

Q3 2020

Interim report January-September 2020, 20 October 2020

Swedbank 

SweQ320

Interim report for the third quarter 2020

Third quarter 2020 compared with second quarter 2020

- Lower net interest income due to lower market rates
- Stronger income from cards and asset management positively affected net commission income
- Stabilised net gains and losses on financial items after a volatile first half of the year
- Low investigation-related expenses due to Covid-19
- Lower provisions for potential credit impairments related to the effects of Covid-19
- Solid capital and liquidity buffers

“Swedbank delivered another strong quarter in uncertain times”

Jens Henriksson,
President and CEO

Financial information SEKm	Q3 2020	Q2 2020	%	Jan-Sep 2020	Jan-Sep 2019	%
Total income	11 604	12 076	-4	33 912	34 004	
Net interest income	6 714	6 886	-2	20 286	19 581	4
Net commission income	3 246	2 925	11	9 394	9 569	-2
Net gains and losses on financial items	669	1 398	-52	1 745	2 411	-28
Other income ¹⁾	975	867	12	2 487	2 443	2
Total expenses	4 761	4 843	-2	18 974	14 435	31
<i>of which administrative fine</i>				4 000		
Profit before impairment	6 843	7 233	-5	14 938	19 569	-24
Impairment of intangible and tangible assets	1			1	69	-99
Credit impairment	425	1 235	-66	3 811	481	-28
Tax expense	1 155	1 154		2 707	3 738	-28
Profit for the period attributable to the shareholders of Swedbank AB	5 261	4 845	9	8 419	15 269	-45
Earnings per share, SEK, after dilution	4.68	4.31		7.50	13.62	
Return on equity, %	14.3	13.5		7.8	15.3	
C/I ratio	0.41	0.40		0.56	0.42	
Common Equity Tier 1 capital ratio, %	16.8	16.4		16.8	16.3	
Credit impairment ratio, %	0.10	0.28		0.30	0.04	

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

CEO Comment

Swedbank has its origins in the first Swedish savings bank, which opened in Gothenburg in 1820. On 28 October we celebrate our first 200 years. Our first customer was three-year-old Carolina Bernhardina Hammardahl, who deposited 12 skilling banco.

The oak logotype from the last century has the inscription: "Firmly rooted in the security built on savings."

The coronavirus crisis has again demonstrated the importance of a financial buffer. During the quarter households saved more than usual. The same was true of companies. Total deposits reached record levels in the third quarter.

Swedbank's mission is to be there for our customers. It is important for us to help with advice. This includes advice on every type of support society offers. We also give individual advice to private and corporate customers. And we offer liquidity, both in the form of new loans and through temporary amortisation exemptions, where to date we have granted more than 70 000 applications. We will continue to work closely with customers and are there for them if the situation worsens.

Result and capital

Swedbank delivered a strong quarter in uncertain times. While there are now many signs of recovery in all our markets, it will take time before the economy returns to pre-crisis levels. The global economy has fluctuated significantly and we remain vigilant should conditions deteriorate.

Our core business is strong. Net interest income is stable. With the support of the strong stock market, net commission income is back to a normal level after a drop in the previous quarter. The card business has recovered as well. Underlying expenses were as planned, while the cost of measures in response to investigations and legal advice on money laundering issues continues to be lower than forecast.

In the third quarter we allocated additional provisions for credit impairments of SEK 425m in accordance with IFRS.

Swedbank has a strong capital buffer and the margin to the Swedish Financial Supervisory Authority's minimum Common Equity Tier 1 capital ratio requirement remains robust.

Anti-money laundering measures

Preventive work to detect and report suspected money laundering and terrorist financing has remained the highest priority at Swedbank. We are remedying the shortcomings identified by the Swedish and Estonian FSAs. Our action plan to strengthen the bank's capacity

and capabilities to detect money laundering risks is progressing as scheduled with slight adjustments due to the coronavirus pandemic.

Know Your Customer (KYC) work is one of the bank's contributions to a safe and well-functioning society, while also preserving our reputation among shareholders and customers. The fight to stop criminals from exploiting banks' platforms starts with the information we have on our customers. The bank's many questions on transactions, counterparties and where the money comes from are of value to society's efforts to stop crime.

Sustainability

Sustainability and long-term profitability go hand in hand. Work is underway to integrate sustainability in everything we do. Swedbank Robur took an important step in its climate work during the quarter when it became the first fund manager to classify funds in line with the Paris Agreement. We call them "Paris aligned". Swedbank was also one of the joint lead managers for the Kingdom of Sweden's first sovereign green bond. On the mortgage side, we are currently participating in the European Energy Efficient Mortgages Initiative. ESG (Environmental, Social and Governance) bonds accounted for approximately 40 per cent of the total volume Swedbank Capital Markets helped its clients to issue.

Dividend

The Board of Directors is still considering the issue of a dividend for 2019. The bank's financial position is strong, and we want to pay a dividend. But we follow current development and take into consideration the assessments of the authorities and monitor the development of the pandemic.

Outlook

After a historic drop in GDP in the first half of 2020 we have seen a recovery this autumn. However, there is reason to be cautious of market fluctuations, currently Covid-19 cases are increasing in the world. Lastly, I would like to mention the review of the bank's wanted position that began in June and will be completed before the year is over. Through this work I can say that Swedbank is contributing to a sustainable economy – for individuals, companies and society. We are now looking ahead to the next 200 years.



Jens Henriksson
President and CEO

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information and publications.

Financial overview

Income statement SEKm	Q3	Q2		Q3		Jan-Sep	Jan-Sep	
	2020	2020	%	2019	%	2020	2019	%
Net interest income	6 714	6 886	-2	6 553	2	20 286	19 581	4
Net commission income	3 246	2 925	11	3 297	-2	9 394	9 569	-2
Net gains and losses on financial items	669	1 398	-52	457	46	1 745	2 411	-28
Other income ¹⁾	975	867	12	919	6	2 487	2 443	2
Total income	11 604	12 076	-4	11 226	3	33 912	34 004	
Staff costs	2 930	2 868	2	2 763	6	8 668	8 304	4
Other expenses	1 831	1 975	-7	2 401	-24	6 306	6 131	3
Administrative fine						4 000		
Total expenses	4 761	4 843	-2	5 164	-8	18 974	14 435	31
Profit before impairment	6 843	7 233	-5	6 062	13	14 938	19 569	-24
Impairment of intangible assets				66			66	
Impairment of tangible assets	1			1		1	3	-67
Credit impairment	425	1 235	-66	154		3 811	481	
Operating profit	6 417	5 998	7	5 841	10	11 126	19 019	-42
Tax expense	1 155	1 154		1 176	-2	2 707	3 738	-28
Profit for the period	5 262	4 844	9	4 665	13	8 419	15 281	-45
Profit for the period attributable to the shareholders of Swedbank AB	5 261	4 845	9	4 663	13	8 419	15 269	-45

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

Key ratios and data per share	Q3	Q2	Q3	Jan-Sep	Jan-Sep
	2020	2020	2019	2020	2019
Return on equity, %	14.3	13.5	14.1	7.8	15.3
Earnings per share before dilution, SEK ¹⁾	4.70	4.33	4.17	7.52	13.66
Earnings per share after dilution, SEK ¹⁾	4.68	4.31	4.16	7.50	13.62
C/I ratio	0.41	0.40	0.46	0.56	0.42
Equity per share, SEK ¹⁾	134.4	128.9	119.6	134.4	119.6
Loan/deposit ratio, %	143	147	168	143	168
Common Equity Tier 1 capital ratio, %	16.8	16.4	16.3	16.8	16.3
Tier 1 capital ratio, %	18.2	17.8	18.9	18.2	18.9
Total capital ratio, %	20.6	20.2	21.4	20.6	21.4
Credit impairment ratio, %	0.10	0.28	0.04	0.30	0.04
Share of Stage 3 loans, gross, %	0.75	0.81	0.77	0.75	0.77
Total credit impairment provision ratio, %	0.53	0.56	0.38	0.53	0.38
Liquidity coverage ratio (LCR), %	153	164	151	153	151
Net stable funding ratio (NSFR), % ²⁾	124	125	121	124	121

¹⁾ The number of shares and calculation of earnings per share are specified on page 54.

²⁾ NSFR calculated in accordance with Regulation (EU) 2019/876. Past NSFR numbers for 2019, that were based on the Basel III version, have been recalculated.

Balance sheet data SEKbn	30 Sep	31 Dec		30 Sep	
	2020	2019	%	2019	%
Loans to the public, excl. the Swedish National Debt Office and repurchase agreements	1 622	1 606	1	1 613	1
Deposits from the public, excl. the Swedish National Debt Office and repurchase agreements	1 132	954	19	957	18
Equity attributable to shareholders of the parent company	151	139	9	134	13
Total assets	2 696	2 408	12	2 507	8
Risk exposure amount	692	649	7	657	5

Definitions of all key ratios can be found in Swedbank's Fact book on page 81.

Overview

Market

In the third quarter economies recovered in a number of countries globally, including in the Nordic and Baltic regions. The recovery rests on shaky ground, however, due to the spread of Covid-19. Since the summer ended the infection rate has increased and several countries have again been forced to introduce restrictions. The extensive shutdowns of economies and societies we saw last spring seem, so far, to have been avoided this time.

After the recovery in global stock prices in the second quarter the trend was more mixed in the third quarter. The US and Nordic stock markets remained strong at the same time that stock markets in other parts of Europe were largely unchanged. This is probably tied to fears of increased infection and a slower recovery. Economic development going forward depends on further stimuli from central banks and governments, however. Indicators such as the PMI and other confidence surveys showed that expectations with regard to production and new orders continued to improve in the quarter. There is a big divergence between sectors, however, with sentiment in the industrial sector fairly positive at the same time that economic signals in the service sector remain weak. Oil prices initially rose during the quarter, but in early September Saudi Arabia cut its official sales prices, which, coupled with concerns about a renewed Covid-19 spread, led to a drop in prices.

To ensure functioning financial systems and support their economies, central banks added to the support they had introduced in the first quarter. This included asset purchases and other measures to maintain liquidity in the markets. During the quarter the euro appreciated against the dollar.

The recovery is continuing in the Swedish economy, but slowly, and it will take time until the economy returns to pre-crisis levels. In 2020 GDP is expected to shrink by 5.0 per cent before growing 3.2 per cent in 2021. The latest data indicate, however, that the 2020 decrease may be slightly less than that, but there is still great uncertainty about both Covid-19 and the economy.

Since last spring, Swedbank has published data on daily card transactions. They capture around 6 million transactions per day, or more than half of the total number of completed transactions, and provide an up-to-date gauge of household consumption. In connection with the Covid-19 outbreak last spring, consumption fell by at most about 25 per cent compared with the same week in 2019, but it has now recovered and seems to have stabilised at a level of approximately 4 per cent lower than last year. It is mainly demand for and consumption of services that have yet to recover, though retail demand in some areas is also still lower year-over-year – an effect of the social distancing requirement. Other activity data show that the economy is recovering, especially the industrial sector. Fresh data also show that corporate bankruptcies dropped significantly in September compared with the same month in 2019. The labour market is lagging behind, however, and even though unemployment is not rising at the expected rate, it is still high at just over 9 per cent.

There is a risk that unemployment will remain high for some time to come.

Although last spring's uncertainty caused the housing market to slow, the activity level increased in the third quarter. This was reinforced by a low supply of single-family homes and second homes and also led to higher prices. According to Valueguard in September house prices rose approximately 1.2 per cent compared with July and household mortgage volumes were up 5.5 per cent year-over-year in August. Inflation was higher in the summer than many analysts had expected and was clearly impacted by the pandemic. This has caused pricing volatility as well as a big drop in demand, which adds uncertainty to the current inflation calculation. The Riksbank has stressed on several occasions that the outcomes should be interpreted cautiously and that the uncertainty is likely to last for some time. At present the Riksbank's main focus, however, is to support the economy and ensure that the financial system functions.

While the Baltic countries have been hard hit by the pandemic, the economic impact has been less than in the rest of the eurozone. Consumer demand has recovered, but for industrial and export sectors it has been a slower process, since they are dependent on a recovery in demand from key trading partners. Lithuania is the country that has recovered the fastest because its industrial sector is focused on less cyclical segments such as timber products and furniture. In Estonia and Latvia GDP fell 6.9 and 8.9 per cent respectively in the second quarter compared with the same quarter in 2019, at the same time that GDP in Lithuania fell 4.2 per cent. The CPI inflation rate fell in Estonia and Latvia by 0.9 and 0.3 per cent respectively in September compared with September 2019, at the same time that inflation in Lithuania rose 0.7 per cent.

Important to note

The interim 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 interim report can be found on page 64.

Group development

Result third quarter 2020 compared with second quarter 2020

Swedbank's profit increased in the third quarter to SEK 5 261m (4 845), mainly due to lower credit impairments. Foreign exchange effects negatively affected profit before impairment by SEK 40m.

The return on equity was 14.3 per cent (13.5) and the cost/income ratio was 0.41 (0.40).

Income decreased to SEK 11 604m (12 076). The main reason was lower net gains and losses on financial items, though lower net interest income contributed as well. Net commission income and other income increased and positively affected income. Foreign exchange effects reduced income by SEK 73m.

Net interest income decreased 2 per cent to SEK 6 714m (6 886), mainly due to lower deposit margins. Higher lending margins offset this, but not to the same extent. The decrease is also due to foreign exchange effects and the fact that the second quarter was positively affected by a SEK 103m one-off within Group Treasury. The resolution fund fee was lower in the third quarter and the quarter also had one more day than the second quarter, which positively affected net interest income.

Net commission income increased 11 per cent to SEK 3 246m (2 925), mainly due to higher income from asset management and cards. Asset management income was primarily affected by higher assets under management due to the rising equity prices. Card income benefited from a gradual recovery in the number of card transactions after the initial impact of the Covid-19 pandemic and was also seasonally higher.

Net gains and losses on financial items decreased to SEK 669m (1 398). The result stabilised after a volatile period of fluctuating values in the first and second quarters. Large Corporates & Institutions' client activity remained good despite a seasonally lower activity level. Revaluation of the trading book and derivative value adjustments (CVA/DVA) positively affected the result due to lower credit spreads. The shareholding in Enento, formerly Asiakastieto, was divested in its entirety, which negatively affected the quarterly result by SEK 110m. The shareholding in Visa was hedged at the end of the second quarter. In the third quarter half of Swedbank's holding of convertible preference shares in Visa was converted to liquid A shares. Due to the conversion, a value adjustment of SEK 91m for lack of liquidity in the preference shares was reversed, which positively affected the result.

Other income including the share of profit or loss of associates and joint ventures increased to SEK 975m (867). The increase was mainly affected by a higher result in Entercard as well as higher net insurance.

Expenses decreased 2 per cent to SEK 4 761m (4 843). Expenses decreased partly due to lower activity in connection with the summer vacation. An increase in the number of employees in the second and third quarters led to higher staff costs. Consulting expenses to manage money laundering related investigations rose SEK 20m to SEK 63m. Foreign exchange effects reduced expenses by SEK 33m.

Credit impairments decreased to SEK 425m (1 235) and related in large part to provisions within Large Corporates & Institutions. Swedish Banking reported recoveries in the quarter.

The tax expense amounted to SEK 1 155m (1 154) and the effective tax rate was 18.0 per cent (19.2). The lower tax rate was mainly due to tax deferred assets of SEK 130m attributable to previous years.

Result January-September 2020 compared with January-September 2019

Swedbank's profit decreased to SEK 8 419m (15 281) due to higher expenses, including the Swedish FSA's administrative fine, higher credit impairments and lower net gains and losses on financial items. The table below shows a simplified income statement adjusted for the Swedish FSA's administrative fine.

Income statement, SEKm	Jan-Sep 2020	Jan-Sep 2020	Jan-Sep 2019
		Excl administrative fine	
Total income	33 912	33 912	34 004
Total expenses	18 974	14 974	14 435
of which administrative fine	4 000		
Credit impairment and impairment	3 812	3 812	550
Operating profit	11 126	15 126	19 019
Tax expense	2 707	2 707	3 738
Profit for the period attributable to the shareholders of Swedbank AB	8 419	12 419	15 269
Non-controlling interests	0	0	12
Return on equity, %	7.8	12.7	15.3
Cost/income ratio	0.56	0.44	0.42

Foreign exchange effects reduced profit before impairment by SEK 56m.

The return on equity was 7.8 per cent (15.3) and the cost/income ratio was 0.56 (0.42). Adjusted for the Swedish FSA's administrative fine, the return on equity was 12.7 per cent and the cost/income ratio was 0.44.

Income decreased to SEK 33 912m (34 004) and was negatively affected by lower net gains and losses on financial items and net commission income, but this was offset mainly by higher net interest income. Foreign exchange effects reduced income by SEK 96m.

Net interest income rose 4 per cent to SEK 20 286m (19 581). The increase was mainly due to a lower resolution fund fee and higher lending and deposit volumes.

Net commission income decreased 2 per cent to SEK 9 394m (9 569). Income primarily from cards decreased due to Covid-19, while asset management income increased due to a higher average volume of assets under management.

Net gains and losses on financial items decreased to SEK 1 745m (2 411). The main reason was a lower result within Large Corporates & Institutions, which was affected by revaluation in the trading book and derivative value adjustments (CVA/DVA). The appreciation in the value of the Visa and Enento shareholdings has also been lower this year.

Other income including the share of profit or loss of associates and joint ventures amounted to SEK 2 487m (2 433) and was stable.

Expenses increased to SEK 18 974m (14 435), mainly due to the Swedish FSA's administrative fine of SEK 4 000m. Adjusted for the administrative fine, expenses rose 4 per cent and were mainly affected by higher consulting expenses and staff costs. Consulting expenses to manage money laundering related investigations increased SEK 97m and other consulting expenses increased SEK 316m. Staff costs increased SEK 364m due to annual wage increases, higher pension expenses and a higher number of employees. Foreign exchange effects reduced expenses by SEK 41m.

Credit impairments increased to SEK 3 811 (481) against the backdrop of the deteriorating macroeconomic outlook in connection with the Covid-19 pandemic. A large part of the credit impairments was in Large Corporates & Institutions.

The tax expense amounted to SEK 2 707m (3 738). The effective tax rate was negatively affected by the Swedish FSA's administrative fine, which is not tax deductible, and positively by a deferred tax asset from previous years. Excluding the administrative fine and deferred tax asset, the adjusted effective tax rate was 19.9 per cent, against 19.7 per cent in the same period in 2019. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, decreased by SEK 3bn to SEK 1 622bn (1 635) compared with the end of the second quarter 2020. Compared with the end of the third quarter 2019 the increase was SEK 9bn, corresponding to growth of 1 per cent. Foreign exchange effects positively affected lending by SEK 1bn compared with the end of the second quarter 2020 and negatively by SEK 8bn compared with the end of the third quarter 2019.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Sep 2020	30 Jun 2020	30 Sep 2019
Loans, private mortgage	933	923	901
of which Swedish Banking	841	833	814
of which Baltic Banking	92	90	87
Loans, private other incl tenant-owner associations	146	146	151
of which Swedish Banking	127	128	133
of which Baltic Banking	18	17	17
of which Large Corporates & Inst.	1	1	1
Loans, corporate	543	556	561
of which Swedish Banking	243	243	253
of which Baltic Banking	80	81	84
of which Large Corporates & Inst.	220	232	224
Total	1 622	1 625	1 613

Lending to mortgage customers within Swedish Banking increased SEK 8bn to SEK 841bn compared with the end of the second quarter 2020. The market share in mortgages was 23 per cent (24). Other private lending, including lending to tenant-owner associations was unchanged in the quarter.

Swedish consumer finance volume amounted to SEK 32bn (31), corresponding to a market share of about 8 per cent. Consumer credit includes unsecured loans as well as loans secured by a car or a boat.

Baltic Banking's mortgage volume increased 1 per cent in local currency to the equivalent of SEK 91bn.

The Baltic consumer credit portfolio increased 1 per cent in local currency to the equivalent of SEK 9bn at the end of the quarter.

Corporate lending in all business segments decreased SEK 13bn in the quarter, to SEK 543bn (556). In Sweden the market share was 17 per cent (17).

For more information on lending, see page 36 of the Fact book.

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.2 million, in line with the end of the second quarter. In Sweden 4.4 million cards were in

issue and in the Baltic countries 3.8 million. During the quarter corporate card issuance grew 3 per cent and private card issuance 1 per cent compared with the same quarter in 2019.

Number of cards	30 Sep 2020	30 Jun 2020	30 Sep 2019
Issued cards, million	8.2	8.1	8.1
of which Sweden	4.4	4.3	4.3
of which Baltic countries	3.8	3.8	3.8

The number of purchases with Swedbank cards in Sweden recovered after a drop in the spring. In the third quarter there were 342 million card purchases, which was 7 per cent lower than in the same quarter in 2019. In the Baltic countries there were 183 million card purchases, which was 12 per cent above the level in the third quarter of 2019. The stronger recovery in the Baltic countries compared to Sweden is partly due to stronger structural growth in the Baltic card business.

The number of card transactions acquired by Swedbank is in line with the year-earlier period. In Sweden, Norway, Finland and Denmark there were 727 million transactions in the quarter, down 1 per cent compared with the same quarter in 2019. Transaction volumes rose 1 per cent in the quarter compared with the same period in 2019. In the Baltic countries the corresponding figure was 128 million transactions, up 7 per cent from the previous year.

Some of the sectors affected by the crisis such as hotels and petrol clearly recovered in the third quarter. Others such as travel, transport and restaurants have seen a smaller recovery, but are still at lower levels than last year. Sectors where Covid-19 has had little impact such as food and home electronics have continued to see increased activity.

In Sweden there were 200 million domestic payments in the third quarter, which is in line with the same period in 2019. In the Baltic countries 97 million domestic payments were processed, an increase of 30 per cent year-over-year. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments in Sweden was in line with the same quarter in 2019 at 1.4 million. The Baltic countries reported an increase in international payments of 12 per cent compared with the third quarter 2019 to 3.7 million.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose to SEK 1 075bn (1 049). Compared with the end of the third quarter 2019 the increase was SEK 142bn, corresponding to growth of 15 per cent. All business segments contributed to the year-over-year increase. Exchange rates positively affected deposits by SEK 1bn compared with the end of the second quarter 2020 and negatively by SEK 8bn compared with the end of the third quarter 2019. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 1 132bn (1 108).

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Sep 2020	30 Jun 2020	30 Sep 2019
Deposits, private	577	568	527
of which Swedish Banking	419	416	387
of which Baltic Banking	158	152	140
Deposits, corporate	555	540	430
of which Swedish Banking	208	197	180
of which Baltic Banking	114	107	92
of which Large Corporates & Inst.	176	177	134
of which Group Functions & Other	57	59	24
Total	1 132	1 108	957

Swedbank's deposits from private customers increased SEK 9bn in the quarter to SEK 577bn (568).

Corporate deposits in the business segments increased in total by SEK 17bn in the quarter.

Swedbank's market share for household deposits in Sweden was unchanged in the quarter at 19 per cent (19). The market share for corporate deposits decreased to 15 per cent (16). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	30 Sep 2020	30 Jun 2020	30 Sep 2019
Total asset management	1 609	1 499	1 488
Assets under management	1 155	1 064	1 033
Assets under management, Robur	1 153	1 064	1 027
of which Sweden	1 095	1 008	970
of which Baltic countries	63	59	58
of which eliminations	-5	-3	-1
Assets under management, Other, Baltic countries	2		6
Discretionary asset management	454	435	455

Assets under management in Swedbank Robur rose 8 per cent in the quarter to SEK 1 153bn (1 064) at 30 September, of which SEK 1 095bn (1 008) related to the Swedish business and SEK 63bn (59) to the Baltic business. The increases in both Sweden and the Baltic countries were partly due to value appreciation and partly to net fund inflows.

Net flows in the Swedish fund market were positive after the spring's outflows and amounted to SEK 38bn (41) in the quarter. The largest inflow, SEK 25bn, was to actively managed equity funds. Index, mixed and fixed income funds all had net inflows while hedge funds accounted for an outflow of SEK 1bn.

Net inflow improved for Swedbank Robur's Swedish fund business and amounted to SEK 8bn (4) in the quarter. Primarily the institutional management business turned from negative to positive net flows. Sales via Swedbank, the savings banks and third party distribution also had net inflows in the quarter.

Actively managed equity funds had the largest inflows at SEK 8bn, with tech funds performing especially well. Mixed funds accounted for SEK 1bn in inflows at the same time that index-linked equity funds had equally as much in outflows.

The net inflow in the Baltic countries remained stable at SEK 1bn (1).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 30 September, the market share in Sweden was 21 per cent. The market shares in Estonia, Latvia and Lithuania were 40, 41 and 37 per cent respectively.

Assets under management, life insurance SEKbn	30 Sep 2020	30 Jun 2020	30 Sep 2019
Sweden	235	218	209
of which collective occupational pensions	119	110	103
of which endowment insurance	76	69	68
of which occupational pensions	30	29	28
of which other	10	10	10
Baltic countries	7	6	6

Life insurance assets under management in the Swedish operations increased 12 per cent in the third quarter to SEK 235bn on 30 September. Premium income, consisting of premium payments and capital transfers, amounted in the third quarter to SEK 4bn (SEK 5bn in the second quarter).

For premium income excluding capital transfers Swedbank's market share in the second quarter was 6 per cent (6 per cent in the first quarter 2020). In the transfer market Swedbank's market share in the second quarter was 9 per cent (10 per cent in the first quarter 2020).

In Estonia and Lithuania Swedbank is the largest life insurance company and in Latvia it is the fourth largest. The premium payments market shares in the first quarter were 48 per cent in Estonia, 26 per cent in Lithuania and 21 per cent in Latvia.

Credit and asset quality

After the drastic economic slowdown in the second quarter, a recovery began in the third quarter. Due to continued uncertainty surrounding Covid-19, however, the economy remains dependent on government support and recovery is expected to be slow and uneven in the near term. Parts of the economy are still heavily affected by restrictions and concerns about the coronavirus's continued spread, with hospitality and entertainment among the most vulnerable sectors. There is also a risk that previously hidden effects will become visible when temporary support from the authorities and banks is phased out.

Swedbank continues to support individuals and businesses with amortisation exemptions as well as companies in need of liquidity with expanded loan facilities. The number of new applications dropped in the third quarter, however, and granted volumes are only marginally higher than at the end of the second quarter. Utilisation of available loan facilities decreased in the quarter as a number of large corporate customers repaid previously utilised amounts.

In the third quarter Swedbank's credit impairments amounted to SEK 425m (SEK 1 235m in the second quarter), mainly due to increased provisions for a few oil-related commitments within Large Corporates & Institutions. According to IFRS 9, forward-looking macro scenarios have to be updated continuously, and this was again done in the third quarter. Indications of improved economic conditions led to a slightly more positive macroeconomic forecast than earlier, which has a positive effect in the models. Against the backdrop of the continued uncertainty about Covid-19, including the risk we are now seeing that more countries will be forced to reintroduce restrictions, the bank is making an expert adjustment to account for these effects.

All in all, the credit impairment ratio in the third quarter was 0.10 per cent (0.28). The share of loans in stage 3

(gross) was 0.75 per cent (0.81) and the provision ratio for loans in stage 3 was 46 per cent (44). For more information on asset quality, see pages 39–44 of the Fact book and note 11.

Credit impairments by business segment SEKm	Q3	Q2	Q3
	2020	2020	2019
Swedish Banking	-140	432	27
Baltic Banking	43	56	10
Estonia	35	51	-9
Latvia	10	-3	5
Lithuania	-2	8	14
Large Corporates & Institutions	521	740	117
Group Functions & Other	1	7	
Total	425	1235	154

Oil prices recovered after falling in the spring but are still at a lower level than before Covid-19. Demand remains dampened as does the outlook for the oil sector in general. Swedbank's oil-related portfolio is small, and the ongoing reduction and restructuring of the portfolio continues. In the third quarter additional individual provisions were deemed necessary for a few exposures.

The Swedish housing market has shown resilience during the pandemic. After the initial uncertainty in March and April, the market has recovered, and prices have risen. The coming year is expected to be stable with unchanged or slightly rising prices. Continued low interest rates and demand from a growing population are supporting factors, offset at the same time by a weaker economy and unemployment concerns.

The quality of Swedbank's mortgage portfolio, which accounts for just over half of total lending, is high and historical credit impairments are very low. Customers' long-term repayment capacity is a critical factor and ensures high quality and low risks for both the customer and the bank. The average loan-to-value ratios for the mortgage portfolio are 54 per cent in Sweden, 49 per cent in Estonia, 77 per cent in Latvia and 56 per cent in Lithuania. For more information, see pages 45–46 of the Fact book.

The commercial real estate market has varied by segment during the Covid-19 pandemic. Investors have shifted focus to more stable property segments – residential, public and logistics – which have not been greatly affected by the pandemic. Retail and hotel properties have been negatively affected by increased vacancies and the weakened repayment capacity of many tenants.

Swedbank's lending in property management accounts for approximately 15 per cent of the total loan portfolio and is mainly to real estate companies with strong finances and good collateral with low loan-to-value ratios. Less cyclical segments with low risk such as residential and public properties as well as logistics properties in prime locations account for about 40 per cent of the real estate portfolio. Swedbank's lending to retail and hotel properties represents a small share of the total loan volume in property management. Swedbank focuses its lending on commercial properties with stable cash flows and the customer's long-term ability to repay interest and amortisation. Loan-to-value ratios in lending to property management companies are generally low and average 57 per cent (58) in Sweden.

Operational risks

The Covid-19 pandemic is considered a critical risk for the bank, its employees and customers. Despite the pandemic, the bank has fully maintained its operations. The bank has taken a number of measures to reduce the risk of the virus's spread, protect customers and employees, and ensure customer service. In response to the pandemic, the bank has improved its preparedness e.g. by updating continuity plans. The bank has given employees more opportunity to work from home, allocated resources to ensure continuity in operations, and activated a crisis management unit to manage operational risks and reduce the risk of disruptions.

A number of less serious IT incidents occurred in the third quarter, which caused brief disruptions. Swedbank is working continuously to ensure a high level of availability for its customers.

Funding and liquidity

Swedbank's funding in the quarter was dominated by continued growth in deposits and a benchmark issue of senior unsecured debt in USD. In addition, the bank issued a small volume of covered bonds. The bank's leverage ratio increased in the quarter and liquidity is at a high and stable level.

During the year Swedbank has participated in central banks' various liquidity programmes and depending on our customers' needs the bank will also consider future participation. Swedbank has maintained sufficient liquidity and does not need government support.

Maturities in the calendar year 2020 amount to SEK 165bn calculated from the beginning of the year. The total issuance need for the full-year 2020 is expected to be lower compared with 2019. In the first nine months of 2020 Swedbank issued SEK 74bn in long-term debt, of which SEK 13bn in the third quarter. The issuance need is affected by future maturities and changes in deposit volumes and lending growth and is therefore adjusted over the course of the year. As of 30 September, outstanding short-term funding and commercial paper included in debt securities in issue amounted to SEK 158bn (SEK 185bn as of 30 June). Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 389bn (377). The liquidity reserve as of 30 September amounted to SEK 563bn (607). The Group's liquidity coverage ratio (LCR) was 153 per cent (164) and for EUR, USD and SEK was 241, 164 and 121 per cent respectively. The net stable funding ratio (NSFR) was 124 per cent (125). For more information on funding and liquidity, see notes 14–16 on pages 55–71 of the Fact book.

Ratings

There were no changes in Swedbank's ratings in the third quarter. For more information on the ratings, see page 71 of the Fact book.

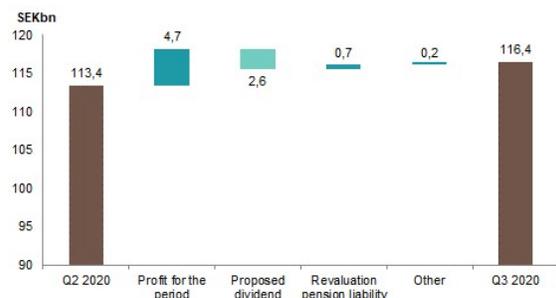
Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio increased to 16.8 per cent (16.4) in the third quarter. The total Common Equity Tier 1 capital requirement was 13.0 per cent (13.0) of the risk exposure amount (REA). Common Equity Tier 1 capital increased to SEK

116.4bn (113.4), mainly due to the quarterly profit after the estimated dividend.

Change in Common Equity Tier 1 capital, Swedbank consolidated situation



Total REA decreased to SEK 691.5bn (692.4).

REA for credit risk excluding FX decreased in the quarter by SEK 1.1bn. The decrease is mainly due to a lower volume of other assets and shorter corporate exposure maturities. The decrease was partly offset by higher lending in the quarter.

REA for market risk increased in the quarter by SEK 0.8bn to SEK 20.3bn (19.5). REA for credit value adjustments increased SEK 0.5bn to SEK 5.5bn (5.0), mainly due to increased exposures.

Additional REA according to article 3 of CRR and model updates reduced REA by SEK 1.2bn. In the quarter the LGD model was updated, which increased REA for credit risk by SEK 20.8bn.

Previously, capital in the form of REA according to article 3 of CRR of SEK 16.3bn had been allocated for the expected effects of the LGD model update, which has now been reversed. The quarterly review of REA for PD article 3 in CRR resulted in a decrease in REA of SEK 5.0bn. Other effects in article 3 CRR reduced REA by SEK 0.7bn.

Change in REA, Swedbank consolidated situation



The leverage ratio was 4.8 per cent (4.5). The ratio increased due to slightly higher Tier 1 capital and lower total assets at the end of the third quarter 2020.

Future capital regulations

In September 2020 the Swedish FSA proposed amended rules and a change in the application of banks' capital requirements. The change is based on the proposed amendments to the capital adequacy rules

resulting from the implementation of the EU's banking package.

The proposal means among other things changes in how the Pillar 2 requirement is determined. According to the proposal, the Swedish FSA will set a Pillar 2 requirement and announce guidance for the capital it thinks banks should hold over and above the capital requirement to cover risks and manage future financial stresses.

Another proposed change is an expansion of the combined buffer requirement to include an O-SII buffer corresponding to 1% of REA.

In the proposal the Swedish FSA also gives its view of how a leverage ratio requirement should be introduced. The minimum leverage ratio requirement is 3% of the leverage exposure amount. In addition, the Swedish FSA will announce another leverage ratio requirement in the form of guidance.

The leverage ratio requirement will be met in parallel with the risk-based requirements, and for Swedbank the Swedish FSA estimates that the total leverage ratio requirement will be lower than the risk-based capital requirements. All in all, the Swedish FSA expects the amended application to essentially leave the capital requirements' nominal level unchanged.

The changes in the O-SII buffer will primarily be implemented at the same time that the amended Capital Buffers Act (2014:966) enters into force. The systemic risk charge in Pillar 2 will be removed when the amended Credit Institutions and Securities Companies (Special Supervision) Act (2014:968) enters into force. A decision on Pillar 2 requirements and information on Pillar 2 guidance will be announced after the first evaluation and review, which will be conducted once the amended supervisory act has entered into force. According to the Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and securities companies, the minimum leverage ratio requirement will be applied as of 28 June 2021.

In January 2020 the Swedish FSA decided to increase the capital requirements on bank loans for commercial real estate. The actions were justified by the gradual increase in lending for commercial real estate to a level that represents a potential risk to financial stability. The capital requirement is expected to be introduced in the fourth quarter 2020 and means that the difference between the bank's average risk weights for commercial real estate and the risk weights that the FSA announced will be compensated through an add-on in Pillar 2. For commercial real estate the Swedish FSA set the average risk weight at 35 per cent and for commercial residential real estate at 25 per cent. According to the Swedish FSA, Swedbank's total capital requirement is thereby expected to increase 0.7 percentage points and Common Equity Tier 1 capital 0.5 percentage points.

In December 2019 the committee of inquiry appointed by the Swedish Ministry for Finance presented a proposal on the implementation of a collection of EU regulations, known as the banking package. The committee of inquiry's proposal includes an update of the Swedish Resolution Act, to harmonise Swedish law with the EU directive, called BRRD2. When the final amended law takes effect, Swedbank's issuance of eligible liabilities (e.g. senior non-preferred debt) may be

affected. The amended law will take effect by 28 December 2020 and the changes related to the own funds and eligible liabilities requirement will be phased in. The phase-in will be completed by 1 January 2024.

In November 2018 the Swedish FSA published a memorandum explaining its view of the European Banking Authority's (EBA) updated guidelines on banks' internal risk rating based models. In the memorandum the Swedish FSA states that Swedish banks must analyse their internal rating based models to ensure that they continue to live up to the updated requirements. Implementation of the new guidelines must be completed by the end of 2021.

Other events

On 9 July it was announced that Charlotte Rydin will become the new Chief Legal Officer and Head of Group Legal and that Jon Liddefelt will become the Head of Baltic Banking. Charlotte Rydin comes from Alecta, where she held the position of Chief Legal Officer. Jon Liddefelt served as acting Head of Baltic Banking since the start of the year.

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

On 18 September Swedbank received notification from the Swedish FSA that the authority is investigating Swedbank for suspected breaches of the regulation on market abuse. The investigation encompasses the period 20 September 2018 until 20 February 2019 and pertains to disclosure of insider information and the obligation to establish an insider list (articles 17 and 18) in connection with the disclosure of suspected money laundering within the company.

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

On 5 October it was announced that Swedbank's Annual General Meeting will be held on Thursday, 25 March 2021. The Nomination Committee consists of the following persons:

- Lennart Haglund, appointed by Sparbankernas Ågareförening and Chair of the Nomination Committee
- Ylva Wessén, appointed by Folksam
- Hans Sterte, appointed by Alecta
- Anders Oscarsson, appointed by AMF
- Peter Karlström, appointed by the owner-group Sparbanksstiftelserna
- Göran Persson, Chair of the Board of Directors of Swedbank AB (publ).

Swedbank's anti-money laundering work

During the past 18 months Swedbank has through a comprehensive programme tracked historical shortcomings connected to the anti-money laundering and terrorist financing (AML/CTF) measures in the bank. External reporting of this programme concluded in the third quarter. In the fourth quarter the bank will deliver on the measures that the Swedish and Estonian FSAs

have required. Subsequently the remaining parts of the 244-point plan will be addressed in the bank's operations.

Action plan

For the group-wide action plan follow-up reports are compiled on a monthly basis for the Board of Directors. The plan initially held 132 points and in the third quarter expanded to 244. Measures have been added based on decisions by the Swedish and Estonian FSAs and the findings of the Clifford Chance investigation, and this year's priority is to remedy the shortcomings identified by the Swedish and Estonian FSAs.

The plan is proceeding well, but work has been affected by the Covid-19 pandemic. During the quarter 28 points were completed, and so far the total number of completed points in the plan is 145. At the end of September 99 points remained. As planned, 63 will be completed in 2020. The remaining 36 points will be implemented in coming years.

Examples of activities during the quarter:

- A Group Sanctions Office has been established to strengthen coordination within the sanctions area and to manage customer and payments screening in the Swedish business operations related to the relevant sanctions.
- An assessment of the bank's money laundering and terrorist financing risk management has been carried out with the purpose of establishing the next steps regarding transaction monitoring development.

Assessment of action plan

An external consultancy firm will perform an annual AML maturity assessment in the coming three years. The assessment started with an initial analysis and identification of a suggested target for Swedbank. The first analysis phase concluded that Swedbank has maintained a fast pace in remediating historical shortcomings.

Strategic programmes

In addition to the 244-point Group-wide plan, Swedbank has during the past 18 months conducted an assessment of the bank's culture, corporate governance, internal steering and control in the Group.

In addition to strengthening oversight, steering and control, the corporate governance review at Group level will also ensure synergies. Important areas are for example allocation of roles, responsibilities, and principles for reporting and escalation.

The change in corporate governance is now in an execution phase, with several ongoing subprojects and workstreams. An evaluation of the Baltic Banking governance structure and the governance framework process is underway as well. The subproject for Baltic Banking will also ensure that steering and control of the business area are strengthened, both within the subsidiary banks themselves and from the parent company.

The Board of Directors plays an active role through the Governance Committee formed at the beginning of the year.

A compliance transformation programme has also been launched. It will ensure that the Group has robust

processes and that the Group compliance function proactively ensures compliance with regulatory requirements. The programme encompasses findings from the FSAs and Clifford Chance around Swedbank's internal structure regarding first- and second-line responsibilities.

Investigations

The Swedish and Estonian FSAs presented their investigations of Swedbank in March 2020. Swedbank paid an administrative fine of SEK 4 bn to the Swedish FSA. In November, the bank will report back to the Estonian FSA on measures that it had imposed on the Estonian subsidiary bank.

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

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

During the quarter the news site BuzzFeed published documents leaked from US authorities to which US banks report according to regulations. Swedbank noted that transactions related to Swedbank were mentioned. We are following media reports on this issue; so far what has been reported are transactions that were included in the Clifford Chance report. Swedbank files this type of report with the supervisory authorities in all markets where we are active.

The US authorities continue to investigate Swedbank's historical work within the AML area and historical disclosure of information. The investigations are progressing and Swedbank is, through US legal advisors, dialoguing with all relevant investigating authorities. Currently, it is not possible to assess when the investigations will be finalised or the potential outcome.

Events after 30 September 2020

No significant events have occurred after 30 September 2020.

Swedish Banking

- Good growth in mortgage volumes, but slightly lower combined deposit and lending margins
- Stronger net commission income due to higher income from cards and asset management
- Stronger login security for the Internet Bank and simplified loan application process

Income statement

SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net interest income	4 063	4 178	-3	3 987	2	12 425	12 161	2
Net commission income	2 015	1 829	10	2 041	-1	5 822	5 837	
Net gains and losses on financial items	104	93	12	107	-3	260	328	-21
Other income ¹⁾	525	360	46	482	9	1 173	1 261	-7
Total income	6 707	6 460	4	6 617	1	19 680	19 587	
Staff costs	768	759	1	720	7	2 290	2 214	3
Variable staff costs	17	11	55	22	-23	31	42	-26
Other expenses	1 674	1 664	1	1 440	16	4 852	4 316	12
Depreciation/amortisation	13	14	-7	58	-78	41	218	-81
Total expenses	2 472	2 448	1	2 240	10	7 214	6 790	6
Profit before impairment	4 235	4 012	6	4 377	-3	12 466	12 797	-3
Credit impairment	-140	432		27		665	144	
Operating profit	4 375	3 580	22	4 350	1	11 801	12 653	-7
Tax expense	855	723	18	837	2	2 344	2 480	-5
Profit for the period	3 520	2 857	23	3 513		9 457	10 173	-7
Profit for the period attributable to the shareholders of Swedbank AB	3 519	2 858	23	3 511		9 457	10 161	-7
Non-controlling interests	1	-1		2	-50	0	12	
Return on allocated equity, %	20.6	17.0		21.6		18.8	21.0	
Loan/deposit ratio, %	193	196		212		193	212	
Credit impairment ratio, %	-0.05	0.14		0.01		0.07	0.02	
Cost/income ratio	0.37	0.38		0.34		0.37	0.35	
Loans, SEKbn ²⁾	1 211	1 204	1	1 200	1	1 211	1 200	1
Deposits, SEKbn ²⁾	627	613	2	567	11	627	567	11
Full-time employees	3 936	3 843	2	3 662	7	3 936	3 662	7

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

²⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2020 compared with second quarter 2020

Swedish Banking's profit increased to SEK 3 519m (2 858), mainly due to higher commission income and other income and lower credit impairments.

Net interest income decreased 3 per cent to SEK 4 063m (4 178). Lower market interest rates had a negative effect on deposit margins. This was offset to some extent by higher lending margins as well as higher lending and deposit volumes.

Household mortgage increased SEK 8bn to SEK 841bn in the quarter. Lending to tenant-owner associations decreased SEK 1bn to SEK 95bn. Corporate lending decreased SEK 1bn to SEK 243bn, mainly driven by lower volumes in the property management and retail sectors.

Deposits increased to SEK 627bn (613), of which household deposits increased SEK 3bn and corporate deposits SEK 11bn.

Net commission income increased 10 per cent to SEK 2 015m (1 829), mainly due to higher income from cards and asset management.

Other income including the share of profit or loss of associates and joint ventures increased, mainly due to a higher profit share from Entercard and higher net insurance.

Expenses increased 1 per cent to SEK 2 472m (2 448), mainly due to higher staff costs, primarily in the compliance area. Consulting expenses were slightly lower in the quarter.

During the quarter credit impairments were positive at SEK 140m, mainly due to lower provisions in certain hard-hit sectors. In the second quarter credit impairments amounted to SEK 432m.

January-September 2020 compared with January-September 2019

Profit decreased to SEK 9 457m (10 161), mainly due to higher expenses and credit impairments.

Net interest income increased 2 per cent to SEK 12 425m (12 161). Higher average market interest rates positively affected net interest income on deposits but were offset in part by lower lending margins. A lower resolution fee also contributed to the increase.

Net commission income was stable at SEK 5 822m (5 837). Higher income from asset management was offset by lower income from cards.

Other income including the share of profit or loss of associates and joint ventures decreased mainly due to a lower profit share from Entercard.

Expenses increased 6 per cent to SEK 7 214m (6 790), mainly due to increased compliance costs.

As a result of the continued economic slowdown and uncertainty in the period, credit impairments increased to SEK 665m (144).

Business development

During the quarter we continued to develop our services and products for both private and corporate customers. The ID function used for logins was improved to further strengthen stability for both private and corporate customers. Private customers now can also chat with the bank by mobile phone to get help with their questions. When ordering a new card, private customers can track the process digitally. The mobile app for young people has been integrated into the private customers app while maintaining functionality. Soon customers under 18 will also be able to link their debit card to Apple Pay. On the corporate side, the loan application process was simplified so that it can be completed digitally. We also launched a Swish service that enables immediate payments to private customers. Swedbank had already offered an integrated accounting function for corporate customers, which they now can also use through the Internet Bank.

We continued to help our customers manage the consequences of Covid-19 in the quarter with advice and information on the bank's services and opportunities to apply for government support. In late September the government decided to extend its credit guarantee programme for small and medium-sized enterprises affected by the coronavirus until 31

December 2020. During the quarter private and corporate customers were again able to apply for amortisation exemptions for mortgages and other loans. The number of applications has substantially dropped among both private and corporate customers.

During the quarter we received the results of this year's external customer satisfaction survey, the Swedish Quality Index (SQI), where around 200 private customers and 200 corporate customers from Swedbank participated. Compared with 2019, the result improved slightly among both private and corporate customers. We are continuing to improve our availability and service, as well as develop our product and service range to better suit customers.

In July Sweden's largest solar park was up and running in Linköping. The park is a collaborative effort between Swedbank, Alight, Infranode and Tekniska verken i Linköping to more sustainably supply energy in Sweden. Swedbank will buy all the electricity produced by the park as part of an effort to reduce our climate impact.

AML work is continuing within the framework of the action plan that was previously presented and is continuing according to plan. Centralisation of the KYC process was completed and capacity and competence were expanded. The business area continued to invest in the development of processes and systems support. The new model to classify customers' risk category was updated to take more factors into consideration.



Mikael Björknert
Head of 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 160 branches in Sweden.

Baltic Banking

- Increased lending and deposits in the quarter
- Lower net interest income mainly due to lower deposit margins
- New service launched to encourage savings

Income statement

SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net interest income	1 309	1 409	-7	1 345	-3	4 088	3 874	6
Net commission income	620	581	7	664	-7	1 824	1 956	-7
Net gains and losses on financial items	91	99	-8	101	-10	237	303	-22
Other income ¹⁾	212	249	-15	222	-5	645	632	2
Total income	2 232	2 338	-5	2 332	-4	6 794	6 765	
Staff costs	291	278	5	284	2	837	783	7
Variable staff costs	9	8	13	15	-40	25	46	-46
Other expenses	548	495	11	517	6	1 546	1 472	5
Depreciation/amortisation	43	43		44	-2	129	130	-1
Total expenses	891	824	8	860	4	2 537	2 431	4
Profit before impairment	1 341	1 514	-11	1 472	-9	4 257	4 334	-2
Impairment of tangible assets	1			2	-50	1	3	-67
Credit impairment	43	56	-23	10		245	6	
Operating profit	1 297	1 458	-11	1 460	-11	4 011	4 325	-7
Tax expense	215	240	-10	208	3	674	616	9
Profit for the period	1 082	1 218	-11	1 252	-14	3 337	3 709	-10
Profit for the period attributable to the shareholders of Swedbank AB	1 082	1 218	-11	1 252	-14	3 337	3 709	-10
Return on allocated equity, %	16.7	18.9		19.4		17.2	19.3	
Loan/deposit ratio, %	70	72		81		70	81	
Credit impairment ratio, %	0.09	0.11		0.02		0.17	0.00	
Cost/income ratio	0.40	0.35		0.37		0.37	0.36	
Loans, SEKbn ²⁾	190	187	2	188	1	190	188	1
Deposits, SEKbn ²⁾	272	259	5	232	17	272	232	17
Full-time employees	3 619	3 595	1	3 556	2	3 619	3 556	2

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

²⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2020 compared with second quarter 2020

Profit in the third quarter amounted to SEK 1 082m (1 218). Profit decreased in local currency due to lower income and higher expenses, partly offset by lower credit impairments. Foreign exchange effects reduced profit by SEK 28m.

Net interest income decreased 5 per cent in local currency. Mortgage margins and margins on corporate lending were unchanged in the quarter. Deposit margins, on the other hand, decreased. Foreign exchange effects negatively affected net interest income by SEK 34m.

Lending increased 1 per cent in the quarter in local currency. Corporate lending was stable while household lending increased 2 per cent. Foreign exchange effects positively contributed SEK 1.4bn.

Deposits increased 4 per cent in local currency due to growth in both corporate and private deposits in the quarter. Foreign exchange effects positively affected income by SEK 2bn.

Net commission income increased 9 per cent in local currency in the quarter, mainly related to higher commission income from cards driven by higher customer activity.

Net gains and losses on financial items decreased 6 per cent in local currency, mainly due to unrealised gains in asset management in the previous quarter.

Other income decreased 12 per cent in local currency, mainly due to higher insurance claims in the quarter.

Expenses increased 11 per cent in local currency, largely due to increased staff costs related to work to strengthen anti-money laundering functions as well as work to improve KYC processes.

Credit impairments amounted to SEK 43m (56) in the third quarter, mainly driven by expert adjustments in sectors hard hit by the pandemic. Underlying credit quality remains high.

January-September 2020 compared with January-September 2019

Profit decreased to SEK 3 337m (3 709), mainly due to increased expenses and credit impairments, which were partly offset by higher income. Foreign exchange effects negatively affected the result by SEK 3m.

Net interest income rose 6 per cent in local currency, largely due to increased lending volumes. Foreign exchange effects positively affected net interest income by SEK 1m.

Lending increased 3 per cent in local currency. Household lending increased 7 per cent at the same time that corporate lending decreased 2 per cent. Foreign exchange effects reduced lending growth by SEK 3bn.

Deposits grew 19 per cent in local currency. Deposits increased in all markets. Foreign exchange effects negatively contributed SEK 4.3bn.

Net commission income decreased 7 per cent in local currency, mainly due to lower income from cards and asset management. Changing consumption patterns and lower management fees due to Covid-19 explain the decrease.

Net gains and losses on financial items decreased 22 per cent in local currency, largely due to higher unrealised losses in the asset management and insurance businesses.

Other income increased 2 per cent in local currency due to an improved result in the insurance operations.

Expenses rose 4 per cent in local currency, largely due to higher staff costs and expenses related to AML work as well as improved customer due diligence. Consulting expenses and investments in digital solutions increased as well.

As a result of the continued economic slowdown and uncertainty in the period, credit impairments increased to SEK 245m, compared with SEK 6m in the equivalent period in 2019.

Business development

In response to the Covid-19 pandemic, the industry-wide agreement on concessions and support that banks offer their customers was extended until the end of September. Demand for amortisation exemptions declined during the quarter. Some customers who were granted exemptions have now begun to amortise according to their previous amortisation schedule.

Several new services were launched in the quarter. We now offer a service that allows private customers to join Swedbank digitally. The solution gives those over 18 access to the bank's services simply by using valid digital ID tools such as Smart ID and without having to visit our branches. The option to become a customer digitally has been well received in all markets. Since current circumstances dictate that we book all branch meetings with customers in advance, we have added a reservation tool to our home page that allows even

those who are not yet customers to book a meeting. In the third quarter more than 80 000 meetings were held booked through digital channels. The Easy Saver solution was also introduced in the digital channels during the quarter. This lets customers set savings goals and, with the help of automated savings in connection with card purchases, reach these goals. The service has been well received and at present over 180 000 customers are using it.

During the quarter we launched a new sustainability loan for our private customers. They can now borrow up to EUR 20 000, without collateral, at lower fixed annual interest rates to purchase and install solar panels. We have signed agreements with more than 30 solar panel suppliers, and the first agreements have now also been signed with our customers. In asset management we are trying to manage assets according to sustainable principles and at present nearly 79 per cent of the pension assets under management in Latvia are invested in accordance with the bank's most extensive sustainability criteria.

Swedbank continued in the quarter to actively support charities in all three Baltic countries. In the third quarter Swedbank supported Latvia's largest opinion festival, LAMPA, by leading panel discussions on financial literacy and investments. In Estonia a new donation campaign was launched for organisations that help to solve health problems. In Lithuania Swedbank's employees participated during the summer in a voluntary initiative called "We Care", in which around 60 groups and nearly 600 employees did charity work.

In the quarter, to combat money laundering we continued to strengthen the internal control framework as well as raise the level of competence and risk awareness in the organisation. In addition to meeting the requirements placed by the Estonian FSA on the bank, our aim is to further improve quality and efficiency in AML work by strengthening capacity and competence within the entire organisation. The compliance unit has therefore been given additional resources and competence to ensure it can take overarching responsibility for this work.

Jon Lidelfelt
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.2 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most loved brand in the Baltic countries. Through digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 24 branches in Estonia, 26 in Latvia and 42 in Lithuania.

Large Corporates & Institutions

- Lower income due to lower net gains and losses on financial items
- Net commission income rose due to higher income from asset management card
- Joint Lead Manager for the Kingdom of Sweden's first green bond issue

Income statement

SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net interest income	925	1 007	-8	941	-2	2 892	2 838	2
Net commission income	610	541	13	560	9	1 787	1 693	6
Net gains and losses on financial items	503	1 033	-51	312	61	1 220	1 534	-20
Other income ¹⁾	29	39	-26	60	-52	91	110	-17
Total income	2 067	2 620	-21	1 873	10	5 990	6 175	-3
Staff costs	534	553	-3	511	5	1 679	1 596	5
Variable staff costs	14			47	-70	40	166	-76
Other expenses	360	352	2	359		1 090	1 087	
Depreciation/amortisation	61	62	-2	58	5	183	172	6
Total expenses	969	967		975	-1	2 992	3 021	-1
Profit before impairment	1 098	1 653	-34	898	22	2 998	3 154	-5
Impairment of intangible assets				66			66	
Credit impairment	521	740	-30	117		2 888	330	
Operating profit	577	913	-37	715	-19	110	2 758	-96
Tax expense	-41	175		152		-418	636	
Profit for the period	618	738	-16	563	10	528	2 122	-75
Profit for the period attributable to the shareholders of Swedbank AB	618	738	-16	563	10	528	2 122	-75
Return on allocated equity, %	7.3	8.9		8.1		2.2	10.5	
Loan/deposit ratio, %	126	133		168		126	168	
Credit impairment ratio, %	0.57	0.89		0.15		1.30	0.16	
Cost/income ratio	0.47	0.37		0.52		0.50	0.49	
Loans, SEKbn ²⁾	221	234	-6	225	-2	221	225	-2
Deposits, SEKbn ²⁾	176	176		134	31	176	134	31
Full-time employees	2 351	2 345		2 263	4	2 351	2 263	4

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

²⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Result

Third quarter 2020 compared with second quarter 2020

Profit decreased to SEK 618m (738), mainly due to lower net gains and losses.

Net interest income decreased to SEK 925m (1 007), mainly due to lower average business volumes and lower deposit margins.

Net commission income increased to SEK 610m (541), driven by increased income from asset management, custodial services, loan commissions and card acquiring.

Net gains and losses on financial items decreased to SEK 503m (1 033) after a strong second quarter. The third quarter was, despite seasonally lower income, strong both with respect to client-related business and risk management. The effect of derivative valuation adjustments (CVA/DVA) contributed positively in the quarter, though less than in the previous quarter.

Expenses increased somewhat to SEK 969m (967), Higher variable staff costs was offset by seasonally lower costs.

Credit impairments amounted to SEK 521m (740) in the third quarter. Market conditions for our oil-related counterparties remain challenging and reassessments of individual cases resulted in additional provisions of SEK 719m in the quarter (147), which was partly offset by positive credit impairments in other commitments.

The lower tax rate is mainly due to a tax income of SEK 130m relating to previous years.

January-September 2020 compared with January-September 2019

Profit decreased to SEK 528m (2 122) due to higher credit impairments and lower net gains and losses on financial items.

Net interest income increased to SEK 2 892m (2 838), mainly due to increased deposits and a lower resolution fund fee. Lending was affected by changes in the product composition and increased funding expenses.

Net commission income increased to SEK 1 787m (1 693), driven by increased earnings from advisory commissions from M&A and share issues as well as an increase in lending commissions. Income from card acquiring decreased due to lower volumes in the wake of Covid-19.

Net gains and losses on financial items decreased to SEK 1 220m (1 534). Increased income from strong underlying customer-driven trading and risk management was offset by revaluations of bond holdings as well as derivative valuation adjustments (CVA/DVA), which is a direct result of the market turmoil that arose in connection with the accelerating spread of Covid-19 in the first quarter.

Total expenses decreased to SEK 2 992m (3 021) due to lower provisions for variable remuneration.

As a result of the continued economic slowdown and uncertainty in the period, credit impairments increased to SEK 2 888m (330).

Business development

Demand for Swedbank's advisory and execution services remained high in the quarter, partly against the backdrop of higher activity in the equity and credit bond markets. Targeted support from central banks due to Covid-19 contributed to this.

Swedbank helped a number of clients with bond issues. This included assisting the Kingdom of Sweden issue its first green bond, which amounted to SEK 20bn. The bank also participated in issues in the public sector. One example is a SEK 3bn sustainability awareness bond for the European Investment Bank. Activity among the bank's customers in the real estate sector also increased in the quarter and the bank helped K2A and Arwidsro Fastghets AB issue green bonds of SEK 400m each. The bank also participated in a number of issues in the euro market, including a green bond of EUR 400m for the Finnish company Sato.

In its equity business Swedbank has among other things helped Samhällsbyggnadsbolaget i Norden region and Outokumpu to issue convertible bonds of SEK 2.8bn and EUR 100m respectively. An IPO by Genvoa Property Group was successful and Swedbank also participated in the IPO for the leading Baltic energy company Ignitis Groupe in early October.

Swedbank is working continuously to strengthen its offering in sustainable financing solutions and advice in order to remain a sought-after partner in the transition to sustainable economic development. As part of this, the bank established a new unit in the quarter to develop sustainability offerings by supporting collaboration between customers, customer representatives and product development.

Covid-19 has affected the bank's opportunities to meet and help clients. This has meant more digital and fewer face-to-face meetings. To a degree, the transition from physical to digital contacts increased flexibility and accessibility for our customers, as digital solutions allowed us to meet more customers more often. One challenge we have worked with has been building deeper customer relations in a digital world.

As part of the work to reduce the risk of fraud, the ID function used for BankID logins was improved to further strengthen security.

The bank continues to invest in the development of processes and competence to combat money laundering and improve customer due diligence. The purpose of the investments is to further develop operating procedures and strengthen the organisation through new recruits as well as system-related improvements to increase automation and quality in processes and data. During the quarter we focused on the action plan that the bank previously presented. Work is progressing according to plan.



Ola Laurin
Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net interest income	422	300	41	280	51	900	708	27
Net commission income	-15	-43	-65			-94		
Net gains and losses on financial items	-29	173		-63	-54	28	247	-89
Other income ¹⁾	259	262	-1	209	24	737	605	22
Total income	637	692	-8	426	50	1 571	1 560	1
Staff costs	1 266	1 239	2	1 122	13	3 684	3 322	11
Variable staff costs	34	24	42	42	-19	92	135	-32
Other expenses	-1 111	-893	24	-276		-2 242	-1 820	23
Depreciation/amortisation	279	268	4	223	25	820	639	28
Administrative fine						4 000		
Total expenses	468	638	-27	1 111	-58	6 354	2 276	
Profit before impairment	169	54		-685		-4 783	-716	
Impairment of tangible assets				-1				
Credit impairment	1	7	-86			13	1	
Operating profit	168	47		-684		-4 796	-717	
Tax expense	126	16		-21		107	6	
Profit for the period	42	31	35	-663		-4 903	-723	
Profit for the period attributable to the shareholders of Swedbank AB	42	31	35	-663		-4 903	-723	
Full-time employees	6 101	5 989	2	5 588	9	6 101	5 588	9

¹⁾ Other income includes the items Net insurance, Share of profit or loss of associates and joint ventures and Other income from the Group income statement. Net interest income and net gains and losses on financial items mainly stem from Group Treasury. Other income mainly refers to income from the savings banks. Expenses mainly relate to Group Financial Products & Advice and Group Staffs and are allocated to a large extent.

Result

Third quarter 2020 compared with second quarter 2020

Profit increased to SEK 42m (31) and was affected by a higher net interest income and lower expenses. Lower net gains and losses on financial items partly offset the increase.

Net interest income increased to SEK 422m (300). Net interest income within Group Treasury increased to SEK 465m (338). This was mainly because of the effects of the bank's internal pricing model. The increase was partly offset by a one-off effect within Group Treasury, which increased net interest income by SEK 103m in the second quarter.

Net gains and losses on financial items decreased to SEK -29m (173). Net gains and losses on financial items within Group Treasury decreased to SEK -44m (146). The effects of the divestment of the shareholding in Enento and the conversion of part of the shareholding in Visa largely offset each other and are described in more detail on page 6.

Expenses decreased to SEK 468m (638), mainly due to lower activity in connection with the summer vacation. Consulting expenses to manage money laundering related investigations increased SEK 20m.

January-September 2020 compared with January-September 2019

Profit decreased to SEK -4 903m (-723), largely due to the Swedish FSA's administrative fine.

Net interest income increased to SEK 900m (708). Group Treasury's net interest income increased to SEK 1 022m (807), mainly due to the effects of the bank's internal pricing model, as well as a one-off effect that raised net interest income by SEK 103m in the second quarter 2020.

Net gains and losses on financial items decreased to SEK 28m (247). Net gains and losses on financial items within Group Treasury decreased to SEK -14m (229), mainly due to lower valuations of the holdings in Visa and Asiakastiето.

Expenses increased to SEK 6 354m (2 276), mainly due to the Swedish FSA's administrative fine, higher money laundering related consulting expenses and higher staff costs. The increase was largely offset by one-off expenses for retroactive VAT and fraud in 2019. Consulting expenses to manage money laundering related investigations totalled SEK 682m (585). Staff costs increased due to annual salary increases and a higher number of employees.

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

Eliminations

Income statement

SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net interest income	-5	-8	-38			-19		
Net commission income	16	17	-6	32	-50	55	83	-34
Net gains and losses on financial items							-1	
Other income ¹⁾	-50	-43	16	-54	-7	-159	-165	-4
Total income	-39	-34	15	-22	77	-123	-83	48
Staff costs	-3	-4	-25			-10		
Other expenses	-36	-30	20	-22	64	-113	-83	36
Total expenses	-39	-34	15	-22	77	-123	-83	48

¹⁾ Other income includes the items Net insurance, Share of profit or loss of associates and joint ventures and Other income from the Group income statement. Group eliminations mainly consist of eliminations of internal transactions between Group Functions and the other business segments.

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

Income statement, condensed

Group	Q3	Q2		Q3		Jan-Sep	Jan-Sep	
SEKm	2020	2020	%	2019	%	2020	2019	%
Interest income on financial assets at amortised cost	8 027	8 244	-3	8 380	-4	24 720	25 380	-3
Other interest income	187	433	-57	463	-60	967	1 266	-24
Interest income	8 214	8 677	-5	8 843	-7	25 687	26 646	-4
Interest expense	-1 500	-1 791	-16	-2 290	-34	-5 401	-7 065	-24
Net interest income (note 5)	6 714	6 886	-2	6 553	2	20 286	19 581	4
Commission income	4 899	4 566	7	4 799	2	14 291	14 230	
Commission expense	-1 653	-1 641	1	-1 502	10	-4 897	-4 661	5
Net commission income (note 6)	3 246	2 925	11	3 297	-2	9 394	9 569	-2
Net gains and losses on financial items (note 7)	669	1 398	-52	457	46	1 745	2 411	-28
Net insurance	424	390	9	379	12	1 110	1 066	4
Share of profit or loss of associates and joint ventures	231	134	72	213	8	460	570	-19
Other income	320	343	-7	327	-2	917	807	14
Total income	11 604	12 076	-4	11 226	3	33 912	34 004	
Staff costs	2 930	2 868	2	2 763	6	8 668	8 304	4
Other general administrative expenses (note 8)	1 435	1 588	-10	2 018	-29	5 133	4 972	3
Depreciation/amortisation	396	387	2	383	3	1 173	1 159	1
Administrative fine						4 000		
Total expenses	4 761	4 843	-2	5 164	-8	18 974	14 435	31
Profit before impairment	6 843	7 233	-5	6 062	13	14 938	19 569	-24
Impairment of intangible assets (note 13)				66			66	
Impairment of tangible assets	1			1		1	3	-67
Credit impairment (note 9)	425	1 235	-66	154		3 811	481	
Operating profit	6 417	5 998	7	5 841	10	11 126	19 019	-42
Tax expense	1 155	1 154		1 176	-2	2 707	3 738	-28
Profit for the period	5 262	4 844	9	4 665	13	8 419	15 281	-45
Profit for the period attributable to the shareholders of Swedbank AB	5 261	4 845	9	4 663	13	8 419	15 269	-45
Non-controlling interests	1	-1		2	-50	0	12	
SEK								
Earnings per share, SEK	4.70	4.33		4.17		7.52	13.66	
after dilution, SEK	4.68	4.31		4.16		7.50	13.62	

Statement of comprehensive income, condensed

Group SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Profit for the period reported via income statement	5 262	4 844	9	4 665	13	8 419	15 281	-45
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	949	-1 178		-781		4 018	-4 957	
Share related to associates and joint ventures:								
Remeasurements of defined benefit pension plans	-20	-45	-56	-29	-31	76	-159	
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value through profit and loss	1	2	-50	5	-80	4	13	-69
Income tax	-196	242		160		-829	1 018	
Total	734	-979		-645		3 269	-4 085	
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations:								
Gains/losses arising during the period	371	-2 494		639	-42	499	1 971	-75
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-291	1 928		-485	-40	-285	-1 576	-82
Cash flow hedges:								
Gains/losses arising during the period	34	-502		133	-74	54	409	-87
Reclassification adjustments to the income statement, Net gains and losses on financial items	-33	489		-131	-75	-54	-398	-86
Foreign currency basis risk:								
Gains/losses arising during the period	-14	-12	17	-10	40	-18	-12	50
Share of other comprehensive income of associates and joint ventures	-4	-9	-56	-4		-90	72	
Income tax	67	-409		106	-37	66	351	-81
Total	130	-1 009		248	-48	172	817	-79
Other comprehensive income for the period, net of tax	864	-1 988		-397		3 441	-3 268	
Total comprehensive income for the period	6 126	2 856		4 268	44	11 860	12 013	-1
Total comprehensive income attributable to the shareholders of Swedbank AB	6 125	2 857		4 266	44	11 860	12 001	-1
Non-controlling interests	1	-1		2	-50	0	12	

For January-September 2020 a gain of SEK 4 018m (- 4 957) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. As per 30 September the discount rate, which is used to calculate the closing pension obligation, was 1.41 per cent, compared with 1.46 per cent at year end. More high quality bonds have been included in the determination of the discount rate from the first quarter 2020. The inflation assumption was 1.48 per cent compared with 1.98 per cent at year end. The changed assumptions together with gains and losses based on experience represented SEK 2 538 million of the positive result in other comprehensive income. The fair value of plan assets increased during the first nine months 2020 by SEK 1 480m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 4 800m compared with SEK 8 798m at year end.

For January-September 2020 an exchange rate difference of SEK 499m (1 971) was recognised for the Group's foreign net investments in subsidiaries. The gain related to subsidiaries mainly arose because the Swedish krona weakened against the euro during the year. In addition, an exchange rate difference of SEK - 90m (72) for the Group's foreign net investments in associates and joint ventures is included in Share of other comprehensive income of associates and joint ventures. The total gain of SEK 409m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 285m (-1 576) arose for the hedging instruments.

The revaluation of defined benefit pension plans and translation of net investments in foreign operations can be volatile in certain periods due to movements in the discount rate, inflation and exchange rates.

Balance sheet, condensed

Group	30 Sep	31 Dec	Δ		30 Sep	
SEKm	2020	2019	SEKm	%	2019	%
Assets						
Cash and balances with central banks	388 491	195 286	193 205	99	212 168	83
Treasury bills and other bills eligible for refinancing with central banks, etc.	116 060	137 094	-21 034	-15	167 244	-31
Loans to credit institutions (note 10)	50 839	45 452	5 387	12	39 981	27
Loans to the public (note 10)	1 683 986	1 652 296	31 690	2	1 668 023	1
Value change of interest hedged item in portfolio hedge	2 409	271	2 138		2 908	-17
Bonds and other interest-bearing securities	87 101	57 367	29 734	52	73 107	19
Financial assets for which customers bear the investment risk	240 129	224 893	15 236	7	213 735	12
Shares and participating interests	15 203	6 568	8 635		5 137	
Investments in associates and joint ventures	7 127	6 679	448	7	6 423	11
Derivatives (note 17)	54 218	44 424	9 794	22	60 828	-11
Intangible assets (note 13)	18 482	17 864	618	3	17 927	3
Tangible assets	5 576	5 572	4		5 610	-1
Current tax assets	2 535	2 408	127	5	2 826	-10
Deferred tax assets	200	170	30	18	172	16
Other assets	20 733	8 859	11 874		28 440	-27
Prepaid expenses and accrued income	2 661	3 025	-364	-12	1 993	34
Total assets	2 695 750	2 408 228	287 522	12	2 506 522	8
Liabilities and equity						
Amounts owed to credit institutions (note 14)	166 237	69 686	96 551		103 251	61
Deposits and borrowings from the public (note 15)	1 155 921	954 013	201 908	21	974 351	19
Financial liabilities for which customers bear the investment risk	240 970	225 792	15 178	7	214 562	12
Debt securities in issue (note 16)	814 976	855 754	-40 778	-5	918 601	-11
Short positions, securities	25 460	34 345	-8 885	-26	29 261	-13
Derivatives (note 17)	41 050	40 977	73		39 751	3
Current tax liabilities	440	836	-396	-47	730	-40
Deferred tax liabilities	2 514	1 571	943	60	1 287	95
Pension provisions	4 800	8 798	-3 998	-45	9 900	-52
Insurance provisions	1 951	1 894	57	3	1 964	-1
Other liabilities and provisions	50 866	28 807	22 059	77	41 811	22
Accrued expenses and prepaid income	4 174	4 383	-209	-5	4 042	3
Senior non-preferred liabilities (note 16)	10 878	10 805	73	1		
Subordinated liabilities (note 16)	24 924	31 934	-7 010	-22	33 241	-25
Total liabilities	2 545 161	2 269 595	275 566	12	2 372 752	7
Equity						
Non-controlling interests	25	25			25	
Equity attributable to shareholders of the parent company	150 564	138 608	11 956	9	133 745	13
Total equity	150 589	138 633	11 956	9	133 770	13
Total liabilities and equity	2 695 750	2 408 228	287 522	12	2 506 522	8

Statement of changes in equity, condensed

Group SEKm	Equity attributable to shareholders of the parent company										Non- controlling interests	Total equity
	Share capital	Other contri- buted equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserve	Foreign currency basis reserve	Own credit risk reserve	Retained earnings	Total			
January-September 2020												
Opening balance 1 January 2020	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633	
Share based payments to employees								95	95		95	
Deferred tax related to share based payments to employees								7	7		7	
Current tax related to share based payments to employees								-6	-6		-6	
Total comprehensive income for the period			409	-223			3	11 685	11 860		11 860	
of which reported through profit or loss								8 419	8 419		8 419	
of which reported through other comprehensive income			409	-223			3	3 266	3 441		3 441	
Closing balance 30 September 2020	24 904	17 275	6 688	-4 103	8	-47	-2	105 841	150 564	25	150 589	
January-December 2019												
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609	
Dividends								-15 878	-15 878	-15	-15 893	
Share based payments to employees								272	272		272	
Deferred tax related to share based payments to employees								-34	-34		-34	
Current tax related to share based payments to employees								13	13		13	
Business disposal								0	0	-185	-185	
Total comprehensive income for the period			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			771	-436	4	-14	13	-3 196	-2 858		-2 858	
Closing balance 31 December 2019	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633	
January-September 2019												
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609	
Dividends								-15 878	-15 878	-15	-15 893	
Share based payments to employees								247	247		247	
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 disposal										-185	-185	
Total comprehensive income for the period			2 043	-1 225	8	-9	10	11 174	12 001	12	12 013	
of which reported through profit or loss								15 269	15 269	12	15 281	
of which reported through other comprehensive income			2 043	-1 225	8	-9	10	-4 095	-3 268		-3 268	
Closing balance 30 September 2019	24 904	17 275	7 551	-4 669	12	-28	-8	88 708	133 745	25	133 770	

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Sep 2020	Full-year 2019	Jan-Sep 2019
Operating activities			
Operating profit	11 126	24 420	19 019
Adjustments for non-cash items in operating activities	1 363	4 952	4 611
Income taxes paid	-3 012	-5 981	-5 664
Increase (-) / decrease (+) in loans to credit institutions	-5 278	-9 130	-3 502
Increase (-) / decrease (+) in loans to the public	-32 670	-27 282	-37 598
Increase (-) / decrease (+) in holdings of securities for trading	-17 664	-43 187	-86 270
Increase (+) / decrease (-) in deposits and borrowings from the public including retail bonds	198 662	33 488	47 679
Increase (+) / decrease (-) in amounts owed to credit institutions	96 114	12 249	44 744
Increase (-) / decrease (+) in other assets	-24 312	-678	-37 325
Increase (+) / decrease (-) in other liabilities	20 135	8 556	34 550
Cash flow from operating activities	244 464	-2 593	-19 756
Investing activities			
Business disposal		52	52
Acquisitions of and contributions to joint ventures	-11	-81	-38
Disposal of shares in associates	76	184	71
Dividend from associates and joint ventures	2	529	529
Acquisitions of other fixed assets and strategic financial assets	-309	-224	-224
Disposals of/maturity of other fixed assets and strategic financial assets	907	535	383
Cash flow from investing activities	665	995	773
Financing activities			
Issuance of interest-bearing securities	74 161	148 250	125 141
Redemption of interest-bearing securities	-161 054	-94 929	-70 862
Issuance of commercial paper	329 367	483 569	410 250
Redemption of commercial paper	-294 619	-487 865	-384 769
Amortisation of lease liabilities	-554	-718	542
Dividends paid		-15 893	-15 893
Cash flow from financing activities	-52 699	32 414	64 409
Cash flow for the period	192 430	30 816	45 426
Cash and cash equivalents at the beginning of the period	195 286	163 161	163 161
Cash flow for the period	192 430	30 816	45 426
Exchange rate differences on cash and cash equivalents	775	1 309	3 581
Cash and cash equivalents at end of the period	388 491	195 286	212 168

During the third quarter of 2019, 11 per cent of the subsidiary Ölands Bank AB was sold. Swedbank AB's ownership subsequently amounts to 49 per cent, and as a result the company is accounted for as an associated company according to the equity method from the date of disposal. Swedbank received a cash payment of SEK 52m. The capital gain was SEK 40m.

During the second quarter 2020 contributions were provided to Invidem AB of SEK 11m. During 2019, contributions were provided to the joint ventures Invidem AB of SEK 57m and P27 Nordic Payments Platform AB of SEK 24m.

During the second quarter 2020 the associated company Svensk Mäklarstatistik was sold. Swedbank

received a cash payment of SEK 5m and the capital gain was SEK 3m.

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received parts of the cash payment, SEK 71m, in the first quarter of 2020 as well as in the first quarter of 2019.

During the fourth quarter of 2019, the associated company Babs Paylink AB was sold. Swedbank received a cash payment of SEK 113m. The capital gain was SEK 25m.

During the third quarter 2020, the shares in the Finnish credit information company Enento Group was sold. Swedbank received a cash payment of SEK 570m.

Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual and Sustainability Report for 2019, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2019 Annual and Sustainability Report.

Other changes in accounting regulations

Other amended regulations that have been adopted from 1 January 2020 did not have a significant impact on the Group's financial position, results, cash flows or disclosures.

Standards issued but not yet adopted

The International Accounting Standards Board (IASB) has issued amendments to IFRS 17 Insurance contracts which are not yet applicable to Swedbank.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 was issued in August 2020 and is applicable from 1 January 2021, with early application permitted. The amendments address the accounting issues that arise when financial instruments that reference IBORs transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest rate benchmark, to be treated as changes to a floating interest rate. They also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. The amendments have not yet been approved by the EU. The impacts on the Group's financial reports are still being assessed by the Group.

Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the reporting date as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including assessing control over investment funds, the fair value of financial instruments, provisions for credit impairment, impairment testing of goodwill, deferred taxes and defined benefit pension

provisions. Significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2019 related to provisions for credit impairments. The changes are described in Note 9. From the first quarter 2020 more high quality bonds have been included in the determination of the discount rate, which are used in the provision for the defined benefit pension plan. Beyond the above there have been no significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2019.

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first nine months 2020.

Note 4 Operating segments (business areas)

Jan-Sep 2020			Large	Group		
SEKm	Swedish	Baltic	Corporates &	Functions	Eliminations	Group
	Banking	Banking	Institutions	& Other		
Income statement						
Net interest income	12 425	4 088	2 892	900	-19	20 286
Net commission income	5 822	1 824	1 787	-94	55	9 394
Net gains and losses on financial items	260	237	1 220	28	0	1 745
Other income ¹⁾	1 173	645	91	737	-159	2 487
Total income	19 680	6 794	5 990	1 571	-123	33 912
of which internal income	29		26	661	-716	
Staff costs	2 290	837	1 679	3 684	-10	8 480
Variable staff costs	31	25	40	92		188
Other expenses	4 852	1 546	1 090	-2 242	-113	5 133
Depreciation/amortisation	41	129	183	820		1 173
Administrative fine				4 000		4 000
Total expenses	7 214	2 537	2 992	6 354	-123	18 974
Profit before impairment	12 466	4 257	2 998	-4 783		14 938
Impairment of tangible assets		1				1
Credit impairment	665	245	2 888	13		3 811
Operating profit	11 801	4 011	110	-4 796		11 126
Tax expense	2 344	674	-418	107		2 707
Profit for the period	9 457	3 337	528	-4 903		8 419
Profit for the period attributable to the shareholders of Swedbank AB	9 457	3 337	528	-4 903		8 419
Non-controlling interests	0					0
Net commission income						
Commission income						
Payment processing	533	484	426	73	-23	1 493
Cards	1 648	1 155	1 466		-327	3 942
Asset management and custody	4 334	252	1 026	-9	-194	5 409
Lending	166	127	480	9	-5	777
Other commission income ²⁾	1 572	372	706	26	-6	2 670
Total Commission income	8 253	2 390	4 104	99	-555	14 291
Commission expense	2 431	566	2 317	193	-610	4 897
Net commission income	5 822	1 824	1 787	-94	55	9 394
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	123	262	-1	388
Loans to credit institutions	7		97	192	-245	51
Loans to the public	1 211	190	282	2	-1	1 684
Interest-bearing securities		1	82	123	-3	203
Financial assets for which customers bear inv. risk	234	6				240
Investments in associates and joint ventures	5			2		7
Derivatives			62	45	-53	54
Total tangible and intangible assets	2	12	2	8		24
Other assets	3	93	31	466	-548	45
Total assets	1 463	305	679	1 100	-851	2 696
Amounts owed to credit institutions	30		210	161	-235	166
Deposits and borrowings from the public	627	272	206	59	-8	1 156
Debt securities in issue		1	7	811	-4	815
Financial liabilities for which customers bear inv. risk	235	6				241
Derivatives			65	28	-52	41
Other liabilities	503		157	-18	-552	90
Senior non-preferred liabilities				11		11
Subordinated liabilities				25		25
Total liabilities	1 395	279	645	1 077	-851	2 545
Allocated equity	68	26	34	23	0	151
Total liabilities and equity	1 463	305	679	1 100	-851	2 696
Key figures						
Return on allocated equity, %	18.8	17.2	2.2	-33.9		7.8
Cost/income ratio	0.37	0.37	0.50	4.04		0.56
Credit impairment ratio, %	0.07	0.17	1.30	0.09		0.30
Loan/deposit ratio, %	193	70	126	0		143
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	8			13
Loans to the public, total, SEKbn ³⁾	1 211	190	221			1 622
Provisions for loans to the public, total, SEKbn ³⁾	2	1	6			9
Deposits from the public, SEKbn ³⁾	627	272	176	57		1 132
Risk exposure amount, SEKbn	400	95	170	27		692
Full-time employees	3 936	3 619	2 351	6 101		16 007
Allocated equity, average, SEKbn	67	26	32	19		144

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

²⁾ Other commission income includes service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance, guarantees.

³⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Jan-Sep 2019

	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
SEKm						
Income statement						
Net interest income	12 161	3 874	2 838	708		19 581
Net commission income	5 837	1 956	1 693		83	9 569
Net gains and losses on financial items	328	303	1 534	247	-1	2 411
Other income ¹⁾	1 261	632	110	605	-165	2 443
Total income	19 587	6 765	6 175	1 560	-83	34 004
of which internal income	63		-1	393	-455	
Staff costs	2 214	783	1 596	3 322		7 915
Variable staff costs	42	46	166	135		389
Other expenses	4 316	1 472	1 087	-1 820	-83	4 972
Depreciation/amortisation	218	130	172	639		1 159
Total expenses	6 790	2 431	3 021	2 276	-83	14 435
Profit before impairment	12 797	4 334	3 154	-716		19 569
Impairment of intangible assets			66			66
Impairment of tangible assets		3				3
Credit impairment	144	6	330	1		481
Operating profit	12 653	4 325	2 758	-717		19 019
Tax expense	2 480	616	636	6		3 738
Profit for the period	10 173	3 709	2 122	-723		15 281
Profit for the period attributable to the shareholders of Swedbank AB	10 161	3 709	2 122	-723		15 269
Non-controlling interests	12					12
Net commission income						
Commission income						
Payment processing	533	524	416	99	-17	1 555
Cards	1 930	1 273	1 523		-289	4 437
Asset management and custody	3 920	280	931	-1	-180	4 950
Lending	188	127	424	6	1	746
Other commission income ²⁾	1 594	359	520	76	-7	2 542
Total Commission income	8 165	2 563	3 814	180	-492	14 230
Commission expense	2 328	607	2 121	180	-575	4 661
Net commission income	5 837	1 956	1 693		83	9 569
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	3	206	-1	212
Loans to credit institutions	6		83	179	-228	40
Loans to the public	1 200	187	278	3		1 668
Interest-bearing securities		1	76	166	-3	240
Financial assets for which customers bear inv. risk	209	5				214
Investments in associates	4			2		6
Derivatives			67	49	-55	61
Total tangible and intangible assets	2	12	2	8		24
Other assets	3	58	22	483	-524	42
Total assets	1 425	266	531	1 096	-811	2 507
Amounts owed to credit institutions	25		199	95	-216	103
Deposits and borrowings from the public	567	232	158	25	-8	974
Debt securities in issue		2	11	911	-5	919
Financial liabilities for which customers bear inv. risk	209	6				215
Derivatives			68	26	-54	40
Other liabilities	559		67	-9	-528	89
Senior non-preferred liabilities						
Subordinated liabilities				33		33
Total liabilities	1 360	240	503	1 081	-811	2 373
Allocated equity	65	26	28	15		134
Total liabilities and equity	1 425	266	531	1 096	-811	2 507
Key figures						
Return on allocated equity, %	21.0	19.3	10.5	-6.0		15.3
Cost/income ratio	0.35	0.36	0.49	1.46		0.42
Credit impairment ratio, %	0.02	0.00	0.16	0.00		0.04
Loan/deposit ratio, %	212	81	168	1		168
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	8			13
Loans to the public, total, SEKbn ³⁾	1 200	188	225			1 613
Provisions for loans to the public, total, SEKbn ³⁾	1	1	4			6
Deposits, SEKbn ³⁾	567	232	134	24		957
Risk exposure amount, SEKbn	387	96	150	24	0	657
Full-time employees	3 662	3 556	2 263	5 588		15 069
Allocated equity, average, SEKbn	64	26	27	16		133

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

²⁾ Other commission income includes service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance, guarantees.

³⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Operating segments accounting policies

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 period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average monthly allocated equity for the operating segment. For periods shorter than one year the key ratio is annualised.

During the first quarter 2020 Swedbank's operating segments were changed slightly to coincide with the organisational changes made. Comparative figures have been restated.

Note 5 Net interest income

Group SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Interest income								
Cash and balances with central banks	-211	-190	11	81		-382	404	
Treasury bills and other bills eligible for refinancing with central banks, etc.	15	16	-6	43	-65	61	127	-52
Loans to credit institutions	56	80	-30	151	-63	268	409	-34
Loans to the public	8 101	8 350	-3	8 311	-3	24 753	24 746	
Bonds and other interest-bearing securities	176	104	69	-5		321	61	
Derivatives	78	209	-63	358	-78	581	1 153	-50
Other assets	42	49	-14	55	-24	144	165	-13
Total	8 257	8 618	-4	8 994	-8	25 746	27 065	-5
Deduction of trading-related interests reported in Net gains and losses on financial items	43	-59		151	-72	59	419	-86
Total interest income	8 214	8 677	-5	8 843	-7	25 687	26 646	-4
Interest expense								
Amounts owed to credit institutions	-1	-78	-99	-269	-100	-214	-875	-76
Deposits and borrowings from the public	-148	-147	1	-391	-62	-623	-1 402	-56
of which deposit guarantee fees	-119	-118	1	-128	-7	-354	-341	4
Debt securities in issue	-1 594	-1 951	-18	-2 750	-42	-5 860	-9 047	-35
Senior non-preferred liabilities	-57	-29	97			-112		
Subordinated liabilities	-183	-189	-3	-247	-26	-651	-703	-7
Derivatives	781	938	-17	1 658	-53	2 889	5 814	-50
Other liabilities	-247	-277	-11	-314	-21	-729	-935	-22
of which resolution fund fee	-218	-249	-12	-278	-22	-643	-839	-23
Total	-1 449	-1 733	-16	-2 313	-37	-5 300	-7 148	-26
Deduction of trading-related interests reported in Net gains and losses on financial items	51	58	-12	-23		101	-83	
Total interest expense	-1 500	-1 791	-16	-2 290	-34	-5 401	-7 065	-24
Net interest income	6 714	6 886	-2	6 553	2	20 286	19 581	4
Net investment margin before trading-related interests are deducted	1.00	1.01	-1	1.06	-5	1.02	1.06	-4
Average total assets	2 728 877	2 729 334	0	2 531 444	8	2 672 347	2 505 553	7
Interest expense on financial liabilities at amortised cost	1 954	2 375	-18	3 886	-50	7 398	12 803	-42
Negative yield on financial assets	355	268	32	562	-37	1 225	1 639	-25
Negative yield on financial liabilities	106	142	-25	141	-25	333	426	-22

Derivatives include net interest income related to hedged assets and liabilities. These may have both a positive and negative impact on interest income and interest expense.

Note 6 Net commission income

Group SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Commission income								
Payment processing	499	487	2	515	-3	1 493	1 559	-4
Cards	1 380	1 233	12	1 589	-13	3 942	4 437	-11
Service concepts	306	312	-2	313	-2	930	932	
Asset management and custody	1 895	1 721	10	1 614	17	5 409	4 950	9
Insurance	168	167	1	170	-1	526	509	3
Securities and corporate finance	140	169	-17	86	63	511	317	61
Lending	271	254	7	258	5	777	746	4
Other	240	223	8	254	-6	703	780	-10
Total commission income	4 899	4 566	7	4 799	2	14 291	14 230	
Commission expense								
Payment processing	-277	-285	-3	-277		-843	-876	-4
Cards	-667	-643	4	-713	-6	-1 936	-1 982	-2
Service concepts	-39	-36	8	-42	-7	-112	-125	-10
Asset management and custody	-431	-433		-257	68	-1 292	-1 059	22
Insurance	-70	-65	8	-61	15	-206	-177	16
Securities and corporate finance	-77	-91	-15	-69	12	-255	-224	14
Lending	-32	-31	3	-19	68	-83	-57	46
Other	-60	-57	5	-64	-6	-170	-161	5
Total commission expense	-1 653	-1 641	1	-1 502	10	-4 897	-4 661	5
Net commission income								
Payment processing	222	202	10	238	-7	650	683	-5
Cards	713	590	21	876	-19	2 006	2 455	-18
Service concepts	267	276	-3	271	-1	818	807	1
Asset management and custody	1 464	1 288	14	1 357	8	4 117	3 891	6
Insurance	98	102	-4	109	-10	320	332	-4
Securities and corporate finance	63	78	-19	17		256	93	
Lending	239	223	7	239		694	689	1
Other	180	166	8	190	-5	533	619	-14
Total Net commission income	3 246	2 925	11	3 297	-2	9 394	9 569	-2

Note 7 Net gains and losses on financial items

Group SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Fair value through profit or loss								
Shares and share related derivatives	-59	333		19		241	584	-59
of which dividend	13	7	86	3		29	130	-78
Interest-bearing securities and interest related derivatives	430	949	-55	19		494	518	-5
Financial liabilities	8	7	14	28	-71	30	63	-52
Other financial instruments	-5	-19	-74	-14	-64	-18	-39	-54
Total fair value through profit or loss	374	1 270	-71	52		747	1 126	-34
Hedge accounting								
Ineffective part in fair value hedges	76	-168		-6		-55	-112	-51
of which hedging instruments	-394	1 487		2 445		4 499	10 012	-55
of which hedged items	470	-1 655		-2 451		-4 554	-10 124	-55
Ineffective part in portfolio fair value hedges	-72	96		8		13	85	-85
of which hedging instruments	-166	-1 043	-84	-195	-15	-2 125	-2 054	3
of which hedged items	94	1 139	-92	203	-54	2 138	2 139	
Ineffective part in cash flow hedges	0	-4		1	-60	-2	3	
Total hedge accounting	4	-76		3	33	-44	-24	83
Derecognition gain or loss for financial assets at amortised cost	79	38		81	-2	151	157	-4
Derecognition gain or loss for financial liabilities at amortised cost	-23	-14	64	-1		-113	-96	18
Trading related interest								
Interest income	43	-59		152	-72	59	419	-86
Interest expense	51	58	-12	-23		101	-83	
Total trading related interest	94	-1		129	-27	160	336	-52
Change in exchange rates	141	181	-22	193	-27	844	912	-7
Total net gains and losses on financial items	669	1 398	-52	457	46	1 745	2 411	-28

Note 8 Other general administrative expenses

Group SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Premises	112	92	22	117	-4	296	411	-28
IT expenses	566	596	-5	527	7	1 731	1 543	12
Telecommunications and postage	31	31		37	-16	108	92	17
Advertising, PR and marketing	62	83	-25	69	-10	222	200	11
Consultants	215	307	-30	409	-47	1 274	861	48
Compensation to savings banks	58	58		58		174	169	3
Other purchased services	218	233	-6	222	-2	682	666	2
Security transport and alarm systems	16	20	-20	17	-6	52	50	4
Supplies	17	22	-23	17		62	54	15
Travel	3	4	-25	44	-93	57	159	-64
Entertainment	4	2		3	33	17	26	-35
Repair/maintenance of inventories	21	24	-13	20	5	75	51	47
Other operating expenses	9	10	-10	139	-94	46	182	-75
Other administrative expenses	103	106	-3	339	-70	337	508	-34
Other general administrative expenses	1 435	1 588	-10	2 018	-29	5 133	4 972	3

Note 9 Credit impairment

Group SEKm	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
Loans at amortised cost					
Credit impairment provisions - Stage 1	-140	259	-26	416	23
Credit impairment provisions - Stage 2	16	398	-69	1 032	-412
Credit impairment provisions - Stage 3	-167	321	159	979	250
Credit impairment provisions - Credit-impaired purchased or originated ¹⁾	-1		-1	-2	-4
Total	-292	978	63	2 425	-143
Write-offs	773	107	214	1 017	606
Recoveries	-54	-31	-56	-131	-156
Total	719	76	158	886	450
Total loans at amortised cost	427	1 054	221	3 311	307
Commitments and financial guarantees					
Credit impairment provisions - Stage 1	-19	79	4	144	19
Credit impairment provisions - Stage 2	27	113	-14	330	-73
Credit impairment provisions - Stage 3	-10	-11	-57	26	227
Total	-2	181	-67	500	173
Write-offs					1
Total commitments and financial guarantees	-2	181	-67	500	174
Total credit impairment	425	1 235	154	3 811	481
Credit impairment ratio, %	0.10	0.28	0.04	0.30	0.04

¹⁾ Of which SEK -1m (-1m) is a year to date 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.

Credit impairment provisions are estimated using quantitative models, which incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. They reflect the effect of a range of possible probability-weighted economic outcomes. In particular, the following can have a significant impact on the level of impairment provisions:

- measurement of both 12-month and lifetime expected credit losses;
- determination of a significant increase in credit risk; and
- incorporation of forward-looking macroeconomic scenarios.

Further details on the key inputs and assumptions used as at 30 September 2020 are provided below.

Measurement of 12-month and lifetime expected credit losses

The measurement of expected credit losses is described in Note G3.1 Credit risks on pages 67-70 of the Annual and Sustainability Report 2019. There have been no significant changes during the year to the methodology. However, key portfolio risks have changed as a consequence of Covid-19. The deterioration of macroeconomic indicators that contribute to credit risk and losses – inter alia GDP growth, housing and property prices, unemployment, oil prices and interest rates – have not yet resulted in a similar increase in credit losses or default rates, that historically have been observed in similar economic shocks. Government and regulator support measures and guidance on the treatment of customer impacts (for example, forbearance and payment moratoria) have significantly suppressed the impacts of Covid-19 in the short term there is a risk that credit quality may start to

deteriorate as such measures end. The models do not capture these complexities, nor do they capture the continued uncertainty around further Covid-19 outbreaks, which were increasing during September and could further delay the recovery. Consequently, the modelled assumptions may not appropriately assess the credit quality levels and the credit impairments may not appropriately incorporate these factors. A post-model expert credit adjustment of SEK 886m was recognised to increase credit impairment provisions across all industry segments to account for the potential economic impacts of the Covid-19 pandemic that have not yet been realised.

Determination of a 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 the Annual and Sustainability Report of 2019 on page 62 and 68 - 69. There have been no significant changes during the year to the methodology. As a way of supporting both private and corporate customers with Covid-19 related liquidity constraints, Swedbank introduced standardised and collective methods for payment respites and grace periods for principal amounts due. Generally, these measures have not automatically or individually been treated as a Stage 2 trigger or forbearance measures, in accordance with the April 2020 EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the Covid-19 crisis. EBA's Guidelines are however only effective for moratoria measures granted before 30 September 2020. Any new measures granted or extended from 30 September 2020 will be assessed for both Stage 2 and forbearance according to Swedbank's usual practice. The fact that certain borrowers need extensions of their payment moratoria also indicates further financial difficulties for these customers.

The tables below show the quantitative thresholds, namely:

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 3 to 8 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2019 Annual and Sustainability Report.
- 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 limits 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 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 30 September 2020 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised

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

Impairment provision impact of						
Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating downgrade ^{1) 2) 3)}	Increase in threshold by 1 grade	Decrease in threshold by 1 grade	Recognised credit impairment provisions 30 Sep 2020	Share of total portfolio (%) in terms of gross carrying amount 30 Sep 2020
13-21	< 0.5%	3 - 8 grades	-6.5%	5.9%	812	36%
9-12	0.5-2.0%	1 - 5 grades	-10.9%	9.3%	469	7%
6-8	2.0-5.7%	1 - 3 grades	-11.2%	5.1%	111	3%
0-5	>5.7% and <100%	1 - 2 grades	-1.0%	0.0%	173	1%
			-7.6%	6.2%	1 565	47%
		Financial instruments subject to the low credit risk exemption			7	11%
		Stage 3 financial instruments			3 333	0%
		Post model expert credit adjustment ⁴⁾			353	
		Total provisions⁵⁾			5 258	58%

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

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

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

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

⁵⁾ Of which provisions for off-balance exposures are SEK 752m.

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

Impairment provision impact of						
Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁶⁾	Increase in threshold by 100%	Decrease in threshold by 50%	Recognised credit impairment provisions 30 Sep 2020	Share of total portfolio (%) in terms of gross carrying amount 30 Sep 2020	
13-21	100-300%	-2.5%	5.0%	487	29%	
9-12	100-200%	-3.9%	3.9%	543	7%	
6-8	50-150%	-0.6%	1.6%	208	2%	
0-5	50%	-0.2%	0.6%	281	1%	
		-2.3%	3.3%	1 519	40%	
		Financial instruments subject to the low credit risk exemption			10	2%
		Stage 3 financial instruments			2 733	0%
		Post model expert credit adjustment ⁷⁾			467	
		Total provisions⁸⁾			4 729	42%

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

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

⁸⁾ Of which provisions for off-balance exposures are SEK 299m.

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. The formulation and incorporation of multiple forward-looking scenarios are described in Note G3 Risks page 67 - 70 in the 2019 Annual and Sustainability Report. There have been no significant changes during the year to the methodology.

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The economic scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. A new Swedbank Economic

Outlook was published on 25 August which serves as the base scenario, with an assigned probability weight of 66.6 per cent. Aligned with the updated base scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to the Group's usual monthly process.

The increase in credit impairment provisions due to changes in macroeconomic scenarios was SEK 317m. See the reconciliation of credit impairment provisions for loans in Note 11.

IFRS 9 scenarios

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

30 Sep 2020	Positive scenario			Baseline scenario			Negative scenario		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Sweden									
GDP (% annual)	-4.4	4.1	2.7	-5.2	3.0	3.5	-8.3	-5.0	5.8
Unemployment (% annual) ¹⁾	8.4	8.4	7.5	8.6	9.4	8.9	8.9	12.4	11.8
House prices (% annual change)	5.8	4.5	4.5	5.5	3.5	3.7	4.3	-5.4	-1.1
Stibor 3m (%)									
Estonia									
GDP (% annual)	-2.5	5.9	3.4	-4.3	4.5	3.0	-7.7	-2.3	3.4
Unemployment (% annual)	7.6	6.5	5.8	8.1	7.4	6.9	9.0	13.9	12.4
House prices (% annual change)	6.0	10.1	7.8	4.3	2.7	5.0	2.0	-17.5	8.2
Latvia									
GDP (% annual)	-3.6	5.8	3.6	-5.0	4.2	3.3	-8.9	-1.7	3.7
Unemployment (% annual)	8.0	6.9	5.9	8.3	7.8	6.5	9.4	14.9	13.9
House prices (% annual change)	3.5	11.2	8.2	1.4	4.4	5.9	-1.2	-16.7	6.7
Lithuania									
GDP (% annual)	-1.2	6.2	4.0	-2.0	4.8	3.4	-5.8	-2.2	3.8
Unemployment (% annual)	7.3	6.2	5.6	7.5	6.6	6.3	9.1	14.4	13.4
House prices (% annual change)	12.5	8.5	7.8	9.1	1.6	5.5	7.3	-20.6	9.2
Global indicators									
US GDP (% annual)	-4.5	5.4	3.4	-5.1	3.7	2.9	-6.9	-1.2	5.8
EU GDP (% annual)	-7.6	6.4	2.3	-8.3	5.8	2.8	-11.6	0.1	6.3
Brent Crude Oil (USD)	36.2	31.4	37.8	43.8	47.8	49.4	47.6	59.7	64.4
Euribor 6m (%)	-0.30	-0.01	0.73	-0.36	-0.45	-0.34	-0.56	-0.77	-0.66

¹⁾ Unemployment rate, 16-64 years

30 Jun 2020	Positive scenario			Baseline scenario			Negative scenario		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Sweden									
GDP (% annual)	1.2	-3.9	3.7	1.2	-5.1	1.7	1.2	-9.9	-2.0
Unemployment (% annual) ¹⁾	6.8	8.8	8.1	6.8	9.6	10.3	6.8	10.3	14.0
House prices (% annual change)	2.3	5.1	6.0	2.3	0.5	-1.5	2.3	-4.9	-6.7
Stibor 3m (%)	-0.03	0.18	0.24	-0.03	0.18	0.17	-0.03	-0.01	-0.57
Estonia									
GDP (% annual)	4.4	-2.4	3.7	4.4	-7.0	5.0	4.4	-11.2	-1.0
Unemployment (% annual)	4.5	6.8	6.2	4.5	9.5	7.7	4.5	11.3	16.3
House prices (% annual change)	7.3	4.4	3.5	7.3	-0.9	0.5	7.3	-9.9	-16.1
Latvia									
GDP (% annual)	2.2	-2.9	4.3	2.2	-7.5	4.3	2.2	-11.3	-1.3
Unemployment (% annual)	6.3	7.2	6.6	6.3	9.5	8.5	6.3	11.8	15.3
House prices (% annual change)	7.3	4.2	4.1	7.3	-3.1	0.8	7.3	-8.3	-16.2
Lithuania									
GDP (% annual)	3.9	-1.2	3.6	3.9	-6.5	4.5	3.9	-9.7	-2.6
Unemployment (% annual)	6.3	7.2	6.4	6.3	8.9	7.2	6.3	11.9	15.5
House prices (% annual change)	6.0	6.3	2.9	6.0	1.1	-0.4	6.0	-6.4	-15.4
Global indicators									
US GDP (% annual)	2.3	-3.2	5.0	2.3	-5.8	4.1	2.3	-9.4	-2.9
EU GDP (% annual)	1.2	-5.4	2.0	1.2	-6.9	4.6	1.2	-10.8	0.1
Brent Crude Oil (USD)	64.1	48.0	54.3	64.1	39.1	39.9	64.1	32.2	30.2
Euribor 6m (%)	-0.30	-0.31	0.16	-0.30	-0.39	-0.44	-0.30	-0.58	-0.74

¹⁾ Unemployment rate, 16-64 years

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

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

²⁾ Unemployment rate, 16-64 years

The Covid-19 pandemic has put the global economy in a severe recession, with GDP expected to contract by 3 per cent in 2020. We continue to think that the worst quarter was the second quarter of 2020, after which we expect to see a rebound, although it will be gradual and muted. Recent data indicates a faster recovery than was expected in the first half of the year, implying slightly improved growth prospects for all countries.

The forecast is based on a few important assumptions: the virus peaked in Europe and the US at the beginning of the second quarter; restrictive measures to stop the spread of the infection are now gradually being rolled back; several restrictions will remain in place for the rest of the year. In addition, we also assume that uncertainty will fade during the first half of 2021 and, while some government support measures from the acute phase will be ended, both monetary and fiscal policy will remain accommodative throughout the forecast horizon.

Sweden

The decline in GDP in the second quarter was historic but data suggests an improvement had already begun over the summer. However, the recovery will be slow due to cautious households and firms and high uncertainty. GDP is expected to decline by 5 per cent this year and increase by around 3 per cent in 2021 and 2022.

In the labour market, the turnaround will be delayed until the beginning of next year, and unemployment will remain stubbornly high. We expect unemployment to continue to rise during the autumn and reach 10 per cent during the winter, implying that 170,000 more people are unemployed.

The Riksbank's repo rate is expected to remain at zero per cent while asset purchases continue. Fiscal policy is expected to stimulate the economy throughout the forecast period.

The housing market has been surprisingly resilient during the pandemic. Continued low interest rates, the absence of new credit restrictions and tax changes and a strong need for housing in a growing population suggest that house prices should continue to rise slightly during the autumn and in 2021 and 2022.

Baltics

The Baltic countries suffered a milder contraction than the rest of the euro area in the second quarter, and they seem to be recovering quickly. Given this and a very rapid recovery in household consumption, economies are expected to recover as the lockdowns ended and economic activity gradually returns to normal. Consumer confidence and retail trade have rebounded quickly, and consumption leads the way in recovery, while exports and investments are expected to lag. Suppressed demand across the world will hurt manufacturing, export, and investment.

The impact on the labour market has been smaller than expected. The unemployment rate has increased only mildly and is expected to return to a downward path once economic recovery gathers speed. Wage growth will be sluggish this year but pick up again in 2021. Inflation will be very subdued in 2020, due to both a decrease in demand and the low global oil price. Monetary and fiscal policies remain very expansive.

Sensitivity

Set out below are the credit impairment provisions as at 30 September 2020 that would result from the downside

and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	2 502	22%
	Upside scenario	1 851	-10%
Baltic Banking	Downside scenario	1 048	25%
	Upside scenario	722	-14%
LC&I	Downside scenario	8 697	23%
	Upside scenario	5 640	-20%
Group ¹⁾	Downside scenario	12 261	23%
	Upside scenario	8 227	-18%

¹⁾ Including Group Functions & Other.

Note 10 Loans

30 Sep 2020	Non credit-impaired						Credit impaired				Total
	Stage 1 12 month ECL ²⁾			Stage 2 Lifetime ECL ²⁾			Stage 3 Lifetime ECL ²⁾				
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net		
Group SEKm											
Loans to the public at amortised cost											
Private customers	1 031 434	143	1 031 291	45 895	342	45 553	2 311	517	1 794	1 078 638	
Private mortgage	894 789	52	894 737	37 096	185	36 911	1 668	301	1 367	933 015	
Tenant owner associations	93 074	8	93 066	3 054	6	3 048	137	5	132	96 246	
Private other	43 571	83	43 488	5 745	151	5 594	506	211	295	49 377	
Corporate customers	466 584	708	465 876	74 562	1 979	72 583	10 218	5 215	5 003	543 462	
Agriculture, forestry, fishing	57 567	23	57 544	8 161	86	8 075	179	29	150	65 769	
Manufacturing	33 470	99	33 371	7 280	218	7 062	377	139	238	40 671	
Public sector and utilities	23 757	32	23 725	1 064	21	1 043	110	45	65	24 833	
Construction	14 824	31	14 793	5 256	161	5 095	404	44	360	20 248	
Retail	22 142	64	22 078	7 774	325	7 449	590	250	340	29 867	
Transportation	12 214	10	12 204	2 387	46	2 341	30	7	23	14 568	
Shipping and offshore	7 521	28	7 493	4 827	452	4 375	6 940	4 204	2 736	14 604	
Hotels and restaurants	5 646	9	5 637	3 805	59	3 746	357	49	308	9 691	
Information and communication	8 842	18	8 824	3 084	52	3 032	17	4	13	11 869	
Finance and insurance	17 443	65	17 378	4 000	3	3 997	21	8	13	17 788	
Property management, including Residential properties	224 636	269	224 367	25 052	397	24 655	635	172	463	249 485	
Commercial	64 474	67	64 407	8 367	97	8 270	88	20	68	72 745	
Industrial and Warehouse	92 582	124	92 458	8 840	129	8 711	465	135	330	101 499	
Other	43 483	50	43 433	2 764	21	2 743	59	9	50	46 226	
Professional services	24 097	28	24 069	5 081	150	4 931	23	8	15	29 015	
Other corporate lending	20 031	44	19 987	3 699	114	3 585	421	226	195	23 767	
Other corporate lending	18 491	16	18 475	1 773	45	1 728	137	38	99	20 302	
Loans to the public at fair value through profit or loss										120	
Loans to the public excluding the Swedish National Debt Office and repurchase agreements											
	1 498 018	851	1 497 167	120 457	2 321	118 136	12 529	5 732	6 797	1 622 220	
Swedish National Debt Office Repurchase agreements ¹⁾	2		2							2	
Loans to the public	1 498 020	851	1 497 169	120 457	2 321	118 136	12 529	5 732	6 797	1 683 986	
Banks and other credit institutions Repurchase agreements ¹⁾	41 946	31	41 915	67	1	66				41 981	
Loans to credit institutions	41 946	31	41 915	67	1	66				50 839	
Loans to the public and credit institutions	1 539 966	882	1 539 084	120 524	2 322	118 202	12 529	5 732	6 797	1 734 825	

¹⁾ At fair value through profit or loss

²⁾ ECL - Expected credit losses

31 Dec 2019	Non credit-impaired						Credit impaired				Total
	Stage 1 12 month ECL ²⁾			Stage 2 Lifetime ECL ²⁾			Stage 3 Lifetime ECL ²⁾				
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net		
Group SEKm											
Loans to the public at amortised cost											
Private customers	1 002 000	72	1 001 928	49 132	255	48 877	2 196	479	1 717	1 052 522	
Private mortgage	864 774	26	864 748	38 657	159	38 498	1 661	301	1 360	904 606	
Tenant owner associations	95 372	6	95 366	4 131	12	4 119	126	4	122	99 607	
Private other	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 and restaurants	8 208	6	8 202	1 315	27	1 288	103	21	82	9 572	
Information and communication	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, including Residential properties	233 217	144	233 073	20 515	244	20 271	1 454	239	1 215	254 559	
Commercial	71 810	35	71 775	7 706	100	7 606	145	49	96	79 477	
Industrial and Warehouse	93 108	61	93 047	5 401	64	5 337	1 137	147	990	99 374	
Other	43 708	35	43 673	3 367	28	3 339	96	9	87	47 099	
Professional services	24 591	13	24 578	4 041	52	3 989	76	34	42	28 609	
Other corporate lending	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 at fair value through profit or loss										154	
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	1 605 625	
Swedish National Debt Office Repurchase agreements ¹⁾	4		4							4	
Loans to the public	1 492 372	479	1 491 893	106 189	1 347	104 842	13 593	4 853	8 740	1 652 296	
Banks and other credit institutions Repurchase agreements ¹⁾	45 373	4	45 369	75	1	74				45 443	
Loans to credit institutions	45 373	4	45 369	75	1	74				45 452	
Loans to the public and credit institutions	1 537 745	483	1 537 262	106 264	1 348	104 916	13 593	4 853	8 740	1 697 748	

¹⁾ At fair value through profit or loss

²⁾ ECL - Expected credit losses

30 Sep 2019	Non credit-impaired						Credit impaired				Total
	Stage 1 12 month ECL ²⁾			Stage 2 Lifetime ECL ²⁾			Stage 3 Lifetime ECL ²⁾				
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net		
Loans to the public at amortised cost											
Private customers	1 001 020	82	1 000 938	49 396	268	49 128	2 342	485	1 857	1 051 923	
Private mortgage	860 600	32	860 568	39 472	171	39 301	1 823	306	1 517	901 386	
Tenant owner associations	98 666	6	98 660	3 859	15	3 844	119	6	113	102 617	
Private other	41 754	44	41 710	6 065	82	5 983	400	173	227	47 920	
Corporate customers	498 956	436	498 520	57 230	1 111	56 119	10 336	3 881	6 455	561 094	
Agriculture, forestry, fishing	57 339	16	57 323	9 083	93	8 990	179	29	150	66 463	
Manufacturing	38 991	96	38 895	4 124	60	4 064	1 373	635	738	43 697	
Public sector and utilities	20 474	15	20 459	1 007	12	995	60	13	47	21 501	
Construction	15 822	16	15 806	3 939	79	3 860	398	36	362	20 028	
Retail	26 581	35	26 546	5 825	152	5 673	723	528	195	32 414	
Transportation	12 992	7	12 985	2 243	22	2 221	33	6	27	15 233	
Shipping and offshore	10 767	27	10 740	5 683	343	5 340	5 909	2 054	3 855	19 935	
Hotels and restaurants	7 203	6	7 197	1 400	34	1 366	92	20	72	8 635	
Information and communication	13 124	22	13 102	1 181	26	1 155	22	4	18	14 275	
Finance and insurance	14 343	9	14 334	495	2	493	13	9	4	14 831	
Property management, including	238 856	151	238 705	17 577	192	17 385	839	288	551	256 641	
Residential properties	71 355	38	71 317	6 979	73	6 906	150	88	62	78 285	
Commercial	97 291	66	97 225	4 828	45	4 783	521	164	357	102 365	
Industrial and Warehouse	44 569	32	44 537	2 710	20	2 690	90	15	75	47 302	
Other	25 641	15	25 626	3 060	54	3 006	78	21	57	28 689	
Professional services	23 176	23	23 153	3 262	70	3 192	400	179	221	26 566	
Other corporate lending	19 288	13	19 275	1 411	26	1 385	295	80	215	20 875	
Loans to the public at fair value through profit or loss										114	
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 499 976	518	1 499 458	106 626	1 379	105 247	12 678	4 366	8 312	1 613 131	
Swedish National Debt Office	2 004		2 004							2 004	
Repurchase agreements ¹⁾										52 888	
Loans to the public	1 501 980	518	1 501 462	106 626	1 379	105 247	12 678	4 366	8 312	1 668 023	
Banks and other credit institutions	32 881	7	32 874	52		52				32 926	
Repurchase agreements ¹⁾										7 055	
Loans to credit institutions	32 881	7	32 874	52		52				39 981	
Loans to the public and credit institutions	1 534 861	525	1 534 336	106 678	1 379	105 299	12 678	4 366	8 312	1 708 004	

¹⁾ At fair value through profit or loss

²⁾ ECL - Expected credit losses

Ratios	30 Sep	31 Dec	30 Sep
	2020	2019	2019
Share of Stage 3 loans, gross, %	0.75	0.82	0.77
Share of Stage 3 loans, net, %	0.41	0.53	0.50
Credit impairment provision ratio Stage 1 loans	0.06	0.03	0.03
Credit impairment provision ratio Stage 2 loans	1.93	1.27	1.29
Credit impairment provision ratio Stage 3 loans	45.75	35.70	34.44
Total credit impairment provision ratio	0.53	0.40	0.38

Note 11 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

The table below provides a reconciliation of credit impairment provisions for loans to the public and credit institutions at amortised cost.

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 ¹⁾	
Group				
SEKm				
Carrying amount before provisions				
Opening balance as of 1 January 2020	1 537 745	106 264	13 593	1 657 602
Closing balance as of 30 September 2020	1 539 966	120 524	12 529	1 673 019
Credit impairment provisions				
Opening balance as of 1 January 2020	483	1 348	4 853	6 684
Movements affecting Credit impairment line				
New and derecognised financial assets, net	149	29	-755	-577
Changes in risk factors (EAD, PD, LGD)	107	63	20	190
Changes in macroeconomic scenarios	172	88	-1	259
Changes due to expert credit judgement (individual assessments and manual adjustments)	253	364	1 517	2 134
Stage transfers	-265	488	328	551
<i>from 1 to 2</i>	-278	621		343
<i>from 1 to 3</i>	-2		108	106
<i>from 2 to 1</i>	15	-85		-70
<i>from 2 to 3</i>		-54	286	232
<i>from 3 to 2</i>		6	-32	-26
<i>from 3 to 1</i>	0		-34	-34
Other			-131	-131
Total movements affecting Credit impairment line	416	1 032	978	2 426
Movements recognised outside Credit impairment line				
Interest			131	131
Change in exchange rates	-17	-58	-230	-305
Closing balance as of 30 September 2020	882	2 322	5 732	8 936
Carrying amount				
Opening balance as of 1 January 2020	1 537 262	104 916	8 740	1 650 918
Closing balance as of 30 September 2020	1 539 084	118 202	6 797	1 664 083

¹⁾ Including purchased or originated

Stage transfers are reflected as taking place at the end of the reporting period.

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 ¹⁾	
Group				
SEKm				
Carrying amount before provisions				
Opening balance as of 1 January 2019	1 510 787	107 664	11 239	1 629 690
Closing balance as of 30 September 2019	1 534 861	106 678	12 678	1 654 217
Credit impairment provisions				
Opening balance as of 1 January 2019	492	1 737	3 797	6 026
Movements affecting Credit impairment line				
New and derecognised financial assets, net	55	-218	-412	-575
Changes in risk factors (EAD, PD, LGD)	-27	-444	-11	-482
Changes in macroeconomic scenarios	40	90	-6	124
Changes due to expert credit judgement (individual assessments and manual adjustments)			-17	-17
Stage transfers	-46	159	802	915
<i>from 1 to 2</i>	-75	295		220
<i>from 1 to 3</i>	-4		117	113
<i>from 2 to 1</i>	33	-107		-74
<i>from 2 to 3</i>		-47	755	708
<i>from 3 to 2</i>		18	-64	-46
<i>from 3 to 1</i>	0		-6	-6
Other	1	1	-109	-107
Total movements affecting Credit impairment line	23	-412	247	-142
Movements recognised outside Credit impairment line				
Disposal of subsidiary	-3	-5	-3	-11
Interest			109	109
Change in exchange rates	13	59	216	288
Closing balance as of 30 September 2019	525	1 379	4 366	6 270
Carrying amount				
Opening balance as of 1 January 2019	1 510 295	105 927	7 442	1 623 664
Closing balance as of 30 September 2019	1 534 336	105 299	8 312	1 647 947

¹⁾ Including purchased or originated

Loan commitments and financial guarantees

The table below provides a reconciliation of credit impairment provisions for loan commitments and financial guarantees.

SEKm	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 ¹⁾	
Nominal amount				
Opening balance as of 1 January 2020	322 384	11 325	1 248	334 957
Closing balance as of 30 September 2020	354 348	21 848	1 155	377 351
Credit impairment provisions				
Opening balance as of 1 January 2020	113	144	326	583
Movements affecting Credit impairment line				
New and derecognosed financial assets, net	49	23	-3	69
Changes in risk factors (EAD, PD, LGD)	35	86		121
Changes in macroeconomic scenarios	52	6		58
Changes due to expert credit judgement (individual assessments and manual adjustments)	79	109	-48	140
Stage transfers	-71	106	77	112
from stage 1 to stage 2	-72	121		49
from stage 1 to stage 3	-1		13	12
from stage 2 to stage 1	2	-5		-3
from stage 2 to stage 3		-10	65	55
from stage 3 to stage 2		0	-1	-1
from stage 3 to stage 1	0		0	0
Other				
Total movements affecting Credit impairment line	144	330	26	500
Movements recognised outside Credit impairment line				
Change in exchange rates	-6	-8	-18	-32
Closing balance as of 30 September 2020	251	466	334	1 051

¹⁾ Including purchased or originated

SEKm	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 ¹⁾	
Nominal amount				
Opening balance as of 1 January 2019	312 311	9 969	804	323 084
Closing balance as of 30 September 2019	326 379	9 737	1 019	337 135
Credit impairment provisions				
Opening balance as of 1 January 2019	94	208	105	407
Movements affecting Credit impairment line				
New and derecognosed financial assets, net	15	9	-6	18
Changes in risk factors (EAD, PD, LGD)	-10	-78	-19	-107
Changes in macroeconomic scenarios	17	14		31
Changes due to expert credit judgement (individual assessments and manual adjustments)			156	156
Stage transfers	-3	-19	100	78
from 1 to 2	-6	21		15
from 1 to 3	0		26	26
from 2 to 1	3	-10		-7
from 2 to 3		-30	74	44
Other		1	-4	-3
Total movements affecting Credit impairment line	19	-73	227	173
Movements recognised outside Credit impairment line				
Change in exchange rates	5	10	18	33
Closing balance as of 30 September 2019	118	145	350	613

¹⁾ Including purchased or originated

Note 12 Credit risk exposures

Group SEKm	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
Assets					
Cash and balances with central banks	388 491	195 286	99	212 168	83
Interest-bearing securities	203 161	194 461	4	240 351	-15
Loans to credit institutions	50 839	45 452	12	39 981	27
Loans to the public	1 683 986	1 652 296	2	1 668 023	1
Derivatives	54 218	44 424	22	60 828	-11
Other financial assets	17 266	8 804	96	28 387	-39
Total	2 397 961	2 140 723	12	2 249 738	7
Contingent liabilities and commitments					
Guarantees	51 461	52 008	-1	51 513	
Loan commitments	325 890	287 413	13	289 844	12
Total	377 351	339 421	11	341 357	11
Total credit risk exposures	2 775 312	2 480 144	12	2 591 095	7

Note 13 Intangible assets

Group SEKm	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
With indefinite useful life					
Goodwill	13 821	13 709	1	13 990	-1
Brand name	92	94	-2	94	-2
Total	13 913	13 803	1	14 084	-1
With finite useful life					
Customer base	305	336	-9	348	-12
Internally developed software	3 931	3 350	17	3 141	25
Other	333	375	-11	354	-6
Total	4 569	4 061	13	3 843	19
Total intangible assets	18 482	17 864	3	17 927	3

At 30 September 2020 there was no indication of an impairment of intangible assets. Due to Covid-19 and continued uncertainty about the future economic

development, a simplified test of the carrying amount of goodwill has been performed during the year. There was no need for an impairment.

Note 14 Amounts owed to credit institutions

Group SEKm	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
Amounts owed to credit institutions					
Central banks	84 735	6 306		16 020	
Banks	63 484	57 878	10	76 097	-17
Other credit institutions	5 400	5 498	-2	4 909	10
Repurchase agreements - banks	7 036	4		3 258	
Repurchase agreements - other credit institutions	5 582			2 967	88
Amounts owed to credit institutions	166 237	69 686		103 251	61

Note 15 Deposits and borrowings from the public

Group SEKm	30 Sep	31 Dec	%	30 Sep	%
	2020	2019		2019	
Deposits from the public					
Private customers	577 460	531 139	9	526 589	10
Corporate customers	554 507	422 527	31	430 842	29
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	1 131 967	953 666	19	957 431	18
Swedish National Debt Office	50	328	-85	341	-85
Repurchase agreements - Swedish National Debt Office	0	1	-86	1	-86
Repurchase agreements - public	23 904	18		16 578	44
Deposits and borrowings from the public	1 155 921	954 013	21	974 351	19

Note 16 Debt securities in issue, senior non-preferred liabilities and subordinated liabilities

Group SEKm	30 Sep	31 Dec	%	30 Sep	%
	2020	2019		2019	
Commercial papers	158 302	128 772	23	164 063	-4
Covered bonds	514 109	589 627	-13	598 278	-14
Senior unsecured bonds	136 129	128 445	6	146 515	-7
Structured retail bonds	6 436	8 910	-28	9 745	-34
Total debt securities in issue	814 976	855 754	-5	918 601	-11
Senior non-preferred liabilities	10 878	10 805			
Subordinated liabilities	24 924	31 934	-22	33 241	-25
Total debt securities in issue, senior non-preferred liabilities and subordinated liabilities	850 778	898 493	-5	951 842	-11

Turnover during the period	Jan-Sep	Full-year	%	Jan-Sep	%
	2020	2019		2019	
Opening balance	898 493	838 544	7	838 544	7
Issued	403 528	631 819	-36	535 391	-25
Repurchased	-49 889	-21 017		-13 861	
Repaid	-405 786	-561 777	-28	-441 770	-8
Interest, change in fair value and fair value of hedged item in fair value hedge accounting	8 070	462		6 035	34
Changes in exchange rates	-3 638	10 462		27 503	
Closing balance	850 778	898 493	-5	951 842	-11

Note 17 Derivatives

Group SEKm	Nominal amount			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
	< 1 yr.	1-5 yrs.	> 5 yrs.	2020	2019	2020	2019	2020	2019
Derivatives in hedge accounting	228 473	724 614	62 205	1 015 292	1 011 702	16 793	13 905	3 067	1 898
Fair value hedges, interest rate swaps	122 886	395 739	46 109	564 734	608 694	16 512	13 013	55	534
Portfolio fair value hedges, interest rate swaps	105 165	328 032	8 615	441 812	393 728	64	702	2 986	1 331
Cash flow hedges, foreign currency basis swaps	422	843	7 481	8 746	9 280	217	190	25	33
Non-hedging derivatives	6 394 053	7 267 611	4 632 779	18 294 443	16 051 211	132 440	102 832	135 697	113 311
Gross amount	6 622 526	7 992 225	4 694 984	19 309 735	17 062 913	149 233	116 738	138 764	115 209
Offset amount	-4 534 226	-6 198 651	-4 151 047	-14 883 924	-12 057 460	-95 015	-72 314	-97 714	-74 232
Total	2 088 300	1 793 574	543 937	4 425 811	5 005 453	54 218	44 424	41 050	40 977

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

Note 18 Fair value of financial instruments

Group SEKm	30 Sep 2020			31 Dec 2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	388 491	388 491		195 286	195 286	
Treasury bills and other bills eligible for refinancing with central banks	116 078	116 060	18	137 119	137 094	25
Loans to credit institutions	50 837	50 839	-2	45 452	45 452	
Loans to the public	1 688 663	1 683 986	4 677	1 660 659	1 652 296	8 363
Value change of interest hedged items in portfolio hedge	2 409	2 409		271	271	
Bonds and interest-bearing securities	87 102	87 101	1	57 369	57 367	2
Financial assets for which the customers bear the investment risk	240 129	240 129		224 893	224 893	
Shares and participating interest	15 203	15 203		6 568	6 568	
Derivatives	54 218	54 218		44 424	44 424	
Other financial assets	20 683	20 683		8 804	8 804	
Total	2 663 813	2 659 119	4 694	2 380 845	2 372 455	8 390
Investment in associates		7 127			6 679	
Non-financial assets		29 504			29 094	
Total		2 695 750			2 408 228	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	166 237	166 237		69 569	69 686	-117
Deposits and borrowings from the public	1 155 911	1 155 921	-10	953 996	954 013	-17
Debt securities in issue	823 839	814 976	8 863	861 883	855 754	6 129
Financial liabilities for which the customers bear the investment risk	240 970	240 970		225 792	225 792	
Senior non-preferred liabilities	10 878	10 878		10 805	10 805	
Subordinated liabilities	28 224	24 924	3 300	31 730	31 934	-204
Derivatives	41 050	41 050		40 977	40 977	
Short positions securities	25 460	25 460		34 345	34 345	
Other financial liabilities	50 806	50 802	4	28 115	28 115	
Total	2 543 375	2 531 218	12 157	2 257 212	2 251 421	5 791
Non-financial liabilities		13 943			18 174	
Total		2 545 161			2 269 595	

The following tables present fair values of financial instruments recognised at fair value split between the three valuation hierarchy levels.

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 into three different levels:

- Level 1: Unadjusted quoted price on an active market
- Level 2: Adjusted quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair value.

Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. For any open net position, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions at ask price.

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. There were no transfers of financial instruments between valuation levels 1 and 2 during the quarter.

Financial instruments recognised at fair value

Group 30 Sep 2020 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	20 710	4 258		24 968
Loans to credit institutions		8 858		8 858
Loans to the public		61 884		61 884
Bonds and other interest-bearing securities	28 983	58 081		87 064
Financial assets for which the customers bear the investment risk	240 129			240 129
Shares and participating interests	14 040		1 163	15 203
Derivatives	64	54 154		54 218
Total	303 926	187 235	1 163	492 324
Liabilities				
Amounts owed to credit institutions		12 618		12 618
Deposits and borrowings from the public		23 904		23 904
Debt securities in issue		8 263		8 263
Financial liabilities for which the customers bear the investment risk		240 970		240 970
Derivatives	72	40 978		41 050
Short positions, securities	23 419	2 041		25 460
Total	23 491	328 774		352 265
Group 31 Dec 2019 SEKm				
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	12 405	4 115		16 520
Loans to credit institutions		9		9
Loans to the public		46 821		46 821
Bonds and other 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 interests	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

Level 3 primarily contains unlisted equity instruments, where the price is unobservable and the sensitivity in the value to changes in the unobservable parameter is linear in the model applied. To estimate the unobservable price different methods are applied depending on the type of available data. The primary method is based on executed transactions or quoted share price of similar equities. Other inputs to these methods are primarily prices, proxy prices, market indicators and company information. The level 3 unlisted equity instruments include strategic investments. Swedbank's holdings in VISA Inc. C

shares are subject to selling restrictions for a period of up to 9 years and under certain conditions may have to be returned. Liquid quotes are not available for these shares, therefore the fair value is established with significant elements of Swedbank's own internal assumptions. During September Visa Inc converted half of the outstanding in Visa Inc C shares to Visa Inc A shares. The remaining Visa Inc C holdings are reduced and the fair value amounts to SEK 597m.

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

Changes in level 3 Group SEKm	Assets	
	Equity instruments	Total
January-September 2020		
Opening balance 1 January 2020	1 854	1 854
Purchases	9	9
Sale of assets/ dividends received	-2	-2
Conversion Visa Inc. shares	-819	-819
Gains and losses	121	121
of which changes in unrealised gains or losses for items held at closing day	-42	-42
Closing balance 30 September 2020	1 163	1 163

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-September 2019			
Opening balance 1 January 2019	1 264	2	1 266
Purchases	29		29
Sale of assets/ dividends received	-4		-4
Maturities		-1	-1
Settlements	-2		-2
Gains and losses	457	-1	456
of which changes in unrealised gains or losses for items held at closing day	458		458
Closing balance 30 September 2019	1 744		1 744

Note 19 Assets pledged, contingent liabilities and commitments

Group SEKm	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
Loan receivables ¹⁾	593 844	578 758	3	583 192	2
Financial assets pledged for insurance policy holders	235 633	220 589	7	209 565	12
Other assets pledged	117 585	52 720		56 713	
Pledged collateral	947 062	852 067	11	849 470	11
Nominal amounts					
Guarantees	51 461	52 008	-1	51 513	
Other	184	27		292	-37
Contingent liabilities	51 645	52 035	-1	51 805	
Nominal amounts					
Loans granted not paid	258 248	223 108	16	226 856	14
Overdraft facilities granted but not utilised	67 642	64 305	5	62 988	7
Loan commitments	325 890	287 413	13	289 844	12

¹⁾ The pledge is defined as the borrower's nominal debt including accrued interest and refers to the loans of the total available collateral that are used as the pledge at each point in time.

Swedbank is cooperating with authorities in the United States who are conducting investigations into Swedbank's historic AML compliance and the Group's response thereto, as well as related issues involving the Group's anti-money laundering controls and certain individuals and entities who may at some time have

been customers of the Group. The timing of the completion of the investigations is still unknown and the outcome is still uncertain. At present, it is not possible to reliably estimate the amount of any potential settlement or fines, which could be material.

Note 20 Offsetting financial assets and liabilities

The table 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.

Group SEKm	Assets			Liabilities		
	30 Sep 2020	31 Dec 2019	%	30 Sep 2020	31 Dec 2019	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	256 227	212 597	21	215 642	163 345	32
Offset amount	-132 630	-123 222	8	-135 329	-125 140	8
Net amounts presented in the balance sheet	123 597	89 375	38	80 313	38 205	
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	30 022	15 338	96	30 022	15 338	96
Financial Instruments, collateral	59 414	46 961	27	33 800	3 264	
Cash collateral	17 640	11 897	48	16 014	16 104	-1
Total amount not offset in the balance sheet	107 076	74 196	44	79 836	34 706	
Net amount	16 521	15 179	9	477	3 499	-86

The amount offset for derivative assets includes offset cash collateral of SEK 4 584m (2 783) derived from the balance sheet item Amounts owed to credit institutions.

The amount offset for derivative liabilities includes offset cash collateral of SEK 7 283m (4 701), derived from the balance sheet item Loans to credit institutions.

Note 21 Capital adequacy, consolidated situation

Capital adequacy SEKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Shareholders' equity according to the Group's balance sheet	150 564	138 608	133 745
Anticipated dividend ⁵⁾	-14 065	-9 856	-7 634
Deconsolidation of insurance companies	-1 472	-758	-661
Value changes in own financial liabilities	-84	-90	-83
Cash flow hedges	-5	-5	-9
Additional value adjustments ¹⁾	-605	-454	-638
Goodwill	-13 907	-13 799	-14 080
Deferred tax assets	-154	-108	-125
Intangible assets	-3 822	-3 433	-3 264
Net provisions for reported IRB credit exposures			-12
Shares deducted from CET1 capital	-32	-32	-32
Common Equity Tier 1 capital	116 418	110 073	107 207
Additional Tier 1 capital	9 218	16 153	17 062
Total Tier 1 capital	125 636	126 226	124 269
Tier 2 capital	16 714	15 328	15 887
Total own funds	142 350	141 554	140 156
Minimum capital requirement for credit risks, standardised approach	3 860	3 614	3 641
Minimum capital requirement for credit risks, IRB	24 062	21 559	21 895
Minimum capital requirement for credit risk, default fund contribution	54	47	80
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 626	1 308	1 305
Trading book	1 604	1 292	1 289
of which VaR and SVaR	1 151	1 021	965
of which risks outside VaR and SVaR	453	271	324
FX risk other operations	22	16	16
Minimum capital requirement for credit value adjustment	438	378	387
Minimum capital requirement for operational risks	5 716	5 481	5 481
Additional minimum capital requirement, Article 3 CRR ²⁾	1 507	2 451	2 650
Additional minimum capital requirement, Article 458 CRR ³⁾	18 059	17 101	17 083
Minimum capital requirement	55 322	51 939	52 522
Risk exposure amount credit risks, standardised approach	48 244	45 174	45 513
Risk exposure amount credit risks, IRB	300 776	269 485	273 691
Risk exposure amount default fund contribution	681	584	1 000
Risk exposure amount settlement risks	1	0	0
Risk exposure amount market risks	20 322	16 350	16 317
Risk exposure amount credit value adjustment	5 480	4 730	4 843
Risk exposure amount operational risks	71 454	68 514	68 514
Additional risk exposure amount, Article 3 CRR ²⁾	18 840	30 635	33 120
Additional risk exposure amount, Article 458 CRR ³⁾	225 737	213 765	213 532
Risk exposure amount	691 535	649 237	656 530
Common Equity Tier 1 capital ratio, %	16.8	17.0	16.3
Tier 1 capital ratio, %	18.2	19.4	18.9
Total capital ratio, %	20.6	21.8	21.4
Capital buffer requirement⁴⁾	30 Sep	31 Dec	30 Sep
%	2020	2019	2019
CET1 capital requirement including buffer requirements	10.0	12.0	12.0
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.0	2.0	2.0
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement ⁵⁾	12.3	12.5	11.8
Leverage ratio	30 Sep	31 Dec	30 Sep
	2020	2019	2019
Tier 1 Capital, SEKm	125 636	126 226	124 269
Leverage ratio exposure, SEKm	2 636 884	2 353 631	2 429 497
Leverage ratio, %	4.8	5.4	5.1

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 corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of Eba's Guideline on new default definition and increased safety margins. Additional risk exposure amount according to article 3 CRR per 31 December 2019 includes the mortgage floor effect for reclassification of mortgage offers of SEK 4.2bn. As of 31 March 2020 these are directly included in additional risk exposure amount according to article 458 CRR. As of 30 September 2020, Swedbank has updated the LGD-model which decreases the additional risk exposure amount according to article 3 CRR by SEK 16.3bn.

³⁾ Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from the SFSA.

⁴⁾ Buffer requirement according to Swedish implementation of CRD IV.

⁵⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

⁶⁾ Expected dividend based on the annual profit for 2019 and 2020.

Capital requirements ¹⁾	30 Sep	31 Dec	30 Sep	31 Dec
SEKm / %	2020	2019	2020	2019
Capital requirement Pillar 1	93 357	100 766	13.5	15.5
of which Buffer requirements ²⁾	38 034	48 827	5.5	7.5
Total capital requirement Pillar 2 ³⁾	22 986	22 140	3.3	3.4
Total capital requirement Pillar 1 and 2	116 343	122 906	16.9	18.9
Own funds	142 350	141 554		

¹⁾ Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.

²⁾ Buffer requirements includes systemic risk buffer, capital conservation buffer and countercyclical capital buffer.

³⁾ Systemic risk buffer as of 30 September 2020. 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 30 September 2020.

The consolidated situation for Swedbank as of 30 September 2020 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFS 2014:12, chap. 8. Additional

periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: <https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm>

Swedbank consolidated situation	Exposure value		Average risk weight, %		Minimum capital requirement	
	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
Credit risk, IRB	2020	2019	2020	2019	2020	2019
SEKm						
Central government or central banks exposures	521 322	362 380	1	1	516	402
Institutional exposures	60 638	53 466	19	18	922	788
Corporate exposures	542 874	544 080	36	31	15 712	13 546
Retail exposures	1 216 642	1 184 439	6	7	6 152	6 173
of which mortgage lending	1 121 609	1 070 279	4	5	3 968	3 928
of which other lending	95 033	114 160	29	25	2 184	2 245
Non credit obligation	13 458	12 581	71	65	760	650
Total credit risks, IRB	2 354 934	2 156 946	13	12	24 062	21 559

30 Sep 2020 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	105 724	48 244	3 860
Central government or central banks exposures	63		
Regional governments or local authorities exposures	2 650	416	33
Public sector entities exposures	1 582	181	14
Multilateral development banks exposures	4 380		
Institutional exposures	50 020	1 101	88
Corporate exposures	7 213	7 068	565
Retail exposures	20 448	14 748	1 183
Exposures secured by mortgages on immovable property	6 019	2 106	168
Exposures in default	709	729	58
Exposures in the form of covered bonds	521	52	4
Exposures in the form of collective investment undertakings (CIUs)	4	4	0
Equity exposures	9 221	19 810	1 585
Other items	2 894	2 029	162
Credit risks, IRB	2 354 934	300 776	24 062
Central government or central banks exposures	521 322	6 446	516
Institutional exposures	60 638	11 526	922
Corporate exposures	542 874	196 398	15 712
of which specialized lending in category 1	71	36	3
of which specialized lending in category 2	274	192	15
of which specialized lending in category 3	107	123	10
of which specialized lending in category 4	107	268	21
of which specialized lending in category 5			
Retail exposures	1 216 642	76 902	6 152
of which mortgage lending	1 121 609	49 607	3 968
of which other lending	95 033	27 295	2 184
Non-credit obligation	13 458	9 504	760
Credit risks, Default fund contribution		681	54
Settlement risks	0	1	0
Market risks		20 322	1 626
Trading book		20 048	1 604
of which VaR and SVaR		14 381	1 151
of which risks outside VaR and SVaR		5 667	453
FX risk other operations		274	22
Credit value adjustment	22 868	5 480	438
Operational risks		71 454	5 716
of which Standardised approach		71 454	5 716
Additional risk exposure amount, Article 3 CRR		18 840	1 507
Additional risk exposure amount, Article 458 CRR		225 737	18 059
Total	2 483 526	691 535	55 322

31 Dec 2019 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	79 511	45 174	3 614
Central government or central banks exposures	64		
Regional governments or local authorities exposures	2 583	371	30
Public sector entities exposures	1 399	161	13
Multilateral development banks exposures	2 061	3	0
Institutional exposures	28 091	659	53
Corporate exposures	5 357	5 095	408
Retail exposures	19 575	14 101	1 128
Exposures secured by mortgages on immovable property	6 608	2 312	185
Exposures in default	736	749	60
Exposures in the form of covered bonds	564	56	4
Exposures in the form of collective investment undertakings (CIUs)	6	6	0
Equity exposures	9 237	19 296	1 544
Other items	3 230	2 365	189
Credit risks, IRB	2 156 946	269 485	21 559
Central government or central banks exposures	362 380	5 021	402
Institutional exposures	53 466	9 855	788
Corporate exposures	544 080	169 325	13 546
of which specialized lending in category 1	50	29	2
of which specialized lending in category 2	284	240	19
of which specialized lending in category 3	141	162	13
of which specialized lending in category 4	116	289	23
of which specialized lending in category 5	18		
Retail exposures	1 184 439	77 162	6 173
of which mortgage lending	1 070 279	49 094	3 928
of which other lending	114 160	28 068	2 245
Non-credit obligation	12 581	8 122	650
Credit risks, Default fund contribution		584	47
Settlement risks	0	0	0
Market risks		16 350	1 308
Trading book		16 150	1 292
of which VaR and SVaR		12 763	1 021
of which risks outside VaR and SVaR		3 387	271
FX risk other operations		200	16
Credit value adjustment	19 004	4 730	378
Operational risks		68 514	5 481
of which Standardised approach		68 514	5 481
Additional risk exposure amount, Article 3 CRR		30 635	2 451
Additional risk exposure amount, Article 458 CRR		213 765	17 101
Total	2 255 461	649 237	51 939

Credit risks

The Internal Ratings-Based Approach (IRB) is applied within the Swedish part of Swedbank's consolidated situation, including the branches in New York and Oslo but excluding PayEx, EnterCard and several small subsidiaries. IRB is also applied for the majority of Swedbank's exposure classes in the Baltic countries.

When Swedbank acts as a clearing member, the bank calculates an own funds requirement for its pre-funded, qualifying and non-qualifying central counterparty default fund contributions.

For exposures, excluding capital requirement for default fund contributions, where IRB-approach is not applied, the standardized approach is used.

Market risks

Under current regulations capital adequacy for market risks can be based on either the standardised approach or an internal Value at Risk model, which requires the approval of the SFSA. The parent company has received such approval and uses its internal VaR model

for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of structural and strategic nature and are less suited to a VaR model.

These risks are instead estimated according to the standardised approach, as per the Group's internal approach to managing these risks. Strategic foreign exchange risks mainly arise through risks associated with holdings in foreign operations.

Credit value adjustment

The risk of the credit value adjustment is estimated according to the standardised method.

Operational risk

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

Note 22 Internal capital requirement

This note provides information on the internal capital assessment according to chapter 8, section 5 of the SFSA's regulation on prudential requirements and capital buffers (2014:12). The internal capital assessment is published in the interim report according to chapter 8, section 4 of the SFSA's regulation and general advice on annual reports from credit institutions and investment firms (2008:25).

A bank must identify, measure and manage the risks with which its activities are associated and have sufficient capital to cover these risks. The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that the bank is sufficiently capitalised to cover its risks and to conduct and develop its business activities. Swedbank applies its own models and processes to evaluate its capital requirements for all relevant risks. The models that serve as a basis for the internal capital assessment evaluate the need for economic capital over a one-year horizon at a 99.9% confidence level for each type of risk. Diversification effects between various types of risks are not taken into account in the calculation of economic capital.

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is exposed to by quantifying their

impact on the income statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 30 September 2020, the internal capital assessment for Swedbank's consolidated situation amounted to SEK 34.8bn (SEK 34.7bn as of 31 December 2019). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 142.4bn (SEK 141.6bn as of 31 December 2019) (see Note 21). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly and does not consider the SFSA risk-weight floor for Swedish mortgages.

The internally estimated capital requirement for the parent company is SEK 25.3bn (SEK 27.3bn as of 31 December 2019) and the capital base is SEK 115.1bn (SEK 122.5bn as of 31 December 2019) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2019 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.com.

Note 23 Risks and uncertainties

Swedbank's earnings are affected by changes in the global marketplace over which it has no control, including macroeconomic factors such as GDP, asset prices and unemployment as well as changes in interest rates, equity prices and exchange rates. The rapid spread of Covid-19 has had and will have further major consequences for the global economy and thus affect Swedbank in the future. The impact on society, private individuals, corporates and governments, could in some parts be long-lasting and severe. The repayment capability of our loan customers could be affected as unemployment increases and as a result of the changes in the corporate's business models.

For risks related to the ongoing investigations by the United States authorities related to the suspected money laundering issue arisen by media in 2019 it is referred to the Note 19 Assets pledged, contingent liabilities and commitments.

In addition to the observations reported on money laundering and terrorist financing, Swedbank has during the year identified areas that have led to

unwanted compliance risks within the bank. These are related to internal governance as noted by supervisory authorities in their investigations of money laundering, and to the customer protection area. In both areas, work is ongoing within the bank to ensure that deficiencies identified are addressed adequately. The bank's Compliance function monitors the work.

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.

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2019 Annual and sustainability report and in the annual disclosure in the Risk Management and Capital Adequacy report available at www.swedbank.com.

**Effect on value of assets and liabilities in SEK and foreign currency, including derivatives
if interest rates increase by 100bp, 30 Sep 2020**

Group SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	-696	-680	-532	-1 908
of which SEK	-236	-1 334	217	-1 353
of which foreign currency	-460	654	-749	-555
Of which financial instruments at fair value reported through profit or loss	-3 530	3 822	-625	-333
of which SEK	716	-929	203	-10
of which foreign currency	-4 246	4 751	-828	-323

Note 24 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including

other related companies such as associates and joint ventures. Partly owned savings banks are important associates

Note 25 Swedbank's share

	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
SWED A					
Share price, SEK	140.74	139.45	1	141.70	-1
Number of outstanding ordinary shares	1 119 991 775	1 118 304 389		1 118 304 389	
Market capitalisation, SEKm	157 628	155 948	1	158 464	-1

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Number of outstanding shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-12 013 947	-13 701 333	-13 701 333
Number of outstanding shares on the closing day	1 119 991 775	1 118 304 389	1 118 304 389

Within Swedbank's share-based compensation programme, Swedbank AB has during 2020 transferred 1 687 386 shares at no cost to employees.

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
Earnings per share					
Average number of shares					
Average number of shares before dilution	1 119 991 714	1 119 924 076	1 118 302 842	1 119 629 504	1 117 971 681
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	3 264 852	3 701 007	2 845 370	2 934 766	3 481 630
Average number of shares after dilution	1 123 256 566	1 123 625 083	1 121 148 212	1 122 564 270	1 121 453 311
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	5 261	4 845	4 663	8 419	15 269
Earnings for the purpose of calculating earnings per share	5 261	4 845	4 663	8 419	15 269
Earnings per share, SEK					
Earnings per share before dilution	4.70	4.33	4.17	7.52	13.66
Earnings per share after dilution	4.68	4.31	4.16	7.50	13.62

Income statement, condensed

Parent company SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Interest income on financial assets at amortised cost	3 114	3 413	-9	3 113	0	9 920	9 380	6
Other interest income	1 384	1 561	-11	1 572	-12	4 564	4 637	-2
Interest income	4 498	4 974	-10	4 685	-4	14 484	14 017	3
Interest expense	-637	-922	-31	-1 388	-54	-2 827	-4 345	-35
Net interest income	3 861	4 052	-5	3 297	17	11 657	9 672	21
Dividends received	2 930	2 664	10	3 214	-9	8 416	14 567	-42
Commission income	1 919	1 816	6	2 574	-25	5 702	7 544	-24
Commission expense	-511	-545	-6	-972	-47	-1 560	-2 888	-46
Net commission income	1 408	1 271	11	1 602	-12	4 142	4 656	-11
Net gains and losses on financial items	439	1 431	-69	229	92	1 448	1 195	21
Other income	487	405	20	393	24	1 243	1 004	24
Total income	9 125	9 823	-7	8 735	4	26 906	31 094	-13
Staff costs	2 141	2 091	2	2 057	4	6 337	6 276	1
Other expenses	1 216	1 401	-13	1 891	-36	4 517	4 660	-3
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 164	1 212	-4	1 192	-2	3 612	3 560	1
Administrative fine						4 000		
Total expenses	4 521	4 704	-4	5 140	-12	18 466	14 496	27
Profit before impairment	4 604	5 119	-10	3 595	28	8 440	16 598	-49
Impairment of financial assets				-1				
Credit impairment	385	1 179	-67	183		3 503	525	
Operating profit	4 219	3 940	7	3 413	24	4 937	16 073	-69
Tax expense	817	871	-6	788	4	1 752	2 456	-29
Profit for the period	3 402	3 069	11	2 625	30	3 185	13 617	-77

Statement of comprehensive income, condensed

Parent company SEKm	Q3 2020	Q2 2020	%	Q3 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Profit for the period reported via income statement	3 402	3 069	11	2 625	30	3 185	13 617	-77
Total comprehensive income for the period	3 402	3 069	11	2 625	30	3 185	13 617	-77

Balance sheet, condensed

Parent company SEKm	30 Sep 2020	31 Dec 2019	%	30 Sep 2019	%
Assets					
Cash and balance with central banks	275 699	107 596		134 437	
Loans to credit institutions	643 081	537 151	20	471 456	36
Loans to the public	430 333	422 794	2	435 350	-1
Interest-bearing securities	198 487	191 084	4	237 604	-16
Shares and participating interests	79 983	71 632	12	69 133	16
Derivatives	59 588	48 332	23	66 515	-10
Other assets	47 884	43 321	11	51 429	-7
Total assets	1 735 055	1 421 910	22	1 465 924	18
Liabilities and equity					
Amounts owed to credit institutions	268 188	161 454	66	124 913	
Deposits and borrowings from the public	887 673	719 211	23	746 965	19
Debt securities in issue	297 558	263 181	13	316 432	-6
Derivatives	67 766	69 908	-3	78 334	-13
Other liabilities and provisions	70 647	61 275	15	66 372	6
Senior non-preferred liabilities	10 878	10 805	1		
Subordinated liabilities	24 924	31 934	-22	33 241	-25
Untaxed reserves	10 724	10 724		10 647	1
Equity	96 697	93 418	4	89 020	9
Total liabilities and equity	1 735 055	1 421 910	22	1 465 924	18
Pledged collateral	109 096	48 725		53 205	
Other assets pledged	8 483	3 987		3 503	
Contingent liabilities	353 630	498 891	-29	507 332	-30
Commitments	319 999	258 148	24	257 295	24

Statement of changes in equity, condensed

Parent company SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-September 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				95	95
Deferred tax related to share based payments to employees				6	6
Current tax related to share based payments to employees				-7	-7
Total comprehensive income for the period				3 185	3 185
Closing balance 30 September 2020	24 904	13 206	5 968	52 619	96 697
January-December 2019					
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 period				17 996	17 996
Closing balance 31 December 2019	24 904	13 206	5 968	49 340	93 418
January-September 2019					
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				247	247
Deferred tax related to share based payments to employees				-28	-28
Current tax related to share based payments to employees				10	10
Total comprehensive income for the period				13 617	13 617
Closing balance 30 September 2019	24 904	13 206	5 968	44 942	89 020

Cash flow statement, condensed

Parent company SEKm	Jan-Sep 2020	Full-year 2019	Jan-Sep 2019
Cash flow from operating activities	125 446	78 503	60 822
Cash flow from investing activities	11 818	4 644	15 931
Cash flow from financing activities	30 839	-56 454	-23 219
Cash flow for the period	168 103	26 693	53 534
Cash and cash equivalents at beginning of period	107 596	80 903	80 903
Cash flow for the period	168 103	26 693	53 534
Cash and cash equivalents at end of period	275 699	107 596	134 437

Capital adequacy

Capital adequacy, Parent company SEKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Common Equity Tier 1 capital	89 317	90 305	87 909
Additional Tier 1 capital	9 218	16 153	17 062
Tier 1 capital	98 535	106 458	104 971
Tier 2 capital	16 573	15 995	16 523
Total own funds	115 108	122 453	121 494
Minimum capital requirement	28 655	26 004	26 197
Risk exposure amount	358 186	325 056	327 461
Common Equity Tier 1 capital ratio, %	24.9	27.8	26.9
Tier 1 capital ratio, %	27.5	32.8	32.0
Total capital ratio, %	32.1	37.7	37.1
Capital buffer requirement¹⁾ %	30 Sep 2020	31 Dec 2019	30 Sep 2019
CET1 capital requirement including buffer requirements	7.1	8.9	8.9
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.1	1.9	1.9
CET 1 capital available to meet buffer requirement ²⁾	20.4	23.3	22.4
Leverage ratio	30 Sep 2020	31 Dec 2019	30 Sep 2019
Tier 1 Capital, SEKm	98 535	106 458	104 971
Total exposure, SEKm	1 377 674	1 086 489	1 158 446
Leverage ratio, %	7.2	9.8	9.1

¹⁾ Buffer requirement according to Swedish implementation of CRD IV.

²⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Capital requirements ¹⁾ SEKm / %	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Capital requirement Pillar 1	37 968	40 307	10.6	12.4
of which Buffer requirements ²⁾	9 313	14 302	2.6	4.4
Total capital requirement Pillar 2 ³⁾	5 266	5 265	1.5	1.6
Total capital requirement Pillar 1 and 2	43 234	45 572	12.1	14.0
Own funds	115 108	122 453		

¹⁾ Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.

²⁾ Buffer requirements includes capital conservation buffer and countercyclical capital buffer.

³⁾ 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 30 September 2020.

30 Sep 2020 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 030 022	86 096	6 888
Regional governments or local authorities exposures	86	17	1
Public sector entities exposures	881	157	13
Multilateral development banks exposures	4 339		
Institutional exposures	949 172	5 508	441
Corporate exposures	5 289	5 196	416
Retail exposures	289	216	17
Exposures secured by mortgages on immovable property	3 195	1 118	89
Equity exposures	66 742	73 884	5 911
Other items	29		
Credit risks, IRB	1 000 563	185 472	14 838
Central government or central banks exposures	398 482	4 491	359
Institutional exposures	63 285	12 157	973
Corporate exposures	437 958	146 084	11 687
Retail exposures	96 635	18 872	1 510
of which mortgage lending	31 333	2 497	200
of which other lending	65 302	16 375	1 310
Non-credit obligation	4 203	3 868	309
Credit risks, Default fund contribution		681	54
Settlement risks	0	1	0
Market risks		20 302	1 624
Trading book		20 011	1 601
of which VaR and SVaR		14 363	1 149
of which risks outside VaR and SVaR		5 648	452
FX risk other operations		291	23
Credit value adjustment	21 424	5 452	436
Operational risks		38 189	3 055
Standardised approach		38 189	3 055
Additional risk exposure amount, Article 3 CRR		16 658	1 333
Additional risk exposure amount, Article 458 CRR		5 335	427
Total	2 052 009	358 186	28 655

Exposure amount, Risk exposure amount and Minimum capital requirement, parent company

31 Dec 2019 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 065 332	80 766	6 461
Central government or central banks exposures	6		
Regional governments or local authorities exposures	28	6	0
Public sector entities exposures	721	104	8
Multilateral development banks exposures	1 970	3	0
Institutional exposures	987 277	820	66
Corporate exposures	4 359	4 143	331
Retail exposures	247	184	15
Exposures secured by mortgages on immovable property	3 598	1 259	101
Exposures in default	0	0	0
Equity exposures	67 123	74 247	5 940
Other items	3	0	0
Credit risks, IRB	860 044	158 540	12 683
Central government or central banks exposures	266 658	3 529	282
Institutional exposures	56 956	10 645	852
Corporate exposures	442 780	123 035	9 843
Retail exposures	90 955	19 056	1 524
of which mortgage lending	10 556	2 125	170
of which other lending	80 399	16 931	1 354
Non-credit obligation	2 695	2 275	182
Credit risks, Default fund contribution		584	47
Settlement risks	0	0	0
Market risks		16 207	1 297
Trading book		16 048	1 284
of which VaR and SVaR		12 701	1 016
of which risks outside VaR and SVaR		3 347	268
FX risk other operations		159	13
Credit value adjustment	17 628	4 644	372
Operational risks		36 815	2 945
Standardised approach		36 815	2 945
Additional risk exposure amount, Article 3 CRR		26 986	2 159
Additional risk exposure amount, Article 458 CRR		514	41
Total	1 943 004	325 056	26 004

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as adopted by the EU, as set out in Note 1. The interim report includes a number of alternative performance measures, which exclude certain items that 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 periods.

Measure and definition	Purpose
Net investment margin before trading interest is deducted Calculated as Net interest income before trading-related interest is deducted, in relation to average total assets. The average is calculated using month-end figures ¹⁾ including the prior year end. The nearest IFRS measure is Net interest income and can be reconciled in Note 5.	Considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	Used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures ¹⁾ including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	Used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding expenses for the administrative fine Amount related to expenses is presented excluding expenses for administrative fine. The amounts are reconciled to the relevant IFRS income statement lines on page 6.	Provides comparability of figures between reporting periods.
Return on equity excluding expenses for administrative fine Represents profit for the period allocated to shareholders excluding expenses for the administrative fine in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures ¹⁾ , including the prior year end. Profit for the period allocated to shareholders excluding expenses for administrative fine are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.	Provides comparability of figures between reporting periods.
Cost/Income ratio excluding expenses for administrative fine Total expenses excluding expenses related to administrative fine in relation to total income. Total expenses excluding expense for administrative fine is reconciled to Total expenses, the nearest IFRS measure, on page 6.	Provides comparability of figures between reporting periods.

Adjusted effective tax rate

The adjusted effective tax rate is calculated as the Tax expense excluding tax income for previous years in relation to Operating profit excluding the administrative fine. For the first nine months, tax expense excluding tax income for previous years of SEK 3 005m reconciles to the nearest IFRS measure, Tax expense of SEK 2 707m, with the previous years' tax income amount of SEK 298m. Operating profit excluding expense for administrative fine is reconciled on page 6.

Provides comparability and understanding of the Group's effective tax rate on underlying operations between the reporting periods.

Other alternative performance measures

These measures are defined in Fact book on page 81 and are calculated from the financial statements without adjustment.

- Cost/Income ratio
- Credit impairment provision ratio Stage 1 loans
- Credit impairment provision ratio Stage 2 loans
- Credit impairment provision ratio Stage 3 loans
- Credit Impairment ratio
- Loan/Deposit ratio
- Equity per share
- Return on equity¹⁾
- Share of Stage 3 loans, gross
- Share of Stage 3 loans, net
- Total credit impairment provision ratio

Used by Group management for internal governance and operating segment performance management purposes.

¹⁾ The month-end figures used in the calculation of the average can be found on page 74 of the Fact book.

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the Interim report for January-September 2020 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 19 October 2020

Göran Persson
Chair

Bo Bengtsson
Board Member

Göran Bengtsson
Board Member

Hans Eckerström
Board Member

Kerstin Hermansson
Board Member

Bengt Erik Lindgren
Board Member

Josefin Lindstrand
Board Member

Bo Magnusson
Board Member

Anna Mossberg
Board Member

Roger Ljung
Board Member
Employee Representative

Åke Skoglund
Board Member
Employee Representative

Jens Henriksson
President and CEO

Review report

Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank AB as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies, regarding the Group, and with the Annual accounts act for credit institutions and securities companies, regarding the Parent Company.

Stockholm, 20 October 2020

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Publication of financial information

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

Financial calendar

Year-end report 2020	27 January 2021
Annual report 2020	18 February 2021
Annual General Meeting	25 March 2021
Interim report for the first quarter 2021	22 April 2021
Interim report for the second quarter 2021	16 July 2021

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

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