	44.6	41.2	40.7	40.5
Total expenses	17.5	18.0	17.8	17.8
Profit before impairments	27.1	23.2	22.9	22.7
Credit impairments	0.8	13.0	15.5	7.8
Operating profit	26.3	10.2	7.4	14.9
Tax expense	5.4	2.1	1.5	3.1
Profit for the period	20.9	8.1	5.9	11.8
Profit for the period attributable to:				
Shareholders of Swedbank AB	20.9	8.1	5.9	11.8
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. For example, the insurance operations are not included in the consolidated situation.

Swedbank in the scenario

In the simulated scenario that is calibrated to have an approximate likelihood of "1 in 25" years, the net interest income drops by SEK 1.7bn compared to the starting position. The main drivers underlying this development are widened funding spreads and increased volumes of non-performing, non revenue generating loans in the portfolio. New credit impairments amount to SEK 36.3bn with total provisions increasing six times driven by an eightfold increase in Stage 3 provisioning as per IFRS 9 definition and material additions to Stage 2 induced by rating migrations. Losses are tilted to the first two years of the scenario and only recede in the third year, although the absolute level still dwarfs the pre-crisis impairments. The Large Corporates and Institutions (LC&I) business area proves to be the most vulnerable to the simulated shock and accounts for 46 per cent of total losses. The Swedish Banking credit portfolio generates 43 per cent of accumulated losses, while the Baltic Banking business area – the remaining 11 per cent. Sectors that are most heavily affected by the crisis as gauged by cumulative loss ratios are shipping, and offshore, retail and construction.

Credit Impairments and EAD¹ per Operating segment²

SEKbn	EAD 2018	Credit Impairments		
		2019	2020	2021
Swedish Banking	1 285.5	4.2	6.4	5.1
Large Corporates & Institutions	348.9	6.8	8.2	1.7
Baltic Banking Estonia	87.0	0.6	0.3	0.4
Baltic Banking Latvia	40.9	0.6	0.2	0.2
Baltic Banking Lithuania	63.4	0.8	0.4	0.4
Other	290.1			
Total	2 115.8	13.0	15.5	7.8

1) Exposure at Default.

2) The ICAAP calculations are based on the consolidated situation, which in some cases differs from the Swedbank Group. For example, the insurance operations are not included in the consolidated situation.

Internal capital requirement

In its ICAAP, 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 things, IRB model revisions and effects associated with the IFRS 16 reporting standards.

REA and Capital	2018	2019	2020	2021
REA, SEKbn	637.9	713.2	710.3	713.4
Common Equity Tier 1, SEKbn	103.8	108.4	108.9	111.5
Common Equity Tier 1 ratio, %	16.3	15.2	15.3	15.6

Common Equity Tier 1 capital improves in nominal terms compared to the starting value at 2018-end due to the profit generation and positive contribution of SEK 2.5bn to other comprehensive income in the first year associated with the post-employment benefit plan (IAS 19) liabilities. This is illustrative of Swedbank's resilience as it happens against the backdrop of soaring credit losses and dwindling revenues. However, significantly increasing REA driven by credit portfolio migrations, currency effects and other factors negatively impacts the CET1 ratio, which drops by 1.08 percentage points at its trough. Nevertheless, Swedbank is not expected to breach forecasted regulatory capital requirements at any point of the scenario.

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 need for economic capital over a one year horizon with a 99.9 per cent confidence interval for each risk type. Diversification effects between risk types are not taken into consideration in the calculation of economic capital.

As of 31 December 2019, the internally measured internal capital requirement for Swedbank's consolidated situation amounted to SEK 34.7bn. The capital that meets the internal capital requirement, i.e. the capital base, amounted to SEK 141.6bn

External stress tests

In 2019, 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 stress tests reaffirmed a relatively low risk profile of Swedbank as no capital planning buffer was prescribed by the SFSA. Swedbank was also part of the EBA industry-wide stress testing effort in 2018 where Swedbank looked strong in peer rankings.

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. The consolidated situation on 31 December 2019 included the Swedbank Group with the exception of insurance companies. In addition, Entercard Group was included through the proportional consolidation method. The table below contains the information that must be published according to the SFSA's regulations

Capital adequacy	Consolidated situation	
	2019	2018
Common Equity Tier 1 capital	110 073	103 812
Additional Tier 1 capital	16 153	10 949
Tier 1 capital	126 226	114 761
Tier 2 capital	15 328	22 232
Total own funds	141 554	136 993
Risk exposure amount	649 237	637 882
Common Equity Tier 1, capital ratio, %	17.0	16.3
Tier 1 capital ratio, %	19.4	18.0
Total capital ratio, %	21.8	21.5

Capital adequacy	Consolidated situation	
	2019	2018
Shareholders' equity according to the Group's balance sheet	138 608	137 396
Non-controlling interests		72
Anticipated dividend	-9 856	-15 885
Deconsolidation of insurance companies	-758	-438
Value changes in own financial liabilities including derivatives	-90	-107
Cash flow hedges	-5	-2
Additional value adjustments ¹	-454	-454
Goodwill	-13 090	-12 929
Goodwill in significant investments	-709	-709
Deferred tax assets	-108	-113
Intangible assets after deferred tax liabilities	-3 433	-2 974
Shares deducted from CET1 capital	-32	-45
Common Equity Tier 1 capital	110 073	103 812
Additional Tier 1 capital	16 153	10 949
Total Tier 1 capital	126 226	114 761
Tier 2 capital	15 328	22 232
Total own funds	141 554	136 993
Minimum capital requirement for credit risks, standardised approach	3 614	3 328
Minimum capital requirement for credit risks, IRB	21 559	21 715
Minimum capital requirement for credit risk, default fund contribution	47	29
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1 308	1 042
Trading book	1 292	999
of which VaR and SvAr	1 021	719
of which risks outside VaR and SvAr	271	280
FX risk other operations	16	43
Minimum capital requirement for credit value adjustment	378	307
Minimum capital requirement for operational risks	5 481	5 182
Additional minimum capital requirement, Article 3 CRR ²	2 451	2 743
Additional minimum capital requirement, Article 458 CRR ⁷	17 101	16 685
Minimum capital requirement	51 939	51 031
Risk exposure amount credit risks, standardised approach	45 174	41 606
Risk exposure amount credit risks, IRB	269 485	271 437

(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 default fund contribution	584	357
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	16 350	13 024
Risk exposure amount credit value adjustment	4 730	3 826
Risk exposure amount operational risks	68 514	64 779
Additional risk exposure amount, Article 3 CRR ²	30 635	34 286
Additional risk exposure amount, Article 458 CRR ⁷	213 765	208 567
Risk exposure amount	649 237	637 882
Common Equity Tier 1 capital ratio, %	17.0	16.3
Tier 1 capital ratio, %	19.4	18.0
Total capital ratio, %	21.8	21.5

Capital buffer requirement ³ , %	Consolidated situation	
	2019	2018
CET1 capital requirement including buffer requirements	12.0	11.6
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	2.0	1.6
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirement ⁴	12.5	11.8

Leverage ratio	Consolidated situation	
	2019	2018
Tier 1 Capital	126 226	114 761
Leverage ratio exposure	2 353 631	2 241 604
Leverage ratio, %	5.4	5.1

Capital adequacy for the financial conglomerate ⁵	Financial conglomerate	
	2019	2018
Own funds after adjustments and deductions	149 939	143 661
Capital requirement	116 698	110 014
Surplus	33 241	33 647
Financial conglomerate solvency ratio, %⁶	128.5	130.6

- 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 corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
- 3) Buffer requirement according to Swedish implementation of CRD IV.
- 4) CET1 capital ratio as reported less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
- 5) 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).
- 6) Calculated as the financial conglomerate's own funds after adjustment and deductions divided with the capital requirement for the financial conglomerate.
- 7) 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.

Capital requirements ¹	SEKm	SEKm	Per cent	Per cent
SEKm / Per cent	2019	2018	2019	2018
Capital requirement Pillar 1	100 766	96 320	15.5	15.1
of which Buffer requirements ²	48 827	45 290	7.5	7.1
Total capital requirement Pillar 2³	22 140	21 045	3.4	3.3
Total capital requirement Pillar 1 and 2	122 906	117 365	18.9	18.4
Own funds	141 554	136 993		

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 and countercyclical capital buffer

3) Systemic risk buffer as of 31 December 2019. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 30 September 2019, in relation to REA as of 31 December 2019

Credit risks, IRB	2 019		
	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

Credit risks, IRB	2 018		
	Exposure amount	Average risk weight, %	Minimum capital requirement
Central government or central banks exposures	296 418	2	375
Institutional exposures	49 183	19	766
Corporate exposures	532 566	33	13 963
Retail exposures	1 165 008	7	6 226
of which mortgage lending	1 047 939	5	3 929
of which other lending	117 069	25	2 297
Non credit obligation	8 508	57	385
Total credit risks, IRB	2 051 683	13	21 715

Minimum capital requirements for market risks	Consolidated situation	
	2019	2018
Interest rate risk	1 293	992
of which for specific risk	270	279
of which for general risk	1 023	713
Equity risk	106	53
of which for specific risk	1	0
of which for general risk	105	53
Currency risk in trading book	131	202
Total minimum capital requirement for risks in trading book¹	1 292	999
of which stressed VaR	808	586
Currency risk outside trading book	16	43
Total	1 308	1 042

Minimum capital requirement for operational risks	Consolidated situation	
	2019	2018
Standardised approach	5 481	5 182
of which trading and sales	322	232
of which retail banking	3 134	3 006
of which commercial banking	1 164	1 094
of which payment and settlement	372	366
of which retail brokerage	1	1
of which agency services	44	44
of which asset management	418	410
of which corporate finance	26	29
Total	5 481	5 182

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 Estonia AS', Swedbank Latvia AS' and Swedbank Lithuania AB's capital requirements for general interest rate risk and currency risk in the trading book are calculated according to the VaR model.

Exposure amount, Risk exposure amount and Minimum capital requirement	Consolidated situation 2019			Consolidated situation 2018		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	79 511	45 174	3 614	64 110	41 606	3 328
Central government or central banks exposures	64			213		
Regional governments or local authorities exposures	2 583	371	30	2 193	269	21
Public sector entities exposures	1 399	161	13	1 708	68	5
Multilateral development banks exposures	2 061	3	0	2 566		
International organisation exposures				372		
Institutional exposures	28 091	659	53	15 156	345	27
Corporate exposures	5 357	5 095	408	4 700	4 475	358
Retail exposures	19 575	14 101	1 128	17 960	12 899	1 032
Exposures secured by mortgages on immovable property	6 608	2 312	185	6 175	2 163	173
Exposures in default	736	749	60	556	562	45
Exposures in the form of covered bonds	564	56	4	220	23	2
Exposures in the form of collective investment undertakings (CIUs)	6	6	0	8	8	1
Equity exposures	9 237	19 296	1 544	8 100	17 535	1 403
Other items	3 230	2 365	189	4 183	3 259	261
Credit risks, IRB	2 156 946	269 485	21 559	2 051 683	271 437	21 715
Central government or central banks exposures	362 380	5 021	402	296 418	4 689	375
Institutional exposures	53 466	9 855	788	49 183	9 581	766
Corporate exposures	544 080	169 325	13 546	532 566	174 531	13 963
of which specialized lending in category 1	50	29	2	3	2	0
of which specialized lending in category 2	284	240	19	316	271	22
of which specialized lending in category 3	141	162	13	182	209	17
of which specialized lending in category 4	116	289	23	150	376	30
of which specialized lending in category 5	18	0	0	88		
Retail exposures	1 184 439	77 162	6 173	1 165 008	77 826	6 226
of which mortgage lending	1 070 279	49 094	3 928	1 047 939	49 110	3 929
of which other lending	114 160	28 068	2 245	117 069	28 716	2 297
Non-credit obligation	12 581	8 122	650	8 508	4 810	385
Credit risks, Default fund contribution		584	47		357	29
Settlement risks	0	0	0	177	0	0
Market risks		16 350	1 308		13 024	1 042
Trading book		16 150	1 292		12 486	999
of which VaR and SVaR		12 763	1 021		8 984	719
of which risks outside VaR and SVaR		3 387	271		3 502	280
FX risk other operations		200	16		538	43
Credit value adjustment	19 004	4 730	378	16 024	3 826	307
Operational risks		68 514	5 481		64 779	5 182
of which Standardised approach		68 514	5 481		64 779	5 182
Additional risk exposure amount, Article 3 CRR		30 635	2 451		34 286	2 743
Additional risk exposure amount, Article 45B CRR		213 765	17 101		208 567	16 685
Total	2 255 461	649 237	51 939	2 131 994	637 882	51 031

G5 Operating segments

2019	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	16 253	5 239	3 776	721		25 989
Net commissions	7 862	2 690	2 321	57	54	12 984
Net gains and losses on financial items	433	286	2 201	710	-1	3 629
Share of the profit or loss of associates and joint ventures	839			-17		822
Other income	985	831	211	670	-162	2 536
Total income	26 372	9 046	8 509	2 141	-109	45 960
of which internal income	63		162	520	-745	
Staff costs	2 933	1 091	1 391	5 265	-1	10 679
Variable staff costs	53	56	157	174		440
Other expenses	6 147	1 981	2 305	-3 011	-108	7 314
Depreciation/amortisation	234	175	123	1 019		1 551
Total expenses	9 367	3 303	3 976	3 447	-109	19 984
Profit before impairment	17 005	5 743	4 533	-1 306		25 976
Impairment of intangible fixed assets				79		79
Impairment of tangible assets		8				8
Credit impairment	154	3	1 312			1 469
Operating profit	16 851	5 732	3 221	-1 385		24 420
Tax expense	3 271	814	740	-114		4 711
Profit for the year	13 580	4 918	2 481	-1 271		19 709
Profit for the year attributable to the shareholders of Swedbank AB	13 568	4 918	2 481	-1 271		19 697
Non-controlling interests	12					12
Net commission income						
Commission income						
Payment processing	723	737	382	272	-30	2 084
Cards	2 562	1 720	2 058	-102	-290	5 948
Service concepts	863	119	312	-44	-2	1 248
Asset Management and custody	5 331	381	1 256	31	-36	6 963
Corporate Finance and securities	205		351	14	-8	562
Lending and guarantee	272	250	668	8		1 198
Deposits	24	136	4			164
Real estate brokerage	187					187
Life and non-life Insurance	597	78		2		677
Other commission income	199	26	177	38	1	441
Total commission income	10 963	3 447	5 208	219	-365	19 472
Commission expense	3 101	757	2 887	162	-419	6 488
Net Commission Income	7 862	2 690	2 321	57	54	12 984

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 bank'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 (operating profit 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 owner-

ship interests in the Baltic companies Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in the lending and 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 Lending & Payments, Group Savings, Digital Banking, Group IT, CFO Office (including Group Treasury), CEO Office (including Corporate Affairs, HR and Legal.), Customer Value Management (CVM), Risk, Compliance, The Group Executive Committee and Internal Audit are also included in Group Functions. During 2019 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organisation. Comparative figures have been restated. The negative result in Group Functions mainly relates to expenses rose due to increased-staff costs and consulting expenses to manage money laundering investigations. A VAT provision, severance pay to former members of the Group Executive Committee and fraud related expenses also had an impact.

2019	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks	769	3 279	8 933	183 173	-868	195 286
Loans to credit institutions	6 334	49	81 207	174 752	-216 890	45 452
Loans to the public	1 196 255	185 544	269 831	666		1 652 296
Interest-bearing securities		1 299	44 098	150 990	-1 926	194 461
Financial assets for which customers bear inv. risk	219 320	5 573				224 893
Investments in associates and joint ventures	4 528			2 151		6 679
Derivatives	-32		53 216	29 326	-38 086	44 424
Tangible and intangible assets	2 105	12 034	772	8 525		23 436
Other assets	3 914	65 441	15 289	449 425	-512 768	21 301
Total assets	1 433 193	273 219	473 346	999 008	-770 538	2 408 228
Amounts owed to credit institutions	25 725		184 172	63 340	-203 551	69 686
Deposits and borrowings from the public	571 465	240 533	149 175	-119	-7 041	954 013
Debt securities in issue		1 305	10 034	848 305	-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	551 486		47 047	169	-518 043	80 659
Senior non-preferred liabilities				10 805		10 805
Subordinated liabilities				31 934		31 934
Total liabilities	1 368 563	247 743	445 596	978 256	-770 538	2 269 620
Allocated equity	64 630	25 476	27 750	20 752		138 608
Total liabilities and equity	1 433 193	273 219	473 346	999 008	-770 538	2 408 228
Key figures						
Return on allocated equity, total operations, %	21,0	19,6	9,1	-7,4		14,7
Cost/income ratio	0,36	0,37	0,47	1,61		0,43
Credit impairment ratio, %	0,01	0,00	0,47	0,00		0,09
Loans/deposits	209	77	158	150		168
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, stage 3, SEKbn	3	2	9			14
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	1 196	186	223	1		1 606
Provisions for expected credit impairments, SEKbn	1	1	5			7
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	571	241	142			954
Risk exposure amount, SEKbn	391	94	144	20		649
Full-time employees	3 610	3 656	1 244	6 708		15 218
Allocated equity, average, SEKbn	64	25	27	17		134

2018	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	15 376	4 768	3 982	1 092		25 228
Net commissions	7 598	2 503	2 605	84	46	12 836
Net gains and losses on financial items	406	272	1 777	-345	2	2 112
Share of the profit or loss of associates and joint ventures	693			335		1 028
Other income	1 484	737	156	835	-194	3 018
Total income	25 567	8 280	8 520	2 001	-146	44 222
of which internal income	55		127	479	-661	
Staff costs	3 101	954	1 356	4 345		9 756
Variable staff costs	71	57	201	199		528
Other expenses	5 793	1 833	2 201	-3 816	-146	5 865
Depreciation/amortisation	57	91	83	455		686
Total expenses	9 022	2 935	3 841	1 183	-146	16 835
Profit before impairment	16 545	5 345	4 679	818		27 387
Impairment of intangible fixed assets				306		306
Impairment of tangible assets		8				8
Credit impairment	598	-208	142	-11		521
Operating profit	15 947	5 545	4 537	523		26 552
Tax expense	3 073	802	977	522		5 374
Profit for the year	12 874	4 743	3 560	1		21 178
Profit for the year attributable to the shareholders of Swedbank AB	12 858	4 743	3 560	1		21 162
Non-controlling interests	16					16
Net commission income						
Commission income						
Payment processing	729	703	390	274	-33	2 063
Cards	2 321	1 562	2 145	-2	-385	5 641
Service concepts	820	99	320	-54		1 185
Asset Management and custody	5 073	408	1 251	-8	-38	6 686
Corporate Finance and securities	211		378	2	-2	589
Lending and guarantee	289	235	702	23	1	1 250
Deposits	26	140	5	2		173
Real estate brokerage	181					181
Life and non-life Insurance	612	57		-5		664
Other commission income	218	25	264	28		535
Total commission income	10 480	3 229	5 455	260	-457	18 967
Commission expenses	2 882	726	2 850	176	-503	6 131
Net Commission Income	7 598	2 503	2 605	84	46	12 836

2018	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks	1 227	3 032	2 401	156 501		163 161
Loans to credit institutions	5 557	25	116 193	166 366	-251 873	36 268
Loans to the public	1 186 647	169 147	261 217	10 357		1 627 368
Interest-bearing securities	259	1 475	46 501	109 619	-4 963	152 891
Financial assets for which customers bear inv. risk	173 367	4 501				177 868
Investments in associates and joint ventures	3 954			2 134		6 088
Derivatives	-37		46 501	23 460	-30 259	39 665
Tangible and intangible assets	815	11 598	698	5 973		19 084
Other assets	2 918	60 303	14 642	460 335	-514 499	23 699
Total assets	1 374 707	250 081	488 153	934 745	-801 594	2 246 092
Amounts owed to credit institutions	27 633		208 951	60 464	-239 830	57 218
Deposits and borrowings from the public	565 502	220 717	141 499	1 387	-8 355	920 750
Debt securities in issue		1 255	12 711	797 225	-6 831	804 360
Financial liabilities for which customers bear inv. risk	173 957	4 705				178 662
Derivatives			45 380	16 023	-30 087	31 316
Other liabilities	544 499		54 577	-379	-516 491	82 206
Subordinated liabilities				34 184		34 184
Total liabilities	1 311 591	226 677	463 118	908 904	-801 594	2 108 696
Allocated equity	63 116	23 404	25 035	25 841		137 396
Total liabilities and equity	1 374 707	250 081	488 153	934 745	-801 594	2 246 092
Key figures						
Return on allocated equity, total operations, %	20.9	20.7	14.0	0.0		16.1
Cost/income ratio	0.35	0.35	0.45	0.59		0.38
Credit impairment ratio, %1	0.05	-0.13	0.06	-0.05		0.03
Loans/deposits	212	77	160	95		172
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, stage 3, SEKbn	3	2	6			11
Loans to the public, excl. repurchase agreements and Swedish National Debt Office, total, SEKbn	1 187	170	221			1 578
Provisions for expected credit impairments SEKbn	2	1	3			6
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	560	221	139			920
Risk exposure amount, SEKbn	382	89	146	21		638
Full-time employees	3 833	3 586	1 196	6 250		14 865
Allocated equity, average, SEKbn	62	23	25	22		131

G6 Products

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			543		279	822
Other income	96	1 519	260	42	619	2 535
Total income	23 923	8 278	7 940	2 618	3 202	45 960

2018	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	23 074	189	1 384	-170	752	25 228
Net commissions	1 255	5 300	5 035	506	740	12 836
Net gains and losses on financial items	19	27	3	1 961	103	2 112
Share of the profit or loss of associates			489		539	1 028
Other income	49	1 256	249	33	1 430	3 018
Total income	24 397	6 773	7 160	2 329	3 563	44 222

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 the Group's 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
 Ektornet
 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 primarily based on where the business is carried out and is not comparable to the operating segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, has 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.

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 fixed assets	79								79
Impairment of tangible fixed assets			5	3					8
Credit impairment	172	20	-4	-13	1 059	58	177		1 469
Operating profit	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	3 753	528	15	241	32	11	49		4 629
of which paid tax	3 646	582	27	251	37	-1	55		4 597
Profit for the period	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	1 341	245	238	258	5		10	-13	2 084
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
Corporate Finance and securities	355	22	6	19	93	1	66		562
Lending and guarantee	660	92	68	90	156	70	88	-26	1 198
Deposits	28	9	48	79					164
Real estate brokerage	176						11		187
Life and non-life Insurance	599	78	25	23				-48	677
Other commission income	324	7	14	12	66	9	18	-9	441
Total commission income	14 515	1 302	1 032	1 294	667	80	742	-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	402	71	260	5	12 984

NOTES, GROUP

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 inv. 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 fixed 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

2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	19 100	2 175	1 082	1 291	1 102	87	387	4	25 228
Net commissions	9 422	882	787	973	438	51	264	19	12 836
Net gains and losses on financial items	1 557	103	115	84	188		66		2 112
Share of the profit or loss of associates and joint ventures	756	3			152		117		1 028
Other income	2 652	928	103	256	66	1	22	-1 010	3 018
Total income	33 487	4 091	2 087	2 604	1 946	138	856	-987	44 222
Staff costs	7 215	890	466	629	350	45	161		9 756
Variable staff costs	358	47	27	30	60	1	5		528
Other expenses	5 125	479	387	390	335	-14	150	-987	5 865
Depreciation/amortisation	526	60	44	41	12		3		686
Total expenses	13 224	1 476	924	1 090	757	32	319	-987	16 835
Profit before impairment	20 263	2 615	1 163	1 514	1 189	106	537		27 387
Impairment of intangible fixed assets	306								306
Impairment of tangible fixed assets				8					8
Credit impairment	895	-153	-26	-36	-288		129		521
Operating profit	19 062	2 768	1 189	1 542	1 477	106	408		26 552
Tax expense	3 981	500	233	244	327	25	64		5 374
of which current tax	4 021	682	3	229	341	25	64		5 365
of which paid tax	4 296	589	95	36	81	5	63		5 165
Profit for the period	15 081	2 268	956	1 298	1 150	81	344		21 178
Profit for the year attributable to the shareholders of Swedbank AB									
	15 065	2 268	956	1 298	1 150	81	344		21 162
Non-controlling interests	16								16

Net commission income**Commission income**

Payment processing	1 363	233	227	243	1		8	-12	2 063
Cards	3 477	569	485	508	196		406		5 641
Service concepts	942			99	115		54	-25	1 185
Asset Management and custody	6 218	236	120	126			21	-35	6 686
Corporate Finance and securities	395	27	12	12	81	7	55		589
Lending and guarantee	700	83	67	86	178	53	87	-4	1 250
Deposits	31	9	46	87					173
Real estate brokerage	170						11		181
Life and non-life Insurance	606	57	24	27				-50	664
Other commission income	370	13	13	13	98	9	22	-3	535
Total commission income	14 272	1 227	994	1 201	669	69	664	-129	18 967
Commission expense	4 850	345	207	228	231	18	400	-148	6 131
Net Commission Income	9 422	882	787	973	438	51	264	19	12 836

2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	4 595	23 197	21 885	37 108	795	26 228	49 353		163 161
Loans to credit institutions	30 965	3 013	1 013	1 680	4 503	74 056	546	-79 508	36 268
Loans to the public	1 383 951	79 926	34 931	54 638	53 010	2 020	19 888	-996	1 627 368
Interest-bearing securities	136 027	3 117	767	1 299	7 279	2 152	2 250		152 891
Financial assets for which customers bear inv. risk	173 478	4 390							177 868
Investments in associates and joint ventures	4 806	14			1 005		263		6 088
Derivatives	31 883	182	46	83	10 947		737	-4 213	39 665
Tangible assets and intangible fixed assets	7 039	4 611	2 671	4 513	238		12		19 084
Other assets	35 598	1 061	958	542	3 407	168	1 813	-19 848	23 699
Total assets	1 808 342	119 511	62 271	99 863	81 184	104 624	74 862	-104 565	2 246 092
Amounts owed to credit institutions	55 331	516	32	45	60 118	27 053	69 348	-155 225	57 218
Deposits and borrowings from the public	688 031	88 714	50 451	86 299	4 249	747	3 061	-802	920 750
Debt securities in issue	728 158	11				76 191			804 360
Financial liabilities for which customers bear inv. risk	173 957	4 705							178 662
Derivatives	23 926	193	54	79	10 236		723	-3 895	31 316
Other liabilities		15 405	5 773	5 671				55 357	82 206
Subordinated liabilities	34 184								34 184
Total liabilities	1 703 587	109 544	56 310	92 094	74 603	103 991	73 132	-104 565	2 108 696
Allocated equity	104 755	9 967	5 961	7 769	6 581	633	1 730		137 396
Total liabilities and equity	1 808 342	119 511	62 271	99 863	81 184	104 624	74 862	-104 565	2 246 092

G8 Net interest income

	2019			2018		
	Average balance	Interest income/expense	Average annual interest rate, %	Average balance	Interest income/expense	Average annual interest rate, %
Cash and balances with central banks	253 617	439	0,17	354 898	607	0,17
Treasury bills and other bills eligible for refinancing with central banks, etc.	144 829	172	0,12	124 558	160	0,13
Loans to credit institutions	50 525	539	1,07	39 373	147	0,37
Loans to the public	1 668 584	32 947	1,97	1 602 128	31 069	1,94
Interest-bearing securities	66 347	118	0,18	70 937	56	0,08
Total interest-bearing assets	2 183 902	34 215	1,57	2 191 894	32 039	1,46
Derivatives	49 960	1 473		66 752	2 157	
Other assets	271 084	216		248 122	202	
Total assets	2 504 946	35 904	1,43	2 506 768	34 398	1,37
deduction of trading interests reported in net gains and losses on financial items		534			340	
Interest income		35 370			34 058	
Amounts owed to credit institutions	103 576	1 005	0,97	112 165	971	0,87
Deposits and borrowings from the public	988 620	1 663	0,17	951 561	1 234	0,13
of which deposit guarantee fees		457			414	
Debt securities in issue	905 652	11 464	1,27	941 181	12 726	1,35
Senior non-preferred liabilities	1 450	15	1,03			
Subordinated liabilities	30 627	993	3,24	30 114	1 016	3,37
Total Interest-bearing liabilities	2 029 925	15 140	0,75	2 035 021	15 947	0,78
Derivatives	35 514	-6 945		52 001	-8 945	
Other liabilities	305 571	1 246		288 301	1 702	
of which government resolution fund fee		1 117			1 656	
of which lease liabilities	3 810	42	1,10			
Total liabilities	2 371 010	9 441	0,40	2 375 323	8 704	0,37
Equity	133 936			131 445		
Total liabilities and equity	2 504 946	9 441	0,38	2 506 768	8 704	0,35
deduction of trading interests reported in net gains and losses on financial items		60			-126	
Interest expense		9 381			8 830	
Net interest income		25 989			25 228	
Net investment margin before trading interest are deducted			1,06			1,02
Interest income on Stage 3 loans		291			279	
Interest expense on financial liabilities at amortised cost		15 672			17 337	
Negative yield on financial assets		2 031			2 987	
Negative yield on financial liabilities		592			770	

G9 Net commission income

2019	Commission income			Commission expense	Net commission income
	Over time	Point in time	Total		
Payment processing	513	1 571	2 084	-1 167	917
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	93	441	-228	213
Total	11 128	8 344	19 472	-6 488	12 984

2018	Commission income			Commission expense	Net commission income
	Over time	Point in time	Total		
Payment processing	581	1 482	2 063	-1 166	897
Cards	789	4 852	5 641	-2 465	3 176
Service concepts	1 185		1 185	-177	1 008
Asset management and custody	6 686		6 686	-1 573	5 113
Life insurance	562	14	577	-191	386
Securities	34	432	466	-296	170
Corporate finance	123		123		123
Lending	740	275	1 015	-67	948
Guarantee	200	36	235		235
Deposits	142	31	173		173
Real estate brokerage		181	181		181
Non-life insurance	87		87	-33	54
Other	474	60	535	-163	372
Total	11 605	7 362	18 967	-6 131	12 836

G10 Net gains and losses on financial items

	2019	2018
Fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	314	984
of which dividend	115	170
Interest-bearing instruments and interest related derivatives	878	-258
Other financial instruments	-10	-15
Total	1 182	711
Other		
Shares	690	-26
of which dividend	37	11
Interest-bearing instruments	-215	-265
Total	475	-291
Designated at fair value through profit or loss		
Financial liabilities	85	238
Total	85	238
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	3 368	-373
Hedged item	-3 357	339
Total	11	-34
Ineffective part in portfolio hedge accounting at fair value		
Hedging instruments	540	-16
Hedged item	-497	-22
Total	43	-38
Ineffective part in cash flow hedges	7	1
Derecognition gain or loss for financial liabilities at amortised cost	-153	-249
Derecognition gain or loss for financial assets at amortised cost	212	133
Trading related interest		
Interest income	534	340
Interest expense	-60	126
Total	474	466
Change in exchange rates	1 293	1 176
Total	3 629	2 112

G11 Net insurance

	2019	2018
Insurance premiums		
Life insurance	1 624	1 464
Non-life insurance	1 111	972
Total	2 735	2 436
Insurance provisions		
Life insurance	-613	-644
Non-life insurance	-657	-600
Total	-1 270	-1 244
Net insurance		
Life insurance	1 011	820
Non-life insurance	454	372
Total	1 465	1 192

G12 Other income

	2019	2018
Profit from sale of subsidiaries and associates	66	688
Income from real estate operations	13	17
Profit from sale of condominiums	8	
Sold inventories	25	15
of which revenues	248	248
of which carrying amount	-223	-233
IT services	410	535
Other operating income	549	571
Total	1 071	1 826

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. During 2018 the shares in the associated company UC AB were sold giving a capital gain of SEK 677m.

G13 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	2019	2018
Salaries and Board fees	6 976	6 455
Compensation through shares in Swedbank AB	273	322
Social insurance charges	1 984	2 049
Pension costs ¹	1 303	1 128
Training costs	130	123
Other staff costs	453	207
Total	11 119	10 284
of which variable staff costs	440	528
of which personnel redundancy costs	144	-179

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 2016, Programme 2017, Programme 2018 and Programme 2019. In 2019 shares associated with Programme 2015 were transferred.

2.1 Programme 2019

Programme 2019 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 480 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 percent of the variable pay is deferred for 4 years. 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 2019 as well as Programmes 2016–2018 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.

No allocation of variable compensation, Eken and IP, has been done to higher levels of managers and senior executives for performance in 2019.

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 Programme 2014–2019	2019	2018
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB		20
Recognised expense for social insurance charges related to the share-settled compensation		6
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	10	48
Recognised expense for social insurance charges related to the share-settled compensation	2	19
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	54	62
Recognised expense for social insurance charges related to the share-settled compensation	-2	17
Recognised expense for cash-settled compensation	0	
Recognised expense for payroll overhead costs related to the cash-settled compensation	0	
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	49	52
Recognised expense for social insurance charges related to the share-settled compensation	2	12
Recognised expense for cash-settled compensation	6	1
Recognised expense for fund compensation	1	4
Recognised expense for payroll overhead costs related to the cash-settled compensation and fund shares	1	1
Programme 2018		
Recognised expense for compensation that is settled with shares in Swedbank AB	65	139
Recognised expense for social insurance charges related to the share-settled compensation	3	29
Recognised expense for cash-settled compensation	28	104
Recognised expense for fund compensation	2	11
Recognised expense for payroll overhead costs related to the cash-settled compensation and fund shares	10	3
Programme 2019		
Recognised expense for compensation that is settled with shares in Swedbank AB	96	
Recognised expense for social insurance charges related to the share-settled compensation	19	
Recognised expense for cash-settled compensation	56	
Recognised expense for fund compensation	7	
Recognised expense for payroll overhead costs related to the cash-settled compensation and fund shares	31	
Total recognised expense	440	528
Number of performance rights that establish the recognised share-based expense, millions	2019	2018
Outstanding at the beginning of the period	5,9	6,9
Allotted	2,1	2,1
Forfeited	0,3	0,3
Exercised	1	2,8
Outstanding at the end of the period	6,7	5,9
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	179	199
Weighted average remaining contractual life, months	19	20
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	2019
Jens Henriksson	
Fixed compensation, salary	3 250
Other compensation/benefits	52
Total	3 302
Pension cost, excluding payroll tax	944

Anders Karlsson was acting CEO from the 28 March until the 30 September 2019.

SEK Thousands	2019
Anders Karlsson	
Fixed compensation, salary	6 764
Other compensation/benefits	113
Total	6 877
Pension cost, excluding payroll tax	1 398

Birgitte Bonnesen was CEO until the 28 March 2019. Since Birgitte Bonnesen's employment was terminated by Swedbank, Birgitte Bonnesen receives 75 per cent of her salary during a 12-month term of notice. Subsequently Birgitte Bonnesen receives severance pay equivalent to 75 per cent of her salary during a period of 12 months. A deduction against severance pay is made in case of income earned from new work.

SEK Thousands	2019	2018
Birgitte Bonnesen		
Fixed compensation, salary	3 735	14 333
Other compensation/benefits	405	788
Termination benefits	26 601	0
Total	30 741	15 121
Pension cost, excluding payroll tax	1 307	4 550

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 Chief Executive Officer and three other senior executives. No allocation of variable compensation, Eken and IP, has been done to senior executives who are covered by variable compensation for the performance year 2019.

A total of 14 individuals were members of the Group Executive Committee at the end of the year: Aet Altroff, Ģirts Bērziņš, Mikael Björknert, Lars-Erik Danielsson, Gunilla Domeij Hallros, Anders Ekedahl, Anders Karlsson, Leif Karlsson, Ola Laurin, Jon Lidelfelt, Lotta Lovén, Tarmo Pajumets, Carina Strand and Kerstin Winlöf. Nine individuals have been active as other senior executives throughout the entire year. 13 were active as senior executives during part of the year: Gunilla Domeij Hallros, Björn Elfstrand, Charlotte Elsnitz, Ragnar Gustavii, Tomas Hedberg, Cecilia Hernqvist, Anders Karlsson, Helo Meigas, Jon Lidelfelt, Niclas Olsson, Tarmo Pajumets, Christer Trägårdh och Kerstin Winlöf.

Other senior executives	2019	2018
Fixed compensation, salary	61	75
Variable compensation, cash	0	0
Variable compensation, share-based	1	4
Other compensation/benefits ¹	4	10
Compensation at terminated contract ²	35	0
Total	101	89
Pension cost, excluding payroll tax	17	24
Number of performance rights share-based compensation used for the annual cost	7 870	17 901
Total number of allotted performance rights share-based compensation	60 348	91 368
No. of persons at year end	14	16

- 1) Includes holiday pay, employee loan interest benefit, share benefit, lunch subsidy, health care insurance benefit, telephone and fund discount.
2) Includes salary during term of notice, severance pay, pension costs and benefits, if any.

4.2 Pension and other contractual terms to other senior executives

4.2.1 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 2019 was SEK 64 400).

Nine senior executives are eligible for BTP2 and two senior executives are eligible for BTP1. In addition, an individual defined contribution pension is paid on fixed salaries exceeding 30 income base amounts for nine senior executives.

The maximum pensionable salary for the defined contribution portion for all senior executives is determined by the Board of Directors.

4.2.2 Other contractual terms

	Term of notice, termination by Swedbank	Severance pay, termination by Swedbank	Resignation by employee
4 persons	12 months	12 months	6 months
5 persons	12 months	6 months	6 months
1 person	6 months	12 months	6 months
1 person	1 month	6 months	1 month
1 person	3 months	12 months	1 month
1 person	3 months		1 month
1 person	5 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.
- 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 for those employed in Sweden.

5 COMPENSATION TO THE BOARD OF DIRECTORS

5.1 General information on remuneration to the entire Board of Directors

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 2019 to the Annual General Meeting 2020. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The three committees are the Audit Committee, the Risk and Capital Committee and the Remuneration 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	2019			2018		
	Board fees	Committee work	Total	Board fees	Committee work	Total
Göran Persson, Chair	2630	355	2985			
Bo Magnusson, Deputy chair	885	750	1 635			
Bodil Eriksson, Director	605	105	710	570	103	673
Josefin Lindstrand, Director	605	490	1 095			
Mats Granryd, Director	605	240	845	570	233	803
Bo Johansson, Director	605	250	855	570	230	800
Kerstin Hermansson, Director	605	240	845			
Anna Mossberg, Director until 2019-04-23 and from 2019-06-19	504	272	776	570	103	673
Anna Mossberg, Deputy chair from 2019-04-24 until 2019-06-18	148	18	166			
Magnus Uggla, Director	605	430	1 035	570	410	980
Lars Idermark, Chair until 2019-04-04	66	9	75	2 540	333	2 873
Ulrika Francke, Deputy chair until 2019-04-04	22	15	37	850	565	1 415
Ulrika Francke, Chair from 2019-04-05 until 2019-06-19	537	121	658			
Peter Norman, Director until 2019-06-19	141	114	255	570	463	1 033
Annika Poutiainen, Director				456	186	642
Siv Svensson, Director until 2019-06-19	141	151	292	570	590	1 160
Total	8 704	3 560	12 264	7 836	3 216	11 052

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. Below discloses the costs for 2019 and 2018.

SEK thousands	2019	2018
Within framework of Board fees set by the Board		
Göran Persson	1 589	
Lars Idermark	769	2 851
Total	2 358	2 851

6 SUMMARY - COMPENSATION TO THE BOARD OF DIRECTORS, CEO AND OTHERS IN THE GROUP EXECUTIVE COMMITTEE

Below shows the costs recognised for 2019 and 2018 for the Board of Directors, CEO and others in the Group Executive Committee. The costs exclude social charges and payroll taxes.

	2019	2018
Short-term employee benefits	91	111
Post employment benefits, pension costs	19	28
Termination benefits	61	
Share-based payments	1	4
Total	172	143
Granted loans	60	87

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.

	2019	2018
Cost for the year related to pensions and similar benefits	41	55
No. of persons	54	68
Granted loans	285	346
No. of persons	110	116

Pension obligations for former CEOs and Vice Presidents have been funded through insurance and pension foundations. The latter's obligations amounted to SEK 313m in 2019 (295). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any of 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	2019					2018				
	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	Salaries and Board fees	Variable compensation	Salaries and variable compensation	Total
Sweden	52	109	3	4 717	4 829	68	141	10	4 614	4 765
Estonia	20	18	1	767	786	29	23	2	658	683
Latvia	14	13	2	425	440	17	13	2	367	382
Lithuania	17	19	3	708	730	19	14	2	471	487
Norway	1	3		289	292	1	3		293	296
USA	1	6		31	37	1	5		32	37
Other countries	3	4		131	135	3	4		123	127
Total	108	172	9	7 068	7 249	138	203	16	6 558	6 777

9 KEY RATIOS

Average number of employees based on 1 585 hours per employee	2019	2018
Sweden	8 595	8 618
Estonia	2 746	2 662
Latvia	1 916	1 788
Lithuania	2 681	2 541
Norway	336	324
USA	16	19
Other countries	144	152
Total	16 433	16 102
Number of hours worked (thousands)	26 047	25 521
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	15 218	14 865

Employee turnover including retired staff ¹ , %	2019	2018
Swedish Banking	9,9	8,2
Large Corporates & Institutions	9,6	7,6
Baltic Banking	10,9	12,2
Group Functions	9,1	9,5
Total	9,8	9,6

Employee turnover excluding retired staff ¹ , %	2019	2018
Swedish Banking	7,8	9,6
Large Corporates & Institutions	8,4	7,9
Baltic Banking	10,9	12,2
Group Functions	7,9	10,4
Total	8,7	10,4

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 31 December of the previous year.

Other key ratios	2019	2018
Average number of employees	16 433	16 102
Number of employees at year-end	16 327	15 879
Number of full-time positions	15 218	14 865

Sick leave, %	2019	2018
Sick leave Sweden	3,8	3,7
Sick leave Estonia	1,8	1,5
Sick leave Latvia	2,8	2,5
Sick leave Lithuania	1,7	1,8
Long-term healthy employees, % ¹	70,7	68,9

1) Refers to the Swedish operations. Long-term healthy refer to employees with a maximum of five working days of sick leave during a rolling 12 month period.

Parental leave women/men, %	2019	2018
Sweden	72,2/27,8	71,3/28,7
Estonia	96,5/3,5	99,4/0,6
Latvia	99,3/0,7	99,2/0,8
Lithuania	96,3/3,1	98,4/1,6

Gender distribution, %	2019		2018	
	Female	Male	Female	Male
Sweden	56	44	56	44
Estonia	73	27	75	25
Latvia	77	23	77	23
Lithuania	70	30	71	29
Norway	27	73	26	74
USA	18	82	18	82
Other countries	52	48	53	47

Gender distribution for all employees, Group Executive Committee and Boards of Directors, %	2019		2018	
	Female	Male	Female	Male
All employees	63	37	63	37
Swedbank's Board of Directors	44	56	50	50
Group Executive Committee incl. CEO	33	67	41	59
Group Executive Committee and their respective management teams	42	58	37	63
Boards of Directors in the entire Group incl. subsidiaries	39	61	45	55
Senior executives in the entire Group incl. subsidiaries	35	65	34	66

Gender distribution, management positions, %	2019		2018	
	Female	Male	Female	Male
Management positions, total ¹	54	46	54	46
Management positions, Sweden	47	53	48	52
Management positions, Estonia	68	32	66	34
Management positions, Latvia	69	31	72	28
Management positions, Lithuania	52	48	53	47

1) Applicable for Swedbank's home markets: Sweden, Estonia, Latvia and Lithuania.

G14 Other general administrative expenses

	2019	2018
Expenses for premises	31	24
Rents etc. ¹	505	1 168
IT expenses ¹	2 170	1 955
Telecommunications, postage	122	137
Consulting	1 637	333
Compensation to savings banks	228	224
Other purchased services	953	793
Travel	230	223
Entertainment	40	52
Office supplies	82	104
Advertising, public relations, marketing	338	297
Security transports, alarm systems	69	60
Maintenance	77	90
Other administrative expenses ²	627	344
Other operating expenses	205	61
Total	7 314	5 865
1) of which		
Short-term leases	61	
Leases of low-value assets	6	
Variable lease payments not included in the lease liability	44	
Total leasing	111	

2) Other administrative expenses 2019 includes a reservation of non-deductible VAT of 248 msek.

	2019	2018
Remuneration to auditors		
Remuneration to auditors elected by Annual General Meeting, PwC		
Statutory audit	47	
Other audit	10	
Remuneration to auditors elected by Annual General Meeting, Deloitte		
Statutory audit	12	38
Other audit	1	3
Total	70	41
Internal Audit	80	76

G15 Depreciation/amortisation of tangible and intangible fixed assets

	2019	2018
Depreciation/amortisation		
Equipment	324	317
Owner-occupied properties	40	40
Right-of-use assets for rented premises	663	
Right-of-use assets for other	94	
Intangible fixed assets	430	329
Total	1 551	686

G16 Impairments of tangible assets including repossessed lease assets

	2019	2018
Impairment		
Investment properties	3	
Properties measured as inventory	2	7
Repossessed leasing assets	3	1
Total	8	8

G17 Credit impairment

	2019	2018
Credit impairment		
Loans at amortised Cost		
Impairment provisions – Stage 1	-12	80
Impairment provisions – Stage 2	-418	-502
Impairment provisions – Stage 3	844	671
Impairment provisions – Credit impaired, purchased or originated ¹	-4	6
Total	410	255
Write-offs	1 098	867
Recoveries	-202	-364
Total	896	503
Total – Amortised Cost	1 306	758

Commitments and financial guarantees

Impairment provisions – Stage 1	16	-27
Impairment provisions – Stage 2	-71	-70
Impairment provisions – Stage 3	217	-181
Total	162	-278
Write-offs	1	41
Total	1	41
Total – Commitments and financial guarantees	163	-237

Total Credit impairment 1 469 521

Credit impairment by borrower category

Credit institutions	2	-20
General public	1 467	541
Total	1 469	521

1) of which SEK -1m (-3) is a change in the gross carrying amount of purchased or originated credit-impaired assets due to remeasurement of expected credit losses recognized as part of the gross carrying amount on initial recognition.

G18 Tax

Tax expense	2019	2018
Tax related to previous years	-88	60
Current tax	4 631	5 365
Deferred tax	168	-51
Total	4 711	5 374

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2019		2018	
	SEKm	per cent	SEKm	per cent
Results	4 711	19,3	5 374	20,2
Current tax rate on pre-tax profit	5 226	21,4	5 842	22,0
Difference	-515	-2,1	-468	-1,8

The difference consists of the following items:

	2019	per cent	2018	per cent
Tax previous years	88	0,3	-60	-0,2
Tax -exempt income/non-deductible expenses	-249	-1,0	-248	-0,9
Tax-exempt capital gains and appreciation in value of shares and participating interest	63	0,3	139	0,5
Other tax basis in insurance operations	156	0,6	147	0,6
Tax in associates and joint ventures	174	0,7	225	0,8
Deviating tax rates in other countries	290	1,2	200	0,8
Revaluation of deferred taxes due to changed tax rate in Sweden	6	0,0	65	0,2
Other, net	-13	0,0	0	
Total	515	2,1	468	1,8

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 payment	1				1		2
Lease assets related to IFRS 16		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 investment in foreign operations	-580		580				0
Provision for pensions	-1 095	1	-796	13			-1 877
Cash flow hedges	13	-8	1				6
Intangible fixed assets	633	120					753
Provisions for credit impairments	44					1	45
Foreign currency basis risk	-131		-4				-135
Share-based payment	-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

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 (9). The assets are not recognised due to uncertainty when and if 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	684	555	23	85	21
Total	684	555	23	85	21

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 54 per cent (54) of the taxable losses that serve as the

basis for recognised deferred tax assets will be utilised before the end of 2022 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.

2018

Deferred tax assets	Opening balance	Amendments due to adoptions of IFRS 9	Income statement	Other comprehensive income	Equity	Exchange rate differences	Closing balance
Deductible temporary differences							
Other	49		-2			3	50
Share-based payment	1						1
Unused tax losses	128		-11			5	122
Unrecognised deferred tax assets	-5		-4				-9
Total	173		-17			8	164

Deferred tax liabilities

Taxable temporary differences

Untaxed reserves	2 443		-157				2 286
Hedge of net investment in foreign operations	-368			-212			-580
Provision for pensions	-784		55	-366			-1 095
Cash flow hedges	-60	61	8	4			13
Intangible fixed assets	585		48				633
Provisions for credit impairments		44					44
Foreign currency basis risk		-61	-54	-16			-131
Share-based payment	-23				8		-15
Owner-occupied properties	17		-1				16
Other	372		33				405
Total	2 182	44	-68	-590	8		1 576

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
		Latvia	Lithuania	Denmark	Norway	
2019	17	17				
Without maturity	739		631	13	51	44
Total	756	17	631	13	51	44

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 2016, Programme 2017, Programme 2018 and Programme 2019, 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. From an accounting perspective, the grant dates for Programme 2016 – 5 April 2016, for Programme 2017 – 30 March 2017, for Programme 2018 – 26 March 2018 and for Programme 2019 – 28 March 2019. The rights are treated as options in the calculation of earnings per share after dilution.

	2019	2018
Average number of shares		
Weighted average number of shares, before dilution	1 118 055 542	1 116 238 102
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	3 921 536	4 267 682
Weighted average number of shares, after dilution	1 121 977 078	1 120 505 784
Earnings per share		
Profit for the year attributable to the shareholders of Swedbank AB	19 697	21 162
Earnings per share before dilution, SEK	17,62	18,96
Earnings per share after dilution, SEK	17,56	18,89

G20 Tax for each component in other comprehensive income

	2019				2018			
	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	-3 866	796	1	797	-1 806	366		366
Remeasurements of defined benefit pension plans related to associates and joint ventures.	-127				-63			
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	17		-4	-4	22		-5	-5
Total	-3 976	796	-3	793	-1 847	366	-5	361
Items that may be reclassified to the income statement								
Exchange differences, foreign operations	739				1 870			
Hedging of net investments in foreign operations	-600	-580	744	164	-1 474	212	73	285
Cash flow hedges	5	-1		-1	18	-4		-4
Foreign currency basis risk	-18	4		4	-72	16		16
Share of associates and joint ventures	32				36			
Total	158	-577	744	167	378	224	73	297
Other comprehensive income	-3 818	219	741	960	-1 469	590	68	658

G21 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Nominal amount		
	2019	2018	1/1/2018	2019	2018	1/1/2018
Governments and Swedish central bank	133 012	94 772	80 949	131 426	90 706	79 106
Municipalities	3 937	4 806	4 460	3 884	7 118	4 392
Other	145	1	553	143	1	550
Total	137 094	99 579	85 962	135 453	97 825	84 048

G22 Loans to credit institutions

	2019	2018	1/1/2018
Loans and advances	40 859	32 342	27 208
Repurchase agreements	9	92	511
Cash collaterals posted	4 584	3 834	3 301
Total	45 452	36 268	31 020
	2019	2018	1/1/2018
Subordinated loans			
Associates	120	620	620
Other companies	53	51	50
Total	173	671	670

G23 Loans to the public

	2019	2018	1/1/2018
Loans and advances	1 570 746	1 545 894	1 469 759
Leasing	32 740	30 923	30 328
Cash collaterals posted	2 139	684	1 258
Total loans to the public excl repurchase agreements and Swedish National Debt Office	1 605 625	1 577 501	1 501 345
Repurchase agreements	36 942	37 278	22 185
Repurchase agreements, Swedish National Debt Office	9 725	2 436	2 862
Swedish National Debt Office	4	10 153	8 501
Total	1 652 296	1 627 368	1 534 893

Finance lease agreements distributed by maturity

2019	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	10 115	20 620	3 688	34 243
Unearned finance income	496	910	260	1 666
Net investment	9 619	19 710	3 428	32 757
Provisions for impaired claims related to minimum lease payments				17

The residual value of the leases in all cases are guaranteed by the lessees or third party. The lease income did not include any contingent rents. Finance leasing are included in Loans to the public and relates to vehicles, machinery, boats etc.

Finance lease agreements distributed by maturity

2018	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	9 334	19 633	3 395	32 362
Unearned finance income	553	732	139	1 424
Net investment	8 780	18 901	3 257	30 938
Provisions for impaired claims related to minimum lease payments				15

G24 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Nominal amount		
	2019	2018	1/1/2018	2019	2018	1/1/2018
Mortgage institutions	26 556	26 545	30 320	25 687	25 343	29 288
Banks	11 459	11 452	15 331	11 330	11 287	15 092
Other financial companies	8 894	3 983	5 384	9 204	3 872	5 192
Non-financial companies	10 458	11 332	8 412	9 809	11 152	8 284
Total	57 367	53 312	59 447	56 030	51 654	57 856

G25 Financial assets for which the customers bear the investment risk

	2019	2018	1/1/2018
Fund units	207 158	162 834	164 555
Interest-bearing securities	4 497	3 801	3 336
Shares	13 238	11 233	12 429
Total	224 893	177 868	180 320

G26 Shares and participating interests

	Carrying amount			Cost		
	2019	2018	1/1/2018	2019	2018	1/1/2018
Trading shares	611	1 224	18 206	606	1 478	17 608
Trading fund units	3 612	2 058	1 256	3 360	1 919	1 196
Condominiums	11	11	2	11	11	2
Strategic shares and other	2 334	1 628	387	1 644	1 657	357
Total	6 568	4 921	19 850	5 621	5 065	19 164

G27 Investments in associates and joint ventures

	2019	2018	1/1/2018
Fixed assets			
Credit institutions – Associates	3 210	2 821	2 724
Credit institutions – Joint Ventures	3 036	2 873	2 638
Other associates	317	394	799
Other joint ventures	116		
Total	6 679	6 088	6 161
Opening balance	6 088	6 161	
Additions during the year	481		
Change in accumulated profit shares, total comprehensive income	727	1 001	
Dividends received	-529	-1 045	
Disposals during the year	-88	-29	
Closing balance	6 679	6 088	

2019 Associates Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of a ssociate's profit
Credit institutions						
Sparbanken Skåne, Lund	516401-0091	3 670 342	1 278	1 070	22,00	109
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	410	125	50,00	54
Sparbanken Sjuhärad AB, Borås	516401-9852	4 750 000	1 197	288	47,50	127
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	88	41	40,00	5
Ölands Bank AB, Borgholm	516401-0034	637 000	237	231	49,00	6
Total credit institutions			3 210	1 755		301
Other associates						
Babs Paylink AB, Stockholm, disposed in 2019	556567-2200					8
BGC Holding AB, Stockholm	556607-0933	29 177	195	98	29,18	28
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	12	24	28,30	-6
Getswish AB, Stockholm	556913-7382	10 000	19	21	20,00	5
USE Intressenter AB, Uppsala	559161-9464	2 000	0	0	20,00	-0
VISA Sweden, ek för, Stockholm	769619-6828				42,09	3
Owned by subsidiaries						
Bankomat AB, Stockholm	556817-9716	150	74	66	20,00	4
Svensk Mäklarstatistik AB, Stockholm	556709-1292	750	2	1	25,00	1
SK ID Solutions AS	10747013	16	14	1	25,00	-0
Total other associates			317	211		43
Total associates			3 527	1 966		344

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 129 m (691) from VISA Sweden. Swedbank's cumulative share of associates' other comprehensive income for the year amounted to SEK -80m (-55) and the share of the year's total comprehensive income amounted to SEK 263m (493). As of 31 December 2019 Swedbank's share of associates' contingent liabilities and commitments amounted to SEK 398m (379) and SEK 2 468m (2 444), respectively.

2019 Joint venture Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of joint venture's profit
Credit institutions						
EnterCard Group AB, Stockholm	556673-0585	3 000	3 036	420	50,00	503
Other joint ventures						
Nordic KYC Utility AB, Stockholm	559210-0779	10 000	17	24	16,67	-7
P27 Nordic Payments Platform AB, Stockholm	559198-9610	10 000	99	117	16,67	-18
Total joint ventures			3 152	561		478
Total associates and joint ventures			6 679	2 527		822

Swedbank AB received dividends from EnterCard Group AB of SEK 325m (275) during the year. Condensed financial information for the EnterCard Group AB is shown below:

	2019	2018
Loans to the public	31 998	28 902
Total assets	39 026	35 582
Amounts owed to credit institutions	31 983	29 176
Total liabilities	32 850	29 834
Net interest income	3 182	2 929
Total income	3 637	3 356
Total expenses	1 571	1 471
Credit impairments	-741	-649
Operating profit	1 326	1 235
Tax expense	-319	-274
Profit for the year	1 006	961
Total comprehensive income	978	1 017

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 2019 Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value		
		< 1 yr.	1-5 yrs.	> 5 yrs.	2019	2018	2019	2018	1/1/2018	2019	2018	1/1/2018
Derivatives in hedge accounting												
Fair value hedges, interest rate swaps	G29	127 899	385 458	95 337	608 694	544 157	13 013	10 255	10 514	534	972	977
Portfolio fair value hedges, interest rate swaps	G29	113 883	269 280	10 565	393 728	335 805	702	207	278	1 331	1 401	1 392
Cash flow hedges, cross currency basis swaps	G29	620	939	7 721	9 280	9 405	190	89	12	33	65	334
Total		242 402	655 677	113 623	1 011 702	889 367	13 905	10 551	10 804	1 898	2 438	2 703
Non-hedge accounting derivatives												
Gross amount		7 952 111	5 775 222	2 323 878	16 051 211	12 933 005	102 833	59 379	54 489	113 311	61 788	56 381
Offset amount	G47	-5 344 977	-4 868 607	-1 843 876	-12 057 460	-6 880 365	-72 314	-30 265	-9 613	-74 232	-32 910	-12 884
Total		2 849 536	1 562 292	593 625	5 005 453	6 942 007	44 424	39 665	55 680	40 977	31 316	46 200
Non-hedging derivatives												
Interest-related contracts												
Options		369 380	448 634	158 583	976 597	1 350 826	1 954	894	616	2 645	1 823	1 550
Forward contracts		4 786 439	1 273 670		6 060 109	6 360 860	957	643	376	965	579	360
Swaps		1 649 935	3 671 637	2 059 384	7 380 956	3 727 504	58 317	26 410	28 843	60 719	28 243	30 418
Other												
Currency-related contracts												
Options		37 674	661		38 335	51 471	231	258	316	223	242	338
Forward contracts		846 245	21 530	137	867 912	831 238	7 804	5 880	7 927	12 103	5 831	10 126
Swaps		166 317	349 751	104 564	620 632	510 783	8 015	7 391	7 288	12 346	7 927	6 651
Other												
Other												
Equity-related contracts												
Options		83 238	8 723	1 210	93 171	83 262	25 385	17 292	8 684	24 081	16 633	6 528
Forward contracts		4 532			4 532	10 719	30	447	190	29	236	96
Swaps		3 571			3 571	2 317	19	22	124	71	138	198
Other												
Credit-related contracts												
Swaps			522		522				30	13		25
Commodity-related contracts												
Options		850			850	328	15	13		15	13	
Forward contracts		3 930	94		4 024	3 457	105	129	95	101	122	91
Total		7 952 111	5 775 222	2 323 878	16 051 211	12 933 005	102 833	59 379	54 489	113 311	61 788	56 381

G29 Hedge accounting

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 currencies and tenors. 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.

2019

Hedging instruments and hedge ineffectiveness

	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss
		Assets	Liabilities		
Interest rate risk					
Interest rate swaps, Loans to the public, Portfolio hedge	393 728	702	1 331	541	43
Interest rate swaps, Debt securities in issue	566 723	12 706	369	3 247	9
Interest rate swaps, Senior non-preferred liabilities	10 416		117	-114	1
Interest rate swaps, Subordinated liabilities	31 555	307	47	235	2
Total	1 002 422	13 715	1 865	3 909	54

Hedged items

	Carrying amount		Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Loans to the public, Portfolio hedge	393 990		271		-498
Debt securities in issue		582 821		10 675	-3 237
Senior non-preferred liabilities		10 388		-114	114
Subordinated liabilities		31 759		175	-234
Total	393 990	624 968	271	10 736	-3 855

Hedge relationships in scope for Interest Rate Benchmark Reform

On 31 December 2019, the Group adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 due to the Interest Rate Benchmark Reform. The Amendments had the effect that the Reform will not generally cause in scope hedge accounting relationships to be terminated. The tables below provide details of the Group's relationships which are considered to be in scope.

Hedged items and hedging instruments	Nominal amount					
	AUD	CHF	GBP	HKD	JPY	USD
Total	1 542	3 357	17 917	2 062	5 463	56 161
Maturity before Interest rate benchmark reform	196	959	13 022	359	0	37 465
Directly attributable to Interest rate benchmark reform	1 346	2 398	4 895	1 703	5 463	18 695
Hedged reference rates in scope for Interest rate benchmark reform:						
Estimated end of use	Libor	Libor	Libor	Hibor	Libor	Libor
	2022	2022	2022	2022	2022	2022

See further information in Note G3.7

Maturity profile and average price, hedging instruments	2019			2018		
	Remaining contractual maturity			Remaining contractual maturity		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Portfolio hedge						
Nominal amount	113 883	269 280	10 565	77 050	246 405	12 350
Average fixed interest rate (%)	0,04	0,24	0,90	-0,11	0,21	0,93
Fair value hedges						
Nominal amount	127 899	385 458	95 337	47 283	442 338	54 535
Average fixed interest rate (%)	0,71	0,46	1,36	1,63	0,56	1,99

2018**Hedging instruments and hedge ineffectiveness**

	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or loss
		Assets	Liabilities		
Interest rate risk					
Interest rate swaps, Portfolio hedge	335 805	207	1 401	-16	-38
Interest rate swaps, Debt securities in issue	510 180	9 968	836	-308	-30
Interest rate swaps, Subordinated liabilities	33 976	287	136	-65	-5
Total	879 962	10 462	2 373	-389	-73

Hedged items

	Carrying amount		Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Loans to the public, Portfolio hedge	336 565		760		-23
Debt securities in issue		525 610		7 755	279
Subordinated liabilities		34 244		59	60
Total	336 565	559 854	760	7 813	316

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 into 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 3.4.1. 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 3.4.1. 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 relating to the hedged items and hedging instruments in qualifying cash flow hedge relationships.

2019

Hedging instruments and hedge ineffectiveness

	Carrying amount			Change in fair value used for measuring hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amount reclassified from the Cash flow hedge reserve to Profit or loss	Cash flow hedge reserve (after tax)
	Nominal amount	Assets	Liabilities				
Foreign currency risk							
Cross currency basis swaps, EUR/SEK	9 280	190	33	159	5	154	8

Maturity profile and average price, hedging instruments

	2019			2018			
	Remaining contractual maturity			Remaining contractual maturity			
	< 1 yr	1-5 yrs.	> 5 yrs.	< 1 yr	1-5 yrs.	> 5 yrs.	
Foreign currency risk							
Nominal amount		620	939	7 722	243	1 536	7 626
Average FX rate		9,79	9,92	10,28	10,57	9,87	10,28

Hedged items

	Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
Foreign currency risk		
EUR Debt securities in issue and Interest rate swaps	160	7

Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr	1-3 yrs	3-5 yrs	5-10 yrs	> 10 yrs
Negative cash flows (liabilities)	623	969	71	7 834	0

Future cash flows above, expressed in SEKm, are exposed to variability attributable to changed interest rates and/or changed currency rates. These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.

2018

Hedging instruments and hedge ineffectiveness

	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness	Change in value of the hedging instrument	Amount reclassified from the Cash flow hedge reserve to Profit or loss	Cash flow hedge reserve (after tax)
		Assets	Liabilities				
Cross currency swaps, EUR/SEK	9 405	89	65	421	18	403	4

Hedged items

	Change in fair value used for measuring hedge ineffectiveness	Ineffective-ness recognised in Profit or loss
Foreign currency risk		
EUR Debt securities in issue and Interest rate swaps	391	0

Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr	1-3 yrs	3-5 yrs	5-10 yrs	>10 yrs
Negative cash flows (liabilities)	253	1 082	665	7 781	230

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 investments 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, and thus the foreign exchange effect is 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 or subordinated liabilities 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 the debt securities or subordinated liabilities match the portion of the net investment in the foreign operation that is designated as the hedged item. 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 debt securities or subordinated liabilities, 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.

2019

Hedging instruments and hedge ineffectiveness	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	32 558	-540	-540	-3 951
USD denominated, Debt securities in issue	54	-2	-2	-14
NOK denominated, Debt securities in issue	1 029	-58	-58	85
Total	33 640	-600	-600	-3 880

Hedged items

	2019	2018
	Change in value used for measuring hedge ineffectiveness	Change in value used for measuring hedge ineffectiveness
EUR net investment	540	1 410
USD net investment	2	5
NOK net investment	58	59
Total	600	1 474

2018

Hedging instruments and hedge ineffectiveness	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	34 187	-1 410	-1 410	-3 557
USD denominated, Debt securities in issue	65	-5	-5	-12
NOK denominated, Debt securities in issue	1 370	-59	-59	125
Total	35 622	-1 474	-1 474	-3 444

G30 Intangible assets

2019	Indefinite useful life		Definite useful life			Total
	Goodwill	Brand	Customer base	Internally developed software	Other	
Cost, opening balance	15 755	161	1 896	4 306	1 638	23 756
Additions through internal development				982		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	-3 456
Amortisation for the year			-47	-291	-92	-430
Sales and disposals					352	352
Exchange rate differences			-14		-23	-37
Amortisation, closing balance			-1 338	-1 226	-1 007	-3 571
Impairment, opening balance	-2 206		-237	-699	-40	-3 182
Impairment for the year		-66		-13		-79
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

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.

2018	Indefinite useful life		Definite useful life			Total
	Goodwill	Brand	Customer base	Internally developed software	Other	
Cost, opening balance	15 211	161	1 858	3 418	1 649	22 297
Additions through internal development				888		888
Additions through separate acquisitions					116	116
Sales and disposals					-144	-144
Exchange rate differences	544		38		17	599
Cost, closing balance	15 755	161	1 896	4 306	1 638	23 756
Amortisation, opening balance			-1 174	-771	-1 242	-3 187
Amortisation for the year			-64	-164	-101	-329
Sales and disposals			-5		115	110
Exchange rate differences			-34		-16	-50
Amortisation, closing balance			-1 277	-935	-1 244	-3 456
Impairment, opening balance	-2 111		-213	-417	-40	-2 781
Impairment for the year			-24	-282		-306
Exchange rate differences	-95					-95
Impairment, closing balance	-2 206		-237	-699	-40	-3 182
Carrying amount	13 549	161	382	2 672	354	17 118

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount		
		2019	2018	1/1/2018
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		9	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Söderhamns Sparbank AB	2007	24	24	24
PayEx AB	2017	429	429	429
Sweden		2 946	2 955	2 955
of which banking operations		1 538	1 547	1 547
of which other		1 408	1 408	1 408
Swedbank AS	1999	1 263	1 243	1 189
Swedbank AS	2000	13	12	12
Swedbank AS	2001	149	146	140
Swedbank AS	2005	9 157	9 012	8 623
Baltic countries		10 582	10 413	9 964
of which allocated to:				
Banking operations in Estonia		4 429	4 358	4 170
Banking operations in Latvia		2 280	2 244	2 147
Banking operations in Lithuania		3 873	3 811	3 647
First Securities ASA	2005	181	181	181
Norway		181	181	181
Total		13 709	13 549	13 100

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 14 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 %	
	2019	2018	2019	2018	2019	2018	2019	2018
	2020-2022	2019-2021	2023-2048	2022-2048	2023-2048	2022-2048	2049-	2049-
Banking operations								
Estonia	2,9	3,3	4,3-3,0	3,6-3,0	3,3	3,2	3,0	3,0
Latvia	2,8	0,2	3,5-3,0	4,2-3,0	3,2	3,2	3,0	3,0
Lithuania	5,6	5,3	4,5-3,0	2,6-3,1	3,7	3,3	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 %		Average discount rate %		Annual average discount rate %		Average discount rate %	
	2019	2018	2019	2018	2019	2018	2019	2018
	2020-2022	2019-2021	2023-2048	2022-2048	2023-2048	2022-2048	2049-	2049-
Banking operations								
Estonia	9,9	10,9	9,9-9,0	10,9-9,0	9,3	9,5	9,0	9,0
Latvia	10,4	11,6	10,4-9,0	11,6-9,0	9,6	9,8	9,0	9,0
Lithuania	10,4	11,6	10,4-9,0	11,6-9,0	9,6	9,8	9,0	9,0
Sweden	5,8	5,7	5,8	5,7	5,8	5,7	5,8	5,7

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	2020-2022	2019-2021	2023-2048	2022-2048	2023-2048	2022-2048	2049-	2049-
Banking operations								
Estonia	22 794	22 421	36 656	35 403	-1 971	-1 694	-2 992	-2 837
Latvia	10 799	10 368	12 253	11 408	-267	-240	-709	-612
Lithuania	12 892	12 157	16 812	15 205	-716	-758	-1 466	-1 349
Sweden	66 025	63 044	76 843	75 175	-1 357	-1 012	-7 758	-7 662

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 10 582 m (10 413). Goodwill is tested for impairment separately for each country. Essentially the same assumptions were used in the impairment testing for 2019 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 2020 and 2049 from 5 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 2020-2022 was approximately 13 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 6 per cent (6), or 7 per cent (7) before tax.

G31 Tangible assets

	Current assets		Fixed assets			Total
	Properties	Equipment	Owner-occupied properties	Right-of-use asset - Premises	Right-of-use asset - Other	
2019						
Cost, opening balance	181	3 203	1 439			4 823
Change in accounting policies, IFRS 16				4 077	174	4 251
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		-3			-46
Carrying amount	73	855	920	3 663	61	5 572

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 2019. No indications of additional 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.

Leasing agreement, where the Group act as a lessee, are from 2019 presented as right-of-use assets in the table above. 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		Total
	Properties	Equipment	Owner-occupied properties		
2018					
Cost, opening balance	549	3 095	1 440		5 084
Additions	80	367	9		456
Sales and disposals	-455	-292	-68		-815
Exchange rate differences	7	33	58		98
Cost, closing balance	181	3 203	1 439		4 823
Amortisation, opening balance		-2 235	-486		-2 721
Amortisation for the year		-317	-40		-357
Sales and disposals		256	65		321
Exchange rate differences		-23	-22		-45
Amortisation, closing balance		-2 319	-483		-2 802
Impairment, opening balance		-408			-408
Impairment for the year		-8			-8
Sales and disposals		362			362
Exchange rate differences					
Impairment, closing balance		-55			-55
Carrying amount	126	884	956		1 966

G32 Other assets

	2019	2018	1/1/2018
Security settlement claims	6 580	8 466	9 863
Other financial assets	2 224	5 423	4 584
Total financial assets	8 804	13 889	14 447
Property taken over to protect claims	55	81	80
Total	8 859	13 970	14 527

G33 Prepaid expenses and accrued income

	2019	2018	1/1/2018
Prepaid expenses	2 457	1 414	1 044
Unbilled receivables	568	399	563
Total	3 025	1 813	1 607

G34 Amounts owed to credit institutions

	2019	2018	1/1/2018
Swedish central bank		7	
Swedish banks	21 573	20 944	20 506
Swedish credit institutions	4 892	4 256	2 684
Foreign central banks	6 306	13 884	23 199
Foreign banks	36 307	17 460	21 230
Foreign credit institutions	604	401	625
Swedish banks, repurchase agreements	4		
Foreign banks, repurchase agreements		266	
Total	69 686	57 218	68 244

G35 Deposits and borrowings from the public

	2019	2018	1/1/2018
Swedish public	698 947	685 044	640 139
Non-Swedish public	254 718	234 726	206 592
Total deposits and borrowings from the public excl repurchase agreements and Swedish National Debt Office	953 665	919 770	846 731
Repurchase agreements	18	641	8 707
Repurchase agreements, Swedish National Debt Office	1		
Swedish National Debt Office	329	339	275
Total	954 013	920 750	855 713

G36 Financial liabilities for which customers bear the investment risk

	2019	2018	1/1/2018
Investment contracts, unit-link	206 981	161 300	162 938
Investment contracts, life	18 811	17 362	18 186
Total	225 792	178 662	181 124

G37 Debt securities in issue

	2019	2018	1/1/2017
Commercial papers	128 772	131 434	149 974
Covered bonds	589 627	497 936	525 038
Senior unsecured bonds	128 445	164 243	160 348
Structured retail bonds	8 910	10 747	14 849
Total	855 754	804 360	850 209

G38 Short positions in securities

	2019	2018	1/1/2018
Shares	247	358	234
Interest-bearing securities	34 097	37 975	14 225
Total	34 345	38 333	14 459
of which own issued shares	24	257	199

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 retire-

ment 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. 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 (Sparinstitutens PensionsKassa Forsäkringsforening). 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.

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.

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 308 m (214) at the end of the year. The pension commitments are secured in own balance sheet in accordance with the Guarantee Act "Tryggandelagen".

Amount reported in balance sheet for defined benefit pension plans	2019	2018	1/1/2018
Funded pension obligations and payroll tax	29 316	24 272	22 918
Unfunded pension obligations and payroll tax	308	214	189
Fair value of plan assets	-20 826	-19 507	-19 907
Total	8 798	4 979	3 200

Changes in defined benefit pension plans, including payroll tax	2019	2018
Opening obligations	24 486	23 107
Current service cost and payroll tax	706	646
Interest expense on pension obligations	580	580
Pension payments	-787	-805
Payroll tax payments	-158	-146
Remeasurement	4 929	1 105
Business disposal	-133	
Closing obligations	29 624	24 486

Pension obligations, including payroll tax	2019	2018	2019
			Number of
Active members	12 490	9 920	4 910
Deferred members	7 163	4 750	10 326
Pensioners	9 971	9 816	13 217
Total	29 624	24 486	28 453
Vested benefits	25 502	21 097	
Non-vested benefits	4 122	3 390	
Total	29 624	24 486	
of which attributable to future salary increases	4 203	3 228	

Changes in plan assets	2019	2018
Opening fair value	19 508	19 907
Interest income on plan assets	470	510
Contributions by the employer	639	597
Pension payments	-787	-804
Remeasurement	1 063	-701
Business disposal	-68	
Closing fair value	20 826	19 508

Fair value of plan assets	2019	of which quoted market price in an active market	2018	of which quoted market price in an active market
Bank balances	405		251	
Swedish government and municipalities	403	403		
Derivatives, currency-related	28		45	
Investment funds, interest	11 071	11 071	10 707	10 707
Investment funds, shares	5 072	5 072	3 859	3 859
Investment funds, other	3 846	3 706	4 646	4 475
Total	20 826	20 252	19 508	19 336

Remaining maturity 2019	< 1 yr	1-5 yrs	5-10 yrs	> 10 yrs	No maturity/ discounteffect	Total
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					

Remaining maturity 2018	Undiscounted cash flows				No maturity/ discounteffect	Total
	< 1 yr	1-5 yrs	5-10 yrs	> 10 yrs		
Pension obligations, including payroll tax	865	3 360	4 385	31 845	-15 969	24 486
Plan assets	251				19 256	19 508
Expected contributions by the employer	818					

Pension costs reported in income statement	2019	2018
Current service cost and payroll tax	706	646
Interest expense on pension obligations	580	580
Interest income on plan assets	-470	-510
Pension cost defined benefit pension plans	816	716
Premiums paid for defined contribution pension plans and payroll tax	487	412
Total	1 303	1 128

Remeasurements of defined benefit pension plans reported in other comprehensive income	2019	2018
Actuarial gains and losses based on experience	380	54
Actuarial gains and losses arising from changes in financial assumptions	-5 309	-1 159
Return on plan assets, excluding amounts included in interest income	1 063	-701
Total	- 3 866	-1 806

Actuarial assumptions, per cent	2019	2018
Financial		
Discount rate, 1 January	2,42	2,56
Discount rate, 31 December	1,46	2,42
Future annual salary increases, 1 January	3,55	3,39
Future annual salary increases, 31 December	3,76	3,55
Future annual pension indexations/inflation, 1 January	1,92	1,95
Future annual pension indexations/inflation, 31 December	1,98	1,92
Future annual changes in income base amount, 1 January	3,66	3,73
Future annual changes in income base amount, 31 December	3,73	3,66

Demographic	2019	2018
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	2019	2018
Financial		
Change in discount rate -25 bps	1 511	1 164
Change in salary assumption +25 bps	650	521
Change in pension indexation/inflation assumption +25 bps	1 504	1 127
Change in income base amount assumption -25 bps	285	225

Demographic

All entitled employees choose early retirement option at maximum	783	901
Change in employee turnover assumption -25 bps	76	58
Expected remaining life for a 65 years old man and woman +2 year	2 434	1 747

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 covered mortgage bonds 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 511m (1 164) and the pension cost by SEK 48 m (24). 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		
	2019	2018	1/1/2018	2019	2018	1/1/2018	2019	2018	1/1/2018
Opening balance	1 469	1 491	1 592	428	343	228	1 897	1 834	1 820
Provisions	611	645	1 137	648	600	526	1 259	1 245	1 663
Payments	-677	-703	-1 264	-604	-530	-418	-1 281	-1 233	-1 682
Exchange rate differences	13	36	26	6	15	7	19	51	33
Closing balance	1 416	1 469	1 491	478	428	343	1 894	1 897	1 834

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

	2019	2018	1/1/2018
Security settlement liabilities	2 328	5 889	6 564
Lease liabilities	3 659		
Other financial liabilities	22 128	23 687	18 001
Provisions for commitments and financial guarantees	582	407	650
Total financial liabilities	28 697	29 983	25 215
Restructuring provision	26		315
Other provisions	86	52	47
Total	28 807	30 035	25 577

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 and description of changes in the lease liabilities within Liquidity risk in note 3.3. Information about the corresponding right-of-use assets are presented within note G31 Tangible Assets.

Future cash outflows to which the Group is potentially exposed, related to extension and termination options in lease agreements, that are not reflected in the measurement of lease liabilities amounted to SEK 3 020m. Future cash outflows for leases not yet commenced to which the Group is committed amounted to SEK 1 047m. 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

	2019	2018	1/1/2018
Accrued expenses	3 742	2 649	2 379
Contract liabilities	641	736	611
Total	4 383	3 385	2 990

G43 Subordinated liabilities

	2019	2018	1/1/2018
Subordinated loans	15 453	23 015	14 590
Undated subordinated loans, primary capital injection	16 482	11 169	11 274
Total	31 934	34 184	25 864

The Group has a total of USD 1 750m Additional Tier 1 capital (AT1) outstanding, which is perpetual. USD 750m was issued on 12 February 2015 with a call option on 17 March 2020. USD 500m was issued on 9 December 2016 with a call option on 17 March 2022. USD 500m was issued on 22 August 2019 with a call option on 17 September 2024. The liabilities will be converted to ordinary shares in Swedbank AB if the core tier one ratio of Swedbank AB or the consolidated situation falls below 5.125 per cent or 8.0 per cent respectively. The Additional Tier 1 liabilities issued 2015 and 2016 are converted at current share price, but not lower than USD 15.70 converted to SEK. The Additional Tier 1 liability issued 2019 is converted at current share price but not lower than USD 8.75 converted to SEK.

G44 Equity

	2019	2018	1/1/2018
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	9 665	9 563	9 458
Other reserve ¹	25 224	23 867	23 997
Total	59 793	58 334	58 359
Non-restricted equity			
Currency translation from foreign operations	2 399	2 064	1 347
Cash flow hedge reserve	8	4	-10
Foreign currency basis reserve	-33	-19	38
Own credit risk reserve	-5	-18	-36
Share premium reserve	13 206	13 206	13 206
Retained earnings	63 240	63 825	58 327
Total	78 815	79 062	72 872
Non-controlling interest	25	213	202
Total equity	138 633	137 609	131 433

1) Of which development fund for internally developed software SEK 2 660 m (2 122).

Ordinary shares

	2019	2018	1/1/2018
Number of shares			
Number of shares authorized, issued and fully paid	1 132 005 722	1 132 005 722	1 132 005 722
Own shares	-13 701 333	-15 331 361	-18 376 101
Number of outstanding shares	1 118 304 389	1 116 674 361	1 113 629 621
Opening balance	1 116 674 361	1 113 629 621	1 110 731 820
Share delivery due to Equity-settled share based programmes	1 630 028	3 044 740	2 897 801
Closing balance	1 118 304 389	1 116 674 361	1 113 629 621

The quote value per share is SEK 22.

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.

G45 Valuation categories of financial instruments

Financial assets

Carrying Amount in SEKm	2019					
	Fair value through profit or loss			Hedging Instruments	Amortised cost	Total
	Mandatorily		Total			
	Trading	Other business models		Total		
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	2019					
	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 ²	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 deposits and borrowings from the public and debt securities designated at fair value through profit or loss was SEK 1 676m.

Financial assets

Carrying Amount in SEKm	2018					
	Fair value through profit or loss		Total	Hedging Instruments	Amortised cost	
	Mandatorily					
	Trading	Other business models	Total		Total	
Cash and balances with central banks					163 161	163 161
Treasury bills and other bills eligible for refinancing with central banks	11 796	7 479	19 275		80 304	99 579
Loans to credit institutions	92		92		36 176	36 268
Loans to the public ¹	39 714	166	39 880		1 587 488	1 627 368
Value change of interest hedged items in portfolio hedge					766	766
Bonds and other interest-bearing securities	31 237	19 864	51 101		2 210	53 312
Financial assets for which customers bear the investment risk		177 868	177 868			177 868
Shares and participating interests	3 127	1 794	4 921			4 921
Derivatives	29 113		29 113	10 551		39 665
Other financial assets					13 889	13 889
Total	115 080	207 172	322 251	10 551	1 883 993	2 216 797

Financial liabilities

Carrying Amount in SEKm	2018					
	Fair value through profit or loss		Total	Hedging instruments	Amortised cost	
	Trading	Designated				
	Trading	Designated	Total		Total	
Amounts owed to credit institutions	266		266		56 952	57 218
Deposits and borrowings from the public	641		641		920 109	920 750
Financial liabilities for which customers bear the investment risk		178 662	178 662			178 662
Debt securites in issue ²	10 746	4 004	14 750		789 611	804 361
Short position securities	38 333		38 333			38 333
Derivatives	28 878		28 878	2 438		31 316
Subordinated liabilities					34 184	34 184
Other financial liabilities					29 983	29 983
Total	78 864	182 666	261 530	2 438	1 830 839	2 094 807

1) Leasing assets are classified according to IAS 17 Leases but are included in the valuation category Amortised Cost.

2) Nominal amount of Debt securities, identified as Fair value through profit or loss, Designated, amounted to SEK 3 680m.

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 a 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. For any open net positions, bid and ask rates are applied based on what is applicable i.e. bid rates for long positions and ask rates for short positions. Where the fair value is derived from a modelling technique, the valuation is performed using mid

prices. When relevant, 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 goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions 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.

For floating rate lending and deposits, the carrying amount equals the fair value.

	2019			2018			1/1/2018		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	195 286	195 286		163 161	163 161		200 371	200 371	
Treasury bills etc.	137 119	137 094	25	99 743	99 579	164	85 961	85 903	58
of which measured at amortised cost	120 599	120 574	25	80 468	80 304	164	65 469	65 411	58
of which measured at fair value through profit or loss	16 520	16 520		19 275	19 275		20 492	20 492	
Loans to credit institutions	45 452	45 452		36 268	36 268		30 746	30 746	
of which measured at amortised cost	45 443	45 443		36 176	36 176		30 235	30 235	
of which measured at fair value through profit or loss	9	9		92	92		511	511	
Loans to the public	1 660 659	1 652 296	8 363	1 629 641	1 627 368	2 273	1 532 977	1 535 198	-2 221
of which measured at amortised cost	1 613 838	1 605 475	8 363	1 589 761	1 587 488	2 273	1 415 158	1 417 379	-2 221
of which measured at fair value through profit or loss	46 821	46 821		39 880	39 880		117 819	117 819	
Value change of interest hedged items in portfolio hedge	271	271		766	766		789	789	
Bonds and interest-bearing securities	57 369	57 367	2	53 316	53 312	4	59 136	59 131	5
of which measured at amortised cost	40	38	2	2 215	2 211	4	3 327	3 322	5
of which measured at fair value through profit or loss	57 329	57 329		51 101	51 101		55 809	55 809	
Financial assets for which the customers bear the investment risk	224 893	224 893		177 868	177 868		180 320	180 320	
Shares and participating interest	6 568	6 568		4 921	4 921		19 850	19 850	
of which measured at fair value through profit or loss	6 568	6 568		4 921	4 921		19 850	19 850	
Derivatives	44 424	44 424		39 665	39 665		55 680	55 680	
Other financial assets (G32)	8 804	8 804		13 889	13 889		16 772	16 772	
Total	2 380 846	2 372 455	8 390	2 219 238	2 216 797	2 441	2 182 602	2 184 760	-2 158
Investment in associates		6 679			6 088			6 357	
Non-financial assets		29 094			23 207			21 519	
Total		2 408 228			2 246 092			2 212 636	

	2019			2018			1/1/2018		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	69 569	69 686	-117	58 595	57 218	1 377	68 055	68 055	
of which measured at amortised cost	69 565	69 682	-117	58 329	56 952	1 377	68 055	68 055	
of which measured at fair value through profit or loss	4	4		266	266				
Deposits and borrowings from the public	953 996	954 013	-17	920 745	920 750	-5	855 597	855 609	-12
of which measured at amortised cost	953 978	953 995	-17	920 107	920 112	-5	846 890	846 902	-12
of which measured at fair value through profit or loss	18	18		638	638		8 707	8 707	
Debt securities in issue	861 883	855 754	6 129	810 617	804 360	6 257	851 908	844 204	7 704
of which measured at amortised cost	851 098	844 969	6 129	795 867	789 610	6 257	829 395	821 691	7 704
of which measured at fair value through profit or loss	10 785	10 785		14 750	14 750		22 513	22 513	
Financial liabilities for which the customers bear the investment risk	225 792	225 792		178 662	178 662		181 124	181 124	
Senior non-preferred liabilities	10 299	10 805	-506						
of which measured at amortised cost	10 299	10 805	-506						
Subordinated liabilities	31 730	31 934	-204	34 366	34 184	182	25 525	25 508	17
of which measured at amortised cost	31 730	31 934	-204	34 366	34 184	182	25 525	25 508	17
Derivatives	40 977	40 977		31 316	31 316		46 200	46 200	
Short positions securities	34 345	34 345		38 333	38 333		14 459	14 459	
of which measured at fair value through profit or loss	34 345	34 545		38 333	38 333		14 459	14 459	
Other financial liabilities (G41)	28 697	28 697		29 576	29 576		31 219	31 219	
Total	2 257 794	2 252 003	5 285	2 102 209	2 094 399	7 810	2 074 087	2 066 378	7 709
Non-financial liabilities		17 592			14 084			12 686	
Total		2 269 595			2 108 483			2 079 064	

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 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted equity instruments. The unlisted equity instruments include strategic investments. During 2018 Swedbank received more convertible preference shares in VISA Inc as dividend from its associate VISA Sweden. VISA Inc. shares are subject to selling restrictions for a period of up to 9 years and under certain conditions may have to be returned. The carrying amount was SEK 1 288m at end of 2019. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The valuation of unlisted shares is based on the share price. For the shares in level 3 the price is unobservable, this implies that 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. Input to these methods are primarily prices, proxy prices, market indicators and company information.

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. During the years ended 2019 and 2018, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

The cumulative value change after tax, attributable to changes in Swedbank's own credit risk, of debt securities in issue identified to measured to the fair value, amounted to SEK -5 m (-18). The change in value amounted to SEK 17 m (22) 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.

At fair value	2019			
	Level 1	Level 2	Level 3	Total
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

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	13 083	6 192		19 275
Loans to credit institutions		92		92
Loans to the public		39 880		39 880
Bonds and interest-bearing securities	22 319	28 782		51 101
Financial assets for which the customers bear the investment risk	177 868			177 868
Shares and participating interest	3 657		1 264	4 921
Derivatives	466	39 197	2	39 665
Total	217 393	114 143	1 266	332 802
Liabilities				
Amounts owed to credit institutions		266		266
Deposits and borrowings from the public		638		638
Debt securities in issue	58	14 692		14 750
Financial liabilities for which the customers bear the investment risk		178 662		178 662
Derivatives	406	30 910		31 316
Short positions securities	38 333			38 333
Total	38 797	225 168		263 965

Changes in Level 3	2019		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	1 264	2	1 266
Purchases	30		30
Sales of assets and dividend	-14		-14
Maturities		-1	-1
Gains and losses recognised as Net gains and losses on financial instruments	574	-1	573
of which changes in unrealised gains or losses for items held at closing day	567		567
Closing balance	1 854	0	1 854

Changes in Level 3	2018		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	449	26	475
Purchases	65		65
VISA Inc. C Shares received	692		692
Sales of assets	-3		-3
Maturities		-15	-15
Transferred from Level 2 to Level 3	3	2	5
Transferred from Level 3 to Level 2		-13	-13
Gains and losses recognised as Net gains and losses on financial instruments	58	2	60
of which changes in unrealised gains or losses for items held at closing day	63		63
Closing balance	1 264	2	1 266

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	2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	120 574	120 599			120 599
Loans to credit institutions	45 443		45 443		45 443
Loans to the public	1 605 475		1 527 578	86 260	1 613 838
Bonds and other interest-bearing securities	38	40			40
Total	1 771 530	120 639	1 573 021	86 260	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
Debts 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
	2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	80 304	80 468			80 468
Loans to credit institutions	36 176		35 972	204	36 176
Loans to the public	1 578 488		1 509 859	79 902	1 589 761
Bonds and other interest-bearing securities	2 211	40	2 175		2 215
Total	1 706 179	80 508	1 548 006	80 106	1 708 620
Liabilities					
Amounts owed to credit institutions	56 952		56 667	1 662	58 329
Deposits and borrowing from the public	920 112		831 385	88 722	920 107
Debts securities in issue	789 610	322 572	473 295		795 867
Subordinated liabilities	34 184		34 366		34 366
Total	1 800 858	322 572	1 395 713	90 384	1 808 669

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 2 783 m (261) derived from the balance sheet item Amounts owed to credit institutions. The amount offset for derivative liabilities include cash collateral offsets of SEK 4 701 m (4 177).

Assets	2019				2018			
	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	2 002			2 002	1 605			1 605
Financial assets, which have been offset or are subject to netting agreements	42 422	46 677	276	89 375	38 060	39 807	137	78 004
Net carrying amount on the balance sheet	44 424	46 677	276	91 377	39 665	39 807	137	79 609
Financial assets, which have been offset or are subject to netting agreements								
Gross amount	114 736	97 585	276	212 597	68 325	93 600	137	162 062
Offset amount	-72 314	-50 908		-123 222	-30 265	-53 793		-84 058
Net carrying amount on the balance sheet	42 422	46 677	276	89 375	38 060	39 807	137	78 004
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	15 338			15 338	16 676	644		17 320
Financial instruments, collateral	8	46 677	276	46 961	135	34 940	137	35 212
Cash, collateral	11 897			11 897	1 529	6		1 535
Total amount not offset on the balance sheet	27 243	46 677	276	74 196	18 340	35 590	137	54 067
Net amount	15 179			15 179	19 720	4 217		23 937
Liabilities	2019				2018			
	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	2 795			2 795	1 841			1 841
Financial liabilities, which have been offset or are subject to netting agreements	38 182	23		38 205	29 475	907	22	30 404
Net carrying amount on the balance sheet	40 977	23		41 000	31 316	907	22	32 245
Financial liabilities, which have been offset or are subject to netting agreements								
Gross amount	112 414	50 931		163 345	62 385	54 700	22	117 107
Offset amount	-74 232	-50 908		-125 140	-32 910	-53 793		-86 703
Net carrying amount on the balance sheet	38 182	23		38 205	29 475	907	22	30 404
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	15 338			15 338	16 676	644		17 320
Financial instruments, collateral	3 264			3 264	2 309	263	22	2 594
Cash, collateral	16 081	23		16 104	4 890			4 890
Total amount not offset on the balance sheet	34 683	23		34 706	23 875	907	22	24 804
Net amount	3 499			3 499	5 600			5 600

G48 Specification of adjustments for non-cash items in operating activities

	2019	2018
Amortised origination fees	-696	-698
Unrealised changes in value/currency changes	-534	-97
Capital gains/losses on sale of subsidiaries and associates	-65	-688
Capital gains/losses on sale of condominiums	-8	
Undistributed share of equity in associates	-822	-1 028
Depreciation and impairment of tangible fixed assets including repossessed leased assets	1 127	358
Amortisation and impairment of goodwill and other intangible fixed assets	509	635
Credit impairment	1 671	886
Prepaid expenses and accrued income	-1 318	2 156
Accrued expenses and prepaid income	4 818	-4 497
Share-based payment	272	321
Other	-2	554
Total	4 952	-2 098

G49 Dividend paid and proposed

	2019		2018	
	SEK per share	Total	SEK per share	Total
Ordinary shares				
Dividend paid	14.20	15 878	13.00	14 517
Proposed dividend	8.80	9 856	14.20	15 885

The Board of Directors recommends that shareholders receive a dividend of SEK 8.80 per ordinary share (14.20) in 2020 for the financial year 2019, corresponding to SEK 9 856m (15 885).

For more information see parent company note P43.

G50 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	2019	2018	1/1/2018
Government securities and bonds pledged with the Riksbank	10 000	9 776	8 047
Government securities and bonds pledged with foreign central banks	5 356	6 691	6 229
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	8 687	6 920	3 621
Government securities and bonds pledged for deposits from the public, repurchase agreements	15 680	13 506	7 260
Loans used as collateral for covered bonds ¹	578 758	497 691	518 805
Financial assets pledged for investment contracts	220 589	174 668	177 317
Cash	9 002	4 470	4 484
Total	848 072	713 722	725 763

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

The carrying amount of liabilities for which assets are pledged amounted to SEK 839 629m (702 637) for the Group.

Other assets pledged	2019	2018	1/1/2018
Equity instrument	84	186	16
Government securities and bonds pledged for other commitments	3 475	1 858	2 857
Cash	436	445	506
Total	3 995	2 489	3 379

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	2019	2018	1/1/2018
Loan guarantees	6 263	7 646	6 268
Other guarantees	41 767	36 827	34 171
Accepted and endorsed notes	1 200	1 988	439
Letters of credit granted but not utilised	2 778	2 528	2 830
Other contingent liabilities	27	366	349
Total	52 035	49 355	44 057

Commitments

Nominal amount	2019	2018	1/1/2018
Loans granted but not paid	223 108	215 662	196 333
Overdraft facilities granted but not utilised	64 305	62 677	66 588
Total	287 413	278 339	262 921

Credit impairment provisions for contingent liabilities and commitments	-582	-407	-132
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Money laundering

Swedbank is cooperating with authorities in Sweden, the three Baltic countries and the United States. Authorities in Sweden, Estonia and the United States 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 Swedish Economic Crime Authority has an ongoing investigation relating to potential aggravated swindling and insider information. The timing of the completion of the investigations is still unknown, except for the final report and decision on any sanctions from the Swedish FSA which is expected to be announced in March 2020. 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.

The European Central Bank (ECB) has within their ongoing supervision conducted a review of Swedbank's Baltic subsidiaries corporate governance and presented an action plan that will be implemented in cooperation with the Baltic subsidiaries.

G51 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 off-setting 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.

	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
2019						
Equity instruments	84		84			
Debt securities	24 367	24 367		24 209	24 209	
Total	24 451	24 367	84	24 209	24 209	0

	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
2018						
Equity instruments	186		186	22		22
Debt securities	20 426	20 426		20 451	20 451	
Total	20 612	20 426	186	20 473	20 451	22

G52 Operational leasing 2018

	Expenses	Income subleasing	Total
2019	859	11	849
2020	730	7	723
2021	589	1	588
2022	535	1	534
2023	479	1	478
2024	410	1	409
2025	370	1	369
2026	325	1	324
2027	310	1	309
2028 or later	1 685	2	1 683
Total	6 292	27	6 265

Transition from IAS 17 to IFRS 16

Amount according to above	6 292
Deduction of non-deductable VAT	781
Deducted lease payments:	
Short-term leases	25
Leases of low-value assets	2
Commitments regarding leases not yet commenced	908
Variable lease payments	265
Discounting effect with the incremental borrowing rate at 1 January 2019, 1.25 per cent	-164
Lease liabilities recognised at 1 January 2019	4 147

G53 Related parties and other significant relationships

	Associates and joint ventures		Other related parties	
	2019	2018	2019	2018
Assets				
Loans to credit institutions	16 307	14 588		
Loans to the public	5	4		
Total assets	16 311	14 592		
Liabilities				
Amount owed to credit institutions	3 712	3 078		
Deposits and borrowing from the public			455	248
Debt securities in issue	597	520		
Other liabilities	81			
Accrued expenses and prepaid income		1		
Total liabilities	4 389	3 599	455	248
Contingent liabilities				
Derivatives, nominal amount	1 013	867		
Income and expenses				
Interest income	142	270		
Dividends received	529	1 045		
Commission income	338	6		
Commission expenses	241	11		
Other income	4	6		

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 81 m (0). As of 31 December associates have issued guarantees and pledged assets of SEK 643 m (673) 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 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.

Other related parties

Swedbank's pension funds and Sparinstitutens Pensionskassa secure employees' postemployment benefits. They rely on Swedbank for traditional banking services.

Other significant relationships

Swedbank has close cooperation with 58 of the in all 59 Savings banks in Sweden. A comprehensive cooperation agreement has been signed with 58 of the Savings banks and a minor clearing agreement with one small Savings Bank.

Through the cooperation, the Savings banks are able to offer the products and services of Swedbank and its subsidiaries to their customers. Together, the Savings banks account for about 30 per cent of the Group's product sales in the Swedish market. 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 14.3 per cent (13.9) 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. In 2019 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 investment funds amounts to SEK 1 083 269 m (857 321).

	2019
	Group Sponsored Investment Funds
Financial assets of which the customers bear the investment risk	18 304
Shares and participating interests	175
Total assets recognised in the balance sheet	18 479
Loan commitments	2 055
The Group's maximum exposure to loss	20 534
Total income from interests ¹	8 092
	2018
	Group Sponsored Investment Funds
Financial assets of which the customers bear the investment risk	16 913
Shares and participating interests	147
Total assets recognised in the balance sheet	17 060
Loan commitments	1 905
The Group's maximum exposure to loss	18 965
Total income from interests ¹	4 884

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	2019	2018
Net interest income, 12 months,¹			
Increased interest rates	+ 1 % point	7 535	7 063
Decreased interest rates	- 1 % point	-4 968	-4 850
Change in value,²			
Market interest rate	+ 1 % point	1 052	1 486
	- 1 % point	-1 544	-1 570
Stock prices	+10%	15	15
	-10%	1	9
Exchange rates	+5%	73	-39
	-5%	21	70
Other			
Stock market performance, ³	+/- 10 %	+/-532	+/-347
Staff changes	+/- 100 persons	+/-74	+/-71
Payroll changes	+/- 1 % point	+/-100	+/-94
Credit impairment ratio	+/- 0.1 % point	+/- 1 698	+/-1 664

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 per cent elasticity (i.e. there is no adjustment made to the paid interest) while all other deposits have a 100 per cent 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 per cent 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 2019

On 13 January 2020 the recruitment of Erik Ljungberg as Head of Group Communications with responsibility for communication, branding, marketing and sustainability issues was announced. He will be a member of the Group Executive Committee and take up his position no later than July 2020.

On 29 January Swedbank's Nomination Committee announced its proposal on Board members to the Annual General Meeting. It proposes the re-election of current Board members Göran Persson, Bo Magnusson, Kerstin Hermansson, Josefin Lindstrand and Anna Mossberg, Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson are proposed as new members. Göran Persson is proposed as Chair of the Board of Directors.

G57 Effects of changes in accounting policies, IFRS 16

The following table provides the effects of the adoption of IFRS 16 on the balance sheet. For all leases classified as operating leases under IAS 17 and where the Group acts as the lessee, a lease liability and a right-of-use asset are recognised in the balance sheet. The Group applies the exemptions afforded by the standard regarding short-term leases and leases for which the underlying asset is of low value. These lease agreements are recognised as expenses.

	31 December 2018	IFRS 16 effect	1 January 2019
Assets			
Cash and balances with central banks	163 161		163 161
Loans to credit institutions	36 268		36 268
Loans to the public	1 627 368		1 627 368
Value change of interest hedged item in portfolio hedge	766		766
Interest-bearing securities	152 891		152 891
Financial assets for which the customers bear the investment risk	177 868		177 868
Shares and participating interests	4 921		4 921
Investments in associates	6 088		6 088
Derivatives	39 665		39 665
Intangible assets	17 118		17 118
Tangible assets	1 966	4 251	6 217
Current tax assets	2 065		2 065
Deferred tax assets	164		164
Other assets	13 970		13 970
Prepaid expenses and accrued income	1 813	-104	1 709
Total assets	2 246 092	4 147	2 250 239
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions	57 218		57 218
Deposits and borrowings from the public	920 750		920 750
Financial liabilities for which the customers bear the investment risk	178 662		178 662
Debt securities in issue	804 360		804 360
Short positions securities	38 333		38 333
Derivatives	31 316		31 316
Current tax liabilities	1 788		1 788
Deferred tax liabilities	1 576		1 576
Pension provisions	4 979		4 979
Insurance provisions	1 897		1 897
Other liabilities and provisions	30 035	4 147	34 182
Accrued expenses and prepaid income	3 385		3 385
Subordinated liabilities	34 184		34 184
Total liabilities	2 108 483	4 147	2 112 630
Equity			
Non-controlling interests	213		213
Equity attributable to shareholders of the parent company	137 396		137 396
Total equity	137 609		137 609
Total liabilities and equity	2 246 092	4 147	2 250 239

G58 Changes in presentation of net interest income

New reporting

	2018
Interest income on financial assets at amortised cost	32 015
Other interest income	2 043
Interest income	34 058
Interest expense	-8 830
Net interest income	25 228

Previous reporting

	2018
Interest income	37 045
Negative yield on financial assets	-2 987
Interest income, including negative yield on financial assets	34 058
Interest expense	-9 600
Negative yield on financial liabilities	770
Interest expense, including negative yield on financial liabilities	-8 830
Net interest income	25 228

For more information see note G2 Accounting policies.

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Income statement, Parent company

SEKm	Note	2019	2018
Interest income on financial assets measured at amortised cost		12 475	10 894
Other interest income		1 480	1 565
Leasing income		4 815	4 773
Interest income		18 770	17 232
Interest expense		-5 692	-4 992
Net interest income¹	P5	13 078	12 240
Dividends received	P6	19 823	19 831
Commission income		9 607	10 064
Commission expense		-3 382	-3 607
Net commissions	P7	6 225	6 457
Net gains and losses on financial items	P8	2 202	1 277
Other income	P9	1 679	2 039
Total income		43 007	41 844
Staff costs	P10	8 349	7 787
Other general administrative expenses	P11	6 595	4 889
Depreciation/amortisation and impairment of tangible and intangible fixed assets	P12	4 768	4 837
Total expenses		19 712	17 513
Profit before impairment		23 295	24 331
Credit impairment, net	P13	1 514	556
Impairment of financial fixed assets	P14	22	11
Operating profit		21 759	23 764
Appropriations	P15	78	72
Tax expense	P16	3 685	4 225
Profit for the year		17 996	19 467

1) 2018 results have been restated for changed presentation of net interest income. Refer to Note 49 for further information.

Statement of comprehensive income, Parent company

SEKm	Note	2019	2018
Profit for the period reported via income statement		17 996	19 467
Total comprehensive income for the period		17 996	19 467

Balance sheet, Parent company

SEKm	Note	2019	2018	1/1/2018
Assets				
Cash and balances with central banks		107 596	80 903	136 061
Treasury bills and other bills eligible for refinancing with central banks, etc.	P17	132 934	96 006	82 827
Loans to credit institutions	P18	537 151	523 699	450 007
Loans to the public	P19	422 794	428 966	397 854
Bonds and other interest-bearing securities	P20	58 150	56 407	58 847
Shares and participating interests	P21	6 235	4 629	19 569
Investments in associates and joint ventures	P22	2 315	2 085	2 087
Investments in Group entities	P23	63 082	62 135	62 016
Derivatives	P24	48 332	43 275	62 153
Intangible fixed assets	P26	366	351	375
Leasing equipment	P27	16 024	16 170	15 456
Tangible assets	P28	569	576	592
Current tax assets		2 197	1 935	1 361
Deferred tax assets	P16		146	141
Other assets	P29	21 418	25 666	24 458
Prepaid expenses and accrued income	P30	2 747	1 589	1 325
Total assets		1 421 910	1 344 538	1 315 128
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	P31	161 454	83 218	95 294
Deposits and borrowings from the public	P32	719 211	700 256	671 414
Debt securities in issue	P33	263 181	303 622	323 496
Derivatives	P24	69 908	54 063	65 704
Current tax liabilities		832	1 284	554
Deferred tax liabilities	P16	477		
Other liabilities	P34	55 589	63 992	33 984
Accrued expenses and prepaid income	P35	3 734	1 793	1 510
Provisions	P36	643	427	962
Senior non-preferred liabilities		10 805		
Subordinated liabilities	P37	31 934	34 184	25 864
Total liabilities		1 317 768	1 242 839	1 218 782
Untaxed reserves	P38	10 724	10 647	10 575
Equity				
Share capital		24 904	24 904	24 904
Other funds		19 174	5 968	5 968
Retained earnings		49 340	60 180	54 899
Total equity	P39	93 418	91 052	85 771
Total liabilities and equity		1 421 910	1 344 538	1 315 128

The balance sheet and income statement will be adopted at the Annual General Meeting on 26 March 2020.

Statement of changes in equity, Parent company

SEKm	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
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
Opening balance 1 January 2018	24 904	13 206	5 968	41 693	85 771
Dividend				-14 517	-14 517
Share based payments to employees				321	321
Deferred tax related to share based payments to employees				-7	-7
Current tax related to share based payments to employees				17	17
Total comprehensive income for the year				19 467	19 467
of which through the Profit and loss account				19 467	19 467
Closing balance 31 December 2018	24 904	13 206	5 968	46 974	91 052

Statement of cash flow, Parent company

SEKm	Note	2019	2018
Operating activities			
Operating profit		21 759	23 764
Adjustments for non-cash items in operating activities	P42	-4 917	-13 188
Taxes paid		-3 779	-4 073
Increase/decrease in loans to credit institution		-13 441	-73 886
Increase/decrease in loans to the public		5 672	-31 061
Increase/decrease in holdings of securities for trading		-39 792	4 937
Increase/decrease in deposits and borrowings from the public including retail bonds		18 942	27 278
Increase/decrease in amounts owed to credit institutions		78 710	-12 111
Increase/decrease in other assets		6 995	33 977
Increase/decrease in other liabilities		8 353	17 959
Cash flow from operating activities		78 502	-26 404
Investing activities			
Acquisition of and contribution to Group entities and associates and joint ventures		-992	
Disposal of/repayment from Group entities and associates		166	207
Business disposals		360	
Acquisition of other fixed assets and strategic financial assets		-8 343	-27 784
Disposals of other fixed assets and strategic financial assets		3 842	23 718
Dividends and Group contributions received		9 611	16 786
Cash flow from investing activities		4 644	12 927
Financing activities			
Issuance of interest-bearing securities		17 211	36 906
Redemption of interest-bearing securities		-53 490	-37 610
Issuance of commercial papers		483 569	992 449
Redemption of commercial papers		-487 865	-1 018 909
Dividends paid		-15 878	-14 517
Cash flow from financing activities		-56 453	-41 681
Cash flow for the year		26 693	-55 158
Cash and cash equivalents at the beginning of the year		80 903	136 061
Cash flow for the year		26 693	-55 158
Cash and cash equivalents at end of the year		107 596	80 903

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 18 894 m (17 076) and interest payments of SEK 5 676 m (4 823). Capitalised interest is included.

Investing activities

Investing activities consist of purchases and sales of strategic financial assets, contributions to and repayments from subsidiaries or associates and other fixed assets. On August 1, 2019, 11 percentage points of the subsidiary Ölands Bank AB was sold, and as a result the company is accounted for as an associated company. Swedbank received a cash payment of SEK 52m. The capital gain was SEK 27m. On November 4, 2019, the associated company BABS Paylink was sold. The cash payment amounted to SEK 113m and the gain was SEK 93m.

On June 11 Swedbank AB acquired 10 percent in Katching AB paying SEK 20m. Contributions were during 2019 provided to Swedbank PayEx Holding AB of SEK 875m, to Swedbank Management S.A. of SEK 16m, to Ektornet AB of SEK 7 m, to Nordic KYC Utility AB of SEK 24m and to P27 Nordic Payments Platform AB of SEK 57m. During 2019 the acquiring business in Swedbank AB was transferred to Swedbank PayEx Holding Sverige AB of SEK 360m.

On June 29, 2018, the associate UC AB was sold. A cash payment of SEK 206 m was received. In connection with the divestment, Swedbank also received shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc, which corresponded to a value of SEK 502 m. The recognised capital gain was SEK 677 m.

On March 23, 2018, 6 per cent was acquired in Meniga Ltd for SEK 31 m and on December 19, 14 per cent was acquired in Asteria for SEK 6m. In addition, on December 7, the investment in Minna Technologies AB (Mina Tjänster AB) was increased by SEK 10 m.

Other acquisitions and divestments/maturities of strategic financial assets refer to holdings in interest-bearing securities reported in the business model hold 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 59–66. 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 FFSS 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 investment 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

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.

Credit risks

Loans to credit institutions	2019			2018		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Non Credit-Impaired						
Gross carrying amount						
Opening balance	519 056	101	519 157	446 604	197	446 801
Closing balance	536 542	515	537 057	519 056	101	519 157
Credit impairment provisions						
Opening balance	5	1	6	14	13	27
Movements affecting Credit impairments line						
New and derecognised financial assets, net	7	6	13	-5	-8	-13
Changes in risk factors (EAD, PD, LGD)	0	0	0	-1	-3	-4
Changes in macroeconomic scenarios	1		1	-3	-1	-4
Stage transfers		2	2			
from stage 1 to stage 2		2	2			
from stage 2 to stage 1	0	0	0			
Total movements affecting Credit impairments line	8	8	16	-9	-12	-21
Closing balance	13	9	22	5	1	6
Carrying amount						
Opening balance	519 051	100	519 151	446 590	184	446 774
Closing balance	536 529	506	537 035	519 051	100	519 151

Loans to the public 2019	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3, incl purchased or originated	
Gross carrying amount				
Opening balance	345 145	40 607	8 041	393 793
Closing balance	331 781	38 660	10 981	381 422
Credit impairment provisions				
Opening balance	389	1 175	3 143	4 707
Movements affecting Credit impairments line				
New and derecognised financial assets, net	19	-193	-669	-843
Changes in risk factors (EAD, PD, LGD)	-25	-162	32	-155
Changes in macroeconomic scenarios	15	76	-1	90
Changes due to expert credit judgement (manual adjustments and individual assessments)	0	0	199	199
Stage transfers	-19	-125	1 494	1 350
from stage 1 to stage 2	-41	123		82
from stage 1 to stage 3	-6		161	155
from stage 2 to stage 1	28	-52		-24
from stage 2 to stage 3		-198	1 346	1 148
from stage 3 to stage 2		2	-11	-9
from stage 3 to stage 1	0		-2	-2
Other			-139	-139
Total movements affecting Credit impairments line	-10	-404	916	502
Movements recognised outside Credit impairments line				
Interest			139	139
Change in exchange rates	5	31	68	104
Closing balance	384	802	4 266	5 452
Carrying amount				
Opening balance	344 756	39 432	4 898	389 086
Closing balance	331 397	37 858	6 715	375 970

Loans to the public 2018	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3, incl purchased or originated	
Gross carrying amount				
Opening balance	314 160	56 125	6 237	376 522
Closing balance	345 145	40 607	8 041	393 793
Credit impairment provisions				
Opening balance	307	1 594	1 982	3 883
Movements affecting Credit impairments line				
New and derecognised financial assets, net	77	-146	70	1
Changes in risk factors (EAD, PD, LGD)	131	52	19	202
Changes in macroeconomic scenarios	-8	-79	2	-85
Changes due to expert credit judgement (manual adjustments and individual assessments)			333	333
Stage transfers	-126	-332	626	168
from stage 1 to stage 2	-111	253		142
from stage 1 to stage 3	-40		45	5
from stage 2 to stage 1	25	-76		-51
from stage 2 to stage 3		-510	595	85
from stage 3 to stage 2		1	-11	-10
from stage 3 to stage 1	0		-3	-3
Other	-1		-92	-93
Total movements affecting Credit impairments line	73	-505	958	526
Movements recognised outside Credit impairments line				
Interest			92	92
Change in exchange rates	9	86	111	206
Closing balance	389	1 175	3 143	4 707
Carrying amount				
Opening balance	313 853	54 531	4 255	372 639
Closing balance	344 756	39 432	4 898	389 086

Commitments and financial guarantees 2019	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3, incl purchased or originated	
Nominal amount				
Opening balance	721 485	8 292	797	730 574
Closing balance	745 962	9 837	1 240	757 039
Credit impairment provisions				
Opening balance	92	206	104	402
Movements affecting Credit impairments line				
New and derecognised financial assets, net	19	-8	-7	4
Changes in risk factors (EAD, PD, LGD)	-8	-75	-16	-99
Changes in macroeconomic scenarios	12	20	0	32
Changes due to expert credit judgement (manual adjustments and individual assessments)			134	134
Stage transfers	-7	5	106	104
from stage 1 to stage 2	-9	29		20
from stage 1 to stage 3	0		26	26
from stage 2 to stage 1	2	-10		-8
from stage 2 to stage 3		-14	81	67
from stage 3 to stage 2		0	-1	-1
from stage 3 to stage 1	0		0	0
Other				
Total movements affecting Credit impairments line	16	-58	217	175
Movements recognised outside Credit impairments line				
Change in exchange rates	2	6	5	13
Closing balance	110	154	326	590

Commitments and financial guarantees 2018

	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	
Nominal amount				
Opening balance	774 864	11 642	721	787 227
Closing balance	721 485	8 292	797	730 574
Credit impairment provisions				
Opening balance	115	258	266	639
Movements affecting Credit impairments line				
New and derecognised financial assets, net	5	-78	-1	-74
Changes in risk factors (EAD, PD, LGD)	-10	36	-38	-12
Changes in macroeconomic scenarios	-12	-11		-23
Changes due to expert credit judgement (manual adjustments and individual assessments)			-167	-167
Stage transfers	-11	-16	26	-1
from stage 1 to stage 2	-16	46		30
from stage 1 to stage 3	-1		1	
from stage 2 to stage 1	6	-35		-29
from stage 2 to stage 3		-27	27	
from stage 3 to stage 2			-1	-1
from stage 3 to stage 1			-1	-1
Total movements affecting Credit impairments line	-28	-69	-180	-277
Movements recognised outside Credit impairments line				
Change in exchange rates	5	17	18	40
Closing balance	92	206	104	402

Carrying amount of forbore loans to the public

	2019	2018
Performing	1 610	6 375
Non-Performing	6 054	6 370
Total	7 664	12 745

Concentration risk, customer exposure

At end of 2019 the Parent company did not have any exposures against single counterparties that exceeded 10% 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 13m (414). None of this collateral has been sold or pledged.

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 the amortisation schedule. Liabilities whose repayment date may depend on various options have been distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, discounted cash flows, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined in the column No maturity and 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 fixed 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-preferred liabilities			265	10 472		209	-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

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Remaining maturity 2018	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	80 903							80 903
Treasury bills and other bills eligible for refinancing with central banks		80 732	2 479	7 445	1 588	903	2 859	96 006
Loans to credit institutions	12 357	8 135	487 772	13 718	783	934		523 699
Loans to the public		63 758	103 805	216 226	35 892	9 285		428 966
Bonds and other interest-bearing securities		7 150	10 487	33 892	3 728	89	1 061	56 407
Shares and participating interests							68 849	68 849
Derivatives		9 862	10 774	20 623	2 340	443	-767	43 275
Intangible fixed assets							351	351
Tangible assets							16 746	16 746
Other assets		12 935	2 081				14 320	29 336
Total	93 260	182 572	617 398	291 904	44 331	11 654	103 419	1 344 538
Liabilities								
Amounts owed to credit institutions	59 006	23 726	235	251				83 218
Deposits and borrowings from the public	679 909	13 423	6 045	879				700 256
Debt securities in issue		99 754	65 786	133 134	7 441		-2 493	303 622
Derivatives		8 590	10 320	20 812	2 723	585	11 033	54 063
Other liabilities		65 574	1 520	402			10 647	78 143
Subordinated liabilities		7 700	111	25 759	406		208	34 184
Equity							91 052	91 052
Total	738 915	218 767	84 017	181 237	10 570	585	110 447	1 344 538

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Turnover during the year, 2019	Commercial papers	Other interest-bearing bond loans	Structure retail bonds	Total debt securities in issue	Senior non-preferred liabilities	Subordinated liabilities	Total
Opening balance	131 439	161 448	10 735	303 622		34 184	337 806
Issued / New contracts	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 in 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

Turnover during the year, 2018	Commercial papers	Other interest-bearing bond loans	Structure retail bonds	Total debt securities in issue		Subordinated liabilities	Total
Opening balance	149 976	158 684	14 836	323 496		25 864	349 360
Issued / New contracts	992 449	26 434	2 166	1 021 049		8 306	1 029 355
Repurchased		-145		-145			-145
Repaid	-1 018 909	-30 866	-5 040	-1 054 815		-1 559	-1 056 374
Interest, change in market values or in hedged item in hedge accounting at fair value		-521	-1 227	-1 748		-18	-1 766
Change in exchange rates	7 923	7 862		15 785		1 591	17 376
Closing balance	131 439	161 448	10 735	303 622		34 184	337 806

Market risks

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.

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

2018	< 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	-545	288	-352	-177	-119	-76	1 066	-765	-310	-990
Foreign currency	907	860	165	53	-13	-70	4	-78	93	1 921
Total	362	1 148	-187	-124	-132	-146	1 070	-843	-217	931

of which financial instruments measured at fair value through profit or loss

2018	< 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	30	10	-108	-194	58	35	54	-61	-100	-276
Foreign currency	576	841	148	15	-8	-15	30	-59	90	1 618
Total	606	851	40	-179	50	20	84	-120	-10	1 342

Currency risks

Currency distribution

2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	31 673	56 770	18 825		87	139	102	107 596
Loans to credit institutions	505 119	21 122	3 486	187	1 681	2 718	2 838	537 151
Loans to the public	311 451	41 682	32 093	3 130	4 633	28 140	1 665	422 794
Treasury bills and other bills eligible for refinancing with central banks, etc	132 727	1				206		132 934
Bonds and other interest-bearing securities	45 181	5 363	1 370		430	5 806		58 150
Other assets, not distributed	163 285							163 285
Total	1 189 436	124 938	55 774	3 317	6 831	37 009	4 605	1 421 910
Liabilities								
Amounts owed to credit institutions	111 824	18 236	8 885	2 356	2 073	15 787	2 293	161 454
Deposits and borrowings from the public	680 532	27 155	11 276				248	719 211
Debt securities in issue	19 030	87 400	126 209	19 482		540	10 520	263 181
Subordinated liabilities	1 222	12 169	16 482				2 061	31 934
Senior non-preferred liabilities		7 893				2 912		10 805
Other liabilities, not distributed	141 907							141 907
Equity	93 418							93 418
Total	1 047 933	152 853	162 852	21 838	2 073	19 239	15 122	1 421 910
Other assets and liabilities, including positions in derivatives		-17 331	-107 135	-18 526	4 762	17 968	-10 517	
Net position in currency		10 584	-57	-5	4	198		10 724

Currency distribution

2018	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	4 594	49 239	26 163		61	795	51	80 903
Loans to credit institutions	497 765	3 212	11 589	332	1 710	5 569	3 522	523 699
Loans to the public	317 678	33 386	34 560	3 747	5 657	32 071	1 867	428 966
Treasury bills and other bills eligible for refinancing with central banks, etc	93 623				572	1 811		96 006
Bonds and other interest-bearing securities	42 599	6 030	2 389			5 389		56 407
Other assets, not distributed	158 557							158 557
Total	1 114 816	91 867	74 701	4 079	8 000	45 635	5 440	1 344 538
Liabilities								
Amounts owed to credit institutions	42 632	11 815	20 861	1 279	2 005	1 758	2 868	83 218
Deposits and borrowings from the public	671 759	10 109	10 066	688	1 460	4 541	1 633	700 256
Debt securities in issue	21 637	77 546	167 671	25 323		524	10 921	303 622
Subordinated liabilities	1 340	19 715	11 169				1 960	34 184
Other liabilities, not distributed	132 206							132 206
Equity	91 052							91 052
Total	960 626	119 185	209 767	27 290	3 465	6 823	17 382	1 344 538
Other assets and liabilities, including positions in derivatives		-17 244	-135 202	-23 268	4 558	39 049	-11 942	
Net position in currency		10 074	-136	-57	23	238		10 143

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 2019 the internal capital requirement amounted to SEK 27.3bn. The capital base amounted to SEK 122.5bn.

Capital adequacy	2019	2018
Common Equity Tier 1 capital	90 305	81 824
Additional Tier 1 capital	16 153	10 937
Tier 1 capital	106 458	92 761
Tier 2 capital	15 995	22 862
Total own funds	122 453	115 623
Risk exposure amount	325 056	325 180
Common Equity Tier 1 capital ratio, %	27.8	25.2
Tier 1 capital ratio, %	32.8	28.5
Total capital ratio, %	37.7	35.6

Capital adequacy	2019	2018
Shareholders' equity according to the balance sheet	93 418	91 052
Anticipated dividend	-9 856	-15 885
Share of capital of accrual reserve	8 365	8 305
Value changes in own financial liabilities	-95	-125
Additional value adjustments ¹	-427	-427
Goodwill	-709	-710
Intangible assets after deferred tax liabilities	-359	-341
Shares deducted from CET1 capital	-32	-45
Common Equity Tier 1 capital	90 305	81 824
Additional Tier 1 capital	16 153	10 937
Total Tier 1 capital	106 458	92 761
Tier 2 capital	15 995	22 862
Total own funds	122 453	115 623
Minimum capital requirement for credit risks, standardised approach	6 461	6 415
Minimum capital requirement for credit risks, IRB	12 683	13 048
Minimum capital requirement for credit risks, default fund contribution	47	29
Minimum capital requirement for market risks	1 297	1 040
Trading book	1 284	997
of which VaR and SVaR	1 016	722
of which risks outside VaR and SVaR	268	275
FX risk other operations	13	43
Minimum capital requirement for credit value adjustment	372	302
Minimum capital requirement for operational risks	2 945	2 816
Additional minimum capital requirement, Article 3 CRR ²	2 159	2 325
Additional minimum capital requirement, Article 458 CRR ⁶	41	39
Minimum capital requirement	26 004	26 014
Risk exposure amount credit risks, standardised approach	80 766	80 197
Risk exposure amount credit risks, IRB	158 540	163 098
Risk exposure amount credit risks, default fund contribution	584	358
Risk exposure amount market risks	16 207	13 000
Risk exposure amount credit value adjustment	4 644	3 781
Risk exposure amount operational risks	36 815	35 201
Additional risk exposure amount, Article 3 CRR ²	26 986	29 058
Additional risk exposure amount, Article 458 CRR ⁶	514	487
Risk exposure amount	325 056	325 180
Common Equity Tier 1 capital ratio, %	27.8	25.2
Tier 1 capital ratio, %	32.8	28.5
Total capital ratio, %	37.7	35.6

Capital buffer requirement ³ , %	2019	2018
CET1 capital requirement including buffer requirements	8.9	8.5
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.9	1.5
CET 1 capital available to meet buffer requirement ⁴	23.3	20.7
Leverage ratio	2019	2018
Tier 1 Capital	106 458	92 761
Total exposure ⁵	1 086 489	1 017 859
Leverage ratio, %	9.8	9.1

- 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) Buffer requirement according to Swedish implementation of CRD IV.
- 4) 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.
- 5) Taking into account exemption according to CRR article 429.7, excluding certain intragroup exposures.
- 6) 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.

Capital requirements ¹	SEKm	SEKm	Per cent	Per cent
SEKm / Per cent	2019	2018	2019	2018
Capital requirement Pillar 1	40 307	39 022	12.4	12.0
of which buffer requirements ²	14 302	8 130	4.4	4.0
Total capital requirement Pillar 2 ³	5 265	4 293	1.6	1.3
Total capital requirement Pillar 1 and 2	45 572	43 315	14.0	13.3
Own funds	122 453	115 623		

- 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) Systemic Risk buffer as of 31 December 2019. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 30 September 2019, in relation to REA as of December 2019.

	2019		
	Exposure amount	Average risk weight, %	Minimum capital requirement
Credit risks, IRB			
Central government or central banks exposures	266 658	1	282
Institutional exposures	56 956	19	852
Corporate exposures	442 780	28	9 843
Retail exposures	90 955	21	1 524
Non credit obligation	2 695	84	182
Total credit risks, IRB	860 044	18	12 683

	2018		
	Exposure amount	Average risk weight, %	Minimum capital requirement
Credit risks, IRB			
Central government or central banks exposures	205 617	2	255
Institutional exposures	52 256	20	821
Corporate exposures	433 572	29	10 115
Retail exposures	94 045	21	1 605
Non credit obligation	3 286	96	252
Total credit risks, IRB	788 776	21	13 048

Minimum capital requirements for market risks	2019	2018
Interest rate risk	1 288	990
of which for specific risk	268	275
of which for general risk	1 020	716
Equity risk	105	53
of which for general risk	105	53
Currency risk in trading book	131	202
Total minimum capital requirement for risks in trading book¹	1 284	997
of which stressed VaR	806	589
Currency risk outside trading book	13	43
Total	1 297	1 040

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.

Minimum capital requirement for operational risks	2019	2018
Standardised approach	2 945	2 816
of which trading and sales	268	168
of which retail banking	1 570	1 596
of which commercial banking	904	846
of which payment and settlement	199	189
of which retail brokerage	1	1
of which agency services	31	30
of which asset management	-52	-42
of which corporate finance	24	28
Total	2 945	2 816

Exposure amount, risk exposure amount and minimum capital requirement	2019			2018		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 065 332	80 766	6 461	1 045 728	80 197	6 415
Central government or central banks exposures	6			19		
Regional governments or local authorities exposures	28	6	0	34	7	1
Public sector entities exposures	721	104	8	1 024		
Multilateral development banks exposures	1 970	3	0	2 452		
International organisation exposures				280		
Institutional exposures	987 277	820	66	968 031	841	67
Corporate exposures	4 359	4 143	331	4 205	4 020	322
Retail exposures	247	184	15	301	225	18
Exposures secured by mortgages on immovable property	3 598	1 259	101	2 919	1 022	82
Exposures in default	0	0	0	0	0	0
Equity exposures	67 123	74 247	5 940	65 374	72 995	5 838
Other items	3	0	0	1 089	1 087	87
Credit risks, IRB	860 044	158 540	12 683	788 776	163 098	13 048
Central government or central banks exposures	266 658	3 529	282	205 617	3 188	255
Institutional exposures	56 956	10 645	852	52 256	10 259	821
Corporate exposures	442 780	123 035	9 843	433 572	126 438	10 115
Retail exposures	90 955	19 056	1 524	94 045	20 058	1 605
of which mortgage lending	10 556	2 125	170	11 333	2 346	188
of which other lending	80 399	16 931	1 354	82 712	17 712	1 417
Non-credit obligation	2 695	2 275	182	3 286	3 155	252
Credit risks, Default fund contribution		584	47		358	29
Settlement risks	0	0	0	177	0	0
Market risks		16 207	1 297		13 000	1 040
Trading book		16 048	1 284		12 460	997
of which VaR and SVaR		12 701	1 016		9 023	722
of which risks outside VaR and SVaR		3 347	268		3 437	275
FX risk other operations		159	13		540	43
Credit value adjustment	17 628	4 644	372	15 072	3 781	302
Operational risks		36 815	2 945		35 201	2 816
of which standardised approach		36 815	2 945		35 201	2 816
Additional risk exposure amount, Article 3 CRR		26 986	2 159		29 058	2 325
Additional risk exposure amount, Article 458 CRR		514	41		487	39
Total	1 943 004	325 056	26 004	1 849 753	325 180	26 014

P4 Geographical distribution of revenue

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 and 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

2018	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	8 275	2 754	79	-574	1 758	167	12 459
Leasing income	4 773						4 773
Dividends received	19 831						19 831
Commission income	8 971	535	49	426	54	29	10 064
Net gains or losses on financial items	1 716	-376	5	-142	-1	75	1 277
Other income	1 984	3			1	51	2 039
Total	45 550	2 916	133	-290	1 812	322	50 443

The geographical distribution has been allocated to the country where the business was carried out.

P5 Net interest income

	2019	2018
Interest income	13 955	12 459
Leasing income	4 815	4 773
Interest expense	5 692	4 992
Net interest income before depreciation for financial leases	13 078	12 240
Depreciation according to plan for finance leases	4 468	4 490
Net interest income after depreciation for financial leases	8 610	7 750

	2019			2018		
	Average balance	Interest income/ annual interest expense	Average annual interest rate, %	Average balance	Interest income/ annual interest expense	Average annual interest rate, %
Loans to credit institutions	514 023	1 479	0.29	458 565	-42	-0.01
Loans to the public	447 733	10 125	2.26	396 434	10 723	2.70
Treasury bills and other bills eligible for refinancing with central banks, etc.	140 792	62	0.04	120 888	-45	-0.04
Bonds and other interest-bearing securities	30 747	52	0.17	43 442	23	0.05
Total interest-bearing assets	1 133 295	11 718	1.03	1 019 329	10 659	1.07
Derivatives	54 503	1 269		71 218	1 603	
Other assets	293 469	5 783		383 747	4 970	
Total assets	1 481 267	18 770	1.27	1 474 294	17 232	1.19
Amounts owed to credit institutions	144 830	1 113	0.77	155 270	1 050	0.68
Deposits and borrowings from the public	762 218	1 424	0.19	694 024	1 002	0.14
of which deposit guarantee fees		289			265	
Debt securities in issue	335 593	6 371	1.90	378 383	7 141	1.89
Senior non-preferred liabilities	2 061	15	0.73			
Subordinated liabilities	30 627	993	3.24	27 484	1 016	3.70
Total interest-bearing liabilities	1 275 329	9 916	0.78	1 255 161	10 209	0.81
Derivatives	67 647	-4 796		75 600	-5 999	
Other liabilities	50 580	572		45 184	782	
of which resolution fee		502			741	
Total liabilities	1 393 556	5 692	0.41	1 375 945	4 992	0.36
Equity	87 711			77 069		
Total liabilities and equity	1 481 267	5 692	0.38	1 453 014	4 992	0.34
Net interest income		13 078			12 240	
Investment margin			0.88			0.85
Interest income on Stage 3 loans		251			201	
Interest expense on financial liabilities at amortised cost		10 599			11 144	
Negative yield on financial assets		1 727			2 991	
Negative yield on financial liabilities		571			735	

P6 Dividends received

	2019	2018
Shares and participating interests	141	867
Investments in associates	529	354
Investments in Group entities ¹	19 153	18 610
Total	19 823	19 831
1) of which, through Group contributions	14 914	14 314

P7 Net commissions

2019	Commission income		Total commission income	Commission expense	Net commissions
	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 commission income	278	69	347	-222	125
Total	4 463	5 144	9 607	-3 382	6 225

2018	Commission income		Total commission income	Commission expense	Net commissions
	Over time	Point in time			
Payment processing	520	1 198	1 718	-958	760
Cards	20	3 709	3 729	-2 081	1 648
Service concepts	606		606	-12	594
Asset management and custody	1 623		1 623	-95	1 528
Life insurance	438	2	440		440
Securities	2	417	419	-253	166
Corporate finance	113		113		113
Lending	619	137	756	-61	695
Guarantee	163		163		163
Deposits	16	15	31		31
Non-life insurance	54		54		54
Other commission income	379	33	412	-147	265
Total	4 553	5 511	10 064	-3 607	6 457

P8 Net gains and losses on financial items

	2019	2018
Fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	176	785
Interest-bearing instruments and interest related derivatives	1 052	306
Total	1 228	1 091
Other		
Shares	656	-37
Interest-bearing instruments	-158	-174
Total	498	-211
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	1 174	-81
Hedged item	-1 160	61
Total	14	-20
Derecognition gain or loss for financial liabilities at amortised cost		1
Derecognition gain or loss for financial assets at amortised cost	4	3
Change in exchange rates	458	413
Total	2 202	1 277

P9 Other income

	2019	2018
IT services	577	668
Business disposals	233	
Other operating income	869	1 371
Total	1 679	2 039

P10 Staff costs

Total staff costs	2019	2018
Salaries and remuneration	5 060	4 610
Compensation through shares in Swedbank AB	176	223
Social insurance charges	1 578	1 553
Pension costs	1 156	1 045
Training costs	99	93
Other staff costs	280	263
Total	8 349	7 787
of which variable staff costs	294	383

Variable Compensation Programme 2014-2019

	2019	2018
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB		14
Recognised expense for social charges related to the share settled compensation		6
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	6	34
Recognised expense for social charges related to the share settled compensation	2	17
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	35	41
Recognised expense for social charges related to the share settled compensation	-1	14
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	30	34
Recognised expense for social charges related to the share settled compensation	1	12
Recognised expense for cash settled compensation	4	1
Recognised expense for payroll overhead costs related to the cash settled compensation	2	1
Programme 2018		
Recognised expense for compensation that is settled with shares in Swedbank AB	39	100
Recognised expense for social charges related to the share settled compensation	3	28
Recognised expense for cash settled compensation	23	56
Recognised expense for payroll overhead costs related to the cash settled compensation	13	25
Programme 2019		
Recognised expense for compensation that is settled with shares in Swedbank AB	66	
Recognised expense for social charges related to the share settled compensation	18	
Recognised expense for cash settled compensation	36	
Recognised expense for payroll overhead costs related to the cash settled compensation	17	
Total recognised expense	294	383

Number of performance rights that establish the recognised share based expense, millions	2019	2018
Outstanding at the beginning of the period	3.4	3.8
Allotted	1.2	1.4
Forfeited	0.2	0.1
Exercised	0.7	1.7
Outstanding at the end of the period	3.7	3.4
Weighted average fair value per performance right at measurement date, SEK	179	195
Weighted average remaining contractual life, months	16	18

2019	Board of directors, President and equivalent senior executives			Other employees	
	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Countries					
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

2018	Board of directors, President and equivalent senior executives			Other employees	
	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Countries					
Sweden	29	101	10	4 181	4 292
Denmark				24	24
Norway				230	230
USA				32	32
Finland				42	42
Luxembourg				21	21
China				14	14
Estonia				57	57
Latvia				31	31
Lithuania				90	90
Total	29	101	10	4 722	4 833

Board members, President and equivalent senior executives	2019	2018
Costs during the year for pensions and similar benefits	24	30
No. of persons	15	17
Granted loans, SEKm	60	87
No. of persons	15	18

Distribution by gender %	2019		2018	
	Female	Male	Female	Male
All employees	63	37	57	43
Directors	44	56	50	50
Other senior executives, incl. President	33	67	42	58

P11 Other general administrative expenses

	2019	2018
Rents, etc.	941	902
IT expenses	2 296	2 000
Telecommunications, postage	90	107
Consulting	1 576	381
Other outside services	532	653
Travel	149	146
Entertainment	29	31
Office supplies	57	78
Advertising, public relations, marketing	202	194
Security transports, alarm systems	44	39
Maintenance	71	76
Other administrative expenses ¹	420	209
Other operating expenses	188	73
Total	6 595	4 889

1) Other administrative expenses 2019 includes a reservation of SEK 248m for non-deductible VAT.

Remuneration to Auditors elected by Annual General Meeting, PwC	2019	2018
Statutory audit	35	
Other audit	9	
Other		
Total	44	

Remuneration to Auditors elected by Annual General Meeting, Deloitte	2019	2018
Statutory audit	7	23
Other audit	1	2
Other		0
Total	8	25
Internal Audit	71	67

P12 Depreciation/amortisation and impairments of tangible and intangible fixed assets

	2019	2018
Depreciation/amortisation		
Equipment	231	232
Intangible fixed assets	76	92
Lease objects	4 468	4 490
Total	4 775	4 814
Impairment		
Lease objects	-7	23
Total	-7	23
Total	4 768	4 837

P13 Credit impairments

Credit impairment	2019	2018
Loan at amortised Cost		
Impairment provisions – Stage 1	-2	64
Impairment provisions – Stage 2	-396	-516
Impairment provisions – Stage 3	917	958
Total	519	506
Write-offs	871	473
Recoveries	-51	-187
Total	820	286
Total - Loan at amortised Cost	1 339	792

Commitments and financial guarantees

Impairment provisions – Stage 1	16	-28
Impairment provisions – Stage 2	-59	-68
Impairment provisions – Stage 3	217	-181
Total	174	-277
Write-offs	1	41
Total - Commitments and financial guarantees	175	-236
Total Credit impairment	1 514	556

Credit impairment by borrower category

Credit institutions	16	-21
General public	1 498	577
Total	1 514	556

P14 Impairments of financial fixed assets

	2019	2018
Investments in Group entities and associated companies		
Ektornet AB, Stockholm		2
Rosengård Invest, Malmö		2
Swedbank Management Company S.A., Luxemburg	22	7
Total	22	11

P15 Appropriations

Untaxed reserves	2019	2018
Tax allocation reserve, allocation 2019	51	0
Tax allocation reserve, reversal 2013	-51	0
Tax allocation reserve, allocation 2018	0	3 538
Tax allocation reserve, reversal 2012	0	-3 538
Accelerated depreciation, equipment	78	72
Total	78	72

P16 Tax

Tax expense	2019	2018
Tax related to previous years	-701	61
Current tax	3 790	4 160
Deferred tax	596	4
Total	3 685	4 225

	2019		2018	
	SEKm	per cent	SEKm	per cent
Results	3 685	17.0	4 225	17.8
Current tax of pre-tax profit	4 640	21.4	5 212	22.0
Difference	955	4.4	987	4.2
The difference consists of the following items				
Tax previous years	701	3.2	-61	-0.2
Tax -exempt income/non-deductible expenses	-820	-3.8	-208	-0.9
Non-taxable dividends	1 026	4.7	1 177	4.9
Tax-exempt capital gains and appreciation in value of shares and participating interests	73	0.3	146	0.6
Standard income tax allocation reserve	-6		-4	
Non-deductible impairment of financial fixed assets	-5		-3	
Deviating tax rates in other countries	-14		-53	-0.2
Revaluation of deferred taxes due to changed tax rate in Sweden			-7	
Total	955	4.4	987	4.2

2019

Deferred tax debt	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Hedge of net investment		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

2018

Deferred tax assets	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Provisions for pensions	124	-7			117
Share related compensation	23		-8		15
Intangible assets	-11	2			-9
Other	5	1		17	23
Total	141	-4	-8	17	146

P17 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2019	2018	1/1/2018	2019	2018	1/1/2018	2019	2018	1/1/2018
Valuation category, fair value through profit or loss									
Trading									
Swedish government	8 541	8 941	8 441	9 430	9 236	8 499	6 981	7 276	6 719
Swedish municipalities	13	512	128	13	513	128	13	501	125
Foreign governments	60	1 796	56	59	1 804	56	58	1 791	55
Other non-Swedish issuers	145	1	554	145	1	554	143	1	550
Total	8 759	11 250	9 178	9 647	11 554	9 236	7 195	9 569	7 448
Other									
Swedish government			2 199			2 199			2 191
Swedish municipalities	3 924	4 294	4 332	3 881	4 294	4 296	3 871	4 277	4 267
Foreign governments		571	2 115		573	2 112		548	2 100
Total	3 924	4 865	8 646	3 881	4 867	8 606	3 871	4 825	8 559
Valuation category, amortised cost									
Swedish central bank	120 251	79 891	65 003	120 251	80 129	65 003	120 244	80 000	65 000
Total	120 251	79 891	65 003	120 251	80 129	65 003	120 244	80 000	65 000
Total	132 934	96 006	82 827	133 779	96 550	82 845	131 310	94 394	81 007

P18 Loans to credit institutions

	2019	2018	1/1/2018
Valuation category, amortised cost			
Swedish banks	3 832	3 319	4 348
Swedish credit institutions	510 098	499 107	429 216
Foreign banks	21 475	13 530	10 780
Foreign credit institutions	1 629	3 195	2 431
Total	537 034	519 151	446 774
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements	9		
Swedish credit institutions, repurchase agreements	107	4 548	3 187
Foreign banks, repurchase agreements	1		46
Total	117	4 548	3 233
Total	537 151	523 699	450 007
Subordinated loans			
Associates	120	620	620
Other companies	53	51	50
Total	173	671	670

P19 Loans to the public

	2019	2018	1/1/2018
Valuation category, amortised cost			
Swedish public	295 717	298 343	291 285
Swedish national debt office	4	10 153	8 500
Foreign public	80 252	80 590	72 931
Total	375 973	389 086	372 716
Valuation category, fair value through profit or loss			
Trading			
Swedish public, repurchase agreements	2 439	5 519	7 807
Swedish national debt office, repurchase agreements	9 725	2 436	2 862
Foreign public, repurchase agreements	34 503	31 759	14 347
Other			
Swedish public	154	166	122
Total	46 821	39 880	25 138
Total	422 794	428 966	397 854

P20 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2019	2018	1/1/2018	2019	2018	1/1/2018	2019	2018	1/1/2018
Valuation category, fair value through profit or loss									
Trading									
Swedish mortgage institutions	10 174	15 603	6 011	10 225	15 573	6 006	9 858	14 992	5 682
Swedish financial entities	9 219	5 276	3 189	9 235	6 781	3 151	9 543	5 141	3 144
Swedish non-financial entities	3 876	3 913	2 683	3 873	5 808	2 688	3 332	5 713	2 586
Foreign financial entities	7 098	4 990	3 472	7 107	3 487	3 461	6 994	4 915	3 405
Foreign non-financial entities	4 910	5 119	2 695	4 912	3 255	2 696	4 886	3 215	2 669
Total	35 277	34 901	18 049	35 352	34 904	18 003	34 613	33 976	17 485
Other									
Swedish mortgage institutions	18 852	15 646	26 293	18 930	15 685	26 281	18 300	15 040	25 590
Swedish financial entities	2	257	5 370	2	257	5 322	2	250	5 200
Foreign banks	1 118			1 119			1 118		
Foreign financial entities	1 910	1 525	3 203	1 909	1 525	3 180	1 881	1 505	3 160
Foreign non-financial entities	990	1 904	2 655	990	1 904	2 629	958	1 838	2 605
Total	22 872	19 332	37 521	22 950	19 371	37 412	22 259	18 634	36 555
Valuation category, amortised cost									
Foreign banks	1	2 174	3 277	1	2 174	3 277	1	2 152	3 277
Total	1	2 174	3 277	1	2 174	3 277	1	2 152	3 277
Total	58 150	56 407	58 847	58 303	56 449	58 692	56 873	54 761	57 318

P21 Shares and participating interests

	Carrying amount		Cost		Carrying amount		Cost		Carrying amount		Cost	
	2019	2019	2019	2019	2018	2018	2018	2018	1/1/2018	1/1/2018	1/1/2018	1/1/2018
Valuation category, fair value through profit or loss												
Trading												
Trading shares		591	586		1 207	1 459			18 186	17 584		
Trading fund units		3 316	3 257		1 808	1 832			1 018	999		
Other												
Strategic shares and other		2 317	1 639		1 603	1 635			363	338		
Condominiums		11	11		11	11			2	2		
Total		6 235	5 493		4 629	4 937			19 569	18 923		

P22 Investments in associates and joint ventures

Fixed assets	2019	2018	1/1/2018
Credit institutions	2 054	1 944	1 944
Other associates	261	141	143
Total	2 315	2 085	2 087
Opening balance	2 085	2 087	1 999
Additions during the year	251	0	88
Impairments during the year		-2	
Sold during the year	-21	0	
Closing balance	2 315	2 085	2 087

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
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 Sjuhärad 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
Nordic KYC Utility AB, Stockholm, joint venture	559210-0779	10 000	24	24	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				42.09
Total			261	284	
Total			2 315	2 337	

The share of the voting rights in each entity corresponds to the share of its equity. All shares and participating interests are unlisted.

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, 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. 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.

On June 29, 2018, the associate UC AB was sold. A cash payment of SEK 206m was received. In connection with the divestment, Swedbank also received shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc, which corresponded to a value of SEK 502m. Also, in connection with the divestment shares in USE Intressenter AB were acquired for SEK 0m.

P23 Investments in Group entities

Fixed assets	2019	2018	1/1/2018
Swedish credit institutions	24 073	24 208	24 208
Foreign credit institutions	29 353	29 276	29 196
Other entities	9 656	8 651	8 612
Total	63 082	62 135	62 016
Opening balance	62 135	62 016	56 614
Additions during the year	1 105	128	5 415
Impairments during the year	-22	-9	-13
Disposals during the year	-136	0	
Closing balance	63 082	62 135	62 016

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	10 060 701	85 000 000	18 440	18 440	100
Swedbank AS, Riga	40003074764	575 000 000	4 250	4 250	100
Swedbank AB, Vilnius	112029651	164 008 000	6 596	6 596	100
Swedbank First Securities LLC, New York	20-416-7414	100	48	89	100
Swedbank (Luxembourg) S.A., Luxembourg	302018-5066	300 000	15	143	100
Swedbank Management Company S.A., Luxembourg	B149317	250 000	4	42	100
Total			29 353	29 560	
Other entities					
ATM Holding AB, Stockholm	556886-6692	350	40	47	70
Ektornet AB, Stockholm	556788-7152	5 000 000	164	1 977	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 Fastighetsförmedling AB, Stockholm	556090-2115	1 000	282	282	100
Swedbank Försäkring AB, Stockholm	516401-8292	150 000	3 358	3 358	100
Swedbank PayEx Holding AB, Visby	556714-2798	500 000	2 281	2 281	100
Swedbank Robur AB, Stockholm	556110-3895	10 000 000	3 319	3 319	100
Other entities		51 105	27	107	
Total			9 656	11 583	
Total			63 082	65 216	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.

In 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 to Ektornet AB of SEK 7 m, Swedbank PayEx Holding AB SEK 987 mkr, Sparfrämjandet SEK 0 m and to Swedbank Management Company S.A SEK 16 m.

In 2018 Swedbank Mobile Solutions was sold for SEK 0 m and Goldcup 17968 AB was acquired for SEK 0 m. Capital contribution was paid to Ektornet AB of SEK 7 m and to Swedbank PayEx Holding AB of SEK 21 m.

P24 Derivatives

	Note	Nominal amount/ remaining contractual maturity			Nominal amount		Positive fair value		Negative fair value	
		< 1 yr.	1-5 yrs.	> 5 yrs.	2019	2018	2019	2018	2019	2018
Derivatives in hedge accounting										
Fair value hedges, interest rate swaps	P25	18 888	86 448	35 496	140 832	151 313	1 466	1 043	218	714
Non-hedging derivatives		8 472 827	7 013 612	2 532 137	18 018 576	14 626 037	119 180	72 497	143 922	86 259
Gross amount		8 491 715	7 100 060	2 567 633	18 159 408	14 777 350	120 646	73 540	144 140	86 973
Offset amount	P41	-5 344 977	-4 868 607	-1 843 876	-12 057 460	-6 880 364	-72 314	-30 265	-74 232	-32 910
Total		3 146 738	2 231 453	723 757	6 101 948	7 896 986	48 332	43 275	69 908	54 063
Non-hedging derivatives										
Interest-rate-related contracts										
Options held		369 384	448 633	161 281	979 298	1 352 664	3 378	1 942	2 645	1 823
Forward contracts		4 786 257	1 273 670		6 059 927	6 360 860	959	645	965	579
Swaps		2 129 416	4 814 725	2 202 569	9 146 710	5 246 168	72 419	37 733	76 425	40 823
Currency-related contracts										
Options held		37 674	645		38 319	51 470	231	258	222	242
Forward contracts		852 959	21 571	137	874 667	837 771	7 830	5 924	12 122	5 850
Swaps		205 873	445 127	166 941	817 941	681 142	8 929	8 239	27 351	19 938
Equity-related contracts										
Options held		83 195	8 719	1 209	93 123	82 927	25 385	17 287	24 079	16 630
Forward contracts		4 498			4 498	10 719	30	447	29	236
Swaps		3 571			3 571	2 316	19	22	71	138
Credit-related contracts										
Swaps			522		522				13	
Total		8 472 827	7 013 612	2 532 137	18 018 576	14 626 037	119 180	72 497	143 922	86 259

P25 Hedge accounting at fair value

Hedging instruments and hedge ineffectiveness	Nominal amount	Carrying amount		Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recog- nised in Profit or loss
		Assets	Liabilities		
Interest rate risk 2019					
Interest rate swap, Debt securities in issue	98 860	1 159	53	1 053	13
Interest rate swao, Senior non-preferred liabilities	10 416		118	-114	
Interest rate swap, Subordinated liabilities	31 555	307	47	235	1
Total	140 832	1 466	218	1 174	14

Hedged items 2019	Carrying amount		Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness (for the period)
	Assets	Liabilities	Assets	Liabilities	
Debt securities in issue		99 237		850	-1 039
Senior non-preferred liabilities		10 388		-114	114
Subordinated liabilities		31 759		175	-234
Total		141 384		911	-1 160

Hedge relationships in scope for Interest Rate Benchmark Reform

On 31 December 2019, the parent company adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 due to the Interest Rate Benchmark Reform. The Amendments had the effect that the Reform will not generally cause in scope hedge accounting relationships to be terminated. The tables below provide details of the Group's relationships which are considered to be in scope.

Hedge relationships in scope for Interest rate benchmark reform

Hedged items and hedging instruments	Nominal amount 2019					
	AUD	CHF	GBP	HKD	JPY	USD
Total	1 542	959	11 015	2 062	5 463	46 785
Maturity before Interest rate benchmark reform	196	0	6 119	359	0	28 145
Directly attributable to Interest rate benchmark reform	1 738	959	17 134	2 421	5 463	74 930
Hedged reference rates in scope for interest rate benchmark reform:	Libor	Libor	Libor	Hibor	Libor	Libor
Estimated end of use	2022	2022	2022	2022	2022	2022

See further information in Note G3.7

Maturity profile and average price, hedging instruments	2019			2018		
	Remaining contractual maturity			Remaining contractual maturity		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Fair value hedges						
Nominal amount (m SEK)	18 888	86 448	35 496	29 258	115 139	6 916
Average fixed interest rate (%)	1.58	0.67	0.96	1.98	0.83	1.00

Hedging instruments and hedge ineffectiveness	Carrying amount			Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
	Nominal amount	Assets	Liabilities		
Interest rate risk 2018					
Interest rate swaps, Debt securities in issue	117 337	756	578	-16	-15
Interest rate swaps, Subordinated liabilities	33 976	287	136	-65	-5
Total	151 313	1 043	714	-81	-20

Hedged items 2018	Carrying amount		Accumulated adjustment on the hedged item		Change in value used for measuring hedge ineffectiveness (for the period)
	Assets	Liabilities	Assets	Liabilities	
Debt securities in issue		118 202		189	1
Subordinated liabilities		34 244		59	60
Total		152 446		248	61

P26 Intangible fixed assets

	2019				2018			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
Cost, opening balance	3 429	130	1 271	4 830	3 439	130	1 198	4 767
Additions through separate acquisitions			93	93			73	73
Sales and disposals			-267	-267	-10			-10
Cost, closing balance	3 429	130	1 097	4 656	3 429	130	1 271	4 830
Amortisation, opening balance	-3 428	-73	-698	-4 199	-3 424	-73	-615	-4 112
Amortisation for the year	-1		-75	-76	-14		-78	-92
Sales and disposals			265	265	10		-5	5
Amortisation, closing balance	-3 429	-73	-508	-4 010	-3 428	-73	-698	-4 199
Impairments, opening and closing balance		-57	-223	-280		-57	-223	-280
Carrying amount			366	366	1		350	351

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	2019	2018
Cost, opening balance	26 249	24 730
Additions	8 116	8 193
Sales and disposals	-7 998	-6 674
Cost, closing balance	26 367	26 249
Depreciation, opening balance	-10 023	-9 233
Depreciation for the year	-4 468	-4 490
Sales and disposals	4 193	3 700
Depreciation, closing balance	-10 298	-10 023
Impairments, opening balance	-56	-41
Impairments for the year	7	-23
Sales and disposals	4	8
Impairments, closing balance	-45	-56
Carrying amount	16 024	16 170

2019	< 1 yr	1-5 yrs	> 5 yrs	Total
Future minimum lease payment	4 806	8 573	3 540	16 919

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	2019	2018
Cost, opening balance	2 442	2 311
Additions	227	233
Sales and disposals	-372	-102
Cost, closing balance	2 297	2 442
Depreciation, opening balance	-1 866	-1 719
Depreciation for the year	-231	-232
Sales and disposals	369	85
Depreciation, closing balance	-1 728	-1 866
Carrying amount	569	576

The useful life of equipment is deemed to be between three and ten years; its residual value is zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. No indications of impairment were found on the closing day. Individual structural components of owner-occupied properties are depreciated over their useful life. 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.

P29 Other assets

	2019	2018	1/1/2018
Security settlement claims	6 392	8 192	9 785
Group contributions	14 921	14 319	12 267
Other financial assets	76	3 101	2 341
Total financial assets	21 389	25 612	24 393
Property taken over protection of claims and cancelled leases	29	54	65
Total	21 418	25 666	24 458

P30 Prepaid expenses and accrued income

	2019	2018	1/1/2018
Prepaid expenses	2 464	1 285	1 009
Unbilled receivable	283	304	316
Total	2 747	1 589	1 325

P31 Amounts owed to credit institutions

	2019	2018	1/1/2018
Valuation category, amortised cost			
Swedish central bank		7	
Swedish banks	21 577	21 021	20 659
Swedish credit institutions	94 050	26 104	26 284
Foreign central banks	6 306	13 884	23 199
Foreign banks	38 961	21 618	24 640
Foreign credit institutions	556	318	512
Total	161 450	82 952	95 294
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements	4		
Foreign banks, repurchase agreements		266	
Total	4	266	
Total	161 454	83 218	95 294

P32 Deposits and borrowings from the public

	2019	2018	1/1/2018
Valuation category, amortised cost			
Deposits from Swedish public	708 839	689 588	644 334
Deposits from Swedish national debt office	329	339	274
Deposits from foreign public	10 025	9 688	18 099
Total	719 193	699 615	662 707
Valuation category, fair value through profit or loss			
Trading			
Deposits from Swedish public, repurchase agreements	18	641	8 707
Total	18	641	8 707
Total	719 211	700 256	671 414

P33 Debt securities in issue

	2019	2018	1/1/2018
Valuation category, amortised cost			
Commercial papers	128 774	131 439	149 977
Other interest-bearing bond loans	125 505	161 448	158 683
Total	254 279	292 887	308 660
Valuation category, fair value through profit or loss			
Trading			
Structure retail bonds	8 902	10 735	14 836
Total	8 902	10 735	14 836
Total	263 181	303 622	323 496

Turnover of debt securities in issue is reported in note P2 Liquidity risks.

P34 Other liabilities

	2019	2018	1/1/2018
Security settlement liabilities	2 259	5 790	5 242
Unsettled payments	9 807	10 892	9 047
Other financial liabilities	9 178	8 697	5 238
Total financial liabilities	21 244	25 379	19 526
Short position in shares	247	358	234
of which own issued shares	24	257	199
Short position in interest-bearing securities	34 098	38 255	14 224
Total financial liabilities	55 589	63 992	33 984

P35 Accrued expenses and prepaid income

	2019	2018	1/1/2018
Accrued expenses	3 697	1 791	1 500
Contract liabilities	37	2	10
Total	3 734	1 793	1 510

P36 Provisions

	2019	2018	1/1/2018
Provisions for financial guarantees and other commitments	590	402	640
Restructuring provision	10		300
Other	43	25	22
Total	643	427	962

P37 Subordinated liabilities

	2019	2018	1/1/2018
Valuation category, amortised cost			
Subordinated loans	15 453	23 015	14 591
Undated subordinated loans, Tier 1 capital contribution	16 481	11 169	11 273
Total	31 934	34 184	25 864

Swedbank has a total of USD 1 750m Additional Tier 1 capital (AT1) outstanding, which is perpetual. USD 750m was issued on 12 February 2015 with a call option on 7 March 2020, USD 500m was issued on 9 December 2016 with a call option on 17 March 2022. USD 500m was issued on 22 August 2019 with a call option on 17 September 2024. The liabilities will be converted to ordinary shares in Swedbank AB

if the core tier one ratio of Swedbank AB or the consolidated situation falls below 5.125 per cent or 8.0 per cent respectively. The Additional Tier 1 liabilities issued 2015 and 2016 are converted at current share price, but not lower than USD 15.70 converted to SEK. The Additional Tier 1 liability issued 2019 is converted at current share price but not lower than USD 8.75 converted to SEK.

Specification of subordinated liabilities

Fixed-term subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
2017/2027	2022	EUR	650	6 857	1.00%
2018/2033	2028	JPY	5 000	434	0.90%
2018/2028	2023	JPY	8 000	686	0.75%
2018/2028	2023	SEK	1 200	1 223	0.00%
2018/2028	2023	JPY	11 000	941	0.95%
2018/2028	2023	EUR	500	5 312	0.00%
Total				15 453	

Undated subordinated loans approved by the Swedish Financial Supervisory Authority as Tier 1 capital contribution

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
2015/undated	2020	USD	750	7 092	5.50%
2016/undated	2022	USD	500	4 743	6.00%
2019/undated	2024	USD	500	4 646	5.63%
Total				16 481	

P38 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
Opening balance 2018	5 124	5 451	10 575
Allocation/Reversal	72		72
Closing balance 2018	5 196	5 451	10 647
Allocation/Reversal	78		78
Closing balance 2019	5 274	5 451	10 724

	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 fixed assets	107	259	366
Leasing equipment	16 024		16 024
Tangible assets	537	32	569
Other assets	156	2 591	2 747
Accumulated accelerated depreciation	-5 274		-5 274
Net value	11 550	2 882	14 432

Other assets 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. Assets that are non-depreciable such as art and preliminary registered fixed assets, merger goodwill and other assets that are not considered to constitute fixed assets according to depreciation as recorded in the books, are excluded from the calculation, a total of SEK 291m.

Tax allocation reserve	2019	2018	1/1/2018
Allocation 2012			3 538
Allocation 2013		51	51
Allocation 2017	1 862	1 862	1 862
Allocation 2018	3 538	3 538	
Allocation 2019	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. For any open net positions, bid and ask rates are applied as applicable i.e. bid rates for long positions and ask rates for short positions. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. When relevant, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions – at ask price.

P39 Equity

	2019	2018	1/1/2018
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	49 340	46 974	41 693
Total	62 546	60 180	54 899
Total equity	93 418	91 052	85 771

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 and internal assumptions 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.

For floating rate lending and deposits, which are recognised at amortised cost, the carrying amount is assessed to equal the fair value.

	2019			2018			1/1/2018		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	107 596	107 596		80 903	80 903		136 061	136 061	
Treasury bills etc.	132 934	132 934		96 125	96 006	119	82 824	82 827	-3
of which measured at amortised cost	120 251	120 251		80 010	79 891	119	65 000	65 003	-3
of which measured at fair value through profit or loss	12 683	12 683		16 115	16 115		17 776	17 824	
Loans to credit institutions	537 151	537 151		523 699	523 699		450 007	450 007	
of which measured at amortised cost	537 034	537 034		519 151	519 151		446 774	446 774	
of which measured at fair value through profit or loss	117	117		4 548	4 548		3 233	3 233	
Loans to the public	422 794	422 794		428 966	428 966		397 854	397 854	
of which measured at amortised cost	375 973	375 973		389 086	389 086		372 716	372 716	
of which measured at fair value through profit or loss	46 821	46 821		39 880	39 880		25 138	25 138	
Bonds and interest-bearing securities	58 150	58 150		56 408	56 407		58 543	58 847	
of which measured at amortised cost	1	1		2 174	2 174		3 277	3 277	
of which measured at fair value through profit or loss	58 149	58 149		54 234	54 233		55 266	55 570	
Shares and participating interest	6 235	6 235		4 629	4 629		19 569	19 569	
of which measured at fair value through profit or loss	6 235	6 235		4 629	4 629		19 569	19 569	
Derivatives	48 332	48 332		43 275	43 275		62 153	62 153	
Other financial assets	21 389	21 389		25 612	25 612		24 393	24 393	
Total	1 334 581	1 334 581		1 259 617	1 259 497	119	1 231 404	1 231 711	-3

	2019			2018			1/1/2018		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	161 454	161 454		83 218	83 218		95 294	95 294	
of which measured at amortised cost	161 450	161 450		82 952	82 952		95 294	95 294	
of which measured at fair value through profit or loss	4	4		266	266				
Deposits and borrowings from the public	719 211	719 211		700 256	700 256		671 414	671 414	
of which measured at amortised cost	719 193	719 193		699 615	699 615		662 707	662 707	
of which measured at fair value through profit or loss	18	18		641	641		8 707	8 707	
Debt securities in issue	267 209	263 181	4 028	306 969	303 622	3 347	325 474	323 496	1 978
of which measured at amortised cost	258 307	254 279	4 028	296 234	292 887	3 347	310 638	308 660	1 978
of which measured at fair value through profit or loss	8 902	8 902		10 735	10 735		14 836	14 836	
Senior non-preferred liabilities	10 299	10 805	-506						
of which measured at amortised cost	10 299	10 805	-506						
Subordinated liabilities	31 730	31 934	-204	34 366	34 184	182	25 881	25 864	17
of which measured at amortised cost	31 730	31 934	-204	34 366	34 184	182	25 881	25 864	17
Derivatives	69 908	69 908		54 063	54 063		65 704	65 704	
Short positions securities	34 345	34 345		38 613	38 613		14 458	14 458	
of which measured at fair value through profit or loss	34 345	34 345		38 613	38 613		14 458	14 458	
Other financial liabilities	21 244	21 244		25 379	25 379		19 526	19 526	
Total	1 315 400	1 312 082	3 318	1 242 584	1 239 055	3 529	1 217 751	1 215 756	1 995

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 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted

equity instruments and illiquid options. The unlisted equity instruments include strategic investments. During 2018 Swedbank received more convertible preference shares in VISA Inc as dividend from its associate VISA Sweden. VISA Inc. shares are subject to selling restrictions for a period of up to 9 years and under certain conditions may have to be returned. The carrying amount was SEK 1 288m at end of 2019. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments.

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 valu-

ation 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. During the years ended 2019 and 2018, there were no transfers of financial instruments between valuation levels 1 and 2. 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.

	2019				2018			
	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	8 568	4 115		12 683	9 922	6 193		16 115
Loans to credit institutions		117		117		4 548		4 548
Loans to the public		46 821		46 821		39 880		39 880
Bonds and interest-bearing securities	22 115	36 034		58 149	20 504	33 729		54 234
Shares and participating interest	4 487		1 748	6 235	3 462		1 167	4 629
Derivatives	8	48 324		48 332	456	42 817	2	43 275
Total	35 178	135 411	1 748	172 337	34 343	127 167	1 169	162 680
Liabilities								
Amounts owed to credit institutions		4		4		266		266
Deposits and borrowings from the public		18		18		641		641
Debt securities in issue, etc		8 902		8 902		10 735		10 735
Derivatives	12	69 896		69 908	397	53 666		54 063
Short positions securities	31 864	2 481		34 345	38 613			38 613
Total	31 876	81 301		113 177	38 730	65 308		104 317

Changes in level 3	2019			2018		
	Assets			Assets		
	Equity instruments	Derivatives	Total	Equity instruments	Derivatives	Total
Opening balance	1 167	2	1 169	366	26	392
Acquisitions	20		20	57		57
Received VISA Inc C-aktier				692		692
Sale of assets/ dividends received	-11		-11			
Maturities		-1	-1		-15	-15
Transferred from Level 1 to Level 3					2	2
Transferred from Level 3 to Level 2					-13	-13
Gains or loss	572	-1	571	52	2	54
of which are changes in unrealised gains or losses for items held at closing day	565		565	54		54
Closing balance	1 748		1 748	1 167	2	1 169

Financial instruments at amortised cost

The following tables distribute fair values by the three valuation levels for financial instruments at amortised cost.

At amortised cost	2019			
	Carrying amount	Fair value		Total
		Level 1	Level 2	
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	120 251	120 251		120 251
Loans to credit institutions	537 034		537 034	537 034
Loans to the public	375 973		375 973	375 973
Bonds and other interest-bearing securities	1		1	1
Total	1 033 259	120 251	913 008	1 033 259
Liabilities				
Amounts owed to credit institutions	161 450		161 450	161 450
Deposits and borrowing from the public	719 193		719 193	719 193
Debts securities in issue	254 279		258 307	258 307
Senior non-preferred liabilities	10 805		10 299	10 299
Subordinated liabilities	31 934		31 730	31 730
Total	1 177 661		1 180 979	1 180 979

At amortised cost	2018			
	Carrying amount	Fair value		Total
		Level 1	Level 2	
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	79 891	80 010		80 010
Loans to credit institutions	519 151		519 151	519 151
Loans to the public	389 086		389 086	389 086
Bonds and other interest-bearing securities	2 174		2 174	2 174
Total	990 302	79 891	910 411	990 302
Liabilities				
Amounts owed to credit institutions	82 952		82 952	82 952
Deposits and borrowing from the public	699 615		699 615	699 615
Debts securities in issue	292 887		296 234	296 234
Subordinated liabilities	34 184		34 366	34 366
Total	1 109 638		1 113 167	1 113 167

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	2019				2018			
	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	2 172			2 172	1 764			1 764
Financial assets, which have been offset or are subject to netting	46 160	46 784	276	93 220	41 511	44 259	137	85 907
Net amount presented in the balance sheet	48 332	46 784	276	95 392	43 275	44 259	137	87 671
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	118 474	97 692	276	216 442	71 776	98 052	137	169 965
Offset amount	-72 314	-50 908		-123 222	-30 265	-53 793		-84 058
Net amount presented in the balance sheet	46 160	46 784	276	93 220	41 511	44 259	137	85 907
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	19 381			19 381	20 430	644		21 074
Financial instruments, collateral	8	46 726	276	47 010	135	34 942	137	35 214
Cash, collateral	11 897	58		11 955	1 529			1 529
Total amount not offset in the balance sheet	31 286	46 784	276	78 346	22 094	35 586	137	57 817
Net amount	14 874			14 874	19 417	8 673		28 090
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	2 843			2 843	1 872			1 872
Financial liabilities, which have been offset or are subject to netting	67 065	23		67 088	52 191	907	22	53 120
Net amount presented in the balance sheet	69 908	23		69 931	54 063	907	22	54 992
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	141 297	50 931		192 228	85 101	54 700	22	139 823
Offset amount	-74 232	-50 908		-125 140	-32 910	-53 793		-86 703
Net amount presented in the balance sheet	67 065	23		67 088	52 191	907	22	53 120
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	19 381			19 381	20 430	644		21 074
Financial instruments, collateral	3 264			3 264	2 309	263	22	2 594
Cash, collateral	16 081	23		16 104	4 890			4 890
Total amount not offset in the balance sheet	38 726	23		38 749	27 629	907	22	28 558
Net amount	28 339			28 339	24 562			24 562

P42 Specification of adjustments for non-cash items in operating activities

	2019	2018
Amortised origination fees	-490	-532
Unrealised changes in value/currency changes	-944	1 681
Depreciation of tangible and intangible fixed assets	4 775	4 814
Impairment of fixed assets	15	34
Impairment provisions and write-offs	1 390	743
Dividend Group entities	-10 212	-19 522
Prepaid expenses and accrued income	-1 020	-420
Accrued expenses and prepaid income	1 569	501
Share based payments to employees	176	221
Capital gains/losses on financial assets	-129	-705
Other	-47	-3
Total	-4 917	-13 188

P43 Dividend paid and proposed disposition of earnings

	2019		2018	
	SEK per share	Total	SEK per share	Total
Ordinary shares				
Dividend paid	14.20	15 878	13.00	14 517
Proposed dividend	8.80	9 856	14.20	15 885

The Board of Directors recommends that shareholders receive a dividend of SEK 8.80 per ordinary share (14.20) in 2020 for the financial year 2019, corresponding to SEK 9 856m (15 885).

In accordance with the balance sheet of Swedbank AB, SEK 49 340m is at the disposal of the Annual General Meeting:

The Board of Directors recommends that the earnings be disposed as follows (SEKm):

	2019	2018
A cash dividend of SEK 8.80 per ordinary share	9 856	15 885
To be carried forward to next year	39 484	44 295
Total disposed	49 340	60 180

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 118 304 389 outstanding ordinary shares at 31 December of 2019, plus 1 715 349 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 26 March 2020 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 781m. The proposed record day for the dividend is 30 March 2020. The last day for trading in Swedbank's shares with the right to the dividend is 26 March 2020. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 2 April 2020. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 40 788m. The surplus in Swedbank AB was SEK 82 146m.

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	2019	2018	1/1/2018
Government securities and bonds pledged with the Riksbank	10 000	9 776	8 047
Government securities and bonds pledged with foreign central banks	5 355	6 691	6 229
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	8 687	6 920	3 856
Government securities and bonds pledged for deposits from the public, repurchase agreements	15 680	13 506	7 260
Cash	9 002	4 470	4 484
Total	48 724	41 363	29 876

The carrying amount of liabilities for which assets are pledged amounted to SEK 47 426m (38 753) in 2019.

Other assets pledged

	2019	2018	1/1/2018
Securities lending	84	186	16
Government securities and bonds pledged for other commitments	3 475	1 858	2 857
Cash	429	423	482
Total	3 988	2 467	3 355

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	2019	2018	1/1/2018
Loan guarantees	456 261	454 939	522 334
Other guarantees	38 667	33 538	31 061
Accepted and endorsed notes	1 200	1 988	439
Letters of credit granted but not utilised	2 764	2 417	2 697
Other contingent liabilities			6
Total	498 892	492 882	556 537

Commitments

Nominal amount	2019	2018	1/1/2018
Loans granted but not paid	189 680	174 118	163 305
Overdraft facilities granted but not utilised	68 468	63 574	67 385
Total	258 148	237 692	230 690
Credit impairment provisions for contingent liabilities and commitments	-590	-402	-100

The nominal amount of interest, equity and currency related contracts are shown in note P24 Derivatives.

Money laundering

Swedbank is cooperating with authorities in Sweden, the three Baltic countries and the United States. Authorities in Sweden, Estonia and the United States are conducting investigations into Swedbank's historic AML compliance, including 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 Swedish Economic Crime Authority has an ongoing investigation relating to potential aggravated swindling and insider information. The timing of the completion of the investigations is still unknown, except for the final report and decision on any sanctions from the Swedish FSA which is expected to be announced in March 2020. 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.

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
Valuation category, fair value through profit or loss						
Trading						
Equity instruments	84		84			
Debt securities	24 367	24 367		24 209	24 209	
Total	24 451	24 367	84	24 209	24 209	

2018	Transferred assets			Associated liabilities		
	Carrying amount	Of which repurchase agreements	Of which securities lending	Carrying amount	Of which repurchase agreements	Of which securities lending
Valuation category, fair value through profit or loss						
Trading						
Equity instruments	186		186	22		22
Debt securities	20 426	20 426		20 451	20 451	
Total	20 612	20 426	186	20 473	20 451	22

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:

2019	Expenses	Income subleasing	Total	2018	Expenses	Income subleasing	Total
2020	706	54	652	2019	737	31	706
2021	564	53	511	2020	628	27	601
2022	548	33	515	2021	509	21	488
2023	494	33	461	2022	472	21	451
2024	404	32	372	2023	430	21	409
2025	378	32	346	2024	372	21	351
2026	347	31	316	2025	346	21	325
2027	336	31	305	2026	314	21	293
2028	307	31	276	2027	301	21	280
2029 or later	1 408	328	1 080	2028 or later	1 658	242	1 416
Total	5 492	658	4 834	Total	5 767	447	5 320

P47 Related parties and other significant relationships

	Subsidiaries		Associates and joint ventures		Other related parties	
	2019	2018	2019	2018	2019	2018
Assets						
Loans to credit institutions	492 783	488 339	16 307	14 588		
Loans to the public	2 098	638				
Bonds and other interest-bearing securities	2 470	4 963				
Derivatives	4 183	3 894				
Other assets	15 014	14 356				
Prepaid expenses and accrued income	271	186				
Total assets	516 819	512 376	16 307	14 588		
Liabilities						
Amount owed to credit institutions	91 987	26 307	3 712	3 080		
Deposits and borrowing from the public	10 057	8 446			455	248
Derivatives	29 100	22 919				
Other liabilities	445	158	59			
Accrued expenses and prepaid income				1		
Total liabilities	131 589	57 830	3 771	3 081	455	248
Contingent liabilities						
Guarantees	451 420	453 917				
Derivatives, nominal amount	1 110 776	971 435	1 013	867		
Income and expenses						
Interest income	-354	-1 835	142	270		
Interest expenses	1 044	1 756				
Dividends received	4 173	4 161	529	355		
Commission income	1 865	1 641	7	6		
Commission expenses	24	26	8	11		
Other income	176	210	4	6		
Other general administrative expenses	4	14			619	591

P48 Events after 31 December 2019

See Group note G56.

P49 Changed presentation of net interest income

For more information see note G2 Accounting policies.

	New presentation 2018	Earlier presentation 2018
Income statement		
Interest income on financial assets measured at amortised cost	10 894	
Other interest income	1 565	
Leasing income	4 773	
Interest income	17 232	
Interest expense	-4 992	
Interest expense	-4 992	
Net interest income	12 240	
Interest income		15 450
Negative yield on financial assets		-2 991
Leasing income		4 773
Interest income, including negative yield on financial liabilities		17 232
Interest expense		-5 727
Negative yield on financial liabilities		735
Interest expense, including negative yield on financial liabilities		-4 992
Net interest income		12 240

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
<p>Net investment margin before trading interest is deducted Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures¹, including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note G8.</p>	<p>The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.</p>
<p>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.</p>	<p>The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.</p>
<p>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 figures¹, 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.</p>	<p>The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.</p>
<p>Income statement measures excluding UC income Amounts related to other income are presented excluding the income related to the UC (2018). The amounts are reconciled to the relevant IFRS income statement lines on page 26.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting financial years.</p>
<p>Return on equity excluding UC income Represents profit for the financial year allocated to shareholders excluding UC income in relation to average Equity attributable to shareholders¹ of the parent company. The average is calculated using month-end figures, including the prior year end. Profit for the financial year allocated to shareholders excluding UC (2018) income is reconciled to Profit for the financial year allocated to shareholders, the nearest IFRS measure, on page 26.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting financial years.</p>
<p>Cost/Income ratio excluding UC income Total expenses in relation to total income excluding UC income. Total income excluding UC (2018) is reconciled to Total income, the nearest IFRS measure, on page 26.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting financial years.</p>
<p>Other alternative performance measures These measures are defined on page 231 and are calculated from the financial statements without adjustment.</p> <ul style="list-style-type: none"> • Cost/Income ratio • Credit impairment provision ratio Stage 3 loans • Credit Impairment ratio • Loan/Deposit ratio • Equity per share • Net investment margin • Return on equity¹ • Return on total assets • Share of Stage 3 loans, gross • Total credit impairment provision ratio 	<p>The presentation of these measures is relevant for investors since they are used by Group management for internal governance and operating segment performance management purposes.</p>

1) The month-end figures used in the calculation of the average can be found on page 74 of the Fact book.

Reports and notes – Sustainability

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Sustainability Report

Swedbank is strongly committed to the sound and sustainable development of its customers, employees and society as a whole. Economic, social, environmental and ethical sustainability is integrated in the business. Sustainability results are presented as an integral part of Swedbank's annual report. The sustainability report conforms to the Global Reporting Initiative's (GRI) framework, Standards version, Core level, and has been reviewed by the auditing firm PwC in accordance with the assurance report on page 222.

For Swedbank, sustainable business is distinguished by responsible decisions, value creation and transparency. Swedbank has committed to follow several international initiatives and has built an integrated sustainability framework for delegating responsibility and minimising risks. The UN Principles for Responsible Banking and the UN Principles for Responsible Investments (UNPRI) are among the key commitments that guide Swedbank's work and are the basis of its position statements and routines.

The structure of the sustainability work is summarised below. The majority of Swedbank's commitments, governing documents and reports are shown here, giving an overview of sustainability management and how sustainability is implemented and monitored at Swedbank. Swedbank's view on responsible banking is presented in the sustainability report and

the external audit involves further quality control, which is in line with the bank's values. Reported information applies to the calendar year 2019 (previous report 2018), unless otherwise indicated, and spotlights the most important aspects of Swedbank's sustainability work. The sustainability report comprises Swedbank AB and its subsidiaries (see Notes G1 and P24). The aim is to present areas where progress has been made as well as where more work has to be done. The notes show the results of the sustainability work from the standpoint of Swedbank's core processes: pay, save/invest, finance and procure. The results are also presented based on the bank's work on HR issues, the environment, taxes, anti-corruption, IT security, human rights and social engagement. Sustainability information is found on pages 14–23 and 194–216 and on www.swedbank.com.



Materiality analysis

Swedbank has a daily dialogue with its stakeholders: customers, owners/investors, employees and society at large. Customer communication is through both digital and physical channels. Internally, there is an ongoing dialogue between employees and their managers. Swedbank also has continuous contact with authorities and other relevant stakeholders in society.

Each year Swedbank conducts customer surveys, brand surveys and opinion polls, and participates in industry forums that address current challenges and trends in society. Taken together, this provides guidance for Swedbank's work and a good sense of whether the bank is focused on the right things. It also gives Swedbank an opportunity to continuously develop and improve. The feedback received from stakeholders is very valuable – in the bank's strategic work and in business planning.

Materiality analysis

The latest materiality analysis was performed in 2017 to identify which topics Swedbank's stakeholders consider the most important to the bank's long-term survival – from an ethical, social, environmental and economically sustainable perspective. The analysis was conducted in Sweden, Estonia, Latvia and Lithuania.

The work began with an internal survey sent to around 40 key employees of the bank representing different business areas and staff functions in every market and with a good understanding of Swedbank's stakeholders. The responses were then used to support the analysis. The number of key topics was consolidated to focus on what Swedbank saw as most important to measure and is not captured in other customer surveys.

The materiality analysis was constructed on this basis. It consisted of a survey covering everything from economic stability to secure IT systems, climate change, social engagement and gender equality. The questions were sent to over 1 000 private customers, 800 corporate customers,

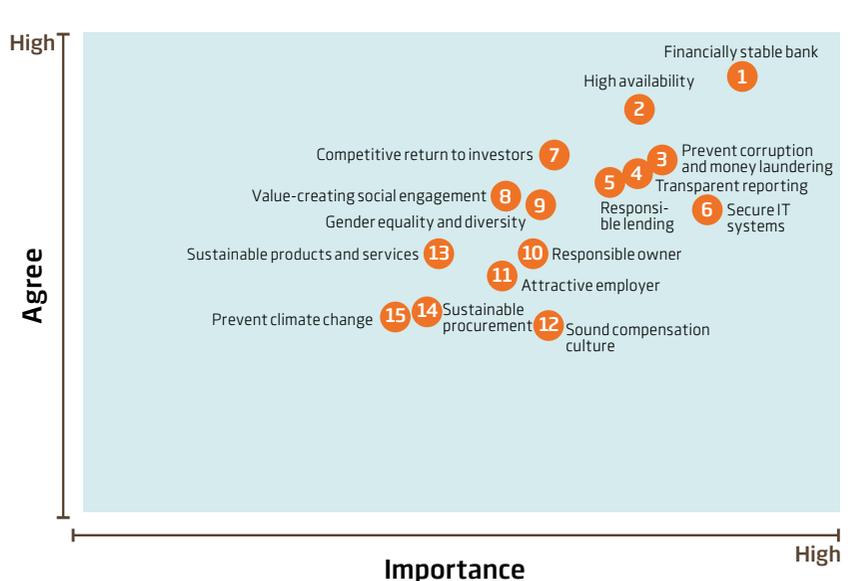
1 800 employees and 20 social partners (e.g. authorities and stakeholder groups). Interviews were also conducted with 10 owners/investors. The stakeholders were asked how much they agree with specific statements about Swedbank, such as "Swedbank is a financially stable bank", and how important they considered each question.

Results

The materiality analysis resulted in 15 key topics. The results showed great similarities between stakeholders and markets when it comes to what was valued most. All the topics were considered important to some degree, with the lowest average response for a single question of 8.1 (scale of 1 to 10). That Swedbank is a financially stable bank and has secure and reliable IT systems were considered the most important by respondents regardless of market. Other areas they valued highly were preventing corruption and money laundering; transparent reporting of profits, taxes and fees; easily available products and services; and responsible lending.

Being a financially stable bank is not only considered important, but also the area that Swedbank best lived up to, according to respondents. Taken together, the survey shows that Swedbank has a big impact on the national economy and on stakeholders' opinions and decisions. Swedbank considers the key topics to still be relevant and illustrate the bank's impact on society and importance to various stakeholder groups. Learn about how Swedbank takes responsibility for its impact on society and importance to customers, employees and other stakeholders on pages 14–23.

Key topic	Section where the result is reported
Offer customers sustainable products and services (13)	S1 Pay, S2 Save/Invest, S3 Finance
High availability (2)	S1 Pay
Be a responsible owner (10)	S2 Save/Invest
Engage in responsible lending (5)	S3 Finance
Promote sustainable procurement (14)	S4 Procure
Actively work to prevent climate change (15)	S5 Environment
Promote gender equality and diversity (9)	S6 Employees
Be an attractive employer (11)	S6 Employees, S9 Human rights
Secure IT systems (6)	S7 Anti-corruption & IT security
Actively counter corruption and money laundering (3)	S7 Anti-corruption & IT security
Engage in value-creating social engagement (8)	S8 Social engagement
Engage in transparent reporting (4)	S10 Taxes
Be a financially stable bank (1)	Business model
Maintain profitability and a competitive return to investors (7)	Income statement and balance sheet
Sound compensation culture (12)	Financial notes and sustainability notes Compensation within Swedbank



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 schools
- Secondary schools
- Colleges
- Universities
- Suppliers
- Subsidiaries
- Group companies
- 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 selection of the overarching stakeholder groups. Based on the Group's framework, market analysis, internal discussions and active, structured measures to create and participate in various forums for dialogue and advocacy, Swedbank identify and select relevant stakeholders within each group.

Key topics in 2019 and approach to stakeholder engagement

Communication with stakeholder groups is important to Swedbank's operations. The bank maintains an open dialog with many different groups in society. Swedbank's Communications, Public Affairs and Sustainability units provide guidelines, support and coaching for stakeholder dialog. Swedbank operates in various markets and the dialog is adapted for local implementation.

Following is a description of a number of key topics discussed with stakeholders during the year. For more information on how the bank addressed these issues, see pages 14–23 and 194–216.

Customers

The bank engages in dialog with customers primarily 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
- Deficiencies in the bank's anti-money laundering work
- Availability for our customers
- Sustainable products and services

Employees

How employees perceive their work situation has a big impact on their performance, engagement and how they are seen by customers and colleagues. Swedbank regularly conducts surveys to get employees' views of the bank as an employer. Employee engagement is measured, discussed and followed up in all groups. Key topics raised during the year included:

- Internal communication on the bank's anti-money laundering work
- Launch of a people philosophy, "Together we make a difference", a description of the bank's corporate culture and values
- Education and upskilling
- Occupational health and safety issues through the introduction 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, the annual and sustainability report, 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 dialog. Key topics raised during the year included:

- Deficiencies in the bank's anti-money laundering work
- Market- and strategy-related issues as well as new financial goals
- The bank's sustainability work

Society & the world

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:

- What the bank is doing to detect and prevent money laundering and how the deficiencies that have been revealed will be mitigated. The need for dialog has been greatest in Sweden and Estonia.
- The dialog on sustainability and social engagement with among others the bank's owner-foundations resulted during the year in a decision to increase the commitment to social issues as part of three initiatives: Young Economy, Digital Economy and Junior Achievement.

Sustainability management

Swedbank’s vision and values guide its sustainability work. The governance model and operational structure are designed to support Swedbank’s purpose – a sound and sustainable financial situation for the many households and businesses – and steer sustainability work in the bank. Sustainability management is largely integrated in the Group’s operational controls and comprises the bank’s sustainability policies, strategy, Group goals, implementation, monitoring and reporting. The goal is to maximise business and social benefits and minimise the negative effects of Swedbank’s business and operations.

The sustainability strategy clearly sets out Swedbank’s aim to promote social development and has incorporated the UN’s global sustainable development goals and the Paris Agreement. The strategy is based on Swedbank’s governing framework (policies, position statements and sector guidelines) and is implemented in close collaboration with the business unit managers as specific unit goals and activities to ensure compliance with the Group’s goals and business planning.

Governing framework

The Board of Directors is ultimately responsible for governance of sustainability work and adopts the bank’s policies in the area (available on swedbank.com/sustainability). These policies apply to the Group and are designed to set a general standard for managing the business and ensuring that employees comply with current laws and regulations. The Group’s positions on the defence industry and climate change are decided by the bank’s CEO. These instructions contain more detailed regulations than a policy. The CEO can issue instructions for implementing a policy.

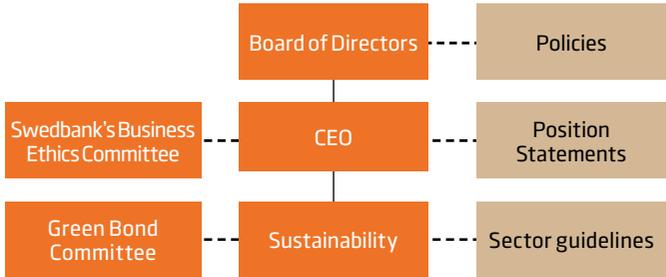
Swedbank’s sector guidelines, which support the sustainability analysis, are established by the Head of Sustainability, who is also ultimately responsible for them. The overarching goal of the sector guidelines is to promote sustainability in the bank’s relationships with corporate customers, portfolio companies and suppliers to the Swedbank Group.

Group Sustainability, which is led by the Group Head of Sustainability, consists of an expert group of seven employees. The Group Head reports directly and indirectly to the Group Executive Committee and is responsible for developing the bank’s sustainability, environmental and human rights policies and guidelines as well as for the bank’s strategy, monitoring and reporting in the area. However, responsibility for implementation and performance rests with the entire company. A strategic analysis of credit risks is conducted annually by Group Risk with recommendations to the business segments for their business planning. The overarching aim is to consistently maintain the bank’s low risk profile. In recent years climate-related risks and opportunities have taken on greater urgency and are now being integrated in the bank’s strategy and operational plans.

The Board of Directors adopts the bank’s anti-corruption policy, which is updated annually. Group Legal is responsible for developing guidelines in the anti-corruption area. Responsibility for the implementation of the anti-corruption policy rests with the entire organisation. To further strengthen the bank’s work with business ethics, an Anti-Financial Crime (AFC) unit was established with a focus on strengthening the fight against money laundering and financial crime. In addition, a Special Task Force was appointed to strengthen the work with the ongoing money laundering investigations.

Business Ethics Committee

To complement the rules on sustainability and business ethics, Swedbank has a Business Ethics Committee to handle these issues. Questions regarding the environment, human rights, social responsibility, business ethics and



corruption can be escalated to the committee from any part of the organisation. The committee's role is to provide guidance on business decisions associated with sustainability risks and in this way reduce negative impacts.

Climate and environmental management

Swedbank’s climate and environmental work is guided by an environmental management system with ISO 14001 certification. The purpose of the system is to better organise and structure environmental work, reduce impacts and encourage sustainable business. The bank prepares, introduces, maintains and continuously improves the system in accordance with the requirements of the standard. The environmental management system and environmental policy complement the Group’s sustainability policy and provide specific guidelines for the bank’s environmental work.

The bank’s environmental policy and goals address the most significant impacts, show the way forward and focus attention on measures that can make the biggest difference for the environment. On this basis ambitious efforts are made to responsibly manage resources and reduce climate impacts in several of the bank’s core processes, including by reducing direct emissions from business travel, energy consumption at our branches and through procurement. 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.

Commitments

Swedbank has joined the Science Based Targets Initiative, which uses scientific methods to identify and support innovative methods for companies to establish greenhouse gas reduction goals in line with the Paris Agreement. During the year Swedbank contributed to a methodology that can result in scientific targets for the entire financial industry. These targets will guide and govern the bank’s sustainability work. Swedbank has also endorsed TCFD’s recommendations, which affect the bank’s governance, strategy, risk management, targets, metrics and reporting on the climate and environment. In addition, Swedbank in September signed the UN Principles for Responsible Banking, a shared commitment to adopt the Paris Agreement and the UN’s Sustainable Development Goals and do more to deliver on them.

Monitoring sustainability management

Anti-corruption

- A "Know Your Customer" process is established.
- System support to monitor transactions and reconcile customer databases against sanction lists.
- Reporting of suspected market abuse, insider trading, market manipulation and unlawful disclosure of inside information.
- Suspected money laundering or terrorist financing is reported without delay to the Financial Intelligence Unit of the Swedish Police.
- Sustainability analysis in lending and investment process is measured and tracked.
- List of excluded companies is updated and continuously tracked.
- Ethics Committee – the number of cases is tracked.

Environment

- ISO 14001 certified environmental management system, progress is reported in "Management Review".
- Sustainability analysis in lending and investment process is measured and tracked.
- Direct climate impact is measured and tracked.

- Carbon footprint of equity funds is tracked.
- List of excluded companies is updated and continuously tracked.
- Ethics Committee – the number of cases is tracked.

Human rights

- The bank's sustainability analysis assesses risks related to human rights risks and in the bank's procurement process.
- The supplier code of conduct is signed and tracked.
- Swedbank Robur's investment analysis assesses sustainability risks.
- List of excluded companies is updated and continuously tracked.
- Ethics Committee – the number of cases is tracked.

Social conditions and employees

- Regular tracking of gender equality and diversity by business area.
- Work environments are annually inspected by outside experts.
- Employee surveys are periodically conducted and tracked.
- Sickness absence is tracked by country.
- Mandatory training is tracked.
- The bank's social engagement is tracked by measuring and evaluating the outcome of various initiatives.

Material impacts and strategic policy documents

Key topic	Material impact			
	Employees	Customers	Society & the world around us	Owners & investors
Responsible lending		x	x	x
Responsible owner		x	x	x
Attractive employer	x		x	x
Financially stable bank	x	x	x	x
Profitability and competitive return	x	x	x	x
Sustainable procurement			x	
Sustainable products and services		x	x	x
Gender equality and diversity	x		x	
Prevent climate change	x	x	x	x
Combat corruption and money laundering	x	x	x	x
Social engagement	x	x	x	x
Sound compensation culture	x			x
Secure IT systems		x	x	
Availability		x		
Transparent reporting	x	x	x	x

Strategic documents supporting the key topics

- Anti-corruption policy
- Impact report green bonds
- Sustainability policy
- Sustainability risk analysis in lending
- Occupational health and safety policy
- Conflict of interest policy
- Policy on Gender equality, Diversity and Inclusion
- Credit policy
- Compensation principles at Swedbank
- Environmental policy
- Responsible investment policy
- Human rights policy
- Sector guidelines
- Information security strategy
- Position statement on defence industry
- Position statement on climate change
- Tax policy
- Code of conduct
- Supplier code of conduct

Sustainability indexes

The table shows Swedbank's results in external sustainability indexes and investor surveys during the year. The results provide a measure of Swedbank's sustainability performance based on various stakeholders' priorities.

During the year the bank's score in several indexes trended downward, which was largely due to deficiencies in the bank's anti-money laundering work. Swedbank continuously dialogues with its stakeholder groups on the progress being made to address the deficiencies identified in its routines, systems and processes to combat money laundering and other financial crime.

Sustainability index/ranking	2019	2018	2017
Bloomberg Gender and Equality Index ¹	77	85	72
CDP (score) ²	B	B	B
Dow Jones Sustainability Index (score) ³	76	72	81
Equileap (ranking) ⁴	66	9	12
Fair Finance Guide (score %) ⁵	65	64	61
FTSE4Good ESG rating (score) ⁶	4.6	4.4	4.1
ISS Corporate Governance (score) ⁷	C		
MSCI ESG rating (score) ⁸	A	AA	AA
Sustainalytics (score) ⁹	75	80	

1) Scoring scale 0-100.

2) Scoring scale A-D-. Max score is A and C was the average score for the financial sector in 2019.

3) Scoring scale 0-100. The score for 2018 (79) was revised due to shortcomings in the bank's anti-money laundering work.

4) Swedbank's ranking among a total of 3 519 companies in 2019. The score for 2019 was 59%.

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.

S1 Pay

Swedbank's digital services make it easy for customers to contact the bank and do their banking whenever and however they want. Availability, regardless of channel, is one of the most important factors mentioned in customer surveys. Outside branches, a range of services are available on digital platforms such as the Mobile Bank, Internet Bank.

Availability

Availability is consistently high for every customer group, and several initiatives have been taken to make it easier to obtain and understand the products and services that the bank offers. This includes introductory videos for the Mobile Bank and Mobile Bank ID in eight languages besides Swedish, security information in 12 languages, and options that allow the hearing impaired to receive personal assistance by phone. Several partnerships have been established with organisations representing the disabled, including Funka.nu, to design the website to work as well as possible for as many customers as possible. In addition, the security token is available with larger buttons and louder sound, and folders/product sheets are printed in Braille. To increase digital inclusion in older adults, digital workshops are held at several branches and for pensioners' networks.

To fight digital exclusion, Swedbank is working together with the savings banks and savings bank foundations on the "Digital economy" initiative, the aim of which is to help those who feel uncomfortable trying digital services such as BankID and Swish. The emphasis is also on online security and avoiding fraud.

Payments and e-commerce

The payments industry is rapidly changing, driven by new technology, new providers and laws that are further opening up the market. To meet the increased competition and the shift in customer preferences from brick-and-mortar to e-commerce, Swedbank has developed a new full-service offer, Swedbank Pay, which brings together products and services from Swedbank and PayEx under a single brand in the Nordic market. Swedbank wants to meet the needs of both retailers and consumers for simple, smart payment solutions that produce a positive customer experience. Through Swedbank Pay, the bank helps companies both large and small to conveniently accept payment from their customers, through card acquiring, e-commerce or in stores.

Payment transactions and cards

Swedbank continues to develop digital services for payments and cards. In terms of cards, Swedbank is one of the largest payment processors in Europe, the fifth largest payment acquirer from retailers and the tenth largest in number of purchases with cards issued by the bank. The number of card payments has continued to rise, while cash withdrawals are falling. Contactless cards, which can be scanned at checkout for payments of less than SEK 200, continued to be distributed during the year. The same functionality applies to contactless payments by mobile phone for Swedish cards with Samsung Pay and Apple Pay, where Swedbank's card can be used as a form of payment in the wallet function. This also applies to Masterpass, a digital wallet where customers can securely store card and delivery information for their Swedbank card. In this way customers can feel secure shopping online by phone or tablet. Contactless cards are also a more economical way to distribute bank cards, since they have a longer life than chip cards, which wear out faster.

Partnerships

The number of mobile payments processed through Swish continues to rise. Swish is a collaboration with a number of other banks through the joint venture GetSwish AB, which processes real-time card payments for consumers and retailers in Sweden, including Swedish e-commerce companies. Through a strategic collaboration between Swedbank and Intrum Justitia, customers having financial difficulties can get help to prevent and manage problems as early as possible. Another collaboration with other banks is ECPAT Sweden, a children's rights organisation that fights the commercial sexual exploitation of children, where the focus is on stopping sellers of pornography by preventing payments through the financial system.

Sweden	2019	2018	2017
Number of card purchases (million)	1 372	1 320	1 248
Branches	168	186	218
Number of digitally active customers (million) ¹	3.1	3.0	2.9
Share of sales in digital channels, (%) ²	54	50	48
– of which Daily Banking products ³	29	29	29
– of which Savings & Pension	85	82	81
– of which Private Lending	17	11	6
– of which Corporate	7	6	5
– of which Insurance	11	10	10
Swish payments (million)	248	192	130
Prepaid cards (number) ⁴	16 172	17 334	16 841

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) The numbers for 2017 and 2018 are revised.

3) Refers to cards and payments.

4) Number of activated cards. Prepaid cards are available to municipalities, county councils, authorities and state-owned enterprises. The service is used to pay out financial assistance and benefits to people without an ID number or bank account, but also as a collective debit card for employees of schools, public housing, social services etc. The card often replaces cash handling and can be used in all stores and ATMs and is used by about half of the country's municipalities.

Estonia	2019	2018	2017
Number of card purchases (million)	232	211	192
Branches	26	33	34
Accessible branches and representation points	30	31	32
ATMs	386	391	392
Number of digitally active customers (million) ¹	0.5	0.5	0.5
Share of sales in digital channels, (%) ²	66	54	47
– of which Daily Banking products ³	66	52	47
– of which Savings & Pension	56	63	52
– of which Private lending	95	68	60
– of which Corporate	39	15	10
– of which Insurance	66	54	47

Latvia	2019	2018	2017
Number of card purchases (million)	192	165	142
Branches	30	33	36
Accessible branches and representation points	29	25	26
ATMs	366	367	389
Number of digitally active customers (million) ¹	0.6	0.6	0.5
Share of sales in digital channels, (%) ²	59	53	48
– of which Daily Banking products ³	54	47	40
– of which Savings & Pension	71	46	42
– of which Private lending	79	64	58
– of which Corporate	30	6	3
– of which Insurance	77	77	68

Lithuania	2019	2018	2017
Number of card purchases (million)	204	161	132
Branches	43	59	63
Accessible branches and representation points	57	59	59
ATMs	410	416	418
Number of digitally active customers (million) ¹	0.8	0.7	0.6
Share of sales in digital channels, (%) ²	69	66	59
– of which Daily Banking products ³	67	67	53
– of which Savings & Pension	65	77	69
– of which Private lending	70	54	42
– of which Corporate	39	14	10
– of which Insurance	75	72	43

1) Number of customers with at least 3 logins, including shake balance inquiries, in a digital channel in the last month.

2) The numbers for 2017 and 2018 are revised.

3) Refers to cards and payments.

S2 Save/Invest

Swedbank and Swedbank Robur believe that responsible and sustainable investments make a difference for long-term sustainable development. Sustainability has become an increasingly important and integral part of asset management, and demand is increasing. Various forms of sustainable savings are offered by the asset management today.

Sustainability in Swedbank Robur's funds

During the year Swedbank's subsidiary Swedbank Robur adopted a new vision: to become world leader in sustainable value creation. This vision will be achieved by making it easy for customers to make sustainable investment decisions. Sustainability criteria have been introduced in more funds and new products with sustainability content have been launched. Swedbank Robur has played an active role in fund industry forums to improve sustainability information to customers. In addition, adjustments have been made to meet forthcoming EU legislation on sustainable finance.

As a large owner on the Stockholm Stock Exchange and with holdings in companies both in and outside Sweden, Swedbank Robur has a responsibility and an opportunity to have an impact. Through dialogue and active ownership, the fund management company encourages companies to address sustainability and governance.

Swedbank Robur has continued to refine its responsible investment policy, which serves as the basis for the sustainability work in all its funds. In the policy Swedbank Robur describes how its investments are guided by the UN's Sustainable Development Goals (SDGs). In October the Ethica Global and Ethica Sweden funds changed their names to Transition Global and Transition Sverige. These funds have invested in companies that embrace sustainability and whose products and services contribute to the SDGs. The mission of these funds has been broadened to include investing in companies with the potential to shift towards the SDGs. In October Swedbank Robur launched a new fund, Access Edge Emerging Markets, which takes climate issues into account.

Integrated asset management

Sustainability is integrated in the investment philosophy of the entire asset management, and sustainability criteria are part of the investment analysis in fixed income, close to index funds and fundamentals-based equity funds. The responsible investment policy clarifies the sustainability content of the funds and explains the process for expanded risk assessments. Swedbank Robur's sustainability analysts visit companies, evaluate their risks and opportunities, and suggest development areas. This work is factored into investment analysis and stock selection. Certain funds have actively invested in companies that address environment and climate change issues, human rights, fair labour and business ethics. Investments in green bonds increased by over 80 per cent compared to the previous year, with just over SEK 21bn owned in the fourth quarter. Every portfolio manager has presented the sustainability work of their fund to representatives of Swedbank Robur's management and the sustainability analysis team. Fund managers and sustainability analysts have performed a large number of dialogues with companies to further develop the sustainability work of their funds and Swedbank Robur as a whole.

Impact as an owner

Swedbank Robur is an active owner and maintains continuous contact with the boards and managements mainly in companies in which the funds are major shareholders. The starting point for companies that commit to sustainable value creation is a solid strategy and control of their operations, this includes assessment of opportunities and risks. This benefits the companies as well as fund investors. Swedbank Robur impacts companies around the world – partly on its own and partly in collaboration with for example Principles for Responsible Investments (PRI)'s investor groups, analysis providers and lobbying groups. In addition to working directly with companies, a number of themes have been identified where entire industries can be impacted. Dialogues during the year touched on climate change and renewable energy, deforestation, diversity, AML and responsibility in the gambling industry.

Transparency is key to Swedbank Robur's ownership work and is constantly improved. Detailed information on Swedbank Robur's voting at annual meetings in Swedish and international companies and on its participation in nomination committees has since long been part of the annual reporting. The new shareholder directive that took effect during the year increases the responsibilities and transparency requirements of shareholders in this regard. To accommodate the new directive, Swedbank Robur's ownership policy, which has been public since 1996 and encompasses all its funds, has been renamed Swedbank Robur's principles for shareholder engagement. Important issues from a shareholder perspective include board composition, management compensation, including share-related incentive programs, sustainability and that the companies have good systems for governance, control and

information disclosure. Swedbank Robur promotes boards with the right combination of competence, experience and diversity, including gender parity, and a balance between independent and non-independent directors. Each board must also actively address sustainability issues relevant to their company. In companies where Swedbank Robur has been on the nomination committees, the average share of women has increased compared to the starting point and as in previous years it was higher than for listed companies. In US companies, the fund management company has voted for several shareholder proposals on e.g. climate change, the environment and improved corporate governance.

Exclusions

Swedbank Robur does not invest in companies that manufacture, modernise, sell or buy cluster munition, antipersonnel mines, chemical and biological weapons, and nuclear weapons. In 2018 a decision was made to exclude companies that generate more than 5 per cent of their revenue from tobacco products, this was implemented on January 1 2019. The criteria for exclusion of companies that produce coal were tightened in November from previously 30 per cent to five per cent of sales. Companies that produce pornographic material are also excluded. Serious violations of international norms and conventions aimed to protect people and the environment have also been ground for exclusion if companies have not demonstrated a willingness to change. Several funds have applied more extensive criteria and excluded products such as alcohol, tobacco, gambling, weapons and pornography, as well as fossil fuels.

Asset management ¹	2019	2018	2017
Total assets under management (SEKbn)	1 530	1 266	1 252
– of which in funds (SEKbn)	1 083	857	871
Assets under management with consideration to sustainability (%) ²	100	100	29
Assets under management with extended exclusion criteria and/or positive inclusion (%) ³	54	50	34
Assets under management where ESG aspects are crucial for investment (%) ⁴	5	5	5
Investments in sustainable bonds (SEKbn)	21	12	
Charitable donations from Swedbank Robur Humanfond ⁵	45	42	45

1) Asset management in Swedbank Robur as of 31 December 2019.

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 more extensive exclusion criteria than in the responsible investment policy. Analysis of sustainability aspects, international norms or controversial products has been done prior to investment.

4) Share of total assets under management which in addition to exclusions require an analysis of sustainability aspects and/or positive sustainability assessments.

5) There were 74 affiliated charitable organisations. Total distributions since the fund's inception is about SEK 1.2bn.

Engagement work in funds (no.)	2019	2018	2017
Companies contacted on governance and sustainability issues ¹	645	425	299
– of which companies listed in Sweden	196	74	81
– of which companies listed outside Sweden	449	351	218
– of which companies contacted by own analysts	157	186	160
– of which contacted by fund managers	304		
No. of contacts, own analysts	229	265	261
– of which meetings ²	162	142	96
No. of contacts, fund managers	829		
– of which meetings ²	827		
Participation in annual general meetings	429	424	336
– of which in companies listed in Sweden ³	229	232	195
– of which in companies listed outside Sweden	200	192	141
Participation in nominating committee ⁴	94	91	81
– Share of women on corporate boards (%) ^{5,6,7}	37	38	37

1) Total figure adjusted for duplications. Contacted by Swedbank Robur's analysts, fund managers and corporate governance teams: 534; by suppliers: 217 (84); and as part of investor collaborations: 125 (155).

2) Teleconferences and face-to-face meetings.

3) Including 10 (8) general meetings of privately held companies.

4) Of which 93 (90) in companies publicly listed in Sweden and 1 (1) listed in Finland.

5) In boards where Swedbank Robur participated in the nomination committee.

6) The nomination committee companies vary from year to year. The baseline for the years 2017–2019 was on average 34%, 35% and 36%, which is an annual increase of 3 (2017), 3 (2018) and 1 (2019) percentage points.

7) Including CEO if elected as board member at AGM.

Carbon footprint of the funds

Swedbank Robur has increased its collaborations on climate issues. Through networks such as Swedish Investors for Sustainable Development (SISD), Global Investors for Sustainable Development (GISD), Climate Action 100+ and International Investors Group on Climate Change (IIGCC), Swedbank Robur has worked actively to encourage governments and companies to adopt sustainable solutions. Climate change is included in sustainability analysis and corporate engagement. Companies with especially high emissions and climate impacts have been contacted and asked to accelerate their transition. Swedbank Robur annually reports how much CO₂ the companies in its equity and balanced funds emit in relation to their income. Swedbank Robur has previously endorsed TCFD's recommendations in order to develop strategies and goals, risk management, climate metrics and reporting routines, and to determine how the companies in its funds are affected financially by climate change.

At the end of the year Swedbank Robur conducted a climate analysis of its holdings in corporate bonds and equities in sectors most affected by the transition to a fossil-free society. The analysis was based on the Paris Agreement Capital Transition Assessment (PACTA), a tool developed for institutional investors by the Two Degree Investor Initiative with support from PRI. The analysis showed that Swedbank Robur is underweight in comparison with the global market in oil and gas, coal, nuclear power and auto manufacturing, in both equities and bonds. This reduces the risk that Swedbank Robur will be invested in business models that are not aligned with climate transition, also known as stranded assets. The aim is to gradually increase investments in sectors with lower CO₂ intensity, e.g. renewable energy, in order to reduce the funds' carbon footprint and contribute to a sustainable transition.

Climate footprint of selected funds compared with their respective indexes ¹	tonnes CO ₂ e/ SEKm, fund	tonnes CO ₂ e/ SEKm, index
Three largest funds (assets under management, SEKm)		
- Allemansfond Komplet (61 178)	5	19
- Aktiefond Pension (48 203)	28	19
- Kapitalinvest (37 157)	7	19
Regional equity funds (assets under management, SEKm)		
- Sverigefond (14 068)	6	6
- Europafond (8 200)	12	19
- Globalfond (24 013)	7	25
- Amerikafond (10 746)	4	22
- Asienfond (3 739)	33	42
Transition funds ² (assets under management, SEKm)		
Transition Global ³ (3 674)	5	22
Transition Sweden ³ (8 146)	8	6
Global Impact (1 949)	11	25

1) The calculations are based on fund holdings as of 30 June 2019. Method in accordance with TCFD's recommendations; the result shows "Weighted average carbon intensity Scope 1+2"

2) Funds whose mission is to contribute to a sustainable transition and the UN's Sustainable Development Goals.

3) The Ethica Global and Ethica Sweden funds changed names during the year to Transition Global and Transition Sweden.

Swedbank Insurance

Swedbank Insurance, a wholly owned subsidiary of Swedbank, offers pension, endowment and personal/risk insurance for consumers and businesses. Swedbank Insurance is actively committed to a sustainable society and environment and is raising the level of sustainability in its customer offers and internal work. The insurance company is trying to increase awareness of sustainable investments in order to help customers make conscious choices.

For the third consecutive year Swedbank Insurance has published a report on its sustainability work and what it is doing to make sustainability a natural part of its investment offer for customers who save for retirement in traditional, variable universal life or unit linked insurance. In accordance with the recommendation of the industry organisation Svensk Insurance to report the insurance company's carbon footprint, the company also published the carbon footprint of its equity portfolio.

To strengthen and expand its work with sustainability, and the organisation, the new position of head of sustainability was created during the year.

Structured products

Until June 2019 Swedbank offered savings in the form of structured products, both with or without capital protection, where the return is tied to various asset classes and markets, so-called SPAX Nu and Bevis Nu. Due to declining interest from the Swedish market, Swedbank has chosen to stop producing and distributing structured products and is reprioritising resources to other products and services in the savings area.

Structured products with sustainability profile, SEKm	2019	2018	2017
SPAX Europa Hållbar		52	78
SPAX Global Hållbar ¹	193	208	121
SPAX Hållbar Horisont			89
SPAX Jämställdhet		11	
SPAX Norden Hållbar			9
SPAX Pension		42	
SPAX Världen Hållbar		12	243
Aktiebevis Autocall Svenska Bolag			9
Aktiebevis WinWin Svenska Bolag			80

1) SPAX Global Sustainable was issued 30 times in 2019.

S3 Finance

Lending is part of Swedbank's core business. Swedbank promotes responsible long-term lending by assessing each customer's long-term financial situation and advising them on sustainability risks.

Amortisation

In Sweden the FSI has taken measures in the form of tighter amortisation requirements to slow the rise in consumer debt in recent years, which is in line with Swedbank's responsible lending approach. The amortisation table shows amortisations in relation to loan-to-value.

Digitisation of the bank's lending processes

Swedbank evaluates and further improves its availability to meet customers' various needs. To make lending services even more available and everyday banking easier, digital offers are being improved as well, including the digital processes used for consumer credit and loan commitments. A plan to digitise and automate the process for customers who want to increase their mortgage was implemented during the year. This was requested and has been appreciated by customers.

Sustainability analysis in lending

Sustainability risks are taken into consideration in all credit decisions. A detailed sustainability analysis is done for corporate loan applications over SEK 5m 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. During the year an external analysis was integrated in the sustainability analysis tool to assess the customer's material aspects, risks and how the customer manages them. Sustainability goals were introduced in the incentive programme for account managers for the bank's large corporate customers, in line with the external analysis.

The sustainability analysis is supported by 13 sector guidelines. The guidelines serve as a tool to gain better insight into sustainability problems in various industries and provide tips and advice on which aspects should be addressed with the customer. Swedbank also has two position statements on climate change and the defence industry, which describe how the bank should respond to issues in these two areas. In the climate statement, Swedbank states that it will not directly finance coal-fired power plants or finance companies that generate over 30 per cent of their revenue from coal production. Swedbank's position statement serves as the basis for the Group's exclusion list of companies it will not work with. Companies can be excluded if they have violated various international norms on human rights, anti-corruption, fair labour and environment.

The dialog with customers on real estate-related sustainability risks is supported by a checklist. Because real estate accounts for nearly half of Swedbank's lending, this is a strategic sector to focus on in order to maximise the impact of the bank's sustainability risk management.

Cases found to have an elevated sustainability risk are escalated to the Ethics Committee for a more thorough assessment and guidance. The committee handles cases involving the environment, human rights, social responsibility, business ethics and corruption. The cases submitted to the committee in 2019 concerned ethical dilemmas related, e.g., to defence equipment, taxes, cannabis and gambling.

Framework for green lending

Swedbank established a framework for green bonds in 2017. The framework 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 and renewable energy sources.

Sustainability linked products

Swedbank encourages sustainable business models and tries to offer 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 living. The Bank therefore offers customers who live in green housing a discounted mortgage rate.
- **Green car loans** Swedbank wants to encourage customers to buy cars that pollute less, to try and reduce average emissions. Customers are therefore offered a discount when they borrow for a more environmentally friendly car that meets certain criteria.
- **Solar loans** Discounted interest rate on loans for solar panels, which produce lower electricity costs.

Offers for corporate customers

- **Green loans** Green loans, which are part of Swedbank's total financing offer, promote the environment and a sustainable society. They offer a flexible form of financing that supports positive climate impacts and creates solid and sustainable companies. Green loans are flexible in terms e.g. of tenor and volume, and specific terms and requirements are customised for each borrower and the underlying purpose of the financing.

- **Sustainability linked loans** These loans differ from ordinary green bonds in that they can be used for general business purposes rather than a specific purpose. The loans are tied to the borrower's sustainability performance, which is measured based on social or environmental criteria. How the company performs is thereby tied to the loan's underlying margin in relation to predetermined sustainability goals. Improved performance reduces the interest rate and financing costs. If the goals are not met, the rate may rise.

- **Green, social and sustainable bonds** Swedbank has a strong focus on sustainable bonds for capital market clients. Swedbank Debt Capital Market, in the business area Large Corporates and Institutions, offers green bonds, social bonds and sustainability bonds. This benefits issuers who are seeking green financing, such as businesses and municipalities, as well as investors who actively express a demand for sustainable investments, such as insurance companies, pension managers and fund managers.

- **Sustainability linked bonds** Swedbank Debt Capital Market also offers sustainability linked bonds, where the coupon is tied e.g. to environmental goals or specific ESG ratings. The structure differs from traditional green bonds since the income is used for general business purposes rather than a specific purpose and does not require a green framework or regular reporting.

- **Sustainability related advice** Swedbank Debt Capital Market offers sustainability related advice to issuers. One of the products is a sustainability related peer review based on data from external sources. 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's Sustainable Development Goals.

Private lending (Sweden)	2019	2018	2017
Green mortgages (SEKm) ¹	52		
Green car loans (SEKm) ¹	3		
Solar loans (SEKm) ²	99		
Households with loan-to-value ratios above 70% of property value (%)	16	16	11
Share of households with loan-to-value ratios above 70% that amortise (new lending) ³	99	99	99
Share of households with loan-to-value ratios above 70% that amortise (total portfolio)	98	97	96

1) Portfolio volume.

2) Portfolio volume, including the bank's energy loans to finance residential energy savings.

Excluding the Savings banks.

3) New lending refers to all mortgages paid out in the fourth quarter of each year.

Corporate lending	2019	2018	2017
Corporate lending (SEKm)	553 095	547 724	521 001
Lending renewable energy (SEKm) ¹	10 489	7 756	7 466
Customers with renewable energy loans (number) ¹	163	158	138
Green loan portfolio (SEKm)	13 958	10 319	7 732
– of which green property loans ²	11 541	8 471	5 431
– of which wind power loans ³	2 417	1 848	2 301
Sustainability linked loans (SEKm)	3 533		
Green bonds outstanding (SEKm) ⁴	7 216	7 133	4 912
Transactions arranged by Swedbank during the year (number) ⁵	51	30	12
Total volume arranged by Swedbank during the year (SEKbn) ⁵	25.3	15.1 ⁴	3.5 ⁴
Share in relation to total volume arranged by Swedbank during the year (%) ⁵	14	11	3
Total volume arranged by Swedbank since inception (SEKbn) ⁵	54.6	29.3 ⁶	14.2 ⁶

- 1) Total renewable energy lending refers to financing of hydroelectric, wind, solar, district heating with biomass and biogas.
2) Environmentally certified and/or energy-efficient properties.
3) Included as part of Lending renewable energy.
4) Swedbank AB issuer (funding of wind power and green buildings).
5) Swedbank AB lead manager (funding of e.g. solar, wind and hydropower).
6) Revised compared with 2018 to only show Swedbank's share of total issuance volume.

Sustainability analysis corporate lending	2019	2018	2017
Swedish Banking (no. of approved loan applications)	60 237	42 740	34 297 ¹
Baltic Banking (no. of analyses) ²	2 453	2 102	1 873
Large Corporate and Institutions (no. of approved loan applications)	1 403	1 448	1 291
Total number of cases escalated to Ethics Committee	10	13	11
– of which customer related cases	8		
– of which policy and governance related cases	2		

- 1) Also includes credit cases handled by Swedbank Finans as of December 2017.
2) Number of sustainability analyses reported, not number of approved applications (correction compared with 2018).

Share of corporate lending by country, %	2019	2018	2017
Sweden	85	86	86
Estonia	6	5	5
Latvia	2	2	2
Lithuania	4	3	3
Norway	3	3	3
Other	0 ¹	0 ¹	0 ¹

- 1) The share is less than 0.5%.

Share of corporate lending by sector, %	2019	2018	2017
Property management	46	42	42
Agriculture, forestry and fishing	12	13	13
Manufacturing	8	9	9
Retail	6	6	6
Shipping	3	4	5
Public sector and utilities	4	4	4
Construction	3	4	4
Corporate services	4	5	5
Transportation	3	3	3
Finance and insurance	3	2	2
Hotel and restaurant	2	2	1
Information and communications	2	2	2
Other corporate lending	4	4	4

S4 Procure

The central procurement process ensures that reported purchases over EUR 50 000 are handled with support from the bank's central procurement unit. Swedbank has signed additional framework agreements in the last three years, which has reduced the total number of procurement cases, since call-offs have been possible under existing framework agreements. This is especially evident in the consulting area. Swedbank's business areas own supplier contracts and demand specifications locally. As a result, some contracts can be entered into without the central purchasing unit's involvement.

Swedbank is a service company and has a supplier base comprised of nearly 12 000 active suppliers, mainly in Europe. The bank's annual procurement costs amount to nearly SEK 9.7 billion, divided into five categories: banking services and infrastructure, real estate and rents, information and communication technology, marketing and professional services (HR).

Supplier Code of conduct for suppliers

Risks related to sustainable procurement for Swedbank include reputational and quality risks. To minimise them, the central procurement unit requires all suppliers to sign Swedbank's supplier 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. In addition, certain sustainability issues are included directly in the specific tender, such as relevant certifications and process descriptions.

Sustainability assessment in procurement

As part of the procurement process, an initial screening is done of each supplier, where potential sustainability risks are assessed, taking into account country and sector risks as well as business critical risks e.g. procurement costs and reputational risks. Suppliers that are selected in this stage are included in Swedbank's digital supplier platform for 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. Employees in the central procurement unit received sustainability assessment training during the year through the digital platform.

Monitoring and third-party audits

Existing suppliers are mainly monitored through continuous dialog. In this way Swedbank gains a better understanding and can support suppliers with their sustainability challenges and draw attention to opportunities. Furthermore, site visits are made if needed based on the results of the sustainability assessment and to monitor compliance with the agreed-upon actions.

Swedbank has established a process for supplier visits. After a visit, a plan of action can if necessary be established together with the supplier, which then becomes the basis for follow-up.

Swedbank will enter into an agreement with an external partner to conduct extensive third-party supplier audits on behalf of the bank, e.g. when a supplier visit has not been satisfactory, and also assist with third party assessments and give recommendations. These activities and results will also be incorporated in the digital platform used to compile relevant information and assessments of each supplier in one location.

An established escalation process is in place for suppliers that are identified as a high risk in the sustainability assessment. These cases are escalated to the Procurement Sustainability Council, which decides on measures against the supplier and whether its contract should be terminated. The Business Ethics Committee can also be consulted if ethical dilemmas arise.

Supplier audits	2019	2018	2017
Number of suppliers	11 753	12 444	13 551
Total procurement volume (SEKm)	9 680	8 354	9 027
No. of reported purchases that have undergone a sustainability assessment	199	155	375
Share of reported purchases that have undergone sustainability assessment (%) ¹	62	61	
Supplier visits conducted (no.) ²	1		30

- 1) Percentage based on total purchase price.
2) One supplier visit was conducted during the year to an existing supplier.

H5 Environmental impacts

Society today faces a major transition if we are going to significantly reduce emissions in a short time and at the same time prepare for the consequences of a changing climate. The aim of the Paris Agreement is to keep the global temperature rise well below 2°C but pursue efforts to limit it to 1.5°C. The financial sector and capital market can play a key role in redirecting capital to the sustainable solutions that are needed to limit climate change and also help society adapt to climate change.

ISO 14001

Swedbank works actively to reduce the environmental impacts its operations give rise to. Swedbank's sustainability policy and environmental policy are adopted annually by the Board of Directors. Environmental work is governed by an ISO 14001 certified environmental management system. The subsidiaries Swedbank Robur, Swedbank Insurance, Swedbank Hypotek, Sparia, Swedbank Fastighetsbyrå and PayEx are covered by Swedbank's ISO 14001 certification. The management system enables the bank to work in a structured way to continuously reduce its negative impacts and promote the positive ones. This means those generated indirectly through financing, investments, payments and procurement, and directly through Swedbank's internal operations.

Products with an environmental focus

Swedbank launched several new products during the year to promote a sustainable economy and make it easier for customers to make sustainable choices. A solar loan was introduced to enable customers to install solar panels and in that way reduce their electricity costs while contributing to the production of renewable energy. The bank also launched green car loans to encourage customers to buy vehicles that produce less emissions.

Swedbank has two outstanding green bonds issued within its green framework. The green loans that serve as a basis for the bonds provide environmental benefits and promote a sustainable economy. Swedbank also works actively to reduce climate impacts from its leasing business, where it is one of Sweden's largest fleet owners. As part of AutoPlan fleet administration, customers receive help with drafting green car policies and sustainability issues, and with measuring and reporting their carbon footprint. Swedbank also has its own company cars and works actively to reduce the environmental impact.

Environment goals

To limit its climate impact, Swedbank works to lower greenhouse gas emissions. An important commitment is the Science Based Targets Initiative, which requires the bank to implement targets for its indirect emissions in accordance with the Paris Agreement. There is still no established method for the financial sector to calculate emissions for various types of asset classes. During the year Swedbank participated in the development of a method that will enable the sector to set climate targets in line with the Paris Agreement and in so doing support the transition to a fossil-free society.

The bank's climate impacts are monitored each year and since 2010 this information has been published in a separate report, though climate change was an important parameter in Swedbank's environmental reporting as far back as 1996. The bank strengthened its climate work in 2019 by adopting Group-wide operational targets for lower emissions. They cover both direct greenhouse gas emissions, where the goal is to reduce emissions by 20 per cent between 2017–2022, and intensity targets to reduce energy consumption in the bank's offices by 10 per cent per m² between 2017–2021 and 15 per cent in 2017–2025. As a result of the new targets, based on measurements in 2017, as well as the breakdown and requirement to report both market-based and location-based emissions, the bank has decided to change the base year for climate calculations from 2010 to 2017.

Climate impact

Swedbank's emissions are largely generated by energy consumption in the bank's offices and through business travel as displayed 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 the bank operates. The bank works continuously to increase the percentage of meetings held using digital platforms, and by doing so free up more time and resources for the bank's employees as well as reduce the environmental impact.

Swedbank participated in 2019 in the construction of one of Sweden's largest-ever solar park, in an area of 13 hectares, the size of about 22 football pitches, outside Linköping, (estimated production is 11.5 GWh, per year).

In addition to 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, agro-forestry and sustainable cultivation methods.

Greenhouse gas emissions ¹ , tonnes CO ₂ e	2019	2018	2017
Total emissions	25 014	26 983	29 342
Reduction target 2022, 20% ²	23 474	23 474	23 474
Carbon offsetting ³	25 014	6 500	
Total emissions after carbon offsetting	0	20 483	29 342

Emissions by scope according to GHG protocol

Emissions scope 1 ⁴	1 020	1 017	780
Emissions scope 2 ⁵	6 067	6 014	7 771
Emissions scope 3 ⁶	17 927	19 952	20 791

Emissions by country

Emissions, Sweden	14 692	16 151	16 743
Emissions, Estonia	3 559	3 797	3 940
Emissions, Latvia	2 425	2 602	3 321
Emissions, Lithuania	2 908	3 511	4 391
Emissions, other ⁷	1 430	922	947

Energy-related emissions according to Scope 2

Market-based ⁸	6 067	6 014	7 771
Location-based	18 801	21 588	23 395

1) Carbon dioxide, methane and nitrous oxide. In all GHG calculations, Swedbank has used Ecometrica software through a system called Our Impact, administered by U&WE. Emissions are reported in accordance with the Greenhouse Gas Protocol (World Resources Institute).

2) The base year is 2017, when Swedbank reported 29 342 tonnes of CO₂ emissions.

3) Carbon offsets relate to solar energy and carbon storage through sustainable tree planting.

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, Luxembourg and China.

Emissions by category, tonnes CO ₂ e	2019	2018	2017
Sweden			
Office premises	2 555	2 579	3 040
Business travel	11 959	13 393	13 536
Other emissions ¹	178	179	167
Estonia			
Office premises	1 718	1 807	1 888
Business travel	1 806	1 937	1 999
Other emissions ¹	35	53	53
Latvia			
Office premises	1 284	1 386	2 151
Business travel	1 069	1 137	1 084
Other emissions ¹	72	79	86
Lithuania			
Office premises	888	1 104	1 620
Business travel	1 904	2 264	2 606
Other emissions ¹	116	143	165
Other countries			
Office premises	652	373	356
Business travel	776	547	588
Other emissions ¹	2	2	3

1) Security transports and paper consumption.

Other environmental data	2019	2018	2017
Energy consumption in our offices (MWh)	93 087	105 425	114 658
– of which Sweden	51 614	62 153	70 689
– of which Estonia	17 612	18 268	19 150
– of which Latvia	11 316	11 915	11 575
– of which Lithuania	11 453	12 096	12 274
– of which Other	1 092	993	970
Electricity consumption in our offices (MWh)	51 687	57 598	65 379
Renewable electricity as a share of total electricity consumption (%) ¹	82	90	82
Paper consumption (tonnes)	1 100	1 184	1 075
Water consumption (m ³ /FTE)	7	8	7
Recycled waste (tonnes)	437	406	401
Incinerated waste (tonnes)	315	335	317
Landfill waste (tonnes)	153	276	220
Hazardous waste (tonnes) ²	3		
Number of digital conferences (million) ³	0.42	0.31	
Number digital conference attendees (million) ³	1.69	1.20	
Average number of digital conference attendees ³	4	4	

1) Renewable energy refers to wind, biomass and hydroelectric.

2) Refers to Sweden, began being measured in 2019.

3) Digital meetings through Skype.

Internal energy consumption ¹	2019	2018	2017
Total emissions from energy consumption (tonnes CO ₂ e/MWh)	0.07	0.06	0.07
Energy consumption per employee (MWh/FTE)	5.7	6.5	8.1
Energy consumption per m ² (MWh/m ²)	0.236	0.237	0.251
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 indirect energy consumption consists of consumption of energy, heating, cooling and gas.

Comparative figures, tonnes CO ₂ e	2019	2018	2017
Total emissions per employee	1.52	1.68	2.02
Scope 1 and 2 emissions per employee	0.43	0.44	0.59
Total emissions per office space	0.063	0.061	0.064
Scope 1 and 2 emissions per m ² office space	0.018	0.016	0.019

Auto leasing AutoPlan	2019	2018	2017
Leasing of vehicles (tonnes CO ₂ e) ¹	195 219	196 497	198 120
Total number of leased cars	43 787	42 839	43 537
Average emissions, new cars CO ₂ (g/km) ²	110.6	111.9	112.5
Average emissions, total CO ₂ (g/km) ²	117.0	115.1	119.0
Average emissions, new company cars in Swedbank CO ₂ (g/km)	80	92	93

1) Emissions based on fuel consumption and fuel type per vehicle over one year.

2) Refers to company cars administered by Swedbank AutoPlan.

56 Employees

Like many banks and other companies, Swedbank is undergoing change. Digitisation is happening rapidly and new technology and business models require new skills.

Skills development

For Swedbank to remain attractive and competitive in the future, it is critical that every employee is given the opportunity to develop, to add new skills and to take on new challenges. Each employee creates a personalised development plan for today and the future together with their manager. A large range of internal and external training options is available. LinkedIn Learning, a portal that gives all employees access to 8 000 digital courses, was added during the year. Day-to-day work and the interaction with other employees also builds experience and skills. Swedbank has a job board to promote internal mobility and opportunities for a career in the bank.

Internal training ¹	2019	2018	2017
Total number of training hours ²	556 983	465 165	449 083
Training costs (SEKm)	130	123	121
Training hours per full-time employee (average FTE) ²	37	32	31
– training hours men	28	18	18
– training hours women	44	24	25
– training hours managers	45	28	26
– training hours specialists	32	21	10
Training programmes in Ethics (number) ³	3 693	3 070	
Training programmes in Sustainability (number)	15 896	2 837	
Training programmes in Anti-money laundering and counter-terrorist financing (number)	15 976	23 292	
Number of advisors with Swedsec license ⁴	4 023	4 035	4 062
Number of employees who completed the annual knowledge update (ÅKU) ⁴	5 743	6 143	3 971

1) The Board of Directors received training in 2015 in ethics and insider rules and in 2019 in new security laws and information and cybersecurity.

2) 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.

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 (%) ¹	2019
Sweden	99
Estonia	100
Latvia	100
Lithuania	99
Group total	99

1) Began being measured in 2019.

Employees who have received training in anti-money laundering and counter-terrorist financing, by category (%) ¹	2019
Management positions	98
Specialists	99

1) Began being measured in 2019.

Occupational health and safety

Occupational health and safety is an important area to create a climate in the bank that produces sustainable employees. It is strategically important, and major efforts are made to prevent illness and address any problems that arise. The work environment at Swedbank must be safe, stimulating and foster high performance and long-term relationships internally and externally. Sick leave has increased slightly in three of Swedbank's four home markets. This is a worrisome trend that has to be broken. To achieve this, Swedbank as an employer must address this issue in a clear and structured way. It is also important that each employee takes responsibility for their own health and well-being, with the goal of a work-life balance. Swedbank has four focus areas that it continuously monitors: early signs of illness, repeated short-term absences, long-term illnesses and conflicts/difficulties cooperating. Goals have also been set for occupational health and safety work 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.

Diversity and inclusion

Swedbank highly values inclusion, and gender equality and diversity are key issues. Focusing on them provides new perspective and helps to increase employees' skills, competencies and understanding of other people. Swedbank's aim is that its employees will reflect the diversity in the local community and thereby can satisfy customers' various needs and identify new business opportunities.

During the year Swedbank updated and expanded its gender equality and diversity policy to also encompass inclusion. The aim was to stress that all of the bank's employees will be accepted, regardless of how they self-identify, and to strive for equality. Inclusion means taking seriously the work and development of every employee and that everyone in the workplace will be seen.

Swedbank has a Group-level strategy to prevent all forms of discrimination, and 2019 was the year that Swedbank signed the UN's Women's Empowerment Principles, thereby strengthening its commitment to gender equality in the global workplace.

Another highlight was Swedbank's first participation in Baltic Pride in Vilnius. Swedbank in Lithuania previously had not publicly supported Pride, but now took the lead in inviting other companies to join.

To create a more diverse and inclusive bank with employees from different backgrounds, measures are taken to promote diversity and fight discrimination and harassment. This is monitored on a regular basis and efforts are being made to improve oversight and awareness. In addition to legally mandated salary reviews, the bank regularly conducts salary analyses and takes the necessary measures to ensure parity. In the analyses the bank reviews gender pay gaps based on position, difficulty of the position and geographic location. The pay gap in some business areas is explained by the bank's salary criteria. The differences are weighted so that women in some areas generally have a higher salary than men, and that men in other areas are higher than women. In some business areas measures are being taken to close any identified pay gaps. Taken together, this results in marginal differences in pay between genders. The work being done to investigate, identify and address unfair pay differences is an example where major improvements have been made in recent years.

All business areas and Group functions are involved and set goals in their business plans, and the bank's leaders work with these issues in their teams. The guidelines on discrimination and harassment are updated regularly and employees receive the proper training. It is essentially a question of respect for human rights, and the bank has zero tolerance for all forms of discrimination. All employees share a responsibility for a healthy work environment free from discrimination and harassment. Managers and leaders regularly attend training, and workshops are conducted at the request of management teams. For example, recruiting teams received training during the year on prejudices that can unconsciously arise in recruiting situations. Swedbank has worked diligently to achieve gender equality at every level, which has resulted in an increase in the share of female specialists, middle managers and senior employees. In upper management the share of female is 43 per cent.

Employee surveys

To monitor and evaluate how employees feel about their workplace and work situation, Swedbank conducts annual employee surveys. During the year they were conducted bimonthly. Four times employees were also asked to respond to an Engagement Pulse (EP), which consisted of 7 questions, one of which is the eNPS, i.e. the likelihood of recommending Swedbank as an employer. The purpose of the survey is to create a basis for employees and managers to cooperatively evaluate and work with the results in their units. The annual Human Capital Report (HCR), which was compiled in April, provides results in strategically important areas: Leadership Index, Employee Index and Sustainable Employee Index.

All surveys during the year had a high response rate and higher results. The eNPS score varied. After rising at the beginning of the year, the score dipped in the April survey during a turbulent period. Based on the results, measures were adopted to increase confidence in Swedbank as an employer. In the surveys conducted last autumn the eNPS rose each time, indicating that the focus on employee engagement is producing the desired results.

Employee survey, index	2019	2018	2017
Sustainable Employee Index ¹	78		
Engagement index	81	78	
Recommendation index ²	33	24	21
Leadership index	85		86

1) The survey was revised in 2019, so no comparable data are available.

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).

Total number of employees by employment type 2019, by gender ¹	Female	Male	Total
Full-time	9 067	5 388	14 455
Part-time	1 410	565	1 975
Total	10 477	5 953	16 430

1) The variation in the number of employees during the year is fairly constant.

Total number and share of employees by employment contract 2019, by gender ¹	Female	%	Male	%	Total
Permanent	9 669	64	5 555	36	15 224
Temporary	808	67	398	33	1 206
Total	10 477		5 953		16 430

1) The variation in the number of employees during the year is fairly constant.

Total number of employees by employment contract 2019, by region ¹	Sweden	Estonia	Latvia	Lithuania	Total
Permanent	8 227	2 608	1 816	2 573	15 224
Temporary	796	103	153	154	1 206
Total	9 023	2 711	1 969	2 727	16 430

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, %	2019	2018 ²	2017 ²
Women	61	62	60
Men	39	38	40
Under 30 years	54	59	60
30-50	42	37	35
50-	4	4	5
Sweden	34	30	36
Estonia	18	24	22
Latvia	21	17	17
Lithuania	27	29	25

1) Number of new employees: 2019: 1 912, 2018: 1 877 and 2017: 1 598.

2) Note that minor adjustments were made to the figures for 2017 and 2018.

Rate of employee turnover by gender, age group and country, % ¹	2019	2018 ²	2017 ²
Women	9.3	9.8	10.0
Men	10.4	11.8	11.4
Under 30 years	14.1	14.8	15.0
30-50	8.0	9.8	8.8
50-	9.6	8.1	10.3
Sweden	9.4	9.3	9.3
Estonia	8.3	10.9	9.5
Latvia	10.9	11.4	13.4
Lithuania	11.7	13.8	12.8
Group total	9.7	10.5	10.3

1) Number of employees who left during the year: 2019: 1 601, 2018: 1 683 and 2017: 1 629.

2) Note that minor adjustments were made to the figures for 2017 and 2018.

Labour/management relations	2019	2018	2017
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}	69	69	69

- 1) The members of the Group Executive Committee are not covered by collective agreements (except the 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.

Wage difference women vs. men, management positions ¹ by country, % ^{2,3}	2019	2018	2017
Sweden	-22	-22	-21
Estonia	-27	-28	-31
Latvia	-39	-43	-46
Lithuania	-32	-36	-29
Group total	-31	-32	-33

- 1) Includes management positions at every level. HR responsibility is the common denominator for this category.
 2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.
 3) Swedbank's home markets are Sweden, Estonia, Latvia and Lithuania.

Wage difference women vs. men, management positions ¹ by business area, % ²	2019	2018	2017
Swedish Banking	-12	-17	-16
Large Corporates & Institutions	-50	-48	-44
Baltic Banking	-38	-41	-41
Group Functions	-23	-21	-19

- 1) Includes management positions at every level. HR responsibility is the common denominator for this category.
 2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, specialists by country, % ¹	2019	2018	2017
Sweden	-20	-20	-21
Estonia	-35	-36	-38
Latvia	-29	-29	-30
Lithuania	-34	-35	-35
Group total	-32	-34	-37

- 1) Swedbank's home markets are Sweden, Estonia, Latvia and Lithuania.

Wage difference female vs. male, specialists by business area, %	2019	2018	2017
Swedish Banking	-14	-14	-15
Large Corporates & Institutions	-31	-36	-39
Baltic Banking	-31	-30	-33
Group Functions	-19	-21	-24

Level of education, %	2019	2018	2017
Sweden			
University degree	40	39	40
Other university education	11	13	14
Upper secondary school	48	47	45
Other education	1	1	1
Estonia			
University degree	62	61	61
Other university education	11	12	13
Upper secondary school	20	20	19
Other education	7	7	7
Latvia			
University degree	73	72	72
Other university education	16	16	16
Upper secondary school	11	12	12
Other education	0	0	0
Lithuania			
University degree	83	81	83
Other university education	6	6	7
Upper secondary school	5	5	4
Other education	6	8	6

Age distribution by country, %	2019	2018 ¹	2017 ¹
Sweden			
Under 30 years	21	20	19
30-50	49	49	51
50-	30	31	30
Estonia			
Under 30 years	20	21	21
30-50	68	68	68
50-	12	11	11
Latvia			
Under 30 years	24	24	26
30-50	70	70	68
50-	6	6	6
Lithuania			
Under 30 years	32	32	29
30-50	57	57	60
50-	11	11	11

- 1) Note that minor corrections have been made to the figures for 2017 och 2018.

Age distribution management and Board of Directors, %	2019	2018	2017
Group Executive Committee			
Under 30 years	0	0	0
30-50	25	24	32
50-	75	76	68
Board of Directors¹			
Under 30 years	0	0	0
30-50	22	10	11
50-	78	90	89

- 1) Excluding employee representatives.

S7 Anti-corruption & IT security

Though illegal, corruption is still common throughout the world. Corruption risks include bribery, fraud, conflicts of interest and illegal monetary flows. Everything we at Swedbank do should 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.

Framework and organisational change

Swedbank's Board of Directors has adopted a Group-wide anti-corruption policy and a policy on anti-money laundering and counter-terrorist financing (AML), which are revised each year. In 2019 the anti-corruption policy was clarified with regard to the bank's whistleblower process. In the AML policy clearer information was provided on the bank's Know Your Customer process and risk processes to ensure compliance with current rules. A code of conduct explains Swedbank's values and principles of conduct in terms of the bank's commitments, role and the way we work internally and in relation to customers and partners.

Addressing the deficiencies that have been identified in the routines, systems and processes to combat money laundering and other financial crime was a priority in 2019. As part of this work, Swedbank has established a special Anti-Financial Crime unit (AFC) to strengthen the fight against money laundering and financial crime as well as a Special Task Force to work with the ongoing money laundering investigations. The new AFC unit focuses on various aspects of financial crime such as prevention of money laundering, counter-terrorist financing, fraud detection, cybersecurity, information security and physical security – and in the process has consolidated the bank's expertise to create robust routines to fight financial crime. The AFC has also worked on a new framework that provides a better overview and compliance control. The framework will be implemented throughout the bank. New scenario-based methods have been introduced to more accurately identify suspicious transactions. During the year the bank also strengthened important functions with new competence and resources and provided targeted training to improve the knowledge of the bank's employees. The digital part of the KYC process has been made more efficient through among other things shorter lead times.

Ethics Committee

Swedbank's Ethics Committee addresses issues where the environment, human rights, social responsibility, business ethics or corruption are a critical factor in business decisions. The committee's role is to guide the organisation in order to minimise sustainability risks and any negative impacts for the bank. The members represent the bank's various business areas and Group Functions, including representatives from the Group Executive Committee. Swedbank's Head of Sustainability is the chair of the committee. If the committee's recommendations are not followed, the case is escalated to the committee chair and the CEO. The number of cases is tracked, and the minutes of the committee's meetings are distributed to the CEO and the Group Executive Management (see page 203).

Internal routines and guidelines

Swedbank has established a Group-wide whistleblower routine to encourage employees to anonymously report any suspicions they might have that internal or external rules have been violated. In 2019 a total of 30 whistleblower reports were filed. More information on whistleblowing can be found at swedbank.com/Sustainability within Responsible Business and Business Ethics.

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 that employees are prohibited from offering or receiving gifts and travel. They are also prohibited 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 in normal cases the following 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, shares in Swedbank and other shares provided they are discretionary investments and that the agreement has been approved by Compliance.

Personal data

The General Data Protection Regulation (GDPR) is a new law that took effect throughout the EU in 2018. The objective is to improve protection of personal data and create a uniform regulation within the EU. Swedbank has extensive experience with 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 infor-

mation 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.

Security intelligence and collaborations

Swedbank operates in an environment where cyber security threats are constantly developing 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 all 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 has been consulted in framing it. 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 basic strategic goals to support the overarching Group strategy. It also describes initiatives that will lead the bank to that optimum. These initiatives in turn are 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 of Directors.

Internal framework

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. The function is led by the bank's Chief Information Security Officer (CISO). Information Security Managers are appointed in every 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. The incident response team, Swedbank SIRT, is an accredited SIRT organisation and member of the Trusted Introducer Network TF-CSIRT since 2010. The bank's external auditors specially reviewed the bank's cybersecurity work in 2019. The review will be followed up in 2020. The bank has insurance coverage for certain expenses that can arise in connection with a cyber incident.

For information security to succeed, it is important to promote a security-conscious culture in the bank. All employees have to understand the importance of good security in daily work, but at the same time are given the opportunity to develop their own security knowledge and awareness of current security threats. Swedbank therefore offers training and activities that raise the awareness of all employees as well as customised measures for specific employee categories. It is also important that employees are familiar with how suspected incidents should be reported.

IT security, data protection and crime prevention	2019	2018	2017
Number of suspicious orders and transactions (MAR) ¹ reported	57	67	53
– of which Sweden	23	43	40
– of which Estonia	2	2	0
– of which Latvia	16	14	13
– of which Lithuania	16	8	0
Number of suspicious transactions involving money laundering/terrorist financing (SAR) ^{1,2} reported	4 597	5 084	3 422
– of which Sweden	2 736	2 774	1 951
– of which Estonia	882	956	768
– of which Latvia	632	770	583
– of which Lithuania	347	584	120
Number of bank robberies ³	0	0	0
Number of complaints from customers to data protection officer	13	10	
Number of complaints from Swedish Data Protection Authority	0	0	

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) Includes all countries for 2019 compared to last year's report when only Sweden's figures were reported.

3) Refers to Sweden, Estonia, Latvia and Lithuania.

S8 Social engagement

The basic idea when the first Swedish savings bank was founded in 1820 was to encourage saving and long-term financial stability in society. Two hundred years later this idea lives on through Swedbank's deeply rooted social engagement and involvement in a number of different initiatives focused on financial literacy, the labour market and entrepreneurship.

Financial literacy training

Swedbank's social engagement is largely focused on spreading knowledge about personal finance, about money and savings, and about how various life choices can affect the future. Swedbank meets many children and young people through various initiatives and helps to stress the importance of financial literacy in their education. In this way the bank reaches many different groups in society, regardless of background and prior knowledge.

In Sweden the "Young Economy" initiative is a collaboration with the savings banks and savings bank foundations where 63 600 students attended lectures in 2019. In Latvia 350 lectures were held for high school students through the Swedbank School Program. In Latvia and Lithuania the bank has also started the "Financial Laboratory", where children and young people have access to digital lectures, virtual tours and other educational material. Swedbank's Estonian employees have the opportunity during working hours to guest lecture in schools, and around 380 are registered on the digital platform Back to School.

An initiative called Digital Economy contributes to digital inclusion in society. Through local lectures and get-togethers, the bank's personnel inform and guide those who want help getting started with digital services.

Educating the public is also accomplished in all four home markets by drawing attention to current economic issues. Swedbank arranges seminars on these and other current topics related to its social engagement.

Engagement in social issues

Swedbank wants to inspire and encourage people to develop and build skills for themselves and society as a whole. Inclusion and integration in the labour market have been a goal through "A Job at Last", a collaboration with the Swedish Public Employment Service where foreign-born academics can qualify for a 6-month trainee position with Swedbank. This has benefited the bank by bringing in new talent during the trainee period, but also after its conclusion, when several trainees have been offered permanent positions.

In the three Baltic countries Swedbank has participated in a state-guaranteed mortgage assistance programme. The aim is to support various groups based on established criteria, so that they have an opportunity to finance a home. 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.

In Latvia and Estonia the bank is engaged in projects that train college graduates to become teachers who can contribute to creating more equal schools around the country. Teachers are placed in areas with the greatest need. In Estonia 30 students are accepted to the programme each year and more than 80 per cent stay in the system as instructors.

The bank participates each year in Politicians' Week in Almedalen, Sweden, and its equivalent events in Latvia, Estonia and Lithuania, promoting dialogue between politicians and voters.

Swedbank in Sweden has been working for several years with the organisation Friends, an important educational commitment focused on preventing bullying.

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 works with several organisations on various projects. One way is to teach entrepreneurship to young people in schools, which paves the way for new businesses and job creation.

Junior Achievement in Sweden and Latvia, Everyone Can in Lithuania and Prototron in Estonia are various types of entrepreneurial collaborations that focus on young people. The Estonian initiative Prototron 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. This a collaboration between Swedbank, Tallinn University of Technology and Science Park Technopol. To date Prototron has financed 74 projects with EUR 895 000 and helped to get 34 new products to market.

A business networking platform was created by Swedbank in Latvia, the Institute of Finances and other external partners in 2013 to help form business relationships and develop opportunities. In 2019 the Business Network was visited by more than 214 000 unique visitors.

Volunteering

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 assist vulnerable areas. All employees of Swedbank in Estonia have an opportunity to volunteer.

A volunteering programme for employees in Lithuania called We Care was reintroduced during the year. Here as well employees have an opportunity during working hours to volunteer in a wide range of areas.

Social investments, SEKm	2019	2018	2017
Social investments, total	104	106	121
– of which Sweden	89	92	88
– of which Estonia	7	7	9
– of which Latvia	3	3 ¹	17
– of which Lithuania	5	4	7

1) Contributions to the donation portal ziedot.lv were discontinued in 2018.

Social investments per engagement 2019, %	Sweden	Estonia	Latvia	Lithuania
Sponsorship of social activities	45	77	62	23
Employees' social engagement during working hours	4	23	7	11
Management costs	0	0	29	66
Products and services with a social value	0	0	0	0
Gifts from customers via the bank's products and services	51	0	3	0

Number of lectures	2019	2018	2017
Sweden ¹	2 283	2 183	2 128
Estonia	157	117	347
Latvia	683	573	1 031
Lithuania	674	433	539

1) Including savings banks.

State-guaranteed mortgage loan programmes	2019	2018	2017
Estonia			
– number of loans granted during the year	1 053	976	995
– portfolio volume (SEKm)	2 478	1 511	693
Latvia			
– number of loans granted during the year	1 521	1 347	954
– portfolio volume (SEKm)	3 241	2 134	1 286
Lithuania			
– number of loans granted during the year	746	358	330
– portfolio volume (SEKm)	877	582	449

Direct economic value generated and distributed, %	2019	
	SEKm	% ¹
Total income	45 960	
Interest paid to the public (deposits)	1 663	4
Interest paid on other funding/financing	13 477	29
Deposit guarantee fees	457	1
Resolution fees	1 117	2
Tax for the year	4 631	10
Non-deductible VAT	1 537	3
Social insurance costs and pensions	3 287	7
Salaries and fees incl. shares in Swedbank	7 249	16
Payments to suppliers, home markets	9 680	21
Proposed shareholder dividend	9 856	21
Profit for the year reinvested in the bank	9 841	21

1) Distribution of financial value creation in relation to total value.

S9 Human rights

Swedbank shall always act in accordance with universal human rights. This commitment extends to every market where Swedbank is active and in relation to all its business relationships.

Policy and commitments

As a basis for its responsibility to respect human rights, Swedbank follows the UN's Guiding Principles Reporting Framework and the UN's Global Compact. The principles encourage companies to be aware of human rights risks and to strengthen human rights in their businesses. 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 clarifies Swedbank's responsibility to take precautionary measures and prevent human rights violations. Swedbank's code of conduct also requires all employees to abide by Swedbank's values and show equal respect for everyone. On this basis, Swedbank continuously assesses human rights risks in its processes and business decisions.

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 203). 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 Robur's investment process includes a sustainability analysis, part of 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 and regions with elevated risks e.g. companies operating in low-cost countries or non-democracies. Swedbank Robur actively dialogues with companies to improve their 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, to follow up incidents, in connection with a sustainability analysis, on topics such as human rights, and as stakeholders in companies in which the funds are major investors. Human rights is also one of the four areas that serve as a basis for determining whether a company can be included in Swedbank Robur's sustainability funds. Children are often a vulnerable group and Swedbank Robur has issued a position statement on children's rights, which is used to influence companies. The purpose is to declare Swedbank Robur's position and its expectation that companies consider children's rights.

Swedbank has adopted a Group position on the defence industry, which sets the conditions for providing financial services to the sector and is protection against human rights violations. This includes a prohibition against investments in and financing of nuclear weapons.

Active work in the supply chain

Swedbank assesses risks related to human rights in its procurement process. The scope of the risk 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 and requirements are set for managing human rights in the contract. Swedbank also conducts supplier visits and regularly dialogues with suppliers to verify that established requirements are being followed.

Gender equality and diversity

All employees of the Swedbank Group receive basic mandatory training on sustainability covering topics such as gender equality and human rights. The number of training hours is shown on page 205.

Gender equality and diversity are important to the bank's work environment and corporate culture. The work is based on a central diversity and gender equality plan, and every manager is graded based on diversity and equality goals as part of their performance. The Group Executive Committee has focused for several years on and accelerated development in these issues. This also means a stronger focus on integrating gender equality and diversity in the business. Every unit is involved and sets goals for the area in its business plans.

During the year Swedbank Lithuania received an award for its Equal Opportunity Wings initiative, which led to the successful introduction of gender equality principles, including raising the level of awareness by spreading ideas about equality in general, but also supporting other organisations to become more active in this area.

S10 Taxes

Being a good taxpayer and contributing to the community is an important 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 customers.

Taxes are an important sustainability issue for Swedbank. Since 2008 Swedbank has a Group-wide tax policy adopted by the Board of Directors. 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.

Swedbank's economic contributions

In addition to paying corporate tax, Swedbank is a major employer in its home markets and provides work more for than 15 000 people. By paying social security contributions for its employees, the bank contributes to social protection. Swedbank incurs large net costs for value-added tax (VAT). In addition, Swedbank pays bank fees in the form of a resolution fee and a deposit guarantee fee, which contribute to the financial stability of society. Swedbank's total cost for taxes and social security was approximately SEK 8 231m in 2019. During the year Swedbank also paid approximately SEK 1 574m 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.

Swedbank does not engage in artificial transactions whose main purpose is to avoid taxes. 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. References to taxes can be found in Swedbank's sector guidelines as well as in Swedbank's public positions on investments and asset management.

2019	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other ¹
Operating profit (SEKm)	18 463	2 736	1 041	1 621	278	53	228
Assets (SEKm)	1 975 569	126 977	63 052	113 912	77 449	61 639	79 553
Number of employees ²	8 076	2 568	1 716	2 437	275	17	129
Tax expense (SEKm)	3 712	411	211	250	65	11	51
Non-deductible VAT (SEKm)	1 287	63	48	119	20	-	-
Social security contributions (SEKm)	1 551	253	98	12	60	2	7
Resolution fees (SEKm)	1 015	21	22	13	33	2	11
Deposit guarantee fees (SEKm)	289	49	66	53	-	-	-

¹ Finland, Denmark, Luxembourg, China, Spain and South Africa.

² Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions.

About this report

The sustainability report summarises Swedbank's sustainability work. Since 2017 Swedbank has reported in accordance with the GRI Standards version. 2019 is the eleventh year in a row that Swedbank's report has followed GRI's framework for sustainability reporting. The GRI report is linked to key topics, which are defined based on the bank's materiality analysis, and how these key 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 Pay: The information in the Pay section is compiled mainly through the bank's financial reporting. A real time payments platform jointly owned by Swedish banks (BiR) facilitates Swish payments in real time. The number of payments is obtained through the system.

S2 Save/invest: 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 by an internal programme at Swedbank Robur based on data from several large ESG data suppliers. Dialogs are logged.

S3 Finance: The information on corporate loans is obtained from the bank's financial reporting. The volume of sustainability related products is compiled from internal systems and Bloomberg. The information on sustainability analyses that have been performed is obtained from several different CRM systems.

S4 Procure: The bank's supplier statistics are compiled through the Supplier Risk & Contract Management and Worldfavor systems.

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 are 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 Anti-corruption and IT 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. Whistleblowing reports are registered and filed through internal systems and handled by the Compliance unit, PayEx is not included.

S8 Social engagement: The information is compiled through several different internal systems and the bank's internal sponsorship navigator, a system designed for Swedbank.

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	Reason for omission	Explanation
G4-FS7	Not applicable	The monetary value of products and services that have positive social impacts specified by business area and purpose is reported only for Swedbank Robur and Swedbank Large Corporates and Institutions.
G4-FS8	Not applicable	The monetary value of products and services that have positive environmental impacts specified by business area and purpose is reported only for Swedbank Robur, Swedbank Large Corporates and Institutions and Swedish Banking, and not in relation to total volume per product group.
205-1	Not applicable	The percentage, the type of corruption risk identified through the risk assessment in each core process, and the total number analysed based on corruption risks is measured only for certain parts of the organisation and therefore, key figures for the Group as a whole cannot be presented.
205-2	Not applicable	The total number and percentage of employees and business partners that the bank's anti-corruption policy and routines have been communicated to, divided by type of employee category/partner and region and the total number and percentage of the board that has undergone anti-corruption training broken down by region are not key indicators that Swedbank uses in its reporting.
401-1	Not applicable	The total number of new employee hires and employee turnover by age group, gender and region are not key indicators that Swedbank uses in its reporting.
308-1	Not applicable	The share of suppliers that have been evaluated with sustainability criteria is reported based on total procurement volume. This data is not available for new suppliers.
405-1	Not applicable	Age groups divided by employment contract is not a key indicator that Swedbank uses in its reporting.

GRI Standards 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 key 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 key topics that lack GRI disclo-

ures, 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 102: General Disclosures
GRI 103: Management Approach

GRI 200: Economic
GRI 300: Environmental
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	106 note G6	
102-3 (GRI 2016)	Location of headquarters	59 note G1	
102-4 (GRI 2016)	Location of operations	107 note G7	
102-5 (GRI 2016)	Ownership and legal form	24-25	
102-6 (GRI 2016)	Markets served	2, 107 note G7	
102-7 (GRI 2016)	Scale of the organisation	2-3, 13, 54, 56, 59, 106 note G6, 113 note G13	
102-8 (GRI 2016)	Information on employees and other workers	113 note G13, 205-207	1-6
102-9 (GRI 2016)	Supply chain	16, 203	1-6
102-10 (GRI 2016)	Significant changes to the organisation and its supply chain	58, 199, 203-204	1-10
102-11 (GRI 2016)	Precautionary principle or approach	59 note G2, 216	7-9
102-12 (GRI 2016)	External initiatives	194	
102-13 (GRI 2016)	Memberships of associations	194	
Strategy			
102-14 (GRI 2016)	Statement from senior decision-maker	6-7	
Ethics and integrity			
102-16 (GRI 2016)	Values, principles, standards, and norms of behaviour	1, 194, 198	1-10
Governance			
102-18 (GRI 2016)	Governance structure	34-51	
Stakeholder engagement			
102-40 (GRI 2016)	List of stakeholder groups	196	
102-41 (GRI 2016)	Collective bargaining agreements	207	3
102-42 (GRI 2016)	Identifying and selecting stakeholders	196	
102-43 (GRI 2016)	Approach to stakeholder engagement	195-196, 206, 209	
102-44 (GRI 2016)	Key topics and concerns raised	196	
Reporting practice			
102-45 (GRI 2016)	Entities included in the consolidated financial statements	30-35, 194	
102-46 (GRI 2016)	Defining report content and topic Boundaries	194-198, 211	1-10
102-47 (GRI 2016)	List of key topics	195	
102-48 (GRI 2016)	Restatements of information	59 note G2, 203, 206-207	
102-49 (GRI 2016)	Changes in reporting	195	
102-50 (GRI 2016)	Reporting period	194, 222	
102-51 (GRI 2016)	Date of most recent report	194	
102-52 (GRI 2016)	Reporting cycle	194	
102-53 (GRI 2016)	Contact point for questions regarding the report	233	
102-54 (GRI 2016)	Claims of reporting in accordance with the GRI Standards	194, 212	
102-55 (GRI 2016)	GRI content index	212	
102-56 (GRI 2016)	External assurance	194, 222	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 Compacts 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
Sound lending culture				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	14-15, 21, 195, 202-203		
103-2 (GRI 2016)		Management	21, 34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	202-203		
		Households with loan-to-value ratio over 70% of property value	202		
		Share of households with loan-to-value ratio over 70% that amortise	202		
Responsible owner				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	15, 21, 195, 200-201		
103-2 (GRI 2016)		Management	21, 34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	200-201		
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	200		
Attractive employer				1-6	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	17, 195, 205-206		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	205-206		
GRI 401: Employment					
401-1 (GRI 2016)		New employee hires and employee turnover	113 note G13, 206		 
GRI 404: Training and Education					
404-1 (GRI 2016)		Average hours of training per year per employee	205		  
Financially stable bank				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	14, 21, 26-33, 195		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	3, 26-33		
GRI 201: Economic Performance					
201-1 (GRI 2016)		Direct economic value generated and distributed	209		  
		Results and ROE	3, 54-55		
		Capital adequacy ratio	97 note G4		
		Profit for the year	3, 54-55		
		Dividend per share	3, 24-25		

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (principle no.)	SDG
Profitability and competitive return				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	24-33, 195		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	3, 26-33		
201-1 (GRI 2016)		Direct economic value generated and distributed	209		  
		Results and ROE	3, 54-55		
		Capital adequacy ratio	97 note G4		
		Profit for the year	3, 54-55		
		Dividend per share	3, 24-25		
Sustainable procurement				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	16, 195, 203		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	203		
GRI 308: Supplier Environmental Assessment					
308-1 (GRI 2016)		New suppliers screened using environmental criteria	203, 211		
GRI 414: Supplier Social Assessment					
414-1 (GRI 2016)		New suppliers screened using social criteria	203		  
Sustainable products and services				1-10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	14-15, 195		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	22-23, 200-203		
G4-F56		Percentage of the portfolio for business lines by specific region, size and by sector	203		  
G4-F57		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	209, 211		  
G4-F58		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	202-203, 211		  
Gender equality and diversity				1-6	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	17, 195		
103-2 (GRI 2016)		Management	34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	22-23, 206		
GRI 405: Diversity and Equal Opportunity					
405-1 (GRI 2016)		Diversity of governance bodies and employees	34-51, 113 note G13, 206		 
405-2 (GRI 2016)		Diversity and equal opportunity	206-207		 
Prevent climate change				7-9	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	16, 21, 195, 204		
103-2 (GRI 2016)		Management	21, 34-51, 197		
103-3 (GRI 2016)		Sustainability management assessment	22-23, 204-205		
GRI 302: Energy					
302-3 (GRI 2016)		Energy intensity	205		 
GRI 305: Emissions					
305-1 (GRI 2016)		Direct (Scope 1) GHG emissions	204		  
305-2 (GRI 2016)		Energy indirect (Scope 2) GHG emissions	204		  
305-3 (GRI 2016)		Other indirect (Scope 3) GHG emissions	204		  
305-4 (GRI 2016)		GHG emissions intensity	205		  

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (principle no.)	SDG
Prevent corruption and money laundering				10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	17–20, 195		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	208		
GRI 205: Anti-Corruption					
205-1 (GRI 2016)		Operations assessed for risks related to corruption	208, 211		
		Percentage of suppliers undergoing business ethics risk assessments	203		
		Percentage of holdings in fund portfolios undergoing business ethics risk assessments	200–201		
		Number of corporate customers undergoing business ethics risk assessments	202–203		
205-2 (GRI 2016)		Communication and training on anti-corruption policies and procedures	205, 208, 211		
Social engagement				1–6	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	195, 209		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	22–23, 209		
GRI 201: Economic Performance					
201-1 (GRI 2016)		Direct economic value generated and distributed	209		
Sound compensation culture				1–6, 10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	195, 206		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	113 note G13, 206–207		
		Compensation within Swedbank	113 note G13		
GRI 201: Economic performance					
201-3 (GRI 2016)		Defined benefit plan obligations and other retirement plans	113 note G13		
GRI 405: Diversity and Equal Opportunity					
		Gender pay gap	206–207		
Secure IT systems				3–6, 10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	17, 195		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	208		
Availability				1–2	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	195, 199, 209		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	199		
Transparent reporting				1–10	
GRI 103: Management Approach					
103-1 (GRI 2016)		Explanation of the key topic and its boundary	195, 210		
103-2 (GRI 2016)		Management	34–51, 197		
103-3 (GRI 2016)		Sustainability management assessment	210		
201-1 (GRI 2016)		Direct economic value generated and distributed	209		
		Reporting of taxes for the year	118 note G18, 210		
		Reporting of profit for the year	3, 54–55		

TCFD reporting

This section shows where in Swedbank's Annual and Sustainability Report that TCFD-related information is presented.

The recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) are structured around four thematic areas:

- Governance
- Strategy
- Risk management
- Metrics and targets

In 2019 Swedbank continued to implement the TCFD recommendations, did a review of its governance model and conducted a pilot project in the energy sector. A detailed description of the introduction of the TCFD recommendations can be found on page 21. In addition, the exposure to climate risks through Swedbank's lending is presented in note G3 and for Swedbank Robur's investments in Swedbank Robur's annual report for 2019. Swedbank reports Scope 1, Scope 2 and Scope 3 GHG emissions as well as the climate goals that the bank has adopted to manage climate related risks and opportunities on pages 16, 23 and 204.

Precautionary principle

Swedbank follows the UN Global Compact's 10 principles, which include the precautionary principle. The bank has integrated sustainability risk analyses in its central processes and takes, among others, the following precautionary measures:

- In dialogue with customers and suppliers, sector guidelines are applied with information on specific risks, opportunities and recommendations related to various industries' sustainability problems.
- Sustainability risks are assessed as part of the financial analysis in connection with investments and lending.
- The bank's employees receive mandatory internal training on sustainable banking, ethics, the code of conduct, money laundering and terrorist financing.

- Through the bank's ISO 14001-certified environmental management system, an annual analysis and assessment is made of the Group's environmental impacts and compliance with laws and environmental requirements from authorities and stakeholders.
- In partnership with the ECPAT Sweden, Swedbank works actively to put an end to commercial child pornography by preventing payments through the financial system.
- Units throughout the Group can escalate sustainability issues related to business ethics, the environment and human rights to Swedbank's Business Ethics Committee for recommendation and guidance.

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	12–13	12–13	12–13	12–13
Material risks	14, 21, 195, 197, 204–205	14, 195, 197, 205–207, 209	14, 195, 197, 210	14, 195, 197, 208
Policy, results and indicators ¹	Note G3 67, 198, 201, 204–205 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	198, 205–207, 209–210 Occupational health and safety policy Policy on Gender equality, Diversity and Inclusion Human rights policy Sustainability policy Swedbank's code of conduct	198, 210 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	198, 208–209 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	14, 21, Note G3 page 67, Pillar 3 report, available on swedbank.com	14, Note G3 page 67, Pillar 3 report, available on swedbank.com	14, Note G3 page 67, Pillar 3 report, available on swedbank.com	14, Note G3 page 67, Pillar 3 report, available on swedbank.com

¹) All policies are available on 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, 18 February 2020

Göran Persson
Chair

Bo Magnusson
Vice Chair

Bodil Eriksson

Mats Granryd

Kerstin Hermansson

Bo Johansson

Josefin Lindstrand

Anna Mossberg

Magnus Ugglå

Camilla Linder
Employee representative

Roger Ljung
Employee representative

Jens Henriksson
President and CEO

Our auditors' report was submitted on 19 February 2020

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 2019 except for the corporate governance statement on pages 34–51. The annual accounts and consolidated accounts of the company are included on pages 26–192 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 2019 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 2019 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 34–51. 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.

Other matter

The audit of the annual accounts and consolidated accounts for year 2019 was performed by another auditor who submitted an auditor's report dated 19 February 2019, with unmodified opin-

ions in the Report on the annual accounts and consolidated accounts.

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.

Swedbanks 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 centralized 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 International Standards on Audit 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. At the end of the 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.

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, 193–216 and 223–233. 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,

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment of loans to customers</p> <p>Accounting for impairment of loans to customers requires subjective judgement over both timing of recognition of impairment and the size of any such impairment. Swedbank makes provisions for expected credit losses (ECL) in accordance with IFRS 9 which categorises 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 ECL applies to all loans unless there is a significant increase in credit risk since initial recognition. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime ECL is calculated.</p> <p>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.</p> <p>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.</p>	<p>Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes.</p> <p>In addition, our quantitative modelling experts have 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 portfolio.</p> <p>We have also audited adjustments to model calculations related to expert credit judgement. We have assessed that rationale exists to have these adjustments accounted for at year end and we have reviewed minutes of credit committee and risk committee meetings to ensure that the correct governance procedures have been performed over these expert credit judgement adjustments.</p>
<p>Valuation of complex or illiquid financial instruments held at fair value</p> <p>The valuation of financial instruments held at fair value was an area of audit focus due to their significance in presenting both financial position and performance. As at 31 December 2019, financial instruments measured at fair value comprised assets of SEK 397 billion and liabilities of SEK 312 billion.</p> <p>Determining fair value of financial instruments is inherently complex as many instruments are complex whilst input values to valuation models such as risks and market prices are ever changing. For some instruments there is also limited availability of observable prices or rates. Because of these factors, the valuation of some instruments involves significant judgement.</p> <p>The majority of Swedbank's assets and liabilities measured at fair value are held for client facilitation, liquidity or hedging purposes. Between 99-100% of the positions are fair valued based on observable prices or rates traded in active markets. The remaining 0-1% of the positions are valued based on models and are mainly strategic investments and certain derivatives held for hedging purposes.</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 assessed the design and tested the operating effectiveness of key controls supporting the identification, measurement and oversight of valuation risk of financial instruments.</p> <p>In addition to tests of appropriate segregation of duties, we examined Swedbank's model validation and approval processes, controls over data feeds and valuation inputs as well as Swedbank's governance and reporting processes and controls.</p> <p>For valuations dependent on unobservable inputs or models which involved a higher degree of judgement for other reasons, we used our valuation specialists to evaluate the assumptions, methodologies and models used by Swedbank. We performed independent valuations of a sample of positions.</p>

Key audit matter	How our audit addressed the Key audit matter
<p>Financial effects from regulatory investigations of money laundering</p> <p>As disclosed in the Board of Directors' report, the FSA's in Sweden and Estonia announced the launch of a joint money laundering investigation against Swedbank. US authorities also launched investigations of Swedbank during the year. These investigations could potentially lead to significant consequences in the form of fines, withdrawn licenses, restrictions on currency trading and other ("the sanctions"). None of these investigations have been completed by today's date. The Swedish and Estonian investigations are, as far as we know, in a phase where there will be a judicial review if there is grounds for sanction.</p> <p>If any of the sanctions materialise, the financial effect could be significant. Due to ongoing investigations, we have considered whether possible sanction fees should be accounted for as contingent liabilities. In assessing whether a provision for perceived penalty charges should be reported as a contingent liability, we have considered whether the criteria for reporting a reserve are met as of December 31, 2019. 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 settlement or fines, which could be material.</p> <p>Please 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 reserves 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 the 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. 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 - Benchmark of accounting treatment of regulatory fines to other European banks.

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 2019 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.

As a consequence of the circumstances described in the section Basis for Opinions we do not recommend the general meeting of shareholders to discharge the former Managing Director Birgitte Bonnesen from liability for the financial year.

We recommend the general meeting of shareholders that the members of the Board of Directors and the other Managing Directors be discharged from liability for the financial year.

Basis for Opinions

As disclosed in the Board of Directors' report, the FSA's in Sweden and Estonia announced the launch of a joint money laundering investigation against Swedbank. US authorities also launched investigations of Swedbank during the year. As also disclosed in the Board of Directors' report the Swedish Economic Crimes Agency has initiated a preliminary investigation regarding suspected fraud against investors and unauthorised disclosure of inside information. The preliminary investigation, which in part refers to events that occurred in 2019, encompass statements made by the previous managing director Birgitte Bonnesen. We stress that, as of today, she has not been formally suspected of crime. If the preliminary investigation concludes with prosecution there is a risk that the court may sentence Swedbank to pay a corporate fine or that the Swedish Financial Supervisory Authority may sentence Swedbank to pay a sanction fee. It can not be excluded that these enquiries can result in significant sanctions for Swedbank. Nor can it be ruled out that claims for damages may be directed against the bank.

The outcome of the above mentioned investigations is uncertain. Therefore, it cannot be excluded that actions related to the former managing director Birgitte Bonnesen could harm Swedbank in the form of fines or sanctions. Taking this uncertainty into account, we recommend the general meeting of shareholders not to discharge Birgitte Bonnesen from liability.

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.

Other matter

As stated above under Basis for Opinions, we have recommended the Annual General Meeting not to grant the former CEO Birgitte Bonnesen discharge from liability for possible negligence attributable to the 2019 financial year. For this reason, we have examined in particular whether the Board of Directors in the serious situation that arose during the spring of 2019 made its own assessment of the Bank's exposure and the possibility of taking action in order to limit potential negative consequences. In our review, we have found that the Board of Directors, after consideration in consultation with experts, including legal expertise, has taken reasonable measures in view of the circumstances. Our recommendation to grant the Board members discharge from liability should be seen against this background.

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/revisorsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34–51 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 19 February 2020

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 and Opinion 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 for the year 2019. The company has defined the scope of the sustainability report on page 194 in this document. The statutory sustainability report is defined on page 216.

Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and Group Management are responsible for preparing the Sustainability Report, including the Statutory Sustainability Report, in accordance with applicable criteria and the Annual Accounts Act. The criteria are described on page 194 of the Sustainability Report, and consist of the parts of the framework for sustainability reports published by GRI (Global Reporting Initiative) that are applicable to the sustainability report, as well as the accounting and calculation principles that Swedbank AB has developed. 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 based on the limited assurance procedures we have performed and to provide an opinion 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 review 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 a review 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.

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 AB 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 review 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 stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated 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.

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 is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 19th of February 2020

PricewaterhouseCoopers AB

Anneli Granqvist
 Authorised Public Accountant

Karin Juslin
 Expert Member of FAR

Annual General Meeting

The Annual General Meeting will be held at Cirkus, Djurgårdsslätten 43–45, Stockholm on Thursday, 26 March 2020 at 11.00 am (CET).

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB ("Euroclear") on 20 March 2020 (the Record date).
- give notice of their attendance, and the number of any advisors (not more than two), to Swedbank's head office no later than 20 March 2020.

Notification may be submitted online at www.swedbank.com/ir, under Corporate Governance/Annual General Meeting, or in writing to Swedbank AB, "Swedbank's AGM", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 60. Shareholders represented by proxy or a representative should submit a power of attorney, registration certificate or other documents of authority to Swedbank at the address above well before the Meeting, preferably no later than 20 March, 2020. Power of attorney forms are available on the bank's website at <http://www.swedbank.com/ir>.

Nominee-registered shares

Shareholders whose shares are nominee-registered must – in addition to giving notice of their attendance – request that the shares be temporarily re-registered in their own name at Euroclear. Such registration should be requested at the nominee well before the Record Date (i.e. 20 March, 2020).

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 19 February 2020 at <http://www.swedbank.com/ir> under the heading Annual General Meeting and in Post och Inrikes Tidningar (The Official Swedish Gazette) on 21 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 8.80 per ordinary share. The proposed record day for the dividend is 30 March 2020. The last day for trading in Swedbank's shares including the right to the dividend is 26 March 2020. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 2 April 2020.

Market shares

Sweden	Market shares, per cent					Volumes, SEKbn				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Private Market										
Deposits ¹	19	20	20	20	20	384	381	357	337	310
Lending	22	23	23	23	23	921	904	867	825	770
of which mortgage lending	24	24	24	25	25	820	800	761	720	665
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	4 345	4 291	4 226	4 152	4 066
Corporate Market										
Deposits ¹	16	18	17	18	17	190	186	173	163	140
Lending ¹	17	18	18	20	20	418	415	399	403	391
Baltic countries										
Baltic countries	Market shares, per cent					Volumes, SEKbn				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Private Market										
Estonia (as of 2019-11)										
Deposits	50	55	55	55	55	43	43	39	35	30
Lending	44	47	46	47	47	40	40	36	33	30
of which mortgage lending	45	46	46	46	46	36	36	33	30	27
Bank Cards (thousands) (as of 2019-09)	62	62	60	60	60	966	966	1 118	1 108	1 104
Latvia (as of 2019-09)										
Deposits	32	34	32	31	28	30	29	26	24	20
Lending	33	33	31	31	29	18	18	17	16	15
of which mortgage lending	38	37	34	34	31	16	15	14	14	13
Bank Cards (thousands)	47	46	45	43	43	1 012	1 007	1 000	988	982
Lithuania (as of 2019-09)										
Deposits	43	42	40	40	37	60	54	47	43	34
Lending	38	35	34	34	28	38	33	29	26	19
of which mortgage lending	38	35	33	33	26	34	30	26	23	16
Bank Cards (thousands)	52	51	51	50	48	1 666	1 664	1 673	1 705	1 659
Corporate Market										
Baltic countries	Market shares, per cent					Volumes, SEKbn				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Estonia (as of 2019-11)										
Deposits	45	47	43	43	41	40	40	35	35	32
Lending	38	37	37	34	34	42	42	37	34	31
Latvia (as of 2019-09)										
Deposits	24	25	15	15	12	19	19	17	19	18
Lending	20	19	17	16	17	18	16	15	15	17
Lithuania (as of 2019-09)										
Deposits	26	27	25	25	24	23	21	18	17	13
Lending	20	19	18	18	23	23	20	18	19	21

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	2019	2018	2017	2016	2015
Profit					
Return on equity, %	14.7	16.1	15.1	15.8	13.5
Return on equity continuing operations, %	14.7	16.1	15.1	15.8	13.5
Return on total assets, %	0.79	0.84	0.79	0.82	0.67
Cost/income ratio	0.43	0.38	0.39	0.38	0.43
Net interest margin before trading interest is deducted, %	1.06	1.02	1.03	1.01	0.98
Capital adequacy					
Common Equity Tier 1 ratio, %	17.0	16.3	24.6	25.0	24.1
Tier 1 capital ratio, %	19.4	18.0	27.3	28.7	26.9
Total capital ratio, %	21.8	21.5	30.7	31.8	30.3
Common Equity Tier 1 capital	110 073	103 812	100 510	98 679	93 926
Tier 1 capital	126 226	114 761	111 560	112 960	104 550
Total own Funds	141 554	136 993	125 256	125 189	117 819
Risk exposure amount	649 237	637 882	408 351	394 135	389 098
Credit quality					
Credit impairment ratio, %	0.09	0.03	0.08	0.09	0.04
Total credit impairment provision ratio, %	0.40	0.37	n/a	n/a	n/a
Share of Stage 3 loans, gross, %	0.82	0.69	n/a	n/a	n/a
Share of impaired loans, gross, %	n/a	n/a	0.55	0.52	0.40
Provision ratio for impaired loans, %	n/a	n/a	34	33	40
Total provision ratio for impaired loans, %	n/a	n/a	45	46	56
Other data					
Private customers, million ¹	7	7.3	7.4	7.3	7.2
Corporate customers, thousands ¹	618	620	625	651	640
Full-time employees	15 218	14 865	14 588	14 061	13 893
Branches ¹	475	519	565	603	658
ATMs ¹	1 162	1 166	1 199	1 238	1 290

¹) Including savings banks and partly owned banks.

Comments to five-year summary

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.

2015 – The result for the year decreased by 4 per cent, mainly due to lower net gains and losses on financial items at fair value and a one-off tax expense. Expenses decreased by 7 per cent and was due to one-off expenses of SEK 615m in connection with the acquisition of Sparbanken Öresund in 2014, but also due to efficiencies. Impairment of intangible assets consisted of an IT system writedown and the writedown of a previously acquired asset management assignment. Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 3 per cent, primarily driven by private mortgage lending. Swedbank's increased deposits were mainly driven by Swedish Banking.

Income statement, SEKm	2019	2018	2017	2016	2015
Net interest income	25 989	25 228	24 595	22 850	22 476
Net commissions	12 984	12 836	12 206	11 502	11 199
Net gains and losses on financial items	3 629	2 112	1 934	2 231	571
Net insurance	1 465	1 192	937	754	708
Share of profit or loss of associates and joint ventures	822	1 028	736	2 263	863
Other income	1 071	1 826	1 795	1 017	1 290
Total income	45 960	44 222	42 203	40 617	37 107
Staff costs	11 119	10 284	9 945	9 376	9 395
Other expenses	7 314	5 865	5 870	5 622	5 749
Depreciation/amortisation of tangible and intangible fixed assets	1 551	686	600	629	672
Total expenses	19 984	16 835	16 415	15 627	15 816
Profit before impairments	25 976	27 387	25 788	24 990	21 291
Impairments of intangible fixed assets	79	306	175	35	254
Impairments of tangible fixed assets	8	8	21	31	72
Credit impairments	1 469	521	1 285	1 367	594
Operating profit	24 420	26 552	24 307	23 557	20 371
Tax expense	4 711	5 374	4 943	4 005	4 625
Profit from continuing operations	19 709	21 178	19 364	19 552	15 746
Profit for the period from discontinued operations, after tax					-6
Profit for the year	19 709	21 178	19 364	19 552	15 740
Profit for the year attributable to:					
Shareholders in Swedbank AB	19 697	21 162	19 350	19 539	15 727
Non-controlling interests	12	16	14	13	13

Balance sheet, SEKm	2019	2018	2017	2016	2015
Loans to credit institutions	45 452	36 268	30 746	32 197	86 418
Loans to the public	1 652 296	1 627 368	1 535 198	1 507 247	1 413 955
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	137 094	99 579	85 903	107 571	76 552
Bonds and other interest-bearing securities	57 367	53 312	59 131	74 501	88 610
Shares and participating interests					
Financial assets for which customers bear the investment risk	224 893	177 868	180 320	160 114	153 442
Shares and participating interests	6 568	4 921	19 850	23 897	11 074
Shares and participating interests in associates	6 679	6 088	6 357	7 319	5 382
Derivatives	44 424	39 665	55 680	87 811	86 107
Others	233 455	201 023	239 451	153 546	227 315
Total assets	2 408 228	2 246 092	2 212 636	2 154 203	2 148 855
Amounts owed to credit institutions	69 686	57 218	68 055	71 831	150 493
Deposits and borrowings from the public	954 013	920 750	855 609	792 924	748 271
Debt securities in issue	855 754	804 360	844 204	841 673	826 535
Financial liabilities for which customers bear the investment risk	225 792	178 662	181 124	161 051	157 836
Derivatives	40 977	31 316	46 200	85 589	68 681
Other	80 634	81 993	58 364	44 176	49 084
Senior non-preferred liabilities	10 805				
Subordinated liabilities	31 934	34 184	25 508	27 254	24 613
Equity	138 633	137 609	133 572	129 705	123 342
Total liabilities and equity	2 408 228	2 246 092	2 212 636	2 154 203	2 148 855

Three-year summary

Swedish Banking

SEKm	2019	2018	2017
Income statement			
Net interest income	16 253	15 386	15 103
Net commissions	7 862	7 598	7 481
Net gains and losses on financial items	433	406	398
Share of profit or loss of associates and joint ventures	839	693	654
Other income	985	1 484	1 311
Total income	26 372	25 567	24 947
Staff costs	2 933	3 101	3 131
Variable staff costs	53	71	103
Other expenses	6 147	5 793	5 619
Depreciation/amortization	234	57	67
Total expenses	9 367	9 022	8 920
Profit before impairments	17 005	16 545	16 027
Impairment of intangible assets		0	
Impairment of tangible assets			
Credit impairments	154	598	413
Operating profit	16 851	15 947	15 534
Tax expense	3 271	3 073	2 947
Profit for the year attributable to: Shareholders of Swedbank AB	13 568	12 858	12 573
Non-controlling interests	12	16	14
Balance sheet, SEKbn			
Cash and balances with central banks	1	1	1
Loans to credit institutions	6	6	5
Loans to the public	1 196	1 187	1 150
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk	219	173	176
Derivatives			
Other assets	11	8	11
Total assets	1 433	1 375	1 346
Amounts owed to credit institutions	26	28	26
Deposits and borrowings from the public	571	566	530
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	220	174	177
Derivatives			
Other liabilities	551	544	556
Subordinated liabilities			
Total liabilities	1 368	1 312	1 289
Allocated equity	65	63	57
Total liabilities and equity	1 433	1 375	1 346
Income items			
Income from external customers	26 309	25 512	24 845
Income from transactions with other business areas	63	55	102
Key ratios			
Return on allocated equity, %	21.0	20.9	22.5
Loans/deposits	209	212	219
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	1196	1 187	1 150
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	571	560	525
Credit impairment ratio, %	0.01	0.05	0.04
Cost/income ratio	0.36	0.35	0.36
Risk exposure amount	391	382	171
Full-time employees	3 610	3 833	3 978
Allocated equity, average, SEKbn	64	62	56

Three-year summary

Baltic Banking

SEKm	2019	2018	2017
Income statement			
Net interest income	5 239	4 768	4 221
Net commissions	2 690	2 503	2 364
Net gains and losses on financial items	286	272	220
Share of profit or loss of associates and joint ventures			
Other income	831	737	621
Total income	9 046	8 280	7 426
Staff costs	1 091	954	865
Variable staff costs	56	57	51
Other expenses	1 981	1 833	1 658
Depreciation/amortization	175	91	102
Total expenses	3 303	2 935	2 676
Profit before impairments	5 743	5 345	4 750
Impairment of intangible assets			
Impairment of tangible assets	8	8	21
Credit impairments	3	-208	-97
Operating profit	5 732	5 545	4 826
Tax expense	814	802	822
Profit for the year attributable to: Shareholders of Swedbank AB	4 918	4 743	4 004
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	3	3
Loans to credit institutions			
Loans to the public	186	169	149
Bonds and other interest-bearing securities	1	1	2
Financial assets for which customers bear inv. risk	6	5	4
Derivatives			
Other assets	77	72	54
Total assets	273	250	212
Amounts owed to credit institutions			
Deposits and borrowings from the public	241	221	185
Debt securities in issue	1		
Financial liabilities for which customers bear inv. risk	6	5	4
Derivatives			
Other liabilities			
Subordinated liabilities			
Total liabilities	248	226	189
Allocated equity	25	23	22
Total liabilities and equity	273	250	212
Income items			
Income from external customers	9 046	8 280	7 426
Income from transactions with other business areas			
Key ratios			
Return on allocated equity, %	19.6	20.7	19.2
Loans/deposits	77	77	81
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	186	170	149
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	241	221	185
Credit impairment ratio, %	0.00	-0.13	-0.07
Cost/income ratio	0.37	0.35	0.36
Risk exposure amount	94	89	82
Full-time employees	3 656	3 586	3 493
Allocated equity, average, SEKbn	25	23	21

Three-year summary

Large Corporates & Institutions

SEKm	2019	2018	2017
Income statement			
Net interest income	3 776	3 982	3 548
Net commissions	2 321	2 605	2 428
Net gains and losses on financial items	2 201	1 777	1 760
Share of profit or loss of associates and joint ventures			
Other income	211	156	121
Total income	8 509	8 520	7 857
Staff costs	1 391	1 356	1 400
Variable staff costs	157	201	143
Other expenses	2 305	2 201	1 896
Depreciation/amortization	123	83	78
Total expenses	3 976	3 841	3 517
Profit before impairments	4 533	4 679	4 340
Impairment of intangible assets			0
Impairment of tangible assets			0
Credit impairments	1 312	142	969
Operating profit	3 221	4 537	3 371
Tax expense	740	977	721
Profit for the year attributable to: Shareholders of Swedbank AB	2 481	3 560	2 650
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	9	2	8
Loans to credit institutions	81	116	54
Loans to the public	269	261	228
Bonds and other interest-bearing securities	44	47	27
Financial assets for which customers bear inv. risk			
Derivatives	53	47	63
Other assets	16	15	35
Total assets	472	488	415
Amounts owed to credit institutions	184	209	179
Deposits and borrowings from the public	149	141	138
Debt securities in issue	10	13	18
Financial liabilities for which customers bear inv. risk			
Derivatives	55	45	60
Other liabilities	46		-4
Subordinated liabilities			
Total liabilities	444	408	391
Allocated equity	28	25	24
Total liabilities and equity	472	488	415
Income items			
Income from external customers	8 347	8 393	7 812
Income from transactions with other business areas	162	127	45
Key ratios			
Return on allocated equity, %	9.1	14.0	12.0
Loans/deposits, %	158	160	158
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	223	221	203
Deposits, excluding repurchase agreements and Swedish National Debt Office, SEKbn	142	139	128
Credit impairment ratio, %	0.47	0.06	0.40
Cost/income ratio	0.47	0.45	0.45
Risk exposure amount	144	146	137
Full-time employees	1 244	1 196	1 260
Allocated equity, average, SEKbn	27	25	22

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.

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 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.

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% of total risk exposure amount.

Net stable funding ratio (NSFR)

The Net Stable Funding Ratio measures an institutions'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.

ALTERNATIVE PERFORMANCE MEASURES

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 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.

Equity per share

Shareholders' equity in relation to the number of shares outstanding.

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.

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.

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.

ALTERNATIVE PERFORMANCE MEASURES, CONT.**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 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.

OTHER**Credit impairment**

Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

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.

Duration

The average weighted maturity of payment flows calculated at present value and expressed in number of years.

Earnings per share after dilution

Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

Earnings per share before dilution

Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

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.

Interest fixing period

Contracted period during which interest on an asset or liability is fixed.

Liquidity Coverage Ratio (LCR)

The LCR was introduced by the EU through the Delegated act on LCR in October 2015. The LCR is used to define a quantitative regulatory requirement on European banks' liquidity risk. A LCR ratio above 100% 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.

Maturity

The time remaining until an asset or liability's terms change or its maturity date.

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.

Restructured loan

A loan where the terms have been modified to more favorable for the borrower, due to the borrower's financial difficulties.

Total return

Share price development during the 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.

Yield

Dividend per share in relation to the share price at year-end.

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