

Q4 2020

Year-end report 2020, 1 February 2021



Interim report for the fourth quarter 2020

Fourth quarter 2020 compared with third quarter 2020

- Stable underlying net interest income
- Improved asset management result positively affected net commission income
- Expenses for the full year according to plan
- Low credit impairments and strong capitalisation
- Dividend of SEK 4.35 per share proposed for 2019 and SEK 2.90 per share for 2020

“A stable quarter in difficult times”

Jens Henriksson,
President and CEO

Financial information SEKm	Q4 2020	Q3 2020	%	Full-year 2020	Full-year 2019	%
Total income	11 764	11 604	1	45 676	45 960	-1
Net interest income	6 567	6 714	-2	26 853	25 989	3
Net commission income	3 376	3 246	4	12 770	12 984	-2
Net gains and losses on financial items	910	669	36	2 655	3 629	-27
Other income ¹⁾	911	975	-7	3 398	3 358	1
Total expenses	5 586	4 761	17	24 560	19 984	23
<i>of which administrative fine</i>				4 000		
Profit before impairment	6 178	6 843	-10	21 116	25 976	-19
Impairment of intangible and tangible assets	1	1		2	87	-98
Credit impairment	523	425	23	4 334	1 469	
Tax expense	1 144	1 155	-1	3 851	4 711	-18
Profit for the period attributable to the shareholders of Swedbank AB	4 510	5 261	-14	12 929	19 697	-34
Earnings per share, SEK, after dilution	4.01	4.68		11.51	17.56	
Return on equity, %	11.8	14.3		8.9	14.7	
Return on equity excl. administrative fine, %	11.8	14.3		11.4	14.7	
C/I ratio	0.47	0.41		0.54	0.43	
C/I ratio excl. administrative fine	0.47	0.41		0.45	0.43	
Common Equity Tier 1 capital ratio, %	17.5	16.8		17.5	17.0	
Credit impairment ratio, %	0.12	0.10		0.26	0.09	

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

CEO Comment

A stable quarter in difficult times

Global economic development was again overshadowed by the pandemic which worsened in the fourth quarter. Stricter restrictions in our home markets affected both companies and individuals. Now that vaccinations have begun, we can see the light at the end of the tunnel. It could take time, however, before the effects of the pandemic become manifest. Government support for companies and individuals is critical to future economic development.

Advice and transition

We continued to support our customers during the second wave of the pandemic. Covid-19 is following a different pattern than other crises, including as regards bankruptcies, as new research from the IMF shows. Monetary and fiscal support has helped many companies to withstand and the need for amortisation exemptions among corporate customers has levelled off. However, the corporate market is still characterised by low demand for bank loans, increased competition and attractive opportunities for companies to find funding directly in the capital market.

Our private customers have reacted to the crisis by changing their spending pattern and saving more. Last spring, there was great interest in amortisation exemptions for mortgage customers, but new applications are now largely non-existent.

During the pandemic, a higher percentage of customers are contacting us digitally and by phone, while the branches are seeing fewer visitors than before. We offer qualified advice by video chat.

Result and capital

Swedbank delivered a stable quarter in difficult times. The housing market is strong and competition for mortgage customers is on the rise. We want to grow in line with the market, but not at the expense of lower profitability or higher risk. Our strategy is therefore to offer a competitive price and a comprehensive solution to our customers.

In the fourth quarter, we increased provisions for credit impairments by SEK 523m.

The return on equity in the fourth quarter was 11.8 per cent. The quarter was impacted by the pandemic and higher expenses due to investments in anti-money laundering work, as well as seasonal effects. Our capital position is strong with a comfortable margin regarding the Swedish Financial Supervisory Authority's minimum requirement. Our expenses are now levelling off in 2021 and 2022.

Sustainability

Swedbank is the only Nordic bank to have qualified for the Dow Jones Sustainability Index (DJSI). This is a mark of quality for our sustainability work, and for some investors is critical in determining where they place their money. Swedbank was one of the three main Nordic issuers of ESG bonds in 2020 and we were the first bank in the world to develop a green equity framework, a new sustainability tool for publicly listed companies that brings transparency to their revenues and investments.

Anti-money laundering measures

During the year, we worked intensely to remedy our shortcomings in internal governance and control in order to manage the risks associated with money laundering, terrorist financing and sanctions. An expansive investment plan is underway where we more than doubled the number of employees who directly work in this area during the year. During 2021 we will be nearly 1 500 employees exclusively working to combat financial crime.

We are continually taking new steps to rectify the historical shortcomings. On 19 November, Swedbank's Estonian subsidiary submitted a final report to the Estonia FSA describing how the shortcomings were addressed.

Swedbank shall be at the forefront of the fight against financial crime. Especially important is to have a thorough understanding of our risk exposure and customers, and to work relentlessly to detect and prevent illicit transactions. Therefore, Swedbank is committed to implement effective and efficient processes and shall strive for international best practices. As we stated in 2020, further investigations are underway in the US. We are in discussions with the relevant authorities through our US legal representative.

Dividend

Swedbank's financial position is strong and we would like to pay shareholders a dividend. After consultation with the Swedish FSA, the Board is proposing a dividend corresponding to 25 per cent of net profit for the financial year 2019. The Board is also proposing a dividend corresponding to 25 per cent of net profit for the financial year 2020.

Strategic direction

During the year, we updated our strategic direction as well as our vision and our purpose. We have defined the customer promise and the foundation that our operations are built on. The values - simple, open and caring - remain unchanged. We now have a strategic direction with a clear connection to our roots in the savings bank movement and that contributes to clearer governance in the Group.

Our newly formulated vision of a financially healthy and sustainable society is based on our strong commitment to sustainability. We shall guide customers with advice and products that keep them financially healthy. As a consequence of the updated business strategy, the bank has decided not to grant new financing for the prospecting of new oil and gas fields or for unconventional extraction of fossil fuels.

The fourth quarter concluded a year like no other. The bank remains strong in its 200-year tradition and is well prepared for 2021. Swedbank will continue to empower the many people and businesses to create a better future.



Jens Henriksson
President and CEO

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

Financial overview

Income statement SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	6 567	6 714	-2	6 408	2	26 853	25 989	3
Net commission income	3 376	3 246	4	3 415	-1	12 770	12 984	-2
Net gains and losses on financial items	910	669	36	1 218	-25	2 655	3 629	-27
Other income ¹⁾	911	975	-7	915		3 398	3 358	1
Total income	11 764	11 604	1	11 956	-2	45 676	45 960	-1
Staff costs	3 205	2 930	9	2 815	14	11 873	11 119	7
Other expenses	2 381	1 831	30	2 734	-13	8 687	8 865	-2
Administrative fine						4 000		
Total expenses	5 586	4 761	17	5 549	1	24 560	19 984	23
Profit before impairment	6 178	6 843	-10	6 407	-4	21 116	25 976	-19
Impairment of intangible assets				13			79	
Impairment of tangible assets	1	1		5	-80	2	8	-75
Credit impairment	523	425	23	988	-47	4 334	1 469	
Operating profit	5 654	6 417	-12	5 401	5	16 780	24 420	-31
Tax expense	1 144	1 155	-1	973	18	3 851	4 711	-18
Profit for the period	4 510	5 262	-14	4 428	2	12 929	19 709	-34
Profit for the period attributable to the shareholders of Swedbank AB	4 510	5 261	-14	4 428	2	12 929	19 697	-34

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	Q4 2020	Q3 2020	Q4 2019	Full-year 2020	Full-year 2019
Return on equity, %	11.8	14.3	13.0	8.9	14.7
Earnings per share before dilution, SEK ¹⁾	4.03	4.70	3.96	11.55	17.62
Earnings per share after dilution, SEK ¹⁾	4.01	4.68	3.95	11.51	17.56
C/I ratio	0.47	0.41	0.46	0.54	0.43
Equity per share, SEK ¹⁾	138.5	134.4	123.9	138.5	123.9
Loan/deposit ratio, %	143	143	168	143	168
Common Equity Tier 1 capital ratio, %	17.5	16.8	17.0	17.5	17.0
Tier 1 capital ratio, %	18.7	18.2	19.4	18.7	19.4
Total capital ratio, %	21.0	20.6	21.8	21.0	21.8
Credit impairment ratio, %	0.12	0.10	0.23	0.26	0.09
Share of Stage 3 loans, gross, %	6.39	0.75	0.82	6.39	0.82
Total credit impairment provision ratio, %	0.48	0.53	0.40	0.48	0.40
Liquidity coverage ratio (LCR), %	174	153	182	174	182
Net stable funding ratio (NSFR), % ²⁾	125	124	120	125	120

¹⁾ The number of shares and calculation of earnings per share are specified on page 56.

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	31 Dec 2020	31 Dec 2019	%
Loans to the public, excl. the Swedish National Debt Office and repurchase agreements	1 616	1 606	1
Deposits from the public, excl. the Swedish National Debt Office and repurchase agreements	1 131	954	19
Equity attributable to shareholders of the parent company	155	139	12
Total assets	2 595	2 408	8
Risk exposure amount	690	649	6

Definitions of all key ratios can be found in Swedbank's Fact book on page 78.

Overview

Market

The fourth quarter was dominated by the second wave of the pandemic and the bifurcation of the economy that is becoming increasingly apparent as industry recovers while consumer services struggle. The growing contagion and increased number of cases led to new restrictions around the world. Initially, the restrictions were more targeted than last spring, when entire economies were shut down. In Sweden, however, stricter restrictions were introduced than in the spring, primarily focused on the already hard-hit, labour-intensive service sector. Activity in the Swedish industrial sector and demand from our most important trading partners remained fairly good, however.

Global stock markets generally performed well in the quarter. Uncertainty surrounding the US presidential election temporarily caused stocks to fall, but the first really positive vaccine news that came in November sparked hope of a rapid economic recovery and return to something closer to normal. November 2020 was thus the single strongest November in several decades. Expectations of a rapid recovery also coincided with rising oil prices in the fourth quarter. More than four years after the Brexit referendum the last stumbling blocks were resolved, and the UK finally exited the EU.

To ensure well-functioning financial systems and support the recovery, central banks maintained 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 continued to appreciate against the dollar and the Swedish krona in turn strengthened against both of these currencies.

Swedbank expects economic recovery in Sweden to tail off in the fourth quarter 2020 and early 2021 due to the stricter restrictions. However, industrial activity should help avoid a more significant slowdown than the one in the second quarter. The recovery in the second half of the year also helped to reduce the economic downturn for the full-year 2020 to around 2.8 per cent. As Covid-19 vaccinations increase, economic recovery should accelerate in the second quarter. Growth in 2021 is estimated at around 3.0 per cent.

The pandemic is leading to uneven economic development, and consumer-oriented service sectors are the ones mainly seeing a large drop in demand. Lower revenue at the same time that government support payments are delayed are causing problems for many companies in these industries. Data on daily card transactions via Swedbank Pay show a clear slowdown in household consumption after the tighter restrictions were introduced last autumn. Other activity data at the same time show that the industrial sector continues to recover and B2B service sectors are much more optimistic than B2C services. Recent economic data show however that business bankruptcies increased year-over-year in November and December. The labour market is expected to further decline with unemployment rising to just over 9 per cent. There is also a risk that it will linger at these high levels.

The housing market continued to perform strongly last autumn with robust activity. The low supply of single-

family and holiday homes pushed up the prices of these properties more than for apartments. In December, prices rose slightly from November, up 11.5 per cent year-over-year. Household mortgage volumes increased by 5.9 per cent in December. Inflation remains low and monetary policy is expected to remain expansionary.

The Baltic countries recovered in the third quarter after having been hit hard in the first half of the year. After a relatively mild first wave of the virus last spring, the contagion spread quickly in the region in the fourth quarter, most severely in Lithuania. The tight restrictions introduced in the last quarter of 2020 are expected to stay in place in early 2021. We estimate the economic downturn in 2020 to be 1.7 per cent in Lithuania, 2.7 per cent in Estonia and 4.5 per cent in Latvia and that their economies will grow by around 3 per cent in 2021. The CPI inflation rate fell in Estonia and Latvia by 0.8 and 0.5 per cent respectively in December compared with December 2019, at the same time that inflation in Lithuania rose by 0.2 per cent.

Important to note

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

Swedbank will hold an Extraordinary General Meeting on Monday, 15 February 2021, to decide on the dividend payment based on the 2019 profit. Due to the ongoing pandemic, the Board has decided that the meeting will be held without shareholders, proxies or outsiders physically present and that votes can be cast only by post prior to the meeting.

The proposed record date for the dividend is 17 February 2021, which means that payment is expected to be paid out through Euroclear on 22 February 2021. The last day to trade Swedbank's shares with the right to the dividend is 15 February 2021.

Furthermore, the Board of Directors proposes a dividend of SEK 2.90 per share for the financial year 2020. The proposal corresponds to a payout ratio of 25 per cent of net profit for the financial year 2020.

Swedbank's Annual General Meeting will be held on Thursday, 25 March 2021. More information on Swedbank's general meetings will be available on the website www.swedbank.com under the heading: About Swedbank/Corporate governance.

The proposed record date for the dividend is 29 March 2021. The last day to trade Swedbank's shares with the right to the dividend is 25 March 2021. If the general meeting approves the Board's proposal, the dividend is expected to be paid out through Euroclear on 1 April 2021.

When the consequences of the Covid-19 pandemic are better understood, and if conditions are right, the Board of Directors intends to propose additional dividends based on the profits for 2019 and 2020. Swedbank's policy is to pay a dividend corresponding to 50 per cent of annual profit.

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 61.

Group development

Result fourth quarter 2020 compared with third quarter 2020

Swedbank's profit decreased in the fourth quarter to SEK 4 510m (5 261), mainly due to seasonally higher expenses. Foreign exchange effects negatively affected profit before impairment by SEK 5m.

The return on equity was 11.8 per cent (14.3) and the cost/income ratio was 0.47 (0.41).

Income increased to SEK 11 764m (11 604). The main reason was higher net gains and losses on financial items, though higher net commission income also contributed. Net interest income and other income decreased. Foreign exchange effects reduced income by SEK 25m.

Net interest income decreased by 2 per cent to SEK 6 567m (6 714), mainly due to a higher deposit guarantee fee and lower deposit margins caused by lower market interest rates as well as a negative impact from foreign exchange effects. The deposit guarantee fee rose by SEK 93m in the quarter after the Swedish National Debt Office announced the final fee level for the current year, therefore the fourth quarter was retroactively adjusted for the previous quarters in 2020.

Net commission income increased by 4 per cent to SEK 3 376m (3 246), mainly due to higher income from asset management and within Large Corporates & Institutions. Asset management income was positively affected mainly by performance-based fees and a higher volume of assets under management. Income within Large Corporates & Institutions benefited from participation in more IPOs and share issues, as well as higher fees for Swedbank serving as covered bond market makers. Card income decreased due to lower transaction volumes and because Swedbank paid a one-off compensation of SEK 130m to the savings banks to terminate a card acquiring agreement in advance.

Net gains and losses on financial items increased to SEK 910m (669) and client activity within Large Corporates & Institutions remained good. Favourable derivative valuation adjustments (CVA/DVA) due to lower credit spreads positively affected the result. Revaluations of fixed income instruments within Group Treasury also contributed, while the revaluation of shareholdings was slightly negative in the quarter.

Other income decreased to SEK 911m (975). The decrease was primarily affected by a lower result within Entercard and slightly lower net insurance.

Expenses were seasonally higher in the fourth quarter and increased by 17 per cent to SEK 5 586m (4 761). Higher staff costs, higher marketing expenses and one-off expenses contributed to the increase. An increase in

the number of employees in the third and fourth quarters, lower activity during the holiday months in the third quarter, and variable remuneration were the main reasons for increased staff costs. Consulting expenses to manage money laundering related investigations increased to SEK 170m in the quarter. Foreign exchange effects reduced expenses by SEK 20m.

Credit impairments amounted to SEK 523m (425) in the fourth quarter, corresponding to a credit impairment ratio of 0.12 per cent (0.10). The impairments are mainly due to additional provisions for a few oil-related commitments within Large Corporates & Institutions. Reversals due to updated macro scenarios were largely offset by further experienced credit judgments that were made because of the continuing significant uncertainty surrounding the pandemic and economic impact on vulnerable industries.

Credit impairments by business segment SEKm	Q4 2020	Q3 2020	Q4 2019	Full-year 2020	Full-year 2019
Swedish Banking	-1	-140	10	664	154
Baltic Banking	-8	43	-3	237	3
Estonia	-10	35	16	135	20
Latvia	5	10	-13	53	-4
Lithuania	-3	-2	-6	49	-13
Large Corporates & Institutions	537	521	982	3 425	1 312
Group Functions & Other	-5	1	-1	8	
Total	523	425	988	4334	1469

The tax expense amounted to SEK 1 144m (1 155), corresponding to an effective tax rate of 20.2 per cent (18.0). The comparatively high tax rate in the fourth quarter is due to the tax expense in the third quarter, which was positively affected by deferred taxes of SEK 130m attributable to previous years.

Result full-year 2020 compared with full-year 2019

Swedbank's profit decreased to SEK 12 929m (19 709) due to higher expenses including the Swedish FSA's administrative fine, higher credit impairments and lower net gains and losses on financial items. The table below shows a simplified income statement adjusted for the Swedish FSA's administrative fine.

Income statement, SEKm	Full-year 2020	Full-year 2020 Excl administrative fine	Full-year 2019
Total income	45 676	45 676	45 960
Total expenses	24 560	20 560	19 984
of which administrative fine	4 000		
Credit impairment and impairment	4 336	4 336	1 556
Operating profit	16 780	20 780	24 420
Tax expense	3 851	3 851	4 711
Profit for the period attributable to the shareholders of Swedbank AB	12 929	16 929	19 697
Non-controlling interests	0	0	12
Return on equity, %	8.9	11.4	14.7
Cost/income ratio	0.54	0.45	0.43

Foreign exchange effects negatively affected profit before impairment by SEK 66m.

The return on equity was 8.9 per cent (14.7) and the cost/income ratio was 0.54 (0.43). Adjusted for the Swedish FSA's administrative fine, the return on equity was 11.4 per cent and the cost/income ratio was 0.45.

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

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

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

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

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

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

Credit impairments for the year amounted to SEK 4 334m (1 469), corresponding to a credit impairment ratio of 0.26 per cent (0.09). The increase is a result of increased provisions for a few large oil-related counterparties, negative risk class changes in pandemic affected industries, and experienced credit adjustments due to the uncertainty surrounding future economic impacts of Covid-19. A large part of the credit impairments was in Large Corporates & Institutions. The tax expense amounted to SEK 3 851m (4 711), corresponding to an effective tax rate of 22.9 per cent (19.3). The effective tax rate for 2020 was negatively affected by the Swedish FSA's administrative fine, which is not tax-deductible, and positively by a deferred tax asset from previous years. Excluding the administrative fine and deferred tax asset, the adjusted effective tax rate was 20.0 per cent. 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 6bn to SEK 1 616bn (1 622) compared with the end of the third quarter 2020. Compared with the end of the fourth quarter 2019 the increase was SEK 10bn, corresponding to growth of 1 per cent. Foreign exchange effects negatively affected lending volumes by SEK 12bn compared with the end of the third quarter 2020 and negatively by SEK 12bn compared with the end of the fourth quarter 2019.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Dec 2020	30 Sep 2020	31 Dec 2019
Loans, private mortgage	939	933	905
of which Swedish Banking	849	841	818
of which Baltic Banking	90	92	87
Loans, private other incl tenant-owner associations	141	146	148
of which Swedish Banking	123	127	130
of which Baltic Banking	16	18	17
of which Large Corporates & Inst.	2	1	1
Loans, corporate	536	543	553
of which Swedish Banking	239	243	248
of which Baltic Banking	76	80	82
of which Large Corporates & Inst.	221	220	222
Total	1 616	1 622	1 606

Lending to mortgage customers within Swedish Banking increased by SEK 8bn to SEK 849bn compared with the end of the third quarter 2020. The market share in mortgages was 23 per cent (24). Other private lending, including lending to tenant-owner associations, decreased by SEK 4bn in the quarter.

Swedish consumer credit volume amounted to SEK 32bn (32), 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 by 2 per cent in local currency to the equivalent of SEK 94bn at the end of the quarter.

The Baltic consumer credit portfolio decreased by 4 per cent in local currency to the equivalent of SEK 8bn at the end of the quarter.

Corporate lending in all business segments decreased by SEK 7bn in the quarter to SEK 536bn (543), largely due to foreign exchange effects. 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 8.1 million, in line with the end of the third quarter. In Sweden 4.3 million cards were in issue and in the Baltic countries 3.8 million. During the quarter, corporate card issuance in Sweden grew by 2 per cent and private card issuance by 1 per cent compared with the same quarter in 2019.

Number of cards	31 Dec 2020	30 Sep 2020	31 Dec 2019
Issued cards, million	8.1	8.1	8.1
of which Sweden	4.3	4.3	4.3
of which Baltic countries	3.8	3.8	3.8

The number of purchases with Swedbank cards in Sweden was affected by Covid-19 and decreased compared with the previous year. In the fourth quarter, there were 308 million card purchases, or 10 per cent lower than the same quarter in 2019. In the Baltic countries there were 166 million card purchases, which was 1 per cent below the level in the fourth quarter of 2019.

The number of card transactions acquired by Swedbank decreased by 5 per cent compared with the year-earlier period. In Sweden, Norway, Finland and Denmark 672 million card transactions were acquired in the quarter, a decrease of 6 per cent year-over-year. Transaction volumes decreased by 2 per cent in the quarter compared with the same period in 2019. In the Baltic countries the corresponding figure was 118 million transactions, down 1 per cent from the previous year.

Sectors such as home electronics significantly increased in the fourth quarter thanks to strong Christmas sales, including in connection with Black Friday. Others that have been more affected by the crisis such as hotels, travel and transport again declined in the fourth quarter after a clear recovery in the previous quarter. Sectors little or even positively affected by Covid-19 such as food and other consumer staples continued to see good activity.

In Sweden there were 222 million domestic payments in the fourth quarter, a year-over-year increase of 4 per cent. In the Baltic countries 89 million domestic payments were processed, up 11 per cent compared with the same period in 2019. Swedbank's market share of payments through the Bankgiro system was 34 per cent. The number of international payments in Sweden increased by 8 per cent to 1.5 million compared with the same quarter in 2019. The Baltic countries saw an increase in international payments of 18 per cent compared with the fourth quarter 2019 to 4.1 million.

Savings

Total deposits within the business segments rose to SEK 1 130bn (1 075). Compared with the end of fourth quarter 2019 the increase was SEK 176bn, corresponding to growth of 18 per cent. All business segments contributed to the year-over-year increase. Exchange rates negatively affected deposits by SEK 17.4bn compared with the end of third quarter 2020 and negatively by SEK 15.3bn compared with the end of fourth quarter 2019. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 1 131bn (1 132).

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements,	31 Dec 2020	30 Sep 2020	31 Dec 2019
Deposits, private	588	577	531
of which Swedish Banking	424	419	388
of which Baltic Banking	164	158	143
Deposits, corporate	543	555	423
of which Swedish Banking	222	208	183
of which Baltic Banking	120	114	99
of which Large Corporates & Inst.	200	176	141
of which Group Functions & Other	1	57	
Total	1 131	1 132	954

Swedbank's deposits from private customers increased by SEK 11bn in the quarter to SEK 588bn (577).

Corporate deposits in the business segments increased in total by SEK 44bn 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 increased to 17 per cent (16). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	31 Dec 2020	30 Sep 2020	31 Dec 2019
Total asset management	1 686	1 609	1 538
Assets under management	1 227	1 155	1 090
Assets under management, Robur	1 220	1 153	1 083
of which Sweden	1 163	1 095	1 025
of which Baltic countries	64	63	59
of which eliminations	-7	-5	-1
Assets under management, Other, Baltic countries	7	2	7
Discretionary asset management	459	454	448

Assets under management in Swedbank Robur rose in the fourth quarter to SEK 1 220bn (1 153) at 31 December, of which SEK 1 163bn (1 096) related to the Swedish business and SEK 64bn (63) 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 amounted to SEK 84bn in the quarter (38), of which SEK 38bn relates to annual PPM contributions. All fund categories had net inflows with the largest flow, SEK 44bn, to actively managed equity funds. Swedbank's share of inflows to the Swedish fund market was 14 per cent in the quarter.

Including annual PPM contributions of SEK 5bn, Swedbank Robur's Swedish fund business had a net inflow of SEK 14bn (8). Flows within Swedbank and the savings banks remained positive, as they did in third party distribution, where sales nearly doubled in the quarter. At the same time, the institutional management business also had net inflows.

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 31 December, the market share in Sweden was 21 per cent. The market share in Estonia and Latvia was 41 per cent respectively and in Lithuania 37 per cent.

Assets under management, life insurance SEKbn	31 Dec 2020	30 Sep 2020	31 Dec 2019
Sweden	247	235	220
of which collective occupational pensions	125	119	109
of which endowment insurance	80	76	72
of which occupational pensions	32	30	29
of which other	10	10	10
Baltic countries	7	7	7

Life insurance assets under management in the Swedish operations rose by 12 per cent in the fourth quarter to SEK 247bn on 31 December. Premium income, consisting of premium payments and capital transfers, amounted to SEK 5bn (4) in the fourth quarter.

For premium income excluding capital transfers Swedbank's market share in the third quarter was 6 per cent (6). In the transfer market Swedbank's market share in the third quarter was 8 per cent (9).

In Estonia and Lithuania Swedbank is the largest life insurance company and in Latvia it is the fourth largest. The market share for premium payments in the first 11 months of the year was 46 per cent in Estonia, 26 per cent in Lithuania and 21 per cent in Latvia.

Credit and asset quality

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

The total share of loans in stage 2, gross, in the fourth quarter was 6.4 per cent (7.2), of which 3.9 per cent (4.3) was for personal loans and 12.2 per cent (13.5) for corporate loans. During the year, sectors hard hit by Covid-19, such as hotels and restaurants, saw the largest increase in the share of loans in stage 2.

The share of loans in stage 3, gross, in the fourth quarter was 0.6 per cent (0.8). The decrease in loans in stage 3 in the quarter was mainly attributable to the shipping and offshore industries as well as property management. The provision ratio for loans in stage 3 increased to 47 per cent (46). Increased individual provisions for certain oil-related commitments and the lower volume of loans in stage 3 within property management explain this. Swedbank's oil-related portfolio is small and is being reduced and restructured. Market conditions remain challenging.

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

Swedbank's lending in property management accounts for approximately 15 per cent of the total loan portfolio and is mainly to real estate companies with strong finances and good collateral with low loan-to-value ratios. Segments with low risk and low cyclical sensitivity such as residential and public properties as well as logistics properties in prime locations account for about

40 per cent of the real estate portfolio. Swedbank's lending to retail and hotel properties represents a smaller share of the total loan volume in property management. Swedbank focuses its lending to

commercial properties with stable cash flows and the customer's long-term ability to repay interest and amortisation. Loan-to-value ratios in lending to property management companies are generally low and average 57 per cent (57) in Sweden.

For more information on credit exposures and credit quality, see notes 10-12 and pages 39-50 of the fact book.

Operational risks

Covid-19 is considered a critical risk for the bank, its employees and customers. Despite a widespread second wave of the pandemic, the bank has been able to fully maintain its operations. To protect customers and employees and to ensure that customer service is maintained, the bank has taken a number of measures to reduce the risk of the virus's spread. In response to the pandemic, the bank has improved its preparedness e.g. by updating continuity plans. The bank also expanded opportunities for remote work and digital customer meetings, allocated resources to ensure operational continuity and activated a crisis management function. Plans for various Covid-19 scenarios have been prepared to manage operational risks and reduce the risk of disruptions.

A number of IT incidents occurred in the fourth quarter that caused serious disruptions. Disruptions at external providers affected the availability of critical channels and payment services. Swedbank is working continuously to ensure a high level of availability for its customers.

Funding and liquidity

Funding activity was lower in 2020 than in the previous year due to large deposit inflows. Covered bond issues in particular were down, while the focus was on issuing unsecured bonds to meet the regulatory requirements adopted by the authorities. For the full-year 2020, Swedbank issued SEK 78bn in long-term debt, of which SEK 3bn in the fourth quarter.

The total issuance need for the full-year 2021 is expected to be in line with issuance volume in 2020. The issuance need is affected by the current liquidity situation, future maturities and changes in deposit and lending volumes and is therefore adjusted over the course of the year. Maturities in 2021 amount to SEK 151bn.

As of 31 December, short-term funding and commercial paper included in debt securities in issue amounted to SEK 127bn (SEK 158bn as of 30 September). Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 315bn (389) and the liquidity reserve amounted to SEK 485bn (563). The Group's liquidity coverage ratio (LCR) was 174 per cent (153) and for USD, EUR and SEK was 145, 263 and 134 per cent respectively. The net stable funding ratio (NSFR) was 125 per cent (124). For more information on funding and liquidity, see notes 14-16 and pages 55-68 of the fact book.

Ratings

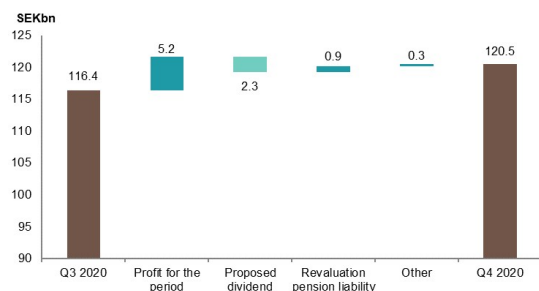
There were no changes in Swedbank's ratings in the fourth quarter. For more information on the ratings, see page 68 of the fact book.

Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 17.5 per cent (16.8) at the end of the quarter. The total Common Equity Tier 1 capital requirement was 12.4 per cent (13.0) of the risk exposure amount (REA). Common Equity Tier 1 capital increased to SEK 120.5bn (116.4), mainly due to the quarterly profit after the estimated dividend of SEK 2.9bn.

Change in Common Equity Tier 1 capital, Swedbank consolidated situation



Total REA decreased to SEK 689.6bn (691.5) in the fourth quarter.

REA for credit risk decreased in the quarter by SEK 0.9bn to SEK 574.6bn. The decrease was mainly due to foreign exchange effects, which reduced REA by SEK 6.2bn. Improved ratings of corporate and household exposures reduced REA by SEK 2.0bn and decreased exposures within counterparty credit risk reduced REA by SEK 2.3bn. The decreases were partly offset by higher other assets as well as increased lending volumes. In total, increased exposures raised REA by SEK 7.0bn. REA attributable to exposures in default of SEK 2.6bn, mainly to corporate customers, also offset the decrease in REA for credit risk.

REA for market risk decreased in the quarter by SEK 3.0bn to SEK 17.3bn (20.3). REA for credit value adjustments decreased by SEK 1.1bn to SEK 4.4bn (5.5), mainly due to decreased exposures compared with the third quarter. The annual update of the REA calculation for operational risk increased REA by SEK 2.1bn to SEK 73.5bn. This is due to increased income.

The quarterly review of additional REA for article 3 of the Capital Requirements Regulation (CRR) resulted in an increase in REA of SEK 1.0bn attributable to probability of default in the model for large corporates.

Change in REA, Swedbank consolidated situation



The leverage ratio was 5.1 per cent (4.8). The ratio increased due to slightly higher Tier 1 capital and lower

total assets at the end of fourth quarter 2020 compared with the third quarter.

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.

In the fourth quarter 2020, Swedbank's capital requirement changed due to regulatory changes. The 2 per cent add-on for systemic risk in Pillar 2 was removed and an O-SII buffer corresponding to 1 per cent increased the requirement. In addition, an add-on corresponding to 0.5 per cent was introduced in Common Equity Tier 1 capital for exposures to commercial properties.

The new application will also result in 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 on the additional capital that banks should hold to cover risks and manage future financial stresses. The pillar 2 requirement is expected to remain unchanged and guidance is expected to be 1 per cent.

In the proposal the Swedish FSA gives its view of how a leverage ratio requirement should be introduced. The minimum leverage ratio requirement is 3 per cent 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 requirement to essentially leave the capital requirements' nominal level unchanged.

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, i.e. the end of the third quarter 2021. According to the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, the minimum leverage ratio requirement will be applied as of 28 June 2021.

In December 2019, the committee of inquiry appointed by the Swedish Ministry for Finance presented a proposal on the implementation of among other things 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 was scheduled to take effect by 28 December 2020 but has been delayed. The changes relating to the requirements on own funds and eligible liabilities 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 and is expected to raise REA.

Other events

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 Ägareförening 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).

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

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

In December Swedbank's Board of Directors approved a revised strategic direction for the Bank.

Strategic Direction



Swedbank's anti-money laundering work

Swedbank worked intensely in 2020 to remedy the historical shortcomings in governance and control of money laundering risks, terrorist financing and financial sanctions that were pointed out by the Swedish and Estonian FSAs and in the report from Clifford Chance's investigation in March 2020.

As a bank, Swedbank is exposed to risks of being exploited for money laundering and terrorist financing and has therefore established Group-wide processes to identify and manage these risks in all the jurisdictions where the bank operates. Fighting financial crime is fundamental to a safe society, and these functions support Swedbank's goal of an "economically sound and sustainable society".

Swedbank's Board of Directors and senior executives fully comprehend the seriousness and complexity of the bank's historical shortcomings and the need for improvements in the governance and control of risks of money laundering, terrorist financing and financial sanctions. During the year, Swedbank was open in its communication with external stakeholders and the public on its AML work, and in the quarter the bank reported the important steps that have been taken to remedy the historical shortcomings.

Actions to remedy historical shortcomings in Estonia

On 19 November, Swedbank AS, Swedbank's Estonian subsidiary, submitted a final report to the Estonian FSA. The report described all the actions that have been taken to remedy the historical shortcomings presented in the precept from March 2020. The actions are described in detail and Swedbank AS is confident that the shortcomings identified by the Estonian FSA have been addressed. In the area of governance and control of money laundering risks, terrorist financing and financial sanctions, the following actions have been taken:

- Swedbank AS has strengthened the Board of Directors' competence and strengthened awareness among employees of the importance of an improved culture in both AML work and the AML framework.
- The organisational structure has been changed to clarify responsibilities.
- The compliance function has been strengthened and has established a new unit to oversee the work.
- Swedbank AS has significantly strengthened resources in the AML/CTF area.

After the end of the quarter, the Estonian FSA announced its assessment of the final report, which is described in the section Events after 31 December 2020, on page 12.

Action plan

Significant progress was made in the fourth quarter in the comprehensive Group-wide action plan that was implemented and reported during the year. More than 90 per cent of the points in the plan were completed on time. The remaining measures are being transferred to the bank's change programme.

The action plan addresses a large share of the known shortcomings pointed out by the Swedish and Estonian FSAs and in the Clifford Chance investigative report.

Review of corporate governance

Changes in corporate governance are underway with several subprojects and workflows, which will be fully implemented in 2021. Important aspects include a comprehensive review of the corporate governance framework within the Group and ensuring that governance and control in the business area Baltic

Banking are strengthened both within the subsidiary banks and from the parent company. Furthermore, Swedbank will implement a mandatory training programme on corporate governance for among others senior executives, board members in major subsidiaries and employees who are involved in the corporate governance process.

Investigations

In September 2020, Swedbank was notified by the Swedish FSA that it was investigating the bank for suspected breaches of the regulation on market abuse (MAR). The investigation encompasses 20 September 2018 to 20 February 2019 and is focused on disclosures 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.

The US authorities continue to investigate Swedbank's historical AML/CTF work and information disclosure. The investigations are progressing and Swedbank is holding discussions with relevant authorities through our US legal advisors. We cannot at this point predict when the investigations will be finalised or the results.

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

The Swedish Economic Crime Authority (EBM) is investigating whether historical information disclosures were criminal. The bank has no information when the EBM's investigation will be completed.

Work going forward

Swedbank shall be at the forefront of the fight against financial crime. Especially important is to have a thorough understanding of our risk exposure and customers, and to work relentlessly to detect and prevent illicit transactions. Therefore, Swedbank is committed to implement effective and efficient processes and shall strive for international best practices.

Events after 31 December 2020

In 2020, Swedbank updated its strategic direction and placed sustainability at the core of its business strategy. Consequently, the bank has decided to prohibit all new financing for unconventional fossil fuels: shale oil and gas, Arctic oil and gas, and oil sands.

Nor will we grant new financing for the prospecting of new oil and gas fields, unless the company can supply and demonstrate a transition plan for its entire value chain that aligns with the Paris Agreement.

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

On 18 January, it was announced that Swedbank will hold an Extraordinary General Meeting on 15 February 2021 to decide on the dividend payment based on the 2019 profit; see section Important to note.

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

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

Swedish Banking

- Good volume growth in mortgages, but decreased net interest income mainly due to lower deposit margins
- Stronger net commission income mainly due to higher income from asset management and securities trading
- Apple Pay and Samsung Pay were launched for younger customers

Income statement

SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	3 851	4 063	-5	4 093	-6	16 276	16 254	0
Net commission income	2 100	2 015	4	2 017	4	7 922	7 854	1
Net gains and losses on financial items	91	104	-13	105	-13	351	433	-19
Other income ¹⁾	423	525	-19	555	-24	1 596	1 816	-12
Total income	6 465	6 707	-4	6 770	-5	26 145	26 357	-1
Staff costs	789	768	3	736	7	3 079	2 950	4
Variable staff costs	17	17	0	6		48	48	0
Other expenses	2 003	1 674	20	1 685	19	6 855	6 001	14
Depreciation/amortisation	12	13	-8	19	-37	53	237	-78
Total expenses	2 821	2 472	14	2 446	15	10 035	9 236	9
Profit before impairment	3 644	4 235	-14	4 324	-16	16 110	17 121	-6
Credit impairment	-1	-140	-99	10		664	154	
Operating profit	3 645	4 375	-17	4 314	-16	15 446	16 967	-9
Tax expense	663	855	-22	790	-16	3 007	3 270	-8
Profit for the period	2 982	3 520	-15	3 524	-15	12 439	13 697	-9
Profit for the period attributable to the shareholders of Swedbank AB	2 982	3 519	-15	3 524	-15	12 439	13 685	-9
Non-controlling interests	0	1		0		0	12	
Return on allocated equity, %	17.7	20.6		21.8		18.5	21.2	
Loan/deposit ratio, %	187	193		209		187	209	
Credit impairment ratio, %	0.00	-0.05		0.00		0.06	0.01	
Cost/income ratio	0.44	0.37		0.36		0.38	0.35	
Loans, SEKbn ²⁾	1 211	1 211	0	1 196	1	1 211	1 196	1
Deposits, SEKbn ²⁾	646	627	3	571	13	646	571	13
Full-time employees	3 991	3 936	1	3 644	10	3 991	3 644	10

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

Fourth quarter 2020 compared with third quarter 2020

Swedish Banking's profit decreased to SEK 2 982m (3 519), mainly due to lower interest income and higher expenses.

Net interest income decreased by 5 per cent to SEK 3 851m (4 063). Lower market interest rates had a negative effect on deposit margins and the deposit guarantee fee increased when the Swedish National Debt Office announced the final fee level for the current year. This was partly offset by higher margins on lending.

Household mortgage volume increased by SEK 8bn to SEK 849bn in the quarter. Lending to tenant-owner associations decreased by SEK 3bn to SEK 92bn. Corporate lending decreased by SEK 4bn to SEK 239bn, of which SEK 2bn was from the transfer of customers with more complex needs to the business area Large Corporates & Institutions. Volumes otherwise decreased mainly in the forestry, agriculture and fishing, professional services and manufacturing sectors.

Deposit volume increased to SEK 646bn (627), of which household deposits increased by SEK 6bn and corporate deposits by SEK 14bn.

Net commission income increased by 4 per cent to SEK 2 100m (2 015), mainly due to higher income from asset management, securities trading and payment processing. This was partly offset by lower card commissions.

Other income decreased, mainly due to lower income from Entercard.

Expenses increased by 14 per cent to SEK 2 821m (2 472), largely due to higher consulting expenses and other expenses, mainly related to compliance.

During the quarter, credit impairments were positive at SEK -1m (-140), mainly due to exposure changes where lending with higher provisions decreased at the same time that lending with lower provisions increased.

Full-year 2020 compared with full-year 2019

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

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

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

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

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

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

Business development

The pandemic again worsened in the fourth quarter, and to assist our customers we continued with and added measures. We informed customers how we can best help them and how they can bank digitally. To make it easier to receive advice remotely, we added virtual meetings with advisors in branches and customer centres. During the quarter, we also arranged digital presentations on secure online shopping for customers who are not used to shopping that way.

Amortisation exemptions for private customers were granted for mortgages until 31 August 2021 and up to six months for other consumer loans. Companies have been able to apply for exemptions of up to six months with the option of an additional extension for another three months. The number of companies that applied for exemptions increased compared with the third quarter, but the levels are still lower than in the second quarter.

We continued in the quarter to improve our services and products for both private and corporate customers. In the payments area we launched Apple Pay and Samsung Pay for younger customer groups. To facilitate

access for new customers, we made it easier for them to contact us using the channels they prefer. We have also seen increased usage of our spending tracker, which gives private customers a clearer overview of what they are spending their money on by categorising purchases. For our corporate customers we improved functionality in the internet bank. We also launched a new tool called *Företagskollen* for small businesses to easily forecast cash flows.

We continue to work with sustainable advice and support customers in the transition away from fossil fuels. In addition to offering products such as green funding and sustainable investments, we are also helping them to identify risks and determine which measures they can take themselves.

The magazine *Lyckoslanten*, one of Sweden's largest magazines for children, which covers money, savings and engagement with tips and advice, is now also available digitally in the app for young people.

AML work is continuing within the framework of the action plan that was previously presented and is continuing according to plan. The unit leading the AML work continued to grow during the quarter. Quality improvements are underway to increase efficiency and prepare for the implementation of the new system support. In the quarter, a new support unit was organised as well to provide additional support to branches and customer centres on matters involving money laundering.



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 159 branches in Sweden.

Baltic Banking

- Increased lending and deposits in local currency in the quarter
- Sustainability remained a priority with new climate-smart customer offerings
- Swedbank named the “Most loved brand” in the Baltic countries

Income statement

SEKmn	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	1 266	1 309	-3	1 358	-7	5 354	5 232	2
Net commission income	606	620	-2	671	-10	2 430	2 627	-7
Net gains and losses on financial items	100	91	10	93	8	337	396	-15
Other income ¹⁾	228	210	9	253	-10	876	899	-3
Total income	2 200	2 230	-1	2 375	-7	8 997	9 154	-2
Staff costs	312	305	2	290	8	1 194	1 104	8
Variable staff costs	19	9		10	90	45	57	-21
Other expenses	623	544	15	607	3	2 153	2 075	4
Depreciation/amortisation	42	42		44	-5	171	175	-2
Total expenses	996	900	11	951	5	3 563	3 411	4
Profit before impairment	1 204	1 330	-9	1 424	-15	5 434	5 743	-5
Impairment of tangible assets	1	1		5	-80	2	8	-75
Credit impairment	-8	43		-3		237	3	
Operating profit	1 211	1 286	-6	1 422	-15	5 195	5 732	-9
Tax expense	200	212	-6	200		869	816	6
Profit for the period	1 011	1 074	-6	1 222	-17	4 326	4 916	-12
Profit for the period attributable to the shareholders of Swedbank AB	1 011	1 074	-6	1 222	-17	4 326	4 916	-12
Return on allocated equity, %	16.4	16.6		19.3		17.5	19.6	
Loan/deposit ratio, %	64	70		77		64	77	
Credit impairment ratio, %	-0.02	0.09		-0.01		0.12	0.00	
Cost/income ratio	0.45	0.40		0.40		0.40	0.37	
Loans, SEKbn ²⁾	182	190	-4	186	-2	182	186	-2
Deposits, SEKbn ²⁾	284	272	4	241	18	284	241	18
Full-time employees	3 769	3 752		3 689	2	3 769	3 689	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

Fourth quarter 2020 compared with third quarter 2020

Profit in the fourth quarter amounted to SEK 1 011m (1 074). Profit in local currency decreased due to lower income and higher expenses, partly offset by lower credit impairments. Foreign exchange effects reduced profit by SEK 7m.

Net interest income decreased by 2 per cent in local currency. Mortgage margins were unchanged in the quarter at the same time that margins on corporate lending decreased. Deposit margins also decreased in the quarter. Foreign exchange effects negatively affected net interest income by SEK 10m.

Lending slightly increased in the quarter in local currency. Household lending increased by 2 per cent at the same time that corporate lending fell by 1 per cent. Foreign exchange effects negatively contributed SEK 8.8bn.

Deposits increased by 10 per cent in local currency due to growth in both corporate and private deposits in the quarter. Foreign exchange effects negatively contributed SEK 13.8bn.

Net commission income decreased by 1 per cent in local currency in the quarter, mainly related to lower payment income. Card usage decreased in the quarter, but to a lower degree than during the spring's first wave of Covid-19.

Net gains and losses on financial items increased by 11 per cent in local currency, mainly thanks to higher income from FX trading and unrealised gains in asset management and insurance in the quarter.

Other income rose by 10 per cent in local currency, mainly due to lower insurance claims in the quarter.

Expenses increased by 12 per cent in local currency, largely due to seasonally higher staff costs as well as expenses for marketing and premises. The work to strengthen AML functions as well as the work to improve KYC processes continued in the quarter.

Credit impairments were positive in the quarter at SEK -8m (43).

Full-year 2020 compared with full-year 2019

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

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

Lending increased by 2 per cent in local currency. Household lending increased by 6 per cent at the same time that corporate lending decreased by 4 per cent.

Foreign exchange effects reduced lending growth by SEK 6.8bn.

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

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

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

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

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

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

Business development

Due to the increased spread of Covid-19 in the Baltic countries during the quarter, we continued to support our customers and offered individualised restructuring solutions among other things. Demand for amortisation exemptions was low. Since the end of the previous quarter, more than half of the customers who had been granted exemptions began to amortise according to their previous amortisation schedule.

In the fourth quarter, Swedbank continued to improve the customer experience in its digital channels. Biometric authentication was introduced in the internet bank, thanks to which customers can log in and approve payments either by fingerprint or facial recognition. This enables approximately 673 000 customers who already use biometric recognition in the mobile app to log in to the internet bank in the same way. Biometrics is currently one of the safest ways to identify people, and

Swedbank is the only bank in the Baltic region to provide such an authentication method to its customers.

Google Pay was also launched in the quarter. This allows our customers in the Baltic countries to make contactless payments with an Android unit. The service was launched on the same day that Google opened the service for the Baltic markets and by the of the quarter it was activated on nearly 8 500 units.

In addition, the My Budget tool is now available for our mobile app customers. This function makes it possible for customers to track their monthly spending. The app had a very positive response and the number of customers who use My Budget neared 400 000 at the end of the quarter.

We further improved our sustainable lending offerings in the quarter with the launch of a sustainable mortgage for energy improvements and a new business loan for renewable energy investments. Small businesses can now borrow at a lower fixed rate for investments that reduce their CO₂ emissions e.g. solar panels, wind power or heat pumps.

During the Baltic Brand Awards, Swedbank was named a winner in five different categories. At the national level, Swedbank was named "Most loved brand" in all three Baltic countries. Swedbank also received an award as the most loved and humane brand in the region. This shows that the people in the Baltic countries see Swedbank as a socially responsible company locally and regionally.

On 19 November, a final report was submitted by Swedbank AS to the Estonian FSA on all the actions taken to address the shortcomings that were presented in the precept from March 2020. Additional measures to improve the quality and efficiency of our work to prevent money laundering and economic crime remain a high priority.



Jon Lidfelt
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 18 branches in Estonia, 22 in Latvia and 42 in Lithuania.

Large Corporates & Institutions

- Stable net interest income and net commission income strengthened by asset management and advisory income
- Higher net gains and losses on financial items due to favourable FX trading and derivative value adjustments (CVA/DVA)
- Continued high activity in the primary market for stocks and bonds

Income statement

SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	942	925	2	931	1	3 834	3 769	2
Net commission income	649	610	6	718	-10	2 436	2 411	1
Net gains and losses on financial items	677	503	35	551	23	1 897	2 085	-9
Other income ¹⁾	25	29	-14	1		116	111	5
Total income	2 293	2 067	11	2 201	4	8 283	8 376	-1
Staff costs	653	534	22	600	9	2 332	2 196	6
Variable staff costs	54	14		10		94	176	-47
Other expenses	339	360	-6	360	-6	1 429	1 447	-1
Depreciation/amortisation	65	61	7	61	7	248	233	6
Total expenses	1 111	969	15	1 031	8	4 103	4 052	1
Profit before impairment	1 182	1 098	8	1 170	1	4 180	4 324	-3
Impairment of intangible assets				13			79	
Credit impairment	537	521	3	982	-45	3 425	1 312	
Operating profit	645	577	12	175		755	2 933	-74
Tax expense	147	-41		46		-271	682	
Profit for the period	498	618	-19	129		1 026	2 251	-54
Profit for the period attributable to the shareholders of Swedbank AB	498	618	-19	129		1 026	2 251	-54
Return on allocated equity, %	6.0	7.3		1.9		3.2	8.3	
Loan/deposit ratio, %	111	126		159		111	159	
Credit impairment ratio, %	0.68	0.57		1.32		1.16	0.47	
Cost/income ratio	0.48	0.47		0.47		0.50	0.48	
Loans, SEKbn ²⁾	223	221	1	223		223	223	
Deposits, SEKbn ²⁾	200	176	14	142	41	200	142	41
Full-time employees	2 385	2 351	1	2 273	5	2 385	2 273	5

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

Fourth quarter 2020 compared with third quarter 2020

Despite increased income in the quarter, profit decreased to SEK 498m (618) as the previous quarter was positively affected by tax reversals.

Net interest income increased by 2 per cent to SEK 942m (925), mainly due to the transfer of customers from the business area Swedish Banking, but was offset by the deposit fee, which increased when the Swedish National Debt Office announced the final fee level for the year.

Net commission income increased by 6 per cent to SEK 649m (610) and was positively affected by increased asset management income. The main reason for the increase was performance-based fees, but a higher volume of assets under management contributed as well. Higher advisory commissions from M&A and share issues, as well as fees Swedbank earned as a liquidity guarantor in the covered bond market, also had a positive effect. Card commissions decreased due to lower transaction volumes and because Swedbank paid one-off compensation of SEK 130m to the savings banks to terminate in advance a card acquiring agreement.

Net gains and losses on financial items increased to SEK 677m (503) and customer activity remained good. The result was positively affected primarily by favourable FX trading. Derivative value adjustments (CVA/DVA) due to lower credit spreads also contributed.

Expenses increased by 15 per cent to SEK 1 111m (969), mainly due to higher staff costs due to more employees in the fourth quarter as well as lower activity during the holiday months in the third quarter. IT expenses and consulting expenses also contributed to the increase.

Credit impairments amounted to SEK 537m (521). Market conditions for the bank's counterparties within oil-related industries remain difficult and reassessments of individual cases resulted in additional provisions, which were partly offset by positive risk class changes in other industries.

Full-year 2020 compared with full-year 2019

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

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

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

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

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

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

Business development

The pandemic continued to affect the way the bank meets customers during the quarter. We are working continuously to find safe, personalised solutions, where the digital channels that were set up last spring for virtual meetings and digital events are now a natural part of our daily interactions with customers.

M&A related funding remained good in the quarter. For example, Swedbank provided a bridge loan in connection with MTG's acquisition of Hutch Games and participated as funding coordinator for the leading solar energy producer Scatec's acquisition of a large portfolio of hydropower plants. The latter funding was structured as green and sustainable loans.

Swedbank has assisted a broad base of customers with advisory services in connection with bond issues, including Nordic Investment Bank, which issued a blue

bond to support water resource management and protection projects in the Baltic region. The Finnish real estate company Citycon also tapped Swedbank when it issued a green bond. Kommuninvest attracted a broad base of investors when it issued its first green bond, with a volume of SEK 7bn.

In its equity business Swedbank led the IPO of the Baltic company Ignitis Grupe, which issued shares valued at EUR 450m, making it the largest IPO ever in the Baltic region. Swedbank also participated in the IPOs of the Swedish real estate companies Wästbygg and Offentliga Hus, as well as in a new share issue in Norway for Scatec. Moreover, the bank advised Platzer Fastigheter when it established a green equity framework, making it the second company in Sweden to have its shares classified as green in an independent evaluation.

In the quarter, the bank continued to focus on implementing its long-term strategic plan to combat money laundering and increase KYC. The aim is to further improve operating procedures and strengthen the organisation through new recruits. System-related improvements to increase automation and the quality of processes and data have been made as well.

The research firm Prospera's annual surveys show increased satisfaction among corporate and institutional clients. In the survey for Corporate Banking 2020 Real Estate Sweden, Swedbank shared first place. Swedbank is also the bank that issued the largest SEK volume in the year, as well as the second largest volume among Nordic issuers of ESG bonds, according to data from Bloomberg.

Swedbank established a strategic partnership in the quarter with Pepins, which helps privately held growth companies to raise capital. Swedbank has a large client base of fast-growing small businesses, which will be able to use Pepins' services through the collaboration.



Björn Meltzer
Acting 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	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	517	422	23	27		1 417	735	93
Net commission income	-43	-15		-13		-137	-13	
Net gains and losses on financial items	43	-29		469	-91	71	716	-90
Other income ¹⁾	336	261	29	199	69	1 070	790	35
Total income	853	639	33	682	25	2 421	2 228	9
Staff costs	1 281	1 252	2	1 139	12	4 920	4 430	11
Variable staff costs	84	34		25		175	159	10
Other expenses	-948	-1 107	-14	-239		-3 174	-2 055	54
Depreciation/amortisation	288	280	3	268	7	1 108	906	22
Administrative fine						4 000		
Total expenses	705	459	54	1 193	-41	7 029	3 440	
Profit before impairment	148	180	-18	-511		-4 608	-1 212	
Credit impairment	-5	1		-1		8		
Operating profit	153	179	-15	-510		-4 616	-1 212	
Tax expense	134	129	4	-63		246	-57	
Profit for the period	19	50	-62	-447		-4 862	-1 155	
Profit for the period attributable to the shareholders of Swedbank AB	19	50	-62	-447		-4 862	-1 155	
Full-time employees	6 068	5 968	2	5 612	8	6 068	5 612	8

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

Fourth quarter 2020 compared with third quarter 2020

Profit decreased to SEK 19m (50) and was mainly affected by lower other income and higher expenses, offset by higher net gains and losses on financial items.

Net interest income increased to SEK 517m (422). Net interest income within Group Treasury increased to SEK 551m (465). The change primarily related to effects of the lower market interest rates and the bank's internal pricing model.

Net gains and losses on financial items increased to SEK 43m (-29). Net gains and losses on financial items within Group Treasury increased to SEK 17m (-44). Revaluations of fixed income instruments within Group Treasury due to lower market interest rates contributed to the increase, while the revaluation of shareholdings was slightly negative in the quarter.

Expenses increased to SEK 705m (459), mainly due to higher staff costs as well as higher consulting costs to manage money laundering related investigations.

Full-year 2020 compared with full-year 2019

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

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

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

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

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	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Net interest income	-9	-5	80	-1		-28	-1	
Net commission income	64	16		22		119	105	13
Net gains and losses on financial items	-1					-1	-1	
Other income ¹⁾	-101	-50		-93	9	-260	-258	1
Total income	-47	-39	21	-72	-35	-170	-155	10
Staff costs	-4	-3	33	-1		-14	-1	
Other expenses	-43	-36	19	-71	-39	-156	-154	1
Total expenses	-47	-39	21	-72	-35	-170	-155	10

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	Q4	Q3		Q4		Full-year	Full-year	
SEKm	2020	2020	%	2019	%	2020	2019	%
Interest income on financial assets at amortised cost	7 300	8 027	-9	7 430	-2	32 020	32 810	-2
Other interest income	804	187		1 294	-38	1 771	2 560	-31
Interest income	8 104	8 214	-1	8 724	-7	33 791	35 370	-4
Interest expense	-1 537	-1 500	2	-2 316	-34	-6 938	-9 381	-26
Net interest income (note 5)	6 567	6 714	-2	6 408	2	26 853	25 989	3
Commission income	5 185	4 899	6	5 242	-1	19 476	19 472	
Commission expense	-1 809	-1 653	9	-1 827	-1	-6 706	-6 488	3
Net commission income (note 6)	3 376	3 246	4	3 415	-1	12 770	12 984	-2
Net gains and losses on financial items (note 7)	910	669	36	1 218	-25	2 655	3 629	-27
Net insurance	408	424	-4	399	2	1 518	1 465	4
Share of profit or loss of associates and joint ventures	122	231	-47	252	-52	582	822	-29
Other income	381	320	19	264	44	1 298	1 071	21
Total income	11 764	11 604	1	11 956	-2	45 676	45 960	-1
Staff costs	3 205	2 930	9	2 815	14	11 873	11 119	7
Other general administrative expenses (note 8)	1 974	1 435	38	2 342	-16	7 107	7 314	-3
Depreciation/amortisation	407	396	3	392	4	1 580	1 551	2
Administrative fine						4 000		
Total expenses	5 586	4 761	17	5 549	1	24 560	19 984	23
Profit before impairment	6 178	6 843	-10	6 407	-4	21 116	25 976	-19
Impairment of intangible assets				13			79	
Impairment of tangible assets	1	1		5	-80	2	8	-75
Credit impairment (note 9)	523	425	23	988	-47	4 334	1 469	
Operating profit	5 654	6 417	-12	5 401	5	16 780	24 420	-31
Tax expense	1 144	1 155	-1	973	18	3 851	4 711	-18
Profit for the period	4 510	5 262	-14	4 428	2	12 929	19 709	-34
Profit for the period attributable to the shareholders of Swedbank AB	4 510	5 261	-14	4 428	2	12 929	19 697	-34
Non-controlling interests	0	1				0	12	
SEK								
Earnings per share, SEK	4.03	4.70		3.96		11.55	17.62	
after dilution, SEK	4.01	4.68		3.95		11.51	17.56	

Statement of comprehensive income, condensed

Group SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Profit for the period reported via income statement	4 510	5 262	-14	4 428	2	12 929	19 709	-34
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	1 148	949	21	1 091	5	5 166	-3 866	
Share related to associates and joint ventures:								
Remeasurements of defined benefit pension plans	20	-20		32	-38	96	-127	
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value through profit and loss	2	1	100	4	-50	6	17	-65
Income tax	-236	-196	20	-225	5	-1 065	793	
Total	934	734	27	902	4	4 203	-3 183	
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations:								
Gains/losses arising during the period	-2 337	371		-1 232	90	-1 838	739	
Reclassification adjustments to income statement, Net gains and losses on financial items	-2					-2		
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	1 808	-291		976	85	1 523	-600	
Reclassification adjustments to income statement, Net gains and losses on financial items	9					9		
Cash flow hedges:								
Gains/losses arising during the period	-412	34		-250	65	-358	159	
Reclassification adjustments to the income statement, Net gains and losses on financial items	403	-33		244	65	349	-154	
Foreign currency basis risk:								
Gains/losses arising during the period	-24	-14	71	-6		-42	-18	
Share of other comprehensive income of associates and joint ventures	6	-4		-40		-84	32	
Income tax	-372	67		-184		-306	167	
Total	-921	130		-492	87	-749	325	
Other comprehensive income for the period, net of tax	13	864	-98	410	-97	3 454	-2 858	
Total comprehensive income for the period	4 523	6 126	-26	4 838	-7	16 383	16 851	-3
Total comprehensive income attributable to the shareholders of Swedbank AB	4 523	6 125	-26	4 838	-7	16 383	16 839	-3
Non-controlling interests	0	1				0	12	

For 2020 a gain of SEK 5 166m (-3 866) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. As per 31 December 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 2019. 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 2019. The changed assumptions together with gains and losses based on experience represented SEK 2 792 million of the positive result in other comprehensive income. The fair value of plan assets increased during 2020 by SEK 2 374m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 3 665m compared with SEK 8 798m at year end 2019.

For January-December 2020 an exchange rate difference of SEK -1 840m (739) was recognised for the Group's foreign net investments in subsidiaries. The loss related to subsidiaries mainly arose because the Swedish krona strengthened against the euro during the year. In addition, an exchange rate difference of SEK -84m (32) 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 loss of SEK 1 924m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a profit of SEK 1 532m (-600) 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 SEKm	31 Dec 2020	31 Dec 2019	Δ SEKm	%
Assets				
Cash and balances with central banks	293 811	195 286	98 525	50
Treasury bills and other bills eligible for refinancing with central banks, etc.	137 191	137 094	97	
Loans to credit institutions (note 10)	47 954	45 452	2 502	6
Loans to the public (note 10)	1 680 987	1 652 296	28 691	2
Value change of interest hedged item in portfolio hedge	1 774	271	1 503	
Bonds and other interest-bearing securities	59 975	57 367	2 608	5
Financial assets for which customers bear the investment risk	252 411	224 893	27 518	12
Shares and participating interests	17 215	6 568	10 647	
Investments in associates and joint ventures	7 287	6 679	608	9
Derivatives (note 17)	52 177	44 424	7 753	17
Intangible assets (note 13)	18 361	17 864	497	3
Tangible assets	5 421	5 572	-151	-3
Current tax assets	1 554	2 408	-854	-35
Deferred tax assets	124	170	-46	-27
Other assets	16 483	8 859	7 624	86
Prepaid expenses and accrued income	1 917	3 025	-1 108	-37
Total assets	2 594 642	2 408 228	186 414	8
Liabilities and equity				
Amounts owed to credit institutions (note 14)	150 313	69 686	80 627	
Deposits and borrowings from the public (note 15)	1 148 240	954 013	194 227	20
Financial liabilities for which customers bear the investment risk	253 229	225 792	27 437	12
Debt securities in issue (note 16)	732 814	855 754	-122 940	-14
Short positions, securities	23 300	34 345	-11 045	-32
Derivatives (note 17)	54 380	40 977	13 403	33
Current tax liabilities	424	836	-412	-49
Deferred tax liabilities	2 784	1 571	1 213	77
Pension provisions	3 665	8 798	-5 133	-58
Insurance provisions	1 859	1 894	-35	-2
Other liabilities and provisions	30 610	28 807	1 803	6
Accrued expenses and prepaid income	4 038	4 383	-345	-8
Senior non-preferred liabilities (note 16)	10 359	10 805	-446	-4
Subordinated liabilities (note 16)	23 434	31 934	-8 500	-27
Total liabilities	2 439 449	2 269 595	169 854	7
Equity				
Non-controlling interests	25	25		
Equity attributable to shareholders of the parent company	155 168	138 608	16 560	12
Total equity	155 193	138 633	16 560	12
Total liabilities and equity	2 594 642	2 408 228	186 414	8

Statement of changes in equity, condensed

Group SEKm	Equity attributable to shareholders of the parent company										
	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	Non- controlling interests	Total equity
January-December 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								178	178		178
Deferred tax related to share based payments to employees								7	7		7
Current tax related to share based payments to employees								-8	-8		-8
Total comprehensive income for the period			-1 924	1 211	-7	-29	5	17 127	16 383	0	16 383
of which reported through profit or loss								12 929	12 929	0	12 929
of which reported through other comprehensive income			-1 924	1 211	-7	-29	5	4 198	3 454		3 454
Closing balance 31 December 2020	24 904	17 275	4 355	-2 669	1	-62		111 364	155 168	25	155 193
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										-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

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Full-year 2020	Full-year 2019 ¹
Operating activities		
Operating profit	16 780	24 420
Adjustments for non-cash items in operating activities	447	4 952
Income taxes paid	-4 331	-5 981
Increase (-) / decrease (+) in loans to credit institution	-2 937	-9 130
Increase (-) / decrease (+) in loans to the public	-39 022	-27 282
Increase (-) / decrease (+) in holdings of securities for trading	-15 081	-43 187
Increase (-) / decrease (+) in other assets	-18 908	-678
Increase (+) / decrease (-) in amounts owed to credit institutions	82 997	12 249
Increase (+) / decrease (-) in deposits and borrowings from the public	203 526	33 488
Increase (+) / decrease (-) in debt securities in issue	-104 629	40 561
Increase (+) / decrease (-) in other liabilities	-9 605	8 556
Cash flow from operating activities	109 237	37 968
Investing activities		
Business disposal		52
Acquisitions of and contributions to joint ventures	-54	-81
Disposal of shares in associates	76	184
Dividend from associates and joint ventures	2	529
Acquisitions of other fixed assets and strategic financial assets	-364	-224
Disposals of/maturity of other fixed assets and strategic financial assets	1 723	535
Cash flow from investing activities	1 383	995
Financing activities		
Amortisation of lease liabilities	-723	-718
Issuance of senior non-preferred liabilities		11 266
Redemption of senior non-preferred liabilities	-95	
Issuance of subordinated liabilities		4 909
Redemption of subordinated liabilities	-7 880	-7 711
Dividends paid		-15 893
Cash flow from financing activities	-8 698	-8 147
Cash flow for the period	101 922	30 816
Cash and cash equivalents at the beginning of the period	195 286	163 161
Cash flow for the period	101 922	30 816
Exchange rate differences on cash and cash equivalents	-3 397	1 309
Cash and cash equivalents at end of the period	293 811	195 286

1) Changed presentation, see note 26

2020

During the year contributions were provided to joint ventures Invidem AB of SEK 23m and P27 Nordic Payments Platform AB of SEK 31m.

During the second quarter 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, the Visa Inc. A shares were sold and Swedbank received a cash payment of SEK 794m. During the third quarter, the shares in the Finnish credit information company Enento Group was sold. Swedbank received a cash payment of SEK 570m.

2019

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

During the year contributions were provided to the joint ventures Invidem AB of SEK 57m and P27 Nordic Payments Platform AB of SEK 24m.

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

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.

Changed presentation of cash flow statement

From the Interim report for the fourth quarter of 2020 the cash flows from issued interest-bearing securities and commercial papers, excluding senior non-preferred liabilities and subordinated liabilities, have been transferred from financing activities to operating activities. Cash flows within the financing activities will going forward be split into senior non-preferred liabilities, subordinated liabilities, leasing liabilities and dividend. The changes are made to the cash flow statement to be more representative of our business model and to align it with our balance sheet. Comparative figures have been restated, see note 26.

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

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

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 2020.

Note 4 Operating segments (business areas)

Full-year 2020						
SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	16 276	5 354	3 834	1 417	-28	26 853
Net commission income	7 922	2 430	2 436	-137	119	12 770
Net gains and losses on financial items	351	337	1 897	71	-1	2 655
Other income ¹⁾	1 596	876	116	1 070	-260	3 398
Total income	26 145	8 997	8 283	2 421	-170	45 676
of which internal income	55	3	17	-75		
Staff costs	3 079	1 194	2 332	4 920	-14	11 511
Variable staff costs	48	45	94	175		362
Other expenses	6 855	2 153	1 429	-3 174	-156	7 107
Depreciation/amortisation	53	171	248	1 108		1 580
Administrative fine				4 000		4 000
Total expenses	10 035	3 563	4 103	7 029	-170	24 560
Profit before impairment	16 110	5 434	4 180	-4 608		21 116
Impairment of tangible assets		2				2
Credit impairment	664	237	3 425	8		4 334
Operating profit	15 446	5 195	755	-4 616		16 780
Tax expense	3 007	869	-271	246		3 851
Profit for the period	12 439	4 326	1 026	-4 862		12 929
Profit for the period attributable to the shareholders of Swedbank AB	12 439	4 326	1 026	-4 862		12 929
Non-controlling interests	0					0
Net commission income						
Commission income						
Payment processing	719	647	585	61	7	2 019
Cards	2 168	1 543	1 969	-6	-423	5 251
Asset management and custody	5 943	341	1 473	-13	-260	7 484
Lending	219	167	666	13	-8	1 057
Other commission income ²⁾	2 136	503	991	42	-7	3 665
Total Commission income	11 185	3 201	5 684	97	-691	19 476
Commission expense	3 263	771	3 248	234	-810	6 706
Net commission income	7 922	2 430	2 436	-137	119	12 770
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	131	160	-1	294
Loans to credit institutions	7		109	264	-332	48
Loans to the public	1 211	182	263	25		1 681
Interest-bearing securities		1	52	147	-3	197
Financial liabilities for which customers bears the investment risk	246	6				252
Investments in associates and joint ventures	5			2		7
Derivatives			65	33	-46	52
Tangible and intangible assets	2	12	2	8		24
Other assets	4	110	25	354	-453	40
Total assets	1 476	314	647	993	-835	2 595
Amounts owed to credit institutions	27		263	179	-319	150
Deposits and borrowings from the public	646	284	226	2	-10	1 148
Debt securities in issue			7	730	-4	733
Financial liabilities for which customers bears the investment risk	247	6				253
Derivatives			67	33	-46	54
Other liabilities	489		51	-15	-456	69
Senior non-preferred liabilities				10		10
Subordinated liabilities				23		23
Total liabilities	1 409	290	614	962	-835	2 440
Allocated equity	67	24	33	31		155
Total liabilities and equity	1 476	314	647	993	-835	2 595
Key figures						
Return on allocated equity, %	18.5	17.5	3.2	-21.8		8.9
Cost/income ratio	0.38	0.40	0.50	2.90		0.54
Credit impairment ratio, %	0.06	0.12	1.16	0.04		0.26
Loan/deposit ratio, %	187	64	111	46		143
Loans to the public, stage 3, SEKbn ³⁾ (gross)	2	2	7			11
Loans to the public, total, SEKbn ³⁾	1 211	182	223			1 616
Provisions for loans to the public, total, SEKbn ³⁾	2	1	5			8
Deposits from the public, SEKbn ³⁾	646	284	200	1		1 131
Risk exposure amount, SEKbn	391	92	168	39		690
Full-time employees	3 991	3 769	2 385	6 068		16 213
Allocated equity, average, SEKbn	67	25	32	22		146

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, Insurance, Securities and corporate finance and Other, see note 6.

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

Full-year 2019

SEKmn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	16 254	5 232	3 769	735	-1	25 989
Net commission income	7 854	2 627	2 411	-13	105	12 984
Net gains and losses on financial items	433	396	2 085	716	-1	3 629
Other income ¹⁾	1 816	899	111	790	-258	3 358
Total income	26 357	9 154	8 376	2 228	-155	45 960
of which internal income	63		15	-78		
Staff costs	2 950	1 104	2 196	4 430	-1	10 679
Variable staff costs	48	57	176	159		440
Other expenses	6 001	2 075	1 447	-2 055	-154	7 314
Depreciation/amortisation	237	175	233	906		1 551
Total expenses	9 236	3 411	4 052	3 440	-155	19 984
Profit before impairment	17 121	5 743	4 324	-1 212		25 976
Impairment of intangible assets			79			79
Impairment of tangible assets		8				8
Credit impairment	154	3	1 312			1 469
Operating profit	16 967	5 732	2 933	-1 212		24 420
Tax expense	3 270	816	682	-57		4 711
Profit for the period	13 697	4 916	2 251	-1 155		19 709
Profit for the period attributable to the shareholders of Swedbank AB	13 685	4 916	2 251	-1 155		19 697
Non-controlling interests	12					12
Net commission income						
Commission income						
Payment processing	723	703	562	135	-33	2 090
Cards	2 562	1 719	2 057		-390	5 948
Asset management and custody	5 331	374	1 263	31	-36	6 963
Lending	239	171	559	8		977
Other commission income ²⁾	2 099	483	863	59	-10	3 494
Total Commission income	10 954	3 450	5 304	233	-469	19 472
Commission expense	3 100	823	2 893	246	-574	6 488
Net commission income	7 854	2 627	2 411	-13	105	12 984
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	42	150	-1	195
Loans to credit institutions	6		81	176	-218	45
Loans to the public	1 196	186	270	2	-2	1 652
Interest-bearing securities		1	45	151	-3	194
Financial liabilities for which customers bears the investment risk	219	6				225
Investments in associates	5			2		7
Derivatives			53	29	-38	44
Tangible and intangible assets	2	12	2	7		23
Other assets	4	65	10	489	-545	23
Total assets	1 433	273	503	1 006	-807	2 408
Amounts owed to credit institutions	26		177	72	-205	70
Deposits and borrowings from the public	571	241	149	2	-9	954
Debt securities in issue		1	10	848	-3	856
Financial liabilities for which customers bears the investment risk	220	6				226
Derivatives			55	24	-38	41
Other liabilities	551		83	-4	-551	79
Senior non-preferred liabilities			1	11	-1	11
Subordinated liabilities				32		32
Total liabilities	1 368	248	475	985	-807	2 269
Allocated equity	65	25	28	21		139
Total liabilities and equity	1 433	273	503	1 006	-807	2 408
Key figures						
Return on allocated equity, %	21.2	19.6	8.3	-6.7		14.7
Cost/income ratio	0.35	0.37	0.48	1.54		0.43
Credit impairment ratio, %	0.01	0.00	0.47	0.00		0.09
Loan/deposit ratio, %	209	77	159	233		168
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	9			14
Loans to the public, total, SEKbn ³⁾	1 196	186	223	1		1 606
Provisions for loans to the public, total, SEKbn ³⁾	1	1	5			7
Deposits, SEKbn ³⁾	571	241	142			954
Risk exposure amount, SEKbn	391	94	144	20		649
Full-time employees	3 644	3 689	2 273	5 612		15 218
Allocated equity, average, SEKbn	64	25	27	17		134

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, Insurance, Securities and corporate finance and Other, see note 6.

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	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Interest income								
Cash and balances with central banks	-165	-211	-22	35		-547	439	
Treasury bills and other bills eligible for refinancing with central banks, etc.	15	15		45	-67	76	172	-56
Loans to credit institutions	46	56	-18	130	-65	314	539	-42
Loans to the public	7 892	8 101	-3	8 201	-4	32 645	32 947	-1
Bonds and other interest-bearing securities	57	176	-68	57		378	118	
Derivatives ¹⁾	56	78	-28	320	-83	637	1 473	-57
Other assets	46	42	10	51	-10	190	216	-12
Total	7 947	8 257	-4	8 839	-10	33 693	35 904	-6
Deduction of trading-related interests reported in Net gains and losses on financial items	-157	43		115		-98	534	
Total interest income	8 104	8 214	-1	8 724	-7	33 791	35 370	-4
Interest expense								
Amounts owed to credit institutions	10	-1		-130		-204	-1 005	-80
Deposits and borrowings from the public	-224	-148	51	-261	-14	-847	-1 663	-49
of which deposit guarantee fees	-212	-119	78	-116	83	-566	-457	24
Debt securities in issue	-1 422	-1 594	-11	-2 417	-41	-7 282	-11 464	-36
Senior non-preferred liabilities	10	-57		-15		-102	-15	
Subordinated liabilities	-170	-183	-7	-290	-41	-821	-993	-17
Derivatives ¹⁾	561	781	-28	1 131	-50	3 450	6 945	-50
Other liabilities	-233	-247	-6	-311	-25	-962	-1 246	-23
of which resolution fund fee	-220	-218	1	-278	-21	-863	-1 117	-23
Total	-1 468	-1 449	1	-2 293	-36	-6 768	-9 441	-28
Deduction of trading-related interests reported in Net gains and losses on financial items	69	51	35	23		170	-60	
Total interest expense	-1 537	-1 500	2	-2 316	-34	-6 938	-9 381	-26
Net interest income	6 567	6 714	-2	6 408	2	26 853	25 989	3
Net investment margin before trading-related interests are deducted	0.97	1.00	-3	1.05	-7	1.01	1.06	-5
Average total assets	2 673 367	2 728 877	-2	2 503 821	7	2 670 861	2 504 946	7
Interest expense on financial liabilities at amortised cost	1 839	1 954	-6	2 869	-36	9 237	15 672	-41
Negative yield on financial assets	329	355	-7	392	-16	1 554	2 031	-23
Negative yield on financial liabilities	164	106	55	166	-1	497	592	-16

¹⁾ Derivatives include net interest income related to hedged assets and liabilities. These may have both a positive and negative impact on interest income and interest expense.

Note 6 Net commission income

Group SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Commission income								
Payment processing	526	499	5	531	-1	2 019	2 090	-3
Cards	1 309	1 380	-5	1 511	-13	5 251	5 948	-12
Service concepts	310	306	1	316	-2	1 240	1 248	-1
Asset management and custody	2 075	1 895	9	2 013	3	7 484	6 963	7
Insurance	164	168	-2	168	-2	690	677	2
Securities and corporate finance	299	140		245	22	810	562	44
Lending	280	271	3	231	21	1 057	977	8
Other	222	240	-8	227	-2	925	1 007	-8
Total commission income	5 185	4 899	6	5 242	-1	19 476	19 472	
Commission expense								
Payment processing	-285	-277	3	-291	-2	-1 128	-1 167	-3
Cards	-783	-667	17	-672	17	-2 719	-2 654	2
Service concepts	-44	-39	13	-47	-6	-156	-172	-9
Asset management and custody	-471	-431	9	-570	-17	-1 763	-1 629	8
Insurance	-74	-70	6	-78	-5	-280	-255	10
Securities and corporate finance	-73	-77	-5	-80	-9	-328	-304	8
Lending	-36	-32	13	-22	64	-119	-79	51
Other	-43	-60	-28	-67	-36	-213	-228	-7
Total commission expense	-1 809	-1 653	9	-1 827	-1	-6 706	-6 488	3
Net commission income								
Payment processing	241	222	9	240		891	923	-3
Cards	526	713	-26	839	-37	2 532	3 294	-23
Service concepts	266	267		269	-1	1 084	1 076	1
Asset management and custody	1 604	1 464	10	1 443	11	5 721	5 334	7
Insurance	90	98	-8	90		410	422	-3
Securities and corporate finance	226	63		165	37	482	258	87
Lending	244	239	2	209	17	938	898	4
Other	179	180	-1	160	12	712	779	-9
Total Net commission income	3 376	3 246	4	3 415	-1	12 770	12 984	-2

Note 7 Net gains and losses on financial items

Group SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Fair value through profit or loss								
Shares and share related derivatives	128	-59		420	-70	369	1 004	-63
of which dividend	18	13	38	22	-18	47	152	-69
Interest-bearing securities and interest related derivatives	434	430	1	145		928	663	40
Financial liabilities	6	8	-25	22	-73	36	85	-58
Other financial instruments	3	-5		29	-90	-15	-10	50
Total fair value through profit or loss	571	374	53	616	-7	1 318	1 742	-24
Hedge accounting								
Ineffective part in fair value hedges	58	76	-24	123	-53	3	11	-73
of which hedging instruments	-1 185	-394		-6 644	-82	3 314	3 368	-2
of which hedged items	1 243	470		6 767	-82	-3 311	-3 357	-1
Ineffective part in portfolio fair value hedges	-40	-72	-44	-42	-5	-27	43	
of which hedging instruments	594	-166		2 595	-77	-1 531	541	
of which hedged items	-634	94		-2 637	-76	1 504	-498	
Ineffective part in cash flow hedges				4		-2	7	
Total hedge accounting	18	4		85	-79	-26	61	
Amortised cost								
Derecognition gain or loss for financial assets	63	79	-20	55	15	214	212	1
Derecognition gain or loss for financial liabilities	1	-23		-57		-112	-153	-27
Total amortised cost	64	56	14	-2		102	59	73
Trading related interest								
Interest income	-157	43		115		-98	534	
Interest expense	69	51	35	23		170	-60	
Total trading related interest	-88	94		138		72	474	-85
Change in exchange rates	345	141		381	-9	1 189	1 293	-8
Total net gains and losses on financial items	910	669	36	1 218	-25	2 655	3 629	-27

Note 8 Other general administrative expenses

Group SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Premises	163	112	46	125	30	459	536	-14
IT expenses	587	566	4	627	-6	2 318	2 170	7
Telecommunications and postage	54	31	74	30	80	162	122	33
Consultants	271	215	26	776	-65	1 545	1 637	-6
Compensation to savings banks	57	58	-2	59	-3	231	228	1
Other purchased services	372	218	71	287	30	1 054	953	11
Travel	5	3	67	71	-93	62	230	-73
Entertainment	9	4		14	-36	26	40	-35
Supplies	33	17	94	28	18	95	82	16
Advertising, PR and marketing	198	62		138	43	420	338	24
Security transport and alarm systems	16	16		19	-16	68	69	-1
Repair/maintenance of inventories	19	21	-10	26	-27	94	77	22
Other administrative expenses	131	103	27	119	10	468	627	-25
Other operating expenses	59	9		23		105	205	-49
Other general administrative expenses	1 974	1 435	38	2 342	-16	7 107	7 314	-3

Note 9 Credit impairment

Group SEKm	Q4 2020	Q3 2020	Q4 2019	Full-year 2020	Full-year 2019
Loans at amortised cost					
Credit impairment provisions - Stage 1	-13	-140	-35	403	-12
Credit impairment provisions - Stage 2	62	16	-6	1 094	-418
Credit impairment provisions - Stage 3	-412	-167	594	561	844
Credit impairment provisions - Credit-impaired purchased or originated ¹⁾	-2	-1		-4	-4
Total	-365	-292	553	2 054	410
Write-offs	1149	773	492	2 166	1098
Recoveries	-43	-54	-46	-174	-202
Total	1 106	719	446	1 992	896
Total loans at amortised cost	741	427	999	4 046	1 306
Other assets at amortised cost				6	
Loan commitments and financial guarantees					
Credit impairment provisions - Stage 1	5	-19	-3	149	16
Credit impairment provisions - Stage 2	-61	27	2	269	-71
Credit impairment provisions - Stage 3	-162	-10	-10	-136	217
Total	-218	-2	-11	282	162
Write-offs					1
Total Loan commitments and financial guarantees	-218	-2	-11	282	163
Total credit impairment	523	425	988	4 334	1 469
Credit impairment ratio, %	0.12	0.10	0.23	0.26	0.09

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 31 December 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 and there is a risk that credit quality may start to deteriorate as such measures end. The onset of the Covid-19 second wave during Q4 led to some additional support measures to mitigate the further effects, which potentially also leads to further delays in credit risk impacts. The models do not capture these complexities, nor do they capture the continued uncertainty around further Covid-19 outbreaks, which could event further delay the recovery. Consequently, as the quantitative risk models may not appropriately incorporate these dynamics, post-model adjustments to the credit impairment provisions were deemed necessary.

The post-model expert credit adjustment that was recognised in Q3 was reviewed and retained but reallocated to more significantly affected or vulnerable industry segments. An increased post-model expert credit adjustment of SEK 672m was recognised, resulting in a total adjustment to increase credit impairment provisions by SEK 1.533m at 31 December 2020 to account for the potential economic impacts of the Covid-19 pandemic that have not yet been realised. The post-model expert credit adjustment is allocated as SEK 518m in Stage 1, SEK 1 001m in Stage 2 and SEK 13m in Stage 3. As at 31 December 2020, the most significant impacts of the post-model expert credit adjustments are reflected in the hotels and restaurants, manufacturing, transportation, retail and property management segments.

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 EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the Covid-19 crisis. These guidelines were issued in April 2020 and expired on 30 September 2020 but were subsequently reinstated in December 2020 and valid for legislative and non-legislative moratoria applied until 31 March 2021. New measures granted or extended from 30 September 2020 that are not compliant with these guidelines are assessed for both Stage 2 and forbearance according to Swedbank's ordinary rules and practice. The fact that certain borrowers need extensions of their payment moratoria also indicates further financial difficulties for these customers.

The 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 31 December 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 31 Dec 2020	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2020
13-21	< 0.5%	3 - 8 grades	-7.7%	7.0%	514	35%
9-12	0.5-2.0%	1 - 5 grades	-13.5%	13.0%	330	7%
6-8	2.0-5.7%	1 - 3 grades	-11.5%	4.0%	84	3%
0-5	>5.7% and <100%	1 - 2 grades	-0.9%	0.0%	141	1%
			-9.0%	7.7%	1 069	46%
		Financial instruments subject to the low credit risk exemption			17	8%
		Stage 3 financial instruments			2 207	0%
		Post model expert credit adjustment ⁴⁾			673	
		Total provisions⁵⁾			3 966	54%

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

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

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

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

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

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 31 Dec 2020	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2020	
13-21	100-300%	-3.1%	5.8%	340	31%	
9-12	100-200%	-4.8%	2.2%	413	8%	
6-8	50-150%	-0.7%	0.9%	143	3%	
0-5	50%	0.0%	0.1%	299	1%	
		-2.6%	2.5%	1 195	43%	
	Financial instruments subject to the low credit risk exemption			15	3%	
	Stage 3 financial instruments			2 952	0%	
	Post model expert credit adjustment ⁷⁾			847		
	Total provisions ⁸⁾			5 009	46%	

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 307m.

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 G3.1 Credit 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 on a quarterly basis 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 5 November 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 decrease in credit impairment provisions due to changes in macroeconomic scenarios was SEK 123m. 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.

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

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

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

³⁾ Unemployment rate, 16-64 years

30 Sep 2020	Positive scenario				Baseline scenario				Negative scenario			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Sweden												
GDP (% annual)	1,3	-4,4	4,2	2,7	1,3	-5,2	3,0	3,5	1,3	-8,3	-5,0	5,8
Unemployment (% annual) ¹⁾	6,8	8,4	8,4	7,5	6,8	8,6	9,4	8,9	6,8	8,9	12,4	11,8
House prices (% annual change)	2,3	5,8	4,5	4,5	2,3	5,5	3,5	3,7	2,3	4,3	-5,5	-1,1
Stibor 3m (%)	-0,03	0,12	0,19	0,42	-0,03	0,12	0,07	0,14	-0,03	0,09	-0,50	-0,58
Estonia												
GDP (% annual)	4,9	-2,5	5,9	3,4	4,9	-4,3	4,5	3,0	4,9	-7,8	-2,3	3,4
Unemployment (% annual)	4,5	7,6	6,5	5,8	4,5	8,1	7,4	6,9	4,5	9,0	13,9	12,4
House prices (% annual change)	7,3	6,0	10,1	7,9	7,3	4,4	2,7	5,0	7,3	2,0	-17,5	8,2
Latvia												
GDP (% annual)	2,2	-3,6	5,8	3,6	2,2	-5,0	4,2	3,3	2,2	-8,9	-1,8	3,7
Unemployment (% annual)	6,3	7,9	6,9	5,9	6,3	8,3	7,8	6,5	6,3	9,4	14,9	13,9
House prices (% annual change)	7,3	3,5	11,2	8,2	7,3	1,4	4,4	5,9	7,3	-1,2	-16,7	6,7
Lithuania												
GDP (% annual)	3,9	-1,2	6,2	4,0	3,9	-2,0	4,8	3,4	3,9	-5,8	-2,2	3,8
Unemployment (% annual)	6,3	7,3	6,2	5,6	6,3	7,5	6,6	6,3	6,3	9,1	14,4	13,4
House prices (% annual change)	6,0	12,5	8,5	7,8	6,0	9,1	1,6	5,5	6,0	7,3	-20,7	9,2
Global indicators												
US GDP (% annual)	2,2	-4,5	5,4	3,4	2,2	-5,1	3,7	2,9	2,2	-6,9	-1,2	5,8
EU GDP (% annual)	1,3	-7,6	6,4	2,3	1,3	-8,3	5,8	2,8	1,3	-11,6	0,1	6,3
Brent Crude Oil (USD/Barrel)	64,1	36,2	31,4	37,8	64,1	43,8	47,8	49,4	64,1	47,6	59,7	64,4
Euribor 6m (%)	-0,30	-0,30	-0,01	0,73	-0,30	-0,36	-0,45	-0,34	-0,30	-0,56	-0,77	-0,66

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)	2,5	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	-18,6
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	3,8	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	1,1	1,5	1,1	-2,1	0,5
Brent Crude Oil (USD/Barrel)	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 world economy is experiencing an unprecedented rollercoaster due to Covid-19. After the dramatic decline in the spring, an impressive recovery began in several countries during the summer. Now the spread of the infection is increasing again, and economic activity is slowing down. We still believe that the lowest point is behind us, but it will not be until the latter part of 2021 when the economy recovers more clearly and steadily.

The forecast is based on some important assumptions: The increased spread of infection leads to further measures promoting physical distancing in many countries. However, the measures are assumed to be more targeted and regional as compared to the spring. In the latter part of 2021, restrictions are gradually being eased as the spread of the virus decreases. By the end of 2021, or early 2022, the impact of the virus will weaken further, allowing virtually all restrictions to be lifted.

Sweden

The recovery in the Swedish economy was stronger than expected during the summer and the GDP drop this year is expected to be -3.7 per cent. However, with the onset of the second wave of the virus, there are signs that the recovery has weakened stricter containment measures are being imposed as a result. The outlook for 2021 has therefore been revised negatively. In the latter part of 2021 and in 2022, growth is expected to pick up again as the pandemic subsides and with continued support from fiscal and monetary policy. GDP is expected to grow by 2 per cent in 2021 and 3 per cent in 2022.

In the labour market, the turnaround will be sluggish and unemployment remains stubbornly high. The slowdown in the economy, evidenced by, inter alia, gloomy warnings about increases in the number of redundancy notices, means that the risk of slightly higher unemployment this winter prevails. We estimate that

around 135,000 more people will be unemployed this winter than before the pandemic, with the youth having been hit the hardest. During 2022, unemployment is slowly turning downwards.

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 resilient during the pandemic. Low interest rates, together with the various government measures to keep household incomes up, have also supported the rise in house prices. As Covid-19 stabilises and household consumption patterns normalise in the coming years, price increases are expected to gradually slow.

Baltics

During the first wave of the virus, the Baltic economies, especially Lithuania, suffered less than the euro area as a whole. Household consumption is doing relatively better, while manufacturing and exports are recovering more slowly. In terms of the number of infected, the second wave of the virus is more severe and may dampen and postpone the recovery.

We expect the economic shock from the second wave of the virus to be less severe than the first. Furthermore, businesses are better prepared and the governments still have plenty of room to support in the most affected sectors.

Unemployment rates have risen by 2-3 percentage points across the Baltics but are likely to be close to their peaks, as most of the job losses were concentrated in tourism-dependent sectors; meanwhile, government support measures were largely efficient and should soften job losses going forward.

Sensitivity

Set out below are the credit impairment provisions as at 31 December 2020 that would result from the negative and positive scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent. Post-model expert credit adjustments are assumed to be constant in the results.

Business area	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Credit impairment provisions	
			Negative scenario	Positive scenario
Swedish Banking	1 788	424	1 969	1 690
Baltic Banking	754	242	872	669
LC&I	6 423	867	7 471	5 640
Group ¹⁾	8 975	1 533	10 323	8 010

¹⁾ Including Group Functions & Other.

Note 10 Loans

31 Dec 2020	Non credit-impaired						Credit impaired			
	Stage 1 12 month ECL ²⁾			Stage 2 Lifetime ECL ²⁾			Stage 3 Lifetime ECL ²⁾			Total
	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	1 036 489	118	1 036 371	42 251	291	41 960	2 152	505	1 647	1 079 978
Private mortgage	902 233	51	902 182	35 323	171	35 152	1 531	290	1 241	938 575
Tenant owner associations	91 286	4	91 282	1 582	5	1 577	109	2	107	92 966
Private other	42 970	63	42 907	5 346	115	5 231	512	213	299	48 437
Corporate customers	468 798	709	468 089	66 009	2 025	63 984	8 378	4 493	3 885	535 958
Agriculture, forestry, fishing	57 258	11	57 247	7 283	57	7 226	204	33	171	64 644
Manufacturing	32 876	133	32 743	5 910	141	5 769	298	97	201	38 713
Public sector and utilities	24 821	13	24 808	990	16	974	53	12	41	25 823
Construction	14 952	32	14 920	4 643	122	4 521	159	40	119	19 560
Retail	23 019	67	22 952	5 955	244	5 711	531	216	315	28 978
Transportation	11 480	8	11 472	1 483	28	1 455	19	4	15	12 942
Shipping and offshore	6 634	32	6 602	4 251	560	3 691	6 235	3 917	2 318	12 611
Hotels and restaurants	4 339	49	4 290	4 655	313	4 342	323	27	296	8 928
Information and communication	11 041	10	11 031	2 569	35	2 534	13	3	10	13 575
Finance and insurance	20 083	29	20 054	744	12	732	22	10	12	20 798
Property management, including	224 852	272	224 580	22 533	376	22 157	244	62	182	246 919
Residential properties	65 530	74	65 456	8 517	99	8 418	22	11	11	73 885
Commercial	92 881	125	92 756	7 123	118	7 005	162	40	122	99 883
Industrial and Warehouse	42 009	47	41 962	2 721	18	2 703	33	7	26	44 691
Other	24 432	26	24 406	4 172	141	4 031	27	4	23	28 460
Professional services	17 896	35	17 861	3 283	76	3 207	169	44	125	21 193
Other corporate lending	19 547	18	19 529	1 710	45	1 665	108	28	80	21 274
Loans to the public at fair value through profit or loss										101
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 505 287	827	1 504 460	108 260	2 316	105 944	10 530	4 998	5 532	1 616 037
Swedish National Debt Office	25 003		25 003							25 003
Repurchase agreements ¹⁾										39 947
Loans to the public	1 530 290	827	1 529 463	108 260	2 316	105 944	10 530	4 998	5 532	1 680 987
Banks and other credit institutions	46 367	28	46 339	33		33				46 372
Repurchase agreements ¹⁾										1 582
Loans to credit institutions	46 367	28	46 339	33		33				47 954
Loans to the public and credit institutions	1 576 657	855	1 575 802	108 293	2 316	105 977	10 530	4 998	5 532	1 728 941

¹⁾ At fair value through profit or loss

²⁾ ECL - Expected credit losses

31 Dec 2019	Non credit-impaired						Credit impaired			
	Stage 1			Stage 2			Stage 3			
	12 month ECL ²⁾			Lifetime ECL ²⁾			Lifetime ECL ²⁾			
Group	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Total
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	233 217	144	233 073	20 515	244	20 271	1 454	239	1 215	254 559
Residential properties	71 810	35	71 775	7 706	100	7 606	145	49	96	79 477
Commercial	93 108	61	93 047	5 401	64	5 337	1 137	147	990	99 374
Industrial and Warehouse	43 708	35	43 673	3 367	28	3 339	96	9	87	47 099
Other	24 591	13	24 578	4 041	52	3 989	76	34	42	28 609
Professional services	21 621	20	21 601	2 895	55	2 840	325	172	153	24 594
Other corporate lending	17 948	10	17 938	1 359	29	1 330	205	59	146	19 414
Loans to the public 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

Ratios	31 Dec	31 Dec
	2020	2019
Share of Stage 2 loans, gross, %	6.39	6.41
Share of Stage 3 loans, gross, %	0.62	0.82
Credit impairment provision ratio Stage 1 loans	0.05	0.03
Credit impairment provision ratio Stage 2 loans	2.14	1.27
Credit impairment provision ratio Stage 3 loans	47.46	35.70
Total credit impairment provision ratio	0.48	0.40

Note 11 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

The tables below provides a reconciliation of credit impairment provisions for loans to the public and credit institutions at amortised cost. Stage transfers are reflected as taking place at the end of the reporting period.

Loans to the public and credit institutions Group SEKm	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3 ¹⁾	Total
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 31 December 2020	1 576 657	108 293	10 530	1 695 480
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	93	89	-1 906	-1 724
Changes in risk factors (EAD, PD, LGD)	139	-117	7	29
Changes in macroeconomic scenarios	-21	-90	-5	-116
Post-model expert credit adjustments	387	823	13	1 223
Individual assessments			2 388	2 388
Stage transfers	-195	389	227	421
from 1 to 2	-206	496		290
from 1 to 3	-2		89	87
from 2 to 1	12	-75		-63
from 2 to 3		-37	201	164
from 3 to 2		5	-30	-25
from 3 to 1	1		-33	-32
Other			-166	-166
Total movements affecting Credit impairment line	403	1 094	558	2 055
Movements recognised outside Credit impairment line				
Interest			166	166
Change in exchange rates	-31	-126	-579	-736
Closing balance as of 31 December 2020	855	2 316	4 998	8 169
Carrying amount				
Opening balance as of 1 January 2020	1 537 262	104 916	8 740	1 650 918
Closing balance as of 31 December 2020	1 575 802	105 977	5 532	1 687 311

¹⁾ Including purchased or originated credit-impaired

Loans to the public and credit institutions		Non Credit-Impaired		Credit-Impaired	
Group					
SEKm		Stage 1	Stage 2	Stage 3 ¹⁾	Total
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 31 December 2019		1 537 745	106 264	13 593	1 657 602
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		42	-218	-813	-989
Changes in risk factors (EAD, PD, LGD)		5	-321	60	-256
Changes in macroeconomic scenarios		6	63	-3	66
Post-model expert credit adjustments					
Individual assessments				196	196
Stage transfers		-65	58	1 550	1 543
<i>from 1 to 2</i>		-86	367		281
<i>from 1 to 3</i>		-11		197	186
<i>from 2 to 1</i>		32	-109		-77
<i>from 2 to 3</i>			-218	1 429	1 211
<i>from 3 to 2</i>			18	-68	-50
<i>from 3 to 1</i>		0		-8	-8
Other				-149	-149
Total movements affecting Credit impairment line		-12	-418	841	411
Movements recognised outside Credit impairment line					
Disposal of subsidiary		-2	-5	-3	-10
Interest				149	149
Change in exchange rates		5	34	69	108
Closing balance as of 31 December 2019		483	1 348	4 853	6 684
Carrying amount					
Opening balance as of 1 January 2019		1 510 295	105 927	7 442	1 623 664
Closing balance as of 31 December 2019		1 537 262	104 916	8 740	1 650 918

¹⁾ Including purchased or originated credit-impaired

Loan commitments and financial guarantees

The tables below provides a reconciliation of credit impairment provisions for loan commitments and financial guarantees. Stage transfers are reflected as taking place at the end of the reporting period.

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 31 December 2020	358 988	17 341	542	376 871
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	25	5	-198	-168
Changes in risk factors (EAD, PD, LGD)	21	32	-10	43
Changes in macroeconomic scenarios	-3	-4		-7
Post-model expert credit adjustments	132	178		310
Individual assessments			2	2
Stage transfers	-26	58	70	102
<i>from 1 to 2</i>	-28	77		49
<i>from 1 to 3</i>	-1		12	11
<i>from 2 to 1</i>	3	-10		-7
<i>from 2 to 3</i>		-9	59	50
<i>from 3 to 2</i>		0	-1	-1
<i>from 3 to 1</i>				
Other				
Total movements affecting Credit impairment line	149	269	-136	282
Movements recognised outside Credit impairment line				
Change in exchange rates	-13	-17	-29	-59
Closing balance as of 31 December 2020	249	396	161	806

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 31 December 2019	322 384	11 325	1 248	334 957
Credit impairment provisions				
Opening balance as of 1 January 2019	94	208	105	407
Movements affecting Credit impairment line				
New and derecognised financial assets, net	20	-21	5	4
Changes in risk factors (EAD, PD, LGD)	-9	-76	-16	-101
Changes in macroeconomic scenarios	12	20		32
Post-model expert credit adjustments				
Individual assessments			122	122
Stage transfers	-7	6	106	105
from 1 to 2	-9	30		21
from 1 to 3	0		27	27
from 2 to 1	2	-11		-9
from 2 to 3		-14	81	67
from 3 to 2		1	-2	-1
from 3 to 1				
Other				
Total movements affecting Credit impairment line	16	-71	217	162
Movements recognised outside Credit impairment line				
Change in exchange rates	3	7	4	14
Closing balance as of 31 December 2019	113	144	326	583

¹⁾ Including purchased or originated

Note 12 Credit risk exposures

Group SEKm	31 Dec 2020	31 Dec 2019	%
Assets			
Cash and balances with central banks	293 811	195 286	50
Interest-bearing securities	197 166	194 461	1
Loans to credit institutions	47 954	45 452	6
Loans to the public	1 680 987	1 652 296	2
Derivatives	52 177	44 424	17
Other financial assets	16 451	8 804	87
Total	2 288 546	2 140 723	7
Contingent liabilities and commitments			
Guarantees	50 696	52 008	-3
Loan commitments	326 175	287 413	13
Total	376 871	339 421	11
Total credit risk exposures	2 665 417	2 480 144	7

Note 13 Intangible assets

Group SEKm	31 Dec 2020	31 Dec 2019	%
With indefinite useful life			
Goodwill	13 327	13 709	-3
Brand name	92	94	-2
Total	13 419	13 803	-3
With finite useful life			
Customer base	293	336	-13
Internally developed software	4 319	3 350	29
Other	330	375	-12
Total	4 942	4 061	22
Total intangible assets	18 361	17 864	3

At 31 December 2020 there was no indication of an impairment of intangible assets. The carrying amount for goodwill has been tested for impairment. No impairment existed at year end.

Note 14 Amounts owed to credit institutions

Group SEKm	31 Dec 2020	31 Dec 2019	%
Amounts owed to credit institutions			
Central banks	79 715	6 306	
Banks	60 110	57 878	4
Other credit institutions	7 195	5 498	31
Repurchase agreements - banks	1 877	4	
Repurchase agreements - other credit institutions	1 416		
Amounts owed to credit institutions	150 313	69 686	

Note 15 Deposits and borrowings from the public

Group SEKm	31 Dec 2020	31 Dec 2019	%
Deposits from the public			
Private customers	588 487	531 139	11
Corporate customers	542 860	422 527	28
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	1 131 347	953 666	19
Swedish National Debt Office	69	328	-79
Repurchase agreements - Swedish National Debt Office	0	1	
Repurchase agreements - public	16 824	18	
Deposits and borrowings from the public	1 148 240	954 013	20

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

Group SEKm	31 Dec 2020	31 Dec 2019	%
Commercial papers	127 209	128 772	-1
Covered bonds	471 491	589 627	-20
Senior unsecured bonds	128 437	128 445	
Structured retail bonds	5 677	8 910	-36
Total debt securities in issue	732 814	855 754	-14
Senior non-preferred liabilities	10 359	10 805	-4
Subordinated liabilities	23 434	31 934	-27
Total debt securities in issue, senior non-preferred liabilities and subordinated liabilities	766 607	898 493	-15

Turnover	2020	2019	%
Opening balance 1 January	898 493	838 544	7
Issued	498 084	631 819	-21
Repurchased	-54 877	-21 017	
Repaid	-555 811	-561 777	-1
Interest, change in market values or in hedged item in hedge accounting at fair value	9 187	462	
Changes in exchange rates	-28 469	10 462	
Closing balance 31 December	766 607	898 493	-15

Note 17 Derivatives

Group SEKm	Nominal amount			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	< 1 yr.	1-5 yrs.	> 5 yrs.						
Derivatives in hedge accounting	208 571	715 665	56 760	980 996	1 011 702	15 109	13 905	2 705	1 898
Fair value hedges, interest rate swaps	96 636	377 161	41 052	514 849	608 694	14 953	13 013	37	534
Portfolio fair value hedges, interest rate swaps	111 530	335 627	10 490	457 647	393 728	137	702	2 412	1 331
Cash flow hedges, foreign currency basis swaps	405	2 877	5 218	8 500	9 280	19	190	256	33
Non-hedge accounting derivatives	6 002 457	7 849 903	5 449 621	19 301 981	16 051 211	126 813	102 833	143 547	113 311
Total, gross amount	6 211 028	8 565 568	5 506 381	20 282 977	17 062 913	141 922	116 738	146 252	115 209
Offset amount	-4 494 381	-6 901 472	-5 375 952	-16 771 805	-12 057 460	-89 745	-72 314	-91 872	-74 232
Total	1 716 647	1 664 096	130 429	3 511 172	5 005 453	52 177	44 424	54 380	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	31 Dec 2020			31 Dec 2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	293 811	293 811		195 286	195 286	
Treasury bills and other bills eligible for refinancing with central banks	137 206	137 191	15	137 119	137 094	25
Loans to credit institutions	47 954	47 954		45 452	45 452	
Loans to the public	1 684 884	1 680 987	3 897	1 660 659	1 652 296	8 363
Value change of interest hedged items in portfolio hedge	1 774	1 774		271	271	
Bonds and interest-bearing securities	59 976	59 975	1	57 369	57 367	2
Financial assets for which the customers bear the investment risk	252 411	252 411		224 893	224 893	
Shares and participating interest	17 215	17 215		6 568	6 568	
Derivatives	52 177	52 177		44 424	44 424	
Other financial assets	16 451	16 451		8 804	8 804	
Total	2 563 859	2 559 946	3 913	2 380 845	2 372 455	8 390
Investment in associates		7 287			6 679	
Non-financial assets		27 409			29 094	
Total		2 594 642			2 408 228	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	150 313	150 313		69 569	69 686	-117
Deposits and borrowings from the public	1 148 231	1 148 240	-9	953 996	954 013	-17
Debt securities in issue	738 196	732 814	5 382	861 883	855 754	6 129
Financial liabilities for which the customers bear the investment risk	253 229	253 229		225 792	225 792	
Senior non-preferred liabilities	10 545	10 359	186	10 805	10 805	
Subordinated liabilities	23 688	23 434	254	31 730	31 934	-204
Derivatives	54 380	54 380		40 977	40 977	
Short positions securities	23 300	23 300		34 345	34 345	
Other financial liabilities	30 536	30 536		28 115	28 115	
Total	2 432 418	2 426 605	5 813	2 257 212	2 251 421	5 791
Non-financial liabilities		12 844			18 174	
Total		2 439 449			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 year.

Financial instruments recognised at fair value

Group 31 Dec 2020 SEKm				
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	18 968	3 300		22 268
Loans to credit institutions		1 582		1 582
Loans to the public		40 049		40 049
Bonds and other interest-bearing securities	22 676	37 264		59 940
Financial assets for which the customers bear the investment risk	252 411			252 411
Shares and participating interests	16 088		1 127	17 215
Derivatives	85	52 092		52 177
Total	310 228	134 287	1 127	445 642
Liabilities				
Amounts owed to credit institutions		3 294		3 294
Deposits and borrowings from the public		16 824		16 824
Debt securities in issue		6 767		6 767
Financial liabilities for which the customers bear the investment risk		253 229		253 229
Derivatives	69	54 311		54 380
Short positions, securities	22 307	993		23 300
Total	22 376	335 418		357 794
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 fair value of the remaining Visa Inc. C holdings amounts to SEK 602m as per 31 December 2020.

Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance to the valuation. There were no transfers of financial instruments to or from level 3 during the year.

Changes in level 3 Group SEKm	Assets	
	Equity instruments	Total
January-December 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	85	85
of which changes in unrealised gains or losses for items held at closing day	95	95
Closing balance 31 December 2020	1 127	1 127

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-December 2019			
Opening balance 1 January 2019	1 264	2	1 266
Purchases	30		30
Sale of assets/ dividends received	-14		-14
Maturities		-1	-1
Gains and losses	574	-1	573
of which changes in unrealised gains or losses for items held at closing day	567		567
Closing balance 31 December 2019	1 854		1 854

Note 19 Assets pledged, contingent liabilities and commitments

Group SEKm	31 Dec 2020	31 Dec 2019	%
Loan receivables ¹⁾	561 209	578 758	-3
Financial assets pledged for insurance policy holders	247 632	220 589	12
Other assets pledged	117 257	52 720	
Assets pledged	926 098	852 067	9
Nominal amounts			
Guarantees	50 696	52 008	-3
Other	172	27	
Contingent liabilities	50 868	52 035	-2
Nominal amounts			
Loans granted not paid	259 683	223 108	16
Overdraft facilities granted but not utilised	66 492	64 305	3
Commitments	326 175	287 413	13

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		
	31 Dec 2020	31 Dec 2019	%	31 Dec 2020	31 Dec 2019	%
Financial assets and liabilities, which have been offset or are subject to netting						
Gross amount	224 363	212 597	6	207 455	163 345	27
Offset amount	-133 010	-123 222	8	-135 137	-125 140	8
Net amounts presented in the balance sheet	91 353	89 375	2	72 318	38 205	89
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	19 688	15 338	28	19 688	15 338	28
Financial Instruments, collateral	39 949	46 961	-15	24 313	3 264	
Cash collateral	15 278	11 897	28	15 551	16 104	-3
Total amount not offset in the balance sheet	74 915	74 196	1	59 552	34 706	72
Net amount	16 438	15 179	8	12 766	3 499	

The amount offset for derivative assets includes offset cash collateral of SEK 3 934m (2 783) derived from the balance sheet item Amounts owed to credit institutions. The amount offset for derivative liabilities includes offset cash collateral of SEK 6 061m (4 701), derived from the balance sheet item Loans to credit institutions.

Note 21 Capital adequacy, consolidated situation

Capital adequacy SEKm	31 Dec 2020	31 Dec 2019
Shareholders' equity according to the Group's balance sheet	155 168	138 608
Anticipated dividend ⁶⁾	-16 320	-9 856
Deconsolidation of insurance companies ⁷⁾		-758
Value changes in own financial liabilities	-77	-90
Cash flow hedges	2	-5
Additional value adjustments ¹⁾	-478	-454
Goodwill	-13 414	-13 799
Deferred tax assets	-78	-108
Intangible assets	-4 116	-3 433
Deductions of CET1 capital due to Article 3 CRR ⁸⁾	-158	
Shares deducted from CET1 capital	-33	-32
Common Equity Tier 1 capital	120 496	110 073
Additional Tier 1 capital	8 352	16 153
Total Tier 1 capital	128 848	126 226
Tier 2 capital	15 889	15 328
Total own funds	144 737	141 554
Minimum capital requirement for credit risks, standardised approach	3 865	3 614
Minimum capital requirement for credit risks, IRB	23 972	21 559
Minimum capital requirement for credit risk, default fund contribution	44	47
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1 385	1 308
Trading book	1 373	1 292
of which VaR and SVaR	1 119	1 021
of which risks outside VaR and SVaR	254	271
FX risk other operations	12	16
Minimum capital requirement for credit value adjustment	352	378
Minimum capital requirement for operational risks	5 882	5 481
Additional minimum capital requirement, Article 3 CRR ²⁾	1 584	2 451
Additional minimum capital requirement, Article 458 CRR ³⁾	18 084	17 101
Minimum capital requirement	55 168	51 939
Risk exposure amount credit risks, standardised approach	48 309	45 174
Risk exposure amount credit risks, IRB	299 652	269 485
Risk exposure amount default fund contribution	556	584
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	17 314	16 350
Risk exposure amount credit value adjustment	4 398	4 730
Risk exposure amount operational risks	73 521	68 514
Additional risk exposure amount, Article 3 CRR ²⁾	19 800	30 635
Additional risk exposure amount, Article 458 CRR ³⁾	226 044	213 765
Risk exposure amount	689 594	649 237
Common Equity Tier 1 capital ratio, %	17.5	17.0
Tier 1 capital ratio, %	18.7	19.4
Total capital ratio, %	21.0	21.8
Capital buffer requirement⁴⁾	31 Dec 2020	31 Dec 2019
CET1 capital requirement including buffer requirements	11.0	12.0
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	0.0	2.0
of which systemic risk buffer	3.0	3.0
of which buffer for other systemically important institutions	1.0	
CET 1 capital available to meet buffer requirement ⁵⁾	12.7	12.5
Leverage ratio	31 Dec 2020	31 Dec 2019
Tier 1 Capital, SEKm	128 848	126 226
Leverage ratio exposure, SEKm	2 526 721	2 353 631
Leverage ratio, %	5.1	5.4

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 V. As of December 2020 buffer requirements also include a buffer for other systemically important institutions of 1 %.

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.

⁷⁾ As of 31 December 2020 insurance companies are recognized in Swedbank consolidated situation according to the equity method. Hence, there are no longer any differences compared to the Swedbank Group's equity due to deconsolidation of the subsidiaries. Investments in insurance companies are deducted from own funds if they exceed 10 % of CET1 capital.

⁸⁾ As of 31 December 2020 a deduction has been introduced for non performing exposures within the Baltic entities.

Capital requirements ¹⁾	31 Dec	31 Dec	31 Dec	31 Dec
SEKm / %	2020	2019	2020	2019
Capital requirement Pillar 1	99 991	100 766	14.5	15.5
of which Buffer requirements ²⁾	44 824	48 827	6.5	7.5
Total capital requirement Pillar 2 ³⁾	13 712	22 140	2.0	3.4
Total capital requirement Pillar 1 and 2	113 703	122 906	16.5	18.9
Own funds	144 737	141 554		

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

²⁾ Buffer requirements includes systemic risk buffer, capital conservation buffer, countercyclical capital buffer and buffer for other systemically important institutions.

³⁾ Individual Pillar 2 requirement according to decision from SFSA SREP 2020.

In the consolidated situation the Group's insurance companies are consolidated according to the equity method instead of full consolidation. The EnterCard Group is consolidated by proportional method instead of the equity method. Otherwise, same principles for consolidations are applied as for the Group.

The note contains the information made public according to the Swedish Financial Supervisory

Authority Regulation FFFS 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	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
Credit risk, IRB	2020	2019	2020	2019	2020	2019
SEKm						
Central government or central banks exposures	475 296	362 380	1	1	539	402
Institutional exposures	57 900	53 466	20	18	919	788
Corporate exposures	535 990	544 080	36	31	15 452	13 546
Retail exposures	1 211 927	1 184 439	6	7	6 063	6 173
of which mortgage lending	1 119 419	1 070 279	4	5	3 941	3 928
of which other lending	92 508	114 160	29	25	2 122	2 245
Non credit obligation	16 217	12 581	77	65	999	650
Total credit risks, IRB	2 297 330	2 156 946	13	12	23 972	21 559

31 Dec 2020 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	107 232	48 309	3 865
Central government or central banks exposures	59		
Regional governments or local authorities exposures	2 774	441	35
Public sector entities exposures	1 048	176	14
Multilateral development banks exposures	3 700		
Institutional exposures	55 677	1 216	97
Corporate exposures	5 021	4 941	395
Retail exposures	19 985	14 445	1 157
Exposures secured by mortgages on immovable property	5 586	1 955	156
Exposures in default	791	810	65
Exposures in the form of covered bonds	322	32	3
Exposures in the form of collective investment undertakings (CIUs)	3	3	0
Equity exposures	9 954	22 977	1 838
Other items	2 312	1 313	105
Credit risks, IRB	2 297 330	299 652	23 972
Central government or central banks exposures	475 296	6 740	539
Institutional exposures	57 900	11 484	919
Corporate exposures	535 990	193 156	15 452
of which specialized lending in category 1	4	2	0
of which specialized lending in category 2	217	152	12
of which specialized lending in category 3	25	29	2
of which specialized lending in category 4	90	226	18
Retail exposures	1 211 927	75 784	6 063
of which mortgage lending	1 119 419	49 260	3 941
of which other lending	92 508	26 524	2 122
Non-credit obligation	16 217	12 488	999
Credit risks, Default fund contribution		556	44
Settlement risks	0	0	0
Market risks		17 314	1 385
Trading book		17 160	1 373
of which VaR and SVaR		13 988	1 119
of which risks outside VaR and SVaR		3 172	254
FX risk other operations		154	12
Credit value adjustment	22 419	4 398	352
Operational risks		73 521	5 882
of which Standardised approach		73 521	5 882
Additional risk exposure amount, Article 3 CRR		19 800	1 584
Additional risk exposure amount, Article 458 CRR		226 044	18 084
Total	2 426 981	689 594	55 168

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 31 December 2020, the internal capital assessment for Swedbank's consolidated situation amounted to SEK 37.0bn (SEK 34.7bn as of 31 December 2019). The capital to meet the internal capital assessment, i.e. the Common Equity Tier 1, amounted to SEK 120.5bn (SEK 110.1bn 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 25.7bn (SEK 27.3bn as of 31 December 2019) and the Common Equity Tier 1 capital amounted to SEK 93.9bn (SEK 90.3bn 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 is likely to continue to 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.

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, 31 Dec 2020**

Group SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	2 545	-1 215	571	1 901
of which SEK	1 190	-1 202	530	518
of which foreign currency	1 355	-13	41	1 383
Of which financial instruments at fair value reported through profit or loss	762	-706	260	316
of which SEK	1 131	-1 047	484	568
of which foreign currency	-369	341	-224	-252

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. The five partly owned savings banks are important associates

Note 25 Swedbank's share

	31 Dec 2020	31 Dec 2019	%
Number of outstanding ordinary shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	
Repurchased shares			
SWED A	-12 013 947	-13 701 333	
Number of outstanding ordinary shares on the closing day	1 119 991 775	1 118 304 389	
SWED A			
Last price, SEK	144.12	139.45	3
Market capitalisation, SEKm	161 413	155 948	4

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

Earnings per share	Q4 2020	Q3 2020	Q4 2019	Full-year 2020	Full-year 2019
Average number of shares					
Average number of shares before dilution	1 119 991 775	1 119 991 714	1 118 304 389	1 119 720 567	1 118 055 542
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	3 934 735	3 264 852	3 559 183	3 708 306	3 921 536
Average number of shares after dilution	1 123 926 510	1 123 256 566	1 121 863 572	1 123 428 873	1 121 977 078
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	4 510	5 261	4 428	12 929	19 697
Earnings for the purpose of calculating earnings per share	4 510	5 261	4 428	12 929	19 697
Earnings per share, SEK					
Earnings per share before dilution	4.03	4.70	3.96	11.55	17.62
Earnings per share after dilution	4.01	4.68	3.95	11.51	17.56

Note 26 Changed presentation, cash-flow statement

2019	Previous reporting	Change	New reporting
Operating activities			
Operating profit	24 420		24 420
Adjustments for non-cash items in operating activities	4 952		4 952
Taxes paid	-5 981		-5 981
Increase (-)/decrease (+) in loans to credit institution	-9 130		-9 130
Increase (-)/decrease (+) in loans to the public	-27 282		-27 282
Increase (-)/decrease (+) in holdings of securities for trading	-43 187		-43 187
Increase (-)/decrease (+) in other assets	-678		-678
Increase (+)/decrease (-) in amounts owed to credit institutions	12 249		12 249
Increase (+)/decrease (-) in deposits and borrowings from the public	33 488		33 488
Increase (+)/decrease (-) in debt securities in issue ²⁾		40 561	40 561
Increase (+)/decrease (-) in other liabilities	8 556		8 556
Cash flow from operating activities	-2 593	40 561	37 968
Investing activities			
Business disposal	52		52
Acquisitions of and contributions to joint ventures	-81		-81
Disposals of shares in associates	184		184
Dividends from associates and joint ventures	529		529
Acquisition of other fixed assets and strategic financial assets	-224		-224
Disposals of/maturity of other fixed assets and strategic financial assets	535		535
Cash flow from investing activities	995		995
Financing activities			
Amortisation of lease liabilities	-718		-718
Issuance of interest-bearing securities ¹⁾	148 250	-148 250	
Redemption of interest-bearing securities ¹⁾	-94 929	94 929	
Issuance of commercial papers	483 569	-483 569	
Redemption of commercial papers	-487 865	487 865	
Issuance of senior non-preferred liabilities ¹⁾		11 266	11 266
Issuance of subordinated liabilities ¹⁾		4 909	4 909
Redemption of subordinated liabilities ¹⁾		-7 711	-7 711
Dividends paid	-15 893		-15 893
Cash flow from financing activities	32 414	-40 561	-8 147
Cash flow for the year	30 816		30 816
Cash and cash equivalents at the beginning of the year	163 161		163 161
Cash flow for the year	30 816		30 816
Exchange rate differences on cash and cash equivalents	1 309		1 309
Cash and cash equivalents at end of the year	195 286		195 286

1) Issuance of interest-bearing securities

Covered bonds	131 039
Structured retail bonds	1 036
Total	132 075
Senior non-preferred liabilities	11 266
Subordinated liabilities	4 909
Total	148 250

Redemption of interest-bearing securities

Covered bonds	-41 435
Other interest-bearing bonds	-42 231
Structured retail bonds	-3 552
Total	-87 218
Senior non-preferred liabilities	0
Subordinated liabilities	-7 711
Total	-94 929

2) Debt securities in issue

Covered bonds	89 604
Other interest-bearing bonds	-42 231
Structured retail bonds	-2 516
Commercial papers	-4 296
Total	40 561

Swedbank AB

Income statement, condensed

Parent company SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Interest income on financial assets at amortised cost	2 807	3 114	-10	3 093	-9	12 727	12 475	2
Other interest income	1 301	1 384	-6	1 660	-22	5 865	6 295	-7
Interest income	4 108	4 498	-9	4 753	-14	18 592	18 770	-1
Interest expense	-702	-637	10	-1 347	-48	-3 529	-5 692	-38
Net interest income	3 406	3 861	-12	3 406		15 063	13 078	15
Dividends received	7 785	2 930		5 256	48	16 201	19 823	-18
Commission income	2 077	1 919	8	2 063	1	7 779	9 607	-19
Commission expense	-620	-511	21	-494	26	-2 180	-3 382	-36
Net commission income	1 457	1 408	3	1 569	-7	5 599	6 225	-10
Net gains and losses on financial items	795	439	81	1 007	-21	2 243	2 202	2
Other income	680	487	40	675	1	1 923	1 679	15
Total income	14 123	9 125	55	11 913	19	41 029	43 007	-5
Staff costs	2 406	2 141	12	2 073	16	8 743	8 349	5
Other expenses	2 014	1 216	66	1 935	4	6 531	6 595	-1
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 208	1 164	4	1 208		4 820	4 768	1
Administrative fine						4 000		
Total expenses	5 628	4 521	24	5 216	8	24 094	19 712	22
Profit before impairment	8 495	4 604	85	6 697	27	16 935	23 295	-27
Impairment of financial assets	-16			22		-16	22	
Credit impairment	565	385	47	989	-43	4 068	1 514	
Operating profit	7 946	4 219	88	5 686	40	12 883	21 759	-41
Appropriations	-42			78		-42	78	
Tax expense	1 337	817	64	1 229	9	3 089	3 685	-16
Profit for the period	6 651	3 402	96	4 379	52	9 836	17 996	-45

Statement of comprehensive income, condensed

Parent company SEKm	Q4 2020	Q3 2020	%	Q4 2019	%	Full-year 2020	Full-year 2019	%
Profit for the period reported via income statement	6 651	3 402	96	4 379	52	9 836	17 996	-45
Total comprehensive income for the period	6 651	3 402	96	4 379	52	9 836	17 996	-45

Balance sheet, condensed

Parent company SEKm	31 Dec 2020	31 Dec 2019	%
Assets			
Cash and balance with central banks	167 121	107 596	55
Loans to credit institutions	669 495	537 151	25
Loans to the public	428 997	422 794	1
Interest-bearing securities	192 488	191 084	1
Shares and participating interests	82 321	71 632	15
Derivatives	59 644	48 332	23
Other assets	48 538	43 321	12
Total assets	1 648 604	1 421 910	16
Liabilities and equity			
Amounts owed to credit institutions	246 804	161 454	53
Deposits and borrowings from the public	869 222	719 211	21
Debt securities in issue	259 922	263 181	-1
Derivatives	74 236	69 908	6
Other liabilities and provisions	50 512	61 275	-18
Senior non-preferred liabilities	10 359	10 805	-4
Subordinated liabilities	23 434	31 934	-27
Untaxed reserves	10 682	10 724	
Equity	103 433	93 418	11
Total liabilities and equity	1 648 604	1 421 910	16
Pledged collateral	110 092	48 725	
Other assets pledged	7 149	3 987	79
Contingent liabilities	315 206	498 891	-37
Commitments	324 052	258 148	26

Statement of changes in equity, condensed

Parent company SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-December 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				178	178
Deferred tax related to share based payments to employees				7	7
Current tax related to share based payments to employees				-6	-6
Total comprehensive income for the period				9 836	9 836
Closing balance 31 December 2020	24 904	13 206	5 968	59 355	103 433
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

Cash flow statement, condensed

Parent company SEKm	Full-year 2020	Full-year 2019
Cash flow from operating activities	58 388	29 464
Cash flow from investing activities	9 112	4 644
Cash flow from financing activities	-7 975	-7 415
Cash flow for the period	59 525	26 693
Cash and cash equivalents at beginning of period	107 596	80 903
Cash flow for the period	59 525	26 693
Cash and cash equivalents at end of period	167 121	107 596

The 2019 cash flow have been restated for changed presentation of statement of cash flow. Parent company cash flow from operating activities has decreased by SEK 49m and cash flow from financing activities has increased by SEK 49m. Refer to note 26 in Group for further information.

Capital adequacy

Capital adequacy, Parent company SEKm	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital	93 880	90 305
Additional Tier 1 capital	8 352	16 153
Tier 1 capital	102 232	106 458
Tier 2 capital	15 859	15 995
Total own funds	118 091	122 453
Minimum capital requirement	28 662	26 004
Risk exposure amount	358 278	325 056
Common Equity Tier 1 capital ratio, %	26.2	27.8
Tier 1 capital ratio, %	28.5	32.8
Total capital ratio, %	33.0	37.7
Capital buffer requirement¹⁾	31 Dec	31 Dec
%	2020	2019
CET1 capital requirement including buffer requirements	7.1	8.9
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	0.1	1.9
CET 1 capital available to meet buffer requirement ²⁾	21.7	23.3
Leverage ratio	31 Dec	31 Dec
	2020	2019
Tier 1 Capital, SEKm	102 232	106 458
Total exposure, SEKm	1 263 146	1 086 489
Leverage ratio, %	8.1	9.8

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

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⁾	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
SEKm / %				
Capital requirement Pillar 1	37 977	40 307	10.6	12.4
of which Buffer requirements ²⁾	9 315	14 302	2.6	4.4
Total capital requirement Pillar 2 ³⁾	8 035	5 265	2.2	1.6
Total capital requirement Pillar 1 and 2	46 012	45 572	12.8	14.0
Own funds	118 091	122 453		

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

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

³⁾ Individual Pillar 2 requirement according to decision from SFSA SREP 2020.

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

31 Dec 2020 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 014 105	85 062	6 805
Regional governments or local authorities exposures	63	13	1
Public sector entities exposures	781	150	12
Multilateral development banks exposures	3 660		
Institutional exposures	936 638	6 894	551
Corporate exposures	3 301	3 178	254
Retail exposures	211	157	13
Exposures secured by mortgages on immovable property	2 956	1 035	83
Equity exposures	66 472	73 635	5 891
Other items	23		
Credit risks, IRB	934 464	189 909	15 193
Central government or central banks exposures	338 782	4 619	370
Institutional exposures	60 331	12 420	994
Corporate exposures	435 697	147 231	11 778
Retail exposures	92 273	18 455	1 476
of which mortgage lending	27 809	2 291	183
of which other lending	64 464	16 164	1 293
Non-credit obligation	7 381	7 184	575
Credit risks, Default fund contribution		556	44
Settlement risks	0	0	0
Market risks		17 004	1 360
Trading book		16 868	1 349
of which VaR and SVaR		13 722	1 097
of which risks outside VaR and SVaR		3 146	252
FX risk other operations		136	11
Credit value adjustment	21 014	4 362	349
Operational risks		39 068	3 125
Standardised approach		39 068	3 125
Additional risk exposure amount, Article 3 CRR		17 658	1 413
Additional risk exposure amount, Article 458 CRR		4 659	373
Total	1 969 583	358 278	28 662

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 2020, tax expense excluding tax income for previous years of SEK 4 149m reconciles to the nearest IFRS measure, Tax expense of SEK 3 851m, 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 78 and are calculated from the financial statements without adjustment.

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

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

¹⁾ The month-end figures used in the calculation of the average can be found on page 71 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-December 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, 31 January 2021

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

Biljana Pehrsson
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 31 December 2020 and the twelve-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, 31 January 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

Extraordinary General Meeting	15 February 2021
Annual report 2020	25 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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