

Q1 2021

Interim report January-March 2021, 27 April 2021

Interim report for the first quarter 2021

First quarter 2021 compared with fourth quarter 2020

- Return on equity increased to 12.8 per cent
- Profit for the period increased by 10 per cent
- Net interest income and net commission income stable with increased income from asset management
- Expenses according to plan
- Lower credit impairments
- Solid capital and liquidity buffers

“Better profitability
in a time of major
challenges”

Jens Henriksson,
President and CEO

Financial information	Q1	Q4		Q1	
SEKm	2021	2020	%	2020	%
Total income	11 402	11 764	-3	10 232	11
Net interest income	6 541	6 567	0	6 686	-2
Net commission income	3 360	3 376	0	3 223	4
Net gains and losses on financial items	585	910	-36	-322	
Other income ¹⁾	916	911	1	645	42
Total expenses	4 974	5 586	-11	9 370	-47
<i>of which administrative fine</i>				4 000	
Profit before impairment	6 428	6 178	4	862	
Impairment of intangible and tangible assets		1			
Credit impairment	246	523	-53	2 151	-89
Tax expense	1 208	1 144	6	398	
Profit for the period attributable to: Shareholders of Swedbank AB	4 975	4 510	10	-1 687	
Earnings per share, SEK, after dilution	4.43	4.01		-1.50	
Return on equity, %	12.8	11.8		-4.8	
Return on equity excl. administrative fine, %	12.8	11.8		6.5	
C/I ratio	0.44	0.47		0.92	
C/I ratio excl. administrative fine	0.44	0.47		0.52	
Common Equity Tier 1 capital ratio, %	18.0	17.5		16.1	
Credit impairment ratio, %	0.06	0.12		0.51	

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

Better profitability in a time of major challenges

The first quarter 2021 was again dominated by the Covid-19 pandemic with further restrictions for many people and companies. In this situation Swedbank delivered improved profitability with a return on equity of 12.8%. This is high in a European perspective.

Swedbank's capital and liquidity position is strong with a comfortable margin to the Swedish Financial Supervisory Authority's requirement. This lays a stable foundation. We expect a robust economic recovery in the second half of 2021 as vaccination programmes are rolled out around the world.

Competition in the Swedish mortgage market remains with short lead times. Activity is highest in large cities, where Swedbank traditionally has not had as strong a market position as in the rest of the country. We have not fully met our customers' expectations when it comes to short lead times and therefore have been unable to defend our market position. We have to improve this and are intensifying our efforts to turn things around.

We continue to invest in the bank's IT platforms to ensure round-the-clock availability and reduce the number of disruptions.

Result

The bank reported increased profit in a time of major challenges. Profit was up 10 per cent compared with the previous quarter. This is mainly due to lower expenses and credit impairments. Expenses for the full-year 2021 are developing according to plan and our cost cap of SEK 20.5bn and an additional SEK 500m for investigations related to our historical shortcomings remain unchanged. Credit losses decreased significantly, and Swedbank's asset quality is strong.

Net interest income was stable in the quarter. Mortgages continued to grow, while corporate lending remained dampened. An improved profit in asset management positively affected net commission income, while income from cards and payments was negatively affected by pandemic restrictions and seasonal effects.

Risk and resilience

Swedbank aims to be at the forefront of the fight against financial crime and it is especially important that the bank has a thorough understanding of our risk exposure and customers. We will work relentlessly to detect and prevent illicit transactions. Therefore, Swedbank is committed to implement effective and efficient processes and shall strive for international best practice.

We have addressed the shortcomings identified by the FSAs in Sweden and Estonia and in the Clifford Chance investigation.

Investigations are continuing in the US and we are in dialogue with the relevant authorities through our US legal representative.

Dividend

Our solid profit and strong capitalisation have enabled us to pay a dividend to our shareholders. We have as an ambition later this year to pay additional dividends from the profits in 2019 and 2020 in accordance with our dividend policy, though that will require the Swedish FSA's consent and favourable market conditions.

Sustainability and savings

We continually monitor our loan portfolio from the standpoint of climate-related risks and have implemented the decision not to finance unconventional extraction of fossil fuels and prospecting of new oil and gas sources, which means our oil-related lending will shrink.

Our customers continue to increase their deposits, which is why we are providing more advice on risk and savings. Our subsidiary Robur, the largest fund manager in Sweden, was named fund company of the year. To contribute to increased savings and expand the investment alternatives in the Baltic countries, several of Robur's funds were launched during the quarter in Estonia, Latvia and Lithuania. There is great potential here, since the percentage of people who invest in funds is low.

Outlook

The bank is changing based on the strategic direction presented in the previous quarter. Our purpose is to empower the many people and businesses to create a better future. We thereby contribute to society's transition to more digitisation and sustainability.

We are increasing the share of sustainable lending and savings. We are meeting our customers digitally. Together we are making it easier for our customers to manage their finances. We stand stronger for the future.

Swedbank is well-positioned for growth when the pandemic eases and the economy improves again.



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	Q1	Q4	%	Q1	%
	2021	2020		2020	
Net interest income	6 541	6 567	0	6 686	-2
Net commission income	3 360	3 376	0	3 223	4
Net gains and losses on financial items	585	910	-36	-322	
Other income ¹⁾	916	911	1	645	42
Total income	11 402	11 764	-3	10 232	11
Staff costs	3 115	3 205	-3	2 870	9
Other expenses	1 859	2 381	-22	2 500	-26
Administrative fine				4 000	
Total expenses	4 974	5 586	-11	9 370	-47
Profit before impairment	6 428	6 178	4	862	
Impairment of tangible assets		1			
Credit impairment	246	523	-53	2 151	-89
Profit before tax	6 182	5 654	9	-1 289	
Tax expense	1 208	1 144	6	398	
Profit for the period	4 974	4 510	10	-1 687	
Profit for the period attributable to: Shareholders of Swedbank AB	4 975	4 510	10	-1 687	

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	Q1	Q4	Q1
	2021	2020	2020
Return on equity, %	12.8	11.8	-4.8
Earnings per share before dilution, SEK ¹⁾	4.44	4.03	-1.51
Earnings per share after dilution, SEK ¹⁾	4.43	4.01	-1.50
C/I ratio	0.44	0.47	0.92
Equity per share, SEK ¹⁾	137.1	138.5	126.4
Loan/deposit ratio, %	133	143	156
Common Equity Tier 1 capital ratio, %	18.0	17.5	16.1
Tier 1 capital ratio, %	19.2	18.7	17.6
Total capital ratio, %	21.6	21.0	20.1
Credit impairment ratio, %	0.06	0.12	0.51
Share of Stage 3 loans, gross, %	0.47	0.62	0.79
Total credit impairment provision ratio, %	0.36	0.48	0.52
Liquidity coverage ratio (LCR), %	154	174	162
Net stable funding ratio (NSFR), %	123	125	116

¹⁾ The number of shares and calculation of earnings per share are specified on page 51.

Balance sheet data SEKbn	31 Mar	31 Dec	%	31 Mar	%
	2021	2020		2020	
Loans to the public, excl. the Swedish National Debt Office and repurchase agreements	1 621	1 616	0	1 632	-1
Deposits from the public, excl. the Swedish National Debt Office and repurchase agreements	1 216	1 131	7	1 046	16
Equity attributable to shareholders of the parent company	154	155	-1	142	9
Total assets	2 830	2 595	9	2 675	6
Risk exposure amount	695	690	1	691	1

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

Overview

Market

The bifurcation between sectors continued in the first quarter 2021 with a strong industrial recovery while contact-intensive service sectors are still struggling due to the restrictions. Vaccinations are continuing and despite setbacks the light at the end of the tunnel is growing brighter with hopes of a recovery, which is reflected in rising equity markets and long-term yields. In the US, long-term government bond yields have risen significantly, which has spilled over to the bond market in Europe.

Geographic differences are also striking. The recovery in Europe has been slower due to low vaccination rates and a growing number of Covid-19 cases, which resulted in extended restrictions, while the US has come further in vaccinating its population and has eased restrictions. In the US, a large stimulus package has been adopted, which should further speed up US recovery. As a result, the US should continue to recover faster than Europe.

Stimulus measures by governments and central banks around the world have led to concerns about higher inflation. In the near term, rising commodity prices and temporary supply chain disruptions with parts shortages have added to this worry. The central banks see the rise in inflation as only temporary, however. The Federal Reserve in the US does not expect to raise interest rates until 2024 despite inflation being estimated at just over 2 per cent in the coming years. The US dollar has risen against both the krona and euro, supported by a better Covid-19 situation and rising US interest rates. The SEK weakened somewhat against the EUR in the quarter.

The Swedish economy performed better than expected at the beginning of the year with industrial demand continuing to recover. Vaccination rates have been slow, however, and a clear recovery will take a little longer than we had expected. Card transaction data from Swedbank show an improvement in consumption during the quarter. But there is still a big difference between goods and services, where service consumption is still much lower than pre-pandemic. We expect it to increase when restrictions are probably eased in the latter part of 2021. The labour market is also doing better than feared. While unemployment remains high, indicators such as corporate hiring plans now suggest an increase in employment going forward. We estimate that Swedish GDP will rise by approximately 3.5 per cent this year.

Swedish house prices continued to rise in the first quarter and in March were 16 per cent higher than the same month in 2020. The increase has been driven by continued low mortgage rates and, with the increase in remote work, because households have made housing a higher priority during the pandemic. As a result, prices of single-family homes and large apartments have risen the most, and supply there is low. We expect lower price increases going forward. As house prices have risen, mortgages have grown as well, and credit growth in February was 6.1 per cent against February 2020.

We expect the Riksbank to keep the repo rate at 0 per cent at least until 2022. If inflation remains low and

inflation expectations continue to fall, a rate cut is more likely than expanded asset purchases.

Having been affected relatively little by the first wave of the coronavirus in 2020, the Baltic economies quickly recovered thanks to a favourable mix of exporters and low dependence on tourism, together with government support. GDP growth rose in Estonia and Latvia in the fourth quarter. The virus spread more widely in Lithuania and GDP growth fell slightly in the fourth quarter.

The second and third waves of the coronavirus hit the Baltic countries much harder than the first wave in the spring of 2020. The Covid-19 situation in Estonia worsened significantly after the turn of the year and resulted in tighter restrictions. The vaccination rate is also going slowly in the Baltic countries, so we do not expect restrictions to ease before the summer. Only then do we estimate a recovery, although uncertainty remains high. Households have cut back on their spending during the pandemic and businesses have reduced their investments. Bank deposits from households and companies have grown and we therefore expect both households and companies to increase their consumption and investments when the restrictions are eased and the uncertainty surrounding the pandemic declines. We estimate GDP growth at around 3 per cent in 2021 in all three Baltic countries. Inflation is expected to increase this year by between 1.5 per cent and just over 2 per cent.

Important to note

The interim report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 58.

Group development

Result first quarter 2021 compared with fourth quarter 2020

Swedbank's profit increased in the first quarter to SEK 4 975m (4 510), mainly due to seasonally lower expenses and lower credit impairments. Foreign exchange effects negatively affected profit before impairment by SEK 23m.

The return on equity was 12.8 per cent (11.8) and the cost/income ratio was 0.44 (0.47).

Income decreased to SEK 11 402m (11 764), mainly due to lower net gains and losses on financial items. Foreign exchange effects reduced income by SEK 31m.

Net interest income was relatively unchanged in the quarter at SEK 6 541m (6 567). Among other things, interest income was reduced by the rapid rise in deposit volumes while lending volumes were stable, as well as by two fewer days in the first quarter than in the fourth quarter 2020 and a negative contribution from foreign exchange effects. The deposit guarantee fee decreased by SEK 178m, which positively affected net interest income. The change in the deposit guarantee fee is

partly due to a positive retroactive adjustment of SEK 100m in the first quarter relating to previous annual payments and partly to a negative annual adjustment for 2020 in the fourth quarter.

Net commission income was also relatively flat in the quarter at SEK 3 360m (3 376). Asset management income increased due to the favourable equity markets and a higher volume of assets under management, despite the fourth quarter being positively affected by performance-based fees. Income from cards and payments increased since the fourth quarter was negatively affected by one-time compensation of SEK 130m to the savings banks. Income in the first quarter was seasonally low, however, and was also adversely affected by additional pandemic restrictions. Income from bond issuance positively contributed in the quarter but was offset by lower income from share issuance and commitments as a market maker for bonds. Income for market maker commitments decreased, since the fourth quarter was positively affected by performance-based full-year fees.

Net gains and losses on financial items decreased to SEK 585m (910) after a strong fourth quarter. The decrease was mainly in income from FX and fixed income trading, due to valuation effects. Customer activity within Large Corporates & Institutions remained good.

Other income was stable at SEK 916m (911). Entercard's profit increased after having been charged with credit impairments in the fourth quarter, while net insurance decreased due to higher claim payments.

Expenses decreased by 11 per cent to SEK 4 974m (5 586), mainly due to seasonally high costs for staff and marketing activities as well as one-off expenses in the fourth quarter. Marketing and travel expenses were unusually low in the first quarter, while the number of employees rose by 92 in the period. Consulting expenses to manage money laundering related investigations decreased to SEK 77m (170) in the quarter. Quarterly expenses were also charged with a provision of SEK 30m for a possible fine from the Nasdaq Stockholm AB (see page 11 under the section Investigations). Foreign exchange effects reduced expenses by SEK 9m.

Credit impairments decreased compared with the fourth quarter to SEK 246m (523). The impairments are mainly the result of additional expert adjustments in the Baltic operations due to uncertainty about the pandemic's economic impact on vulnerable sectors, as well as individual provisions for a few oil-related commitments within Large Corporates & Institutions. This was partly offset by updated macro scenarios, which had a positive effect on the provisions, mainly within Large Corporates & Institutions.

Credit impairments by business segment SEKm	Q1 2021	Q4 2020	Q1 2020
Swedish Banking	7	-1	373
Baltic Banking	220	-8	146
Estonia	105	-10	59
Latvia	81	5	41
Lithuania	34	-3	46
Large Corporates & Institutions	19	537	1 627
Group Functions & Other		-5	5
Total	246	523	2 151

The tax expense amounted to SEK 1 208m (1 144), corresponding to an effective tax rate of 19.5 per cent (20.2). The comparatively lower tax rate in the first quarter is due to a reduction in the corporate tax rate in Sweden from 21.4 per cent to 20.6 per cent as of 1 January 2021.

Result first quarter 2021 compared with first quarter 2020

Swedbank's profit increased to SEK 4 975m (-1 687) due to higher income and lower credit impairments. Another reason was the Swedish FSA's administrative fine which weighed on the first quarter 2020. The table below shows a simplified income statement adjusted for the Swedish FSA's administrative fine.

Income statement, SEKm	Q1 2021	Q1 2020	Q1 2020
			Excl administrative fine
Total income	11 402	10 232	10 232
Total expenses	4 974	9 370	5 370
<i>of which administrative fine</i>		4 000	
Credit impairment and impairment	246	2 151	2 151
Profit before tax	6 182	-1 289	2 711
Tax expense	1 208	398	398
Profit for the period attributable to:			
Shareholders of Swedbank AB	4 975	-1 687	2 313
Non-controlling interests	-1	0	0
Return on equity, %	12.8	-4.8	6.5
Cost/Income ratio	0.44	0.92	0.52

Foreign exchange effects negatively affected profit before impairment by SEK 61m.

The return on equity was 12.8 per cent (-4.8) and the cost/income ratio was 0.44 (0.92).

Income increased to SEK 11 402m (10,232) and was positively affected primarily by higher net gains and losses on financial items. Net commission income and other income also increased, while net interest income decreased. Foreign exchange effects reduced income by SEK 125m.

Net interest income decreased by 2 per cent to SEK 6 541m (6 686). The decrease was mainly due to foreign exchange effects and also because deposit volumes increased while lending volumes decreased slightly. The first quarter of this year was also one day shorter than the previous year's first quarter.

Net commission income increased by 4 per cent to SEK 3 360m (3 223). Income primarily increased from asset management due to the higher average volume of assets under management, while income from cards decreased due to the pandemic.

Net gains and losses on financial items increased to SEK 585m (-322). The main reason was that Large Corporates & Institutions was negatively affected by the pandemic in the first quarter of 2020 with negative derivative value adjustments (CVA/DVA) and a decrease in the value of the shareholdings in Visa and Enento. The shareholding in Visa was hedged at the end of the second quarter 2020 and the shareholding in Enento was divested in the third quarter 2020.

Other income increased to SEK 916m (645), mainly because associated companies were charged with

provisions for credit impairments tied to the pandemic outbreak last year.

Expenses decreased to SEK 4 974m (9 370), mainly due to the Swedish FSA's administrative fine of SEK 4 000m and high money laundering related consulting expenses in the first quarter 2020. Adjusted for the administrative fine, expenses decreased by 7 per cent, mainly due to lower money laundering related consulting expenses, which amounted to SEK 77m (576) in the quarter. Other expenses increased, mainly driven by higher staff costs. Foreign exchange effects reduced expenses by SEK 63m.

Credit impairments decreased to SEK 246m (2 151) since credit impairments in the first quarter 2020 were strongly impacted by the pandemic. The credit impairments in the first quarter 2021 are mainly the result of additional expert adjustments in the Baltic operations due to uncertainty about the pandemic's long-term economic impact on vulnerable sectors, as well as individual provisions for a few oil-related commitments within Large Corporates & Institutions. This was partly offset by updated macro scenarios, which had a positive effect on the provisions, mainly within Large Corporates & Institutions.

The tax expense amounted to SEK 1 208m (398), corresponding to an effective tax rate of 19.5 per cent. In the first quarter 2020, Swedbank recognised a tax expense despite reporting a loss, since the Swedish FSA's fine was not tax-deductible. 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, increased by SEK 5bn to SEK 1 621bn (1 616) compared with the end of the fourth quarter 2020. Compared with the end of the first quarter 2020 lending decreased by SEK 11bn, corresponding to a decline of 1 per cent. Foreign exchange effects positively affected lending volumes by SEK 12bn compared with the end of the fourth quarter 2020 and negatively by SEK 19bn compared with the end of the first quarter 2020.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Mar 2021	31 Dec 2020	31 Mar 2020
Loans, private mortgage	947	939	916
of which Swedish Banking	854	849	823
of which Baltic Banking	93	90	93
Loans, private other incl tenant-owner associations	139	141	147
of which Swedish Banking	122	123	128
of which Baltic Banking	16	16	18
of which Large Corporates & Inst.	1	2	1
Loans, corporate	535	536	569
of which Swedish Banking	239	239	249
of which Baltic Banking	79	76	87
of which Large Corporates & Inst.	217	221	233
Total	1 621	1 616	1 632

Lending to mortgage customers within Swedish Banking increased by SEK 5bn to SEK 854bn compared with the end of the fourth quarter 2020. The market share in mortgages was 23 per cent (23). Other private lending,

including lending to tenant-owner associations, decreased by SEK 1bn in the quarter.

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

Baltic Banking's mortgage volume increased by 1 per cent in local currency to the equivalent of SEK 91bn 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 1bn in the quarter to SEK 535bn (536), largely due to lower volumes in other lending primarily related to lower collateral for derivative contracts. In Sweden, the market share was 16 per cent (16).

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 fourth quarter. In Sweden, 4.3 million cards were in issue and in the Baltic countries 3.8 million. Compared with the previous quarter, corporate card issuance in Sweden grew by 2 per cent and private card issuance by 1 per cent.

Number of cards	31 Mar 2021	31 Dec 2020	31 Mar 2020
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 first quarter, there were 281 million card purchases, or 11 per cent lower than the same quarter in 2020. In the Baltic countries, there were 145 million card purchases, which was 7 per cent below the level in the first quarter 2020.

The number of card transactions acquired by Swedbank decreased by 8 per cent compared with the year-earlier period. In Sweden, Norway, Finland and Denmark, 595 million card transactions were acquired, a decrease of 9 per cent against the equivalent period of 2020. Transaction volumes amounted to SEK 165bn, corresponding to a decrease of 3 per cent in the quarter compared with the equivalent period in 2020. In the Baltic countries, the corresponding figure was 102 million transactions, down 6 per cent from the previous year. Transaction volume in the Baltic countries decreased by 2 per cent to SEK 17.7bn.

Sectors such as restaurants and consumer staples increased their share of e-commerce sales in the first quarter compared with the same period in 2020. Other sectors that have been harder hit by the crisis such as hotels, travel and transport saw declines in e-commerce in the first quarter. Sectors that have been little or even positively affected by Covid-19 such as groceries continued to see good activity despite the lower number of transactions in traditional brick-and-mortar retail.

In Sweden, there were 218 million domestic payments in the first quarter, a decrease of 1 per cent against the first quarter of 2020. In the Baltic countries, 85 million domestic payments were processed, up 10 per cent compared with the same period in 2020. Swedbank's market share of payments through the Bankgiro system was 34 per cent. The number of international payments in Sweden decreased by 1 per cent to 1.4 million compared with the same quarter in 2020. The Baltic countries saw an increase in international payments of 21 per cent compared with the first quarter 2020 to 4.1 million.

Savings

Total deposits within the business segments rose to SEK 1 174bn (1 130). Compared with the end of the first quarter 2020 the increase was SEK 165bn, corresponding to growth of 16 per cent. All business segments contributed to the increase compared to the equivalent period of 2020. Exchange rates positively affected deposits by SEK 7bn compared with the end of the fourth quarter 2020 and negatively by SEK 24bn compared with the end of the first quarter 2020. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 1 216bn (1 131).

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Mar 2021	31 Dec 2020	31 Mar 2020
Deposits, private	604	588	556
of which Swedish Banking	430	424	403
of which Baltic Banking	174	164	153
Deposits, corporate	612	543	490
of which Swedish Banking	220	222	182
of which Baltic Banking	126	120	104
of which Large Corporates & Inst.	224	200	167
of which Group Functions & Other	42	1	37
Total	1 216	1 131	1 046

Swedbank's deposits from private customers increased by SEK 16bn in the quarter to SEK 604bn (588).

Corporate deposits in the business segments increased in total by SEK 28bn 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 was also unchanged at 16 per cent (16). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	31 Mar 2021	31 Dec 2020	31 Mar 2020
Total asset management	1 791	1 686	1 381
Assets under management	1 326	1 227	958
Assets under management, Robur	1 324	1 220	951
of which Sweden	1 265	1 163	896
of which Baltic countries	68	64	57
of which eliminations	-9	-7	-2
Assets under management, Other, Baltic countries	2	7	7
Discretionary asset management	465	459	423

Assets under management in Swedbank Robur rose by 9 per cent in the quarter to SEK 1 324bn (1 220) at 31 March, of which SEK 1 265bn (1 163) related to the Swedish business and SEK 68bn (64) to the Baltic business. The growth in both Sweden and the Baltic countries is due to value appreciation and net inflows.

Net inflows in the Swedish fund market amounted to SEK 38bn in the quarter (84), where the inflow in the previous quarter was positively affected by annual contributions of SEK 38bn to the Swedish Pensions Agency's premium pension funds. The largest inflow, at

SEK 29bn, was to the category of actively managed equity funds, followed by index funds with inflows of SEK 22bn and mixed funds with SEK 5bn. Fixed income funds and hedge funds had outflows of SEK 16bn and SEK 2bn respectively. Swedbank's market share of inflows in the Swedish fund market for Swedish-registered distributors was 14 per cent (14) in the quarter.

Swedbank Robur's Swedish fund business had net inflows of SEK 7bn (14) in the first quarter. Inflows in the previous quarter were positively affected by SEK 5bn in contributions to the Swedish Pensions Agency's premium pension funds. Exactly as the market as a whole, Robur's Swedish fund business saw the largest inflows to actively managed equity funds, which amounted to SEK 8bn, at the same time that fixed income funds had outflows of SEK 4bn. Index funds and mixed funds reported less positive net flows of SEK 1bn and SEK 2bn respectively. Distribution through Swedbank, the savings banks and the institutional management business generated positive flows while flows from third party distribution were slightly negative in the quarter.

The net inflow in the Baltic countries amounted to SEK 0bn (1). The decrease refers to Estonia, where a pension reform has given savers the opportunity to withdraw their pension savings from funds in the form of a one-time amount instead of over several years as before. As a result, withdrawals exceeded deposits in Estonia, while both Latvia and Lithuania saw continued stable net inflows.

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 31 March, the market share in Sweden was 21 per cent. The market shares in Estonia, Latvia and Lithuania were 40, 41 and 37 percent respectively.

Assets under management, life insurance, SEKbn	31 Mar 2021	31 Dec 2020	31 Mar 2020
Sweden	274	247	194
of which collective occupational pensions	140	125	98
of which endowment insurance	88	80	61
of which occupational pensions	35	32	26
of which other	11	10	9
Baltic countries	7	7	6

Life insurance assets under management in the Swedish operations rose by 11 per cent in the first quarter to SEK 274bn on 31 March. Premium income, consisting of premium payments and capital transfers, amounted to SEK 10bn (5) in the first quarter.

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

In Estonia and Lithuania, Swedbank is the largest life insurance company and in Latvia it is the third largest. The market share for premium payments in the first 2 months of the year was 47 per cent in Estonia, 25 per cent in Lithuania and 24 per cent in Latvia.

Credit and asset quality

Swedbank's credit quality remained good in the first quarter. The visible economic impact from Covid-19 remained small for the majority of Swedbank's lending and credit quality in the bank's large mortgage portfolio. Government support mainly targeted at the hardest hit sectors has dampened the effects of Covid-19 and kept the number of customers with payment problems at low levels. The segments hardest hit by the pandemic, such as hotels, restaurants, some retail and passenger travel, as well as oil-related exposures, account for a small share of Swedbank's lending.

The total share of loans in stage 2, gross, was stable in the fourth quarter at 6.6 per cent (6.4), of which 3.9 per cent (3.9) was for private loans and 12.4 per cent (12.2) for corporate loans.

The share of loans in stage 3, gross, in the first quarter was 0.5 per cent (0.6). The decrease in loans in stage 3 was due to the sale of the loans from a group of customers in the shipping and offshore industries in the quarter. The provision ratio for loans in stage 3 decreased to 34 per cent (47) due to write-offs of loans with high provision ratios.

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 which leads to low risks for both the customer and the bank. The average loan-to-value ratios for the mortgage portfolio were 53 per cent in Sweden, 47 per cent in Estonia, 73 per cent in Latvia and 54 per cent in Lithuania.

Swedbank's lending to the property management sector accounts for approximately 15 per cent of the total loan portfolio and is mainly to companies with strong finances and good collateral with low loan-to-value ratios. The average loan-to-value ratio in Sweden was 54 per cent (57) at the end of the first quarter. In its lending to commercial properties, Swedbank focuses on stable cash flows and the customer's long-term ability to repay interest and amortisation. Just over 80 per cent of the property management portfolio is in Sweden, and the rest is in the Baltic countries and other Nordic countries. Residential properties, which are much less cyclical and carry very low risk, represent 30 per cent of the portfolio. Swedbank's lending to retail properties, including shopping centres, and hotel properties represents a small share of the portfolio.

Swedbank's oil-related portfolio is small. Lending to the offshore industry amounted to SEK 5bn at 31 March, and the reduction and restructuring of the portfolio are continuing. Demand in the oil and offshore industries generally remains low despite oil prices having risen to pre-pandemic levels and the market situation remains challenging. The recovery in the sector is expected to be slow and uneven with additional risks due to the global energy transformation.

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

Operational risks

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

Covid-19 is considered a critical risk for the bank, its employees and customers. Despite a continued widespread contagion, 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 spreading Covid-19. In response to the pandemic, the bank has improved its preparedness by updating continuity plans. The bank has also expanded opportunities for remote work and digital customer meetings and allocated resources to ensure operational continuity. Plans for various Covid-19 scenarios have been prepared to manage operational risks and reduce the risk of disruptions.

Funding and liquidity

Swedbank's funding in the quarter was again dominated by higher deposit volumes, but also by issuance of domestic covered bonds, senior non-preferred debt and senior unsecured debt. In total, long-term debt of SEK 32bn was issued in the first quarter.

The issuance need for the full-year 2021 is expected to be in line with issuance volume in 2020. The total issuance need is affected by the current liquidity situation, future maturities and changes in deposit and lending volumes, as well as by regulatory requirements and is therefore adjusted over the course of the year. Maturities in 2021 amount to SEK 124bn calculated from the beginning of the year. As of 31 March, short-term funding and commercial paper included in debt securities in issue amounted to SEK 245bn (SEK 127bn as of 31 December). Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 496bn (315) and the liquidity reserve amounted to SEK 646bn (485). The Group's liquidity coverage ratio (LCR) was 154 per cent (174) and for USD, EUR and SEK was 159, 268 and 112 per cent respectively. The net stable funding ratio (NSFR) was 123 per cent (125).

For more information on funding and liquidity, see notes 14-16 and pages 55-68 of the fact book.

Ratings

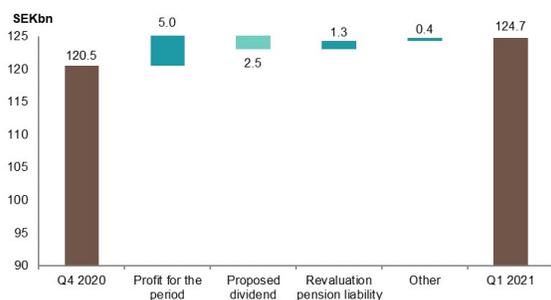
There were no changes in Swedbank's ratings in the first quarter. For more information on the ratings, see page 68 of the fact book.

Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 18.0 per cent at the end of the quarter (17.5 per cent on 31 December 2020). The total Common Equity Tier 1 capital requirement was 12.4 per cent (12.4) of the risk exposure amount (REA). Common Equity Tier 1 capital increased to SEK 124.7bn (120.5), mainly due to the quarterly profit after the estimated dividend of SEK 2.5bn and a revaluation of pension liability of SEK 1.3bn.

Change in Common Equity Tier 1 capital¹



¹ Refers to Swedbank consolidated situation

Total REA increased to SEK 694.6bn (689.6) in the first quarter.

REA for credit risk increased in the quarter by SEK 1.6bn to SEK 576.3bn. The increase was mainly due to foreign exchange effects, which increased REA by SEK 3.2bn.

Increased exposures including additional risk exposure amounts for article 458 (mortgage floor) increased REA by SEK 1.1bn, mainly through increased lending to households, which was partly offset by a decrease in other assets. This increase in REA for credit risk was offset by improved ratings mainly for corporate and household exposures and a decrease in REA attributable to corporate exposures in default due to increased provisions. In total, these effects reduced REA for credit risk by SEK 1.5bn. In addition, other items reduced REA for credit risk by SEK 1.2bn, mainly due to shorter maturities on corporate exposures.

REA for market risk increased in the quarter by SEK 3.6bn to SEK 20.9bn (17.3), mainly due to increased specific interest rate risk and REA from internal models. REA for credit value adjustments remained unchanged compared with the fourth quarter at SEK 4.4bn.

The quarterly review of additional REA for article 3 of the Capital Requirements Regulation (CRR) resulted in a decrease in REA of SEK 0.2bn.

Change in REA¹



¹ Refers to Swedbank consolidated situation

The leverage ratio was 4.8 per cent (5.1). The ratio decreased mainly due to higher total assets at the end of the first quarter 2021 compared with the fourth quarter 2020.

Future capital regulations

In November 2020, the Swedish FSA approved amended rules and a change in the application of banks' capital requirements. The change is based on the proposed amendments to the capital adequacy rules resulting from the implementation of the EU's banking package.

The 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 decision, the Swedish FSA also 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 of the leverage ratio. 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 and hence not limited. 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 next evaluation and review, which for Swedbank means the end of the third quarter 2021. 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 the EU's Bank Recovery and Resolution Directive (BRRD II), which among other things contains provisions on the minimum requirement for own funds and eligible liabilities (MREL). 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 government has presented a draft bill to parliament calling for the amendments to enter into force on 1 July 2021. 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 entail a higher REA.

CRR permits loan support for small and medium-sized enterprises through a capital deduction. Through CRR II, the deduction was increased. The higher deduction was introduced in June 2020 rather than June 2021 due

to the pandemic. In the second quarter 2021, the support is expected to increase the Common Equity Tier 1 capital ratio by around 25 basis points in Sweden. Implementation in the Baltic countries will come later.

Other events

On 12 January, Swedbank Robur announced that its policy for responsible investments has been updated and supplemented with three new strategies regarding how to exclude, include and engage in its various fund types. The policy applies as of 1 January of this year. Swedbank Robur's climate strategy was also revised during the year and further sharpened. Accordingly, the fund company decided effective 1 January 2021 to expand its strategy to exclude fossil fuels i.e. to encompass oil and gas in addition to coal.

On 15 January, Björn Meltzer was named the new acting head of the business area Large Corporates & Institutions. Björn Meltzer was previously CFO within Large Corporates & Institutions. The recruitment of a permanent head is underway.

On 28 January, Fondmarknaden.se named Swedbank Robur the Fund Company of the Year for 2020. Earlier, Swedbank Robur's Ny Teknik fund was named Sector Fund of the Year and Fund of the Year across categories, and Swedbank Robur's Global Fund was named Global Fund of the Year.

On 28 January, the Estonian FSA announced that it had evaluated the final report on the actions taken to address AML/CTF shortcomings which Swedbank AS submitted on 19 November. The Estonian FSA considers the actions taken to be sufficient and stated that it had no further strictures. In its assessment, the Estonian FSA also took into consideration the action plan and progress Swedbank had presented. Going forward, Swedbank's AML/CTF work will therefore be subject to the Estonian FSA's regular supervision.

On 1 February 2021, Swedbank's Board of Directors announced that it had decided to establish a Baltic subsidiary in the form of a holding company headquartered in Riga, which will become the owner of the current subsidiary banks in Estonia, Latvia and Lithuania. This measure, which is a result of a governance evaluation, strengthens both Swedbank's internal governance and the Baltic subsidiary banks. The decision will not change anything for customers in the bank's home markets: Estonia, Latvia, Lithuania and Sweden.

Investigations

In March, the Nasdaq Stockholm AB (Nasdaq) informed the bank of the conclusions of its investigation as to whether the bank had violated the Nasdaq's rules during the period December 2016 to February 2019. According to Nasdaq, the bank breached the Market Abuse Regulation as relates to the publication of information related to the bank's historical shortcomings tied to money laundering and did not fully satisfy the Nasdaq's disclosure requirements. Later, the Nasdaq announced that it had forwarded the case to the disciplinary committee. The bank largely concurs with the Nasdaq's view and assumes that the disciplinary committee will impose a fine which could be up to a maximum of 15 annual fees. Against this backdrop, the bank has allocated 7.5 annual fees (SEK 30m) for the expected fine.

In September 2020, Swedbank was notified by the Swedish FSA that it was also investigating the bank for suspected breaches of the Market Abuse Regulation. The investigation encompasses to some extent the same period as Nasdaq's investigation (20 September 2018 to 20 February 2019) and is focused on disclosures of insider information and the obligation to establish an insider list in connection with the disclosure of suspected money laundering within the bank. The Swedish FSA continuously monitors reviews conducted by the Nasdaq's disciplinary committee and can decide on sanctions even if a fine has been imposed. The bank currently has no further information on the FSA's investigation than what was announced in September 2020.

Part of the Estonian FSA's investigation was handed over in November 2019 to the Estonian Prosecutor's Office, which is investigating whether money laundering or other criminal activities have taken place in Swedbank AS. The bank has no information as to when this investigation will be completed.

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.

The Swedish Economic Crime Authority (EBM) is investigating whether historical information disclosures were criminal. EBM has stated that the investigation is in its final stage. The bank has no information as to when the investigation will be completed.

Events after 31 March 2021

No significant events have occurred after 31 March 2021.

Swedish Banking

- Stable underlying net interest income and increased mortgage volumes
- Unchanged net commission income with higher income from asset management and lower income from cards and securities trading
- New initiatives to meet the needs of mortgage customers

Income statement

SEKm	Q1	Q4	%	Q1	%
	2021	2020		2020	
Net interest income	3 921	3 851	2	4 184	-6
Net commission income	2 103	2 100	0	1 978	6
Net gains and losses on financial items	119	91	31	63	89
Other income ¹⁾	484	422	15	288	68
Total income	6 627	6 464	3	6 513	2
Staff costs	811	781	4	757	7
Variable staff costs	19	17	12	3	
Other expenses	1 790	2 000	-11	1 549	16
Depreciation/amortisation	10	12	-17	14	-29
Total expenses	2 630	2 810	-6	2 323	13
Profit before impairment	3 997	3 654	9	4 190	-5
Credit impairment	7	-1		373	-98
Profit before tax	3 990	3 655	9	3 817	5
Tax expense	749	664	13	760	-1
Profit for the period	3 241	2 991	8	3 057	6
Profit for the period attributable to:					
Shareholders of Swedbank AB	3 242	2 991	8	3 057	6
Non-controlling interests	-1	0		0	
Return on allocated equity, %	19.8	17.7		18.7	
Loan/deposit ratio, %	187	187		205	
Credit impairment ratio, %	0.00	0.00		0.12	
Cost/income ratio	0.40	0.43		0.36	
Loans, SEKbn ²⁾	1 215	1 211	0	1 200	1
Deposits, SEKbn ²⁾	650	646	1	585	11
Full-time employees	3 950	3 962	0	3 662	8

Result

First quarter 2021 compared with fourth quarter 2020

Swedish Banking's profit increased to SEK 3 242m (2 991), mainly due to higher interest income, a higher share of profits from associates and lower expenses.

Net interest income increased by 2 per cent to SEK 3 921m (3 851), mainly due to a lower deposit guarantee fee. Lending margins increased slightly, while deposit margins decreased.

Household mortgage volume increased by SEK 5bn to SEK 854bn in the quarter. Lending to tenant-owner associations decreased by SEK 1bn to SEK 91bn. Corporate lending decreased slightly to SEK 238bn, of which SEK 1bn was from the transfer of customers with more complex needs, mainly within property management, to the business area Large Corporates & Institutions.

Deposit volume increased to SEK 650bn (646), of which household deposits increased by SEK 5bn and corporate deposits decreased by SEK 1bn.

Net commission income was stable at SEK 2 103m (2 100). Higher income from asset management was offset by lower card commissions and lower income from securities trading.

Other income, including the share of profits from associates and joint ventures, increased, mainly due to higher income from Entercard.

Expenses decreased by 6 per cent to SEK 2 630m (2 810), largely due to lower expenses for premises and consultants.

Credit impairments were small during the quarter at SEK 7m (-1).

January-March 2021 compared with January-March 2020

Profit increased to SEK 3 242m (3 057), mainly due to a higher share of profits from associates and lower credit impairments.

Net interest income decreased to SEK 3 921m (4 184). Lower average market interest rates negatively affected

net interest income from deposits, but was offset by higher lending margins.

Net commission income increased to SEK 2 103m (1 978). Higher income from asset management was offset by lower card commissions.

Other income, including the share of profits from associates and joint ventures, increased, mainly due to higher income from Entercard and partly owned savings banks.

Expenses increased by 13 per cent to SEK 2 630m (2 323), mainly due to increased expenses related to compliance.

Credit impairments amounted to SEK 7m (373).

Business development

The pandemic continued to affect the Swedish economy in the first quarter. Consumption has increased but is still lower than a year ago. The number of companies and individuals who applied for amortisation exemptions decreased in the quarter. Low demand for liquidity loans continued, however with some demand primarily from service businesses. The Swedish National Debt Office decided to extend the state guarantee to help banks to support companies that have been hurt by the pandemic up to and including 30 June 2021.

To strengthen our position in the Swedish mortgage market, we have taken a series of measures to reduce wait times and shorten the time from application to decision.

During the quarter we continued to develop digital services and products for private and corporate customers. Private customers can now see their PIN code and change the credit limit on their debit and credit cards using both the mobile app and Internet Bank. Private customers with access to the Internet Bank will now also receive their annual statement there. For young customers, services have been simplified with a

modified version of the private app. Customers older than 12 can now, with the permission of a guardian, upgrade their mobile security ID to mobile BankID without visiting a branch. This is an improvement, since Covid-19 testing, for example, requires identification with BankID. The guardian can also see the child's annual statement in the Internet Bank.

During the quarter, the *Företagskollen* tool was improved and the number of users increased. The service gives companies a visual forecast of future cash flows and a more detailed view of their liquidity situation. We have improved our website for corporate customers in order to create a clearer and simpler user interface.

Our new green construction loans and green mortgages were launched for corporate customers during the quarter and offer advantageous pricing. The green construction loans are designed for companies that are building energy-efficient and environmentally certified properties. Green business mortgages are available to companies that are looking to buy and invest in finished buildings or properties that meet green building requirements.

A contest called *Rivstart* (Kick-start) was launched during the quarter where Swedbank showcases and rewards companies that are transforming their businesses in a sustainable direction thereby contributing to sustainable development. The contest will end in the second quarter.



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 in local currency and stable margins
- Higher provisions negatively affected profit
- Expanded offering with Robur's funds launched in all Baltic markets

Income statement

SEKm	Q1	Q4	%	Q1	%
	2021	2020		2020	
Net interest income	1 238	1 266	-2	1 370	-10
Net commission income	595	606	-2	623	-4
Net gains and losses on financial items	91	100	-9	47	94
Other income ¹⁾	208	242	-14	193	8
Total income	2 132	2 214	-4	2 233	-5
Staff costs	323	356	-9	321	1
Variable staff costs	17	21	-19	10	70
Other expenses	500	604	-17	470	6
Depreciation/amortisation	43	43	0	44	-2
Total expenses	883	1 024	-14	845	4
Profit before impairment	1 249	1 190	5	1 388	-10
Impairment of tangible assets		1			
Credit impairment	220	-8		146	51
Profit before tax	1 029	1 197	-14	1 242	-17
Tax expense	173	198	-13	217	-20
Profit for the period	856	999	-14	1 025	-16
Profit for the period attributable to:					
Shareholders of Swedbank AB	856	999	-14	1 025	-16
Return on allocated equity, %	14.1	16.2		15.2	
Loan/deposit ratio, %	63	64		77	
Credit impairment ratio, %	0.48	-0.02		0.30	
Cost/income ratio	0.41	0.46		0.38	
Loans, SEKbn ²⁾	188	182	3	198	-5
Deposits, SEKbn ²⁾	300	284	6	257	17
Full-time employees	4 228	4 213	0	4 142	2

Result

First quarter 2021 compared with fourth quarter 2020

Profit in the first quarter amounted to SEK 856m (999). Profit in local currency decreased due to lower income and higher credit impairments, which was partly offset by lower expenses. Foreign exchange effects reduced profit by SEK 14m.

Net interest income decreased by 1 per cent in local currency, mainly because there were fewer days in the quarter. The margins on mortgages and corporate loans were largely unchanged in the quarter. Deposit margins were also unchanged in the quarter. Foreign exchange effects negatively affected net interest income by SEK 18m.

Lending increased by 1 per cent in the quarter in local currency. Household lending also increased by 1 per cent while corporate lending increased by 2 per cent. Foreign exchange effects positively contributed SEK 3bn.

Deposits increased by 4 per cent in local currency due to growth in both corporate and private deposits in the quarter. Foreign exchange effects positively contributed SEK 5bn.

Net commission income was unchanged in local currency in the quarter. Lower asset management and

card income was offset by higher payment and commission income.

Net gains and losses on financial items decreased by 8 per cent in local currency, mainly due to unrealised losses in the insurance portfolio in the quarter.

Other income decreased by 13 per cent in local currency, mainly due to seasonally higher insurance claims in the quarter.

Expenses decreased by 13 per cent in local currency, largely due to seasonal fluctuations. The work to strengthen AML functions and improve KYC processes continued in the quarter.

Credit impairments amounted to SEK 220m (-8) and were largely explained by additional expert adjustments due to uncertainty surrounding the pandemic's long-term economic impact on vulnerable sectors.

January-March 2021 compared with January-March 2020

Profit amounted to SEK 856m (1 025) in the period. Profit decreased compared with the same period in 2020 in local currency, mainly due to higher credit impairments and expenses, while income was unchanged. Foreign exchange effects negatively affected profit by SEK 45m.

Net interest income decreased by 5 per cent in local currency, mainly due to lower lending volumes in high-margin products. Foreign exchange effects negatively affected net interest income by SEK 68m.

Lending increased by 2 per cent in local currency. Household lending increased by 5 per cent while corporate lending decreased by 2 per cent. Foreign exchange effects reduced lending growth by SEK 14bn.

Deposits increased by 26 per cent in local currency. Deposits increased in all markets. Foreign exchange effects negatively affected deposits by SEK 23bn.

Net commission income increased by 1 per cent in local currency, mainly due to higher income from payment operations and other fees, which was partly offset by lower card income.

Net gains and losses on financial items increased by 103 per cent in local currency, largely due to high unrealised losses in the asset management and insurance businesses in 2020.

Other income increased by 13 per cent in local currency due to an improved result in the insurance operations.

Expenses increased by 10 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 for and investments in digital solutions increased as well.

Credit impairments amounted to SEK 220m (146).

Business development

In the first quarter, economic activity remained low in all three Baltic countries and the increased spread of Covid-19 and related restrictions continued to put pressure mainly on service and retail businesses. We continued to help our customers with amortisation exemptions and restructuring solutions. At the same time, the inflow of applications for new or additional support has been very low in all three countries. The number of customers with amortisation exemptions continued to decline in the quarter.

In the first quarter, Swedbank launched a selection of Robur's industry-leading funds in the Baltic markets. Swedbank's customers can now invest in 16 of Robur's funds. The launch was positively received.

In the quarter, Swedbank introduced customised offerings based on customer data in the mobile app. Around 20 different offerings based on specific criteria

such as income were launched. The offering is being improved over time.

Our efforts to increase flexibility, security and protection for employees during the pandemic, along with Swedbank's attraction as an employer, have garnered attention externally. The leading online recruiting portal CVOnline named Swedbank the best employer in Latvia in 2020 with high ratings in Estonia and Lithuania as well.

Swedbank was also recognised as an industry leader in the Sustainable Brand Index 2021, Europe's largest independent brand study related to sustainability. It measures how sustainability work affects brands, communication and business development. For the second year in a row, Swedbank was the winner in the banking sector in all three Baltic countries.

With support from Swedbank Latvia, an innovation accelerator programme called Future Hub was launched. The programme is designed to develop innovative and sustainable solutions for green tech startups. The goal is to develop sustainability analysis tools and a calculator to measure climate impacts. Swedbank Estonia signed an agreement with Green Tiger (*Rohetiiger*), a network in Estonia to boost environmental awareness and create a basis for a green economy. The aim of the collaboration is to generate sustainable solutions for the bank and its customers. In addition, Swedbank Lithuania initiated and arranged an online training program called *Mokonomika* to give students an opportunity to discuss financial literacy, economics, creativity and sustainability.

Swedbank is implementing a new, more transparent governance structure in the Baltic region. As part of this, Swedbank Group formed a new subsidiary of Swedbank AB called Swedbank Baltics AS, which is a holding company which will own the current subsidiary banks in Estonia, Latvia and Lithuania. The purpose of introducing a new legal structure is to strengthen both Swedbank's internal governance and the Baltic subsidiary banks. Pending approval, the new unit will be in operation in the third quarter 2021.

Jon Lidelfelt
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.2 million private customers and nearly 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, 21 in Latvia and 42 in Lithuania.

Large Corporates & Institutions

- Higher profit due to lower credit impairments
- Higher net commission income due to record bond issuance
- Reduced exposure in the oil service sector in line with the bank's strategy

Income statement

SEKm	Q1	Q4	%	Q1	%
	2021	2020		2020	
Net interest income	904	942	-4	960	-6
Net commission income	720	649	11	636	13
Net gains and losses on financial items	349	677	-48	-315	
Other income ¹⁾	26	25	4	23	13
Total income	1 999	2 293	-13	1 304	53
Staff costs	628	652	-4	590	6
Variable staff costs	65	54	20	26	
Other expenses	308	342	-10	380	-19
Depreciation/amortisation	65	65	0	60	8
Total expenses	1 066	1 113	-4	1 056	1
Profit before impairment	933	1 180	-21	248	
Credit impairment	19	537	-96	1 627	-99
Profit before tax	914	643	42	-1 379	
Tax expense	180	147	22	-552	
Profit for the period	734	496	48	-827	
Profit for the period attributable to:					
Shareholders of Swedbank AB	734	496	48	-827	
Return on allocated equity, %	9.0	6.0		-11.6	
Loan/deposit ratio, %	98	111		140	
Credit impairment ratio, %	0.03	0.68		2.20	
Cost/income ratio	0.53	0.49		0.81	
Loans, SEKbn ²⁾	218	223	-2	234	-7
Deposits, SEKbn ²⁾	224	200	12	168	33
Full-time employees	2 404	2 374	1	2 296	5

Result

First quarter 2021 compared with fourth quarter 2020

Profit increased to SEK 734m (496), mainly due to lower credit impairments.

Net interest income decreased by 4 per cent to SEK 904m (942), mainly due to a non-recurring full-year adjustment in the fourth quarter tied to the transfer of customers from the business area Swedish Banking. An adjustment to the deposit guarantee fee paid to the Swedish National Debt Office positively affected net interest income. Lending to the public decreased to SEK 218bn (223) due to lower collateral for derivative contracts. Corporate lending including foreign exchange effects has been stable.

Net commission income increased by 11 per cent to SEK 720m (649) and was positively affected by increased income from bond issuance and because Swedbank in the fourth quarter paid one-time compensation of SEK 130m to the savings banks to terminate a card acquiring agreement in advance. Lower performance-based asset management commissions and lower advisory commissions on share issuance negatively affected profit.

Net gains and losses on financial items decreased to SEK 349m (677) after a strong fourth quarter. The decrease was mainly in income from FX and fixed income trading due to valuation effects. Customer activity remained good.

Expenses decreased by 4 per cent to SEK 1 066m (1 111), mainly due to lower IT and consulting expenses.

Credit impairments amounted to SEK 19m (537). Additional provisions for a few oil-related commitments were offset by a positive effect from updated macro scenarios.

January-March 2021 compared with January-March 2020

Profit increased to SEK 734m (-827), mainly due to lower credit impairments.

Net interest income decreased by 6 per cent to SEK 904m (960), mainly due to lower lending volumes and lower deposit margins.

Net commission income increased by 13 per cent to SEK 720m (636). The increase was affected by higher lending commissions as well as increased income related to asset management and custodial services.

Net gains and losses on financial items increased to SEK 349m (-315), since the first quarter 2020 was adversely affected by the pandemic with negative, mainly derivative, valuation adjustments (CVA/DVA).

Total expenses increased by 1 per cent to SEK 1 066m (1 056) due to a higher number of employees, mainly in compliance and IT.

Credit impairments amounted to SEK 19m (1 627).

Business development

In the quarter, we continued to meet our customers mainly through digital channels, which has become a natural part of customer contacts during the pandemic. Customers have generally maintained good liquidity and the debt and capital markets have functioned well.

Collateral for derivative contracts decreased in the quarter due to interest rate levels, which negatively affected lending. Underlying corporate lending has been stable with high demand for M&A debt financing and sustainable lending. Among other things, we provided sustainable financing for Metsä Fibre and coordinated a sustainable loan for Volvo Cars.

Swedbank reduced its gross lending in offshore by approximately SEK 3bn in the quarter, in line with the bank's strategy to reduce its exposure in the sector. Provisions have already been set aside for the large part of this exposure.

The primary market for stocks and bonds has remained strong with a record level of bond issuance and high demand for funding services in various sectors. There has also been continued strong interest in issuing

sustainable bonds, and in the quarter Swedbank arranged such bonds for the property companies Klöver, Kungsleden and Fabège, the energy company Scatec, the Asian Development Bank and the city of Gothenburg.

In equities, we helped customers such as Storytel, Nordic Entertainment Group, Studentbostäder and Faron Pharmaceuticals with private placements. In medical technology, funding needs have increased and the bank has arranged a number of deals in the sector.

Demand for Swedbank's BalanceFX & RestFX services increased among small and medium-sized companies in the quarter. The services have helped to simplify FX management for customers.

In the quarter, Global Finance Magazine named Swedbank the best trade finance provider in Estonia, Latvia and Lithuania in 2021. The bank was ranked best on several occasions, but never before in all three Baltic countries. The ranking is a result of a comprehensive offering in all three markets with a strong customer focus, despite challenges due to the pandemic.

The bank has continued its AML work and improved KYC processes. In the quarter, a decision was made not to permit payments to 34 high-risk countries without personal contact with the bank.



Björn Meltzer
Acting Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q1	Q4	%	Q1	%
	2021	2020		2020	
Net interest income	482	517	-7	178	
Net commission income	-69	-44	57	-36	92
Net gains and losses on financial items	26	43	-40	-117	
Other income ¹⁾	258	321	-20	213	21
Total income	697	837	-17	238	
Staff costs	1 240	1 246	0	1 134	9
Variable staff costs	15	82	-82	32	-53
Other expenses	-1 091	-932	17	-236	
Depreciation/amortisation	284	287	-1	272	4
Administrative fine				4 000	
Total expenses	448	683	-34	5 202	-91
Profit before impairment	249	154	62	-4 964	
Credit impairment		-5		5	
Profit before tax	249	159	57	-4 969	
Tax expense	106	135	-21	-27	
Profit for the period	143	24		-4 942	
Profit for the period attributable to:					
Shareholders of Swedbank AB	143	24		-4 942	
Full-time employees	5 724	5 664	1	5 292	8

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

First quarter 2021 compared with fourth quarter 2020

Profit increased to SEK 143m (24) and was mainly affected by lower expenses. This was offset by lower other income.

Net interest income decreased to SEK 482m (517). Net interest income within Group Treasury decreased to SEK 524m (551), primarily because deposit margins increased rapidly, while lending volumes were stable.

Net gains and losses on financial items decreased to SEK 26m (43). Net gains and losses on financial items within Group Treasury increased to SEK 43m (17). Revaluations of fixed income instruments within Group Treasury due to higher market interest rates contributed to the increase in the quarter. Shareholding valuations were essentially unchanged in the first quarter.

Expenses decreased to SEK 448m (683), mainly due to lower variable staff costs and lower consulting costs to manage money laundering related investigations.

January-March 2021 compared with January-March 2020

Profit increased to SEK 143m (-4 942), largely due to the Swedish FSA's administrative fine in the first quarter 2020.

Net interest income increased to SEK 482m (178). Group Treasury's net interest income increased to SEK 524m (219), mainly due to effects of the bank's internal pricing model.

Net gains and losses on financial items increased to SEK 26m (-117). Net gains and losses on financial items within Group Treasury increased to SEK 43m (-116), mainly due to decreased valuations of the shareholdings in Visa and Enento in the previous year. The holding in Visa was hedged at the end of the second quarter 2020 and the holding in Enento was divested in the third quarter 2020.

Expenses decreased to SEK 448m (5 202), mainly due to the Swedish FSA's administrative fine and high money laundering related consulting costs in the first quarter 2020.

Group Functions & Other consists of central business support units and the customer advisory unit Group Financial Products & Advice. The central units serve as strategic and administrative support and comprise Accounting & Finance, Communication and Sustainability, 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	Q1 2021	Q4 2020	%	Q1 2020	%
Net interest income	-4	-9	-56	-6	-33
Net commission income	11	65	-83	22	-50
Net gains and losses on financial items		-1			
Other income ¹⁾	-60	-99	-39	-72	-17
Total income	-53	-44	20	-56	-5
Staff costs	-3	-4	-25	-3	0
Other expenses	-50	-40	25	-53	-6
Total expenses	-53	-44	20	-56	-5

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	Q1	Q4	Q1
SEKm	2021	2020	2020
Interest income on financial assets at amortised cost	7 463	7 300	8 449
Other interest income	365	804	347
Interest income	7 828	8 104	8 796
Interest expense	-1 287	-1 537	-2 110
Net interest income (note 5)	6 541	6 567	6 686
Commission income	5 108	5 185	4 826
Commission expense	-1 748	-1 809	-1 603
Net commission income (note 6)	3 360	3 376	3 223
Net gains and losses on financial items (note 7)	585	910	-322
Net insurance	374	408	296
Share of profit or loss of associates and joint ventures	237	122	95
Other income	305	381	254
Total income	11 402	11 764	10 232
Staff costs	3 115	3 205	2 870
Other general administrative expenses (note 8)	1 457	1 974	2 110
Depreciation/amortisation of tangible and intangible assets	402	407	390
Administrative fine			4 000
Total expenses	4 974	5 586	9 370
Profit before impairment	6 428	6 178	862
Impairment of tangible assets		1	
Credit impairment (note 9)	246	523	2 151
Profit before tax	6 182	5 654	-1 289
Tax expense	1 208	1 144	398
Profit for the period	4 974	4 510	-1 687
Profit for the period attributable to:			
Shareholders of Swedbank AB	4 975	4 510	-1 687
Non-controlling interests	-1	0	0
Earnings per share, SEK	4.44	4.03	-1.51
Earnings per share after dilution, SEK	4.43	4.01	-1.50

Statement of comprehensive income, condensed

Group SEKm	Q1 2021	Q4 2020	Q1 2020
Profit for the period reported via income statement	4 974	4 510	-1 687
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	1 584	1 148	4 247
Share related to associates and joint ventures:			
Remeasurements of defined benefit pension plans	26	20	141
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value through profit and loss		2	1
Income tax	-326	-236	-875
Total	1 284	934	3 514
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations:			
Gains/losses arising during the period	846	-2 337	2 622
Reclassification adjustments to income statement, Net gains and losses on financial items		-2	
Hedging of net investments in foreign operations:			
Gains/losses arising during the period	-729	1 808	-1 922
Reclassification adjustments to income statement, Net gains and losses on financial items		9	
Cash flow hedges:			
Gains/losses arising during the period	149	-412	522
Reclassification adjustments to the income statement, Net gains and losses on financial items	-145	403	-510
Foreign currency basis risk:			
Gains/losses arising during the period	-3	-24	8
Share of other comprehensive income of associates and joint ventures	103	6	-77
Income tax	153	-372	408
Total	374	-921	1 051
Other comprehensive income for the period, net of tax	1 658	13	4 565
Total comprehensive income for the period	6 632	4 523	2 878
Total comprehensive income attributable to:			
Shareholders of Swedbank AB	6 633	4 523	2 878
Non-controlling interests	-1	0	0

For January-March 2021 a gain of SEK 1 584m (4 247) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. As per 31 March the discount rate, which is used to calculate the closing pension obligation, was 1.88 per cent, compared with 1.41 per cent at year end. The inflation assumption was 1.71 per cent compared with 1.48 per cent at year end. The changed assumptions together with gains and losses based on experience represented SEK 1 312m of the positive result in other comprehensive income. The fair value of plan assets increased during the first quarter 2021 by SEK 272m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 2 028m compared with SEK 3 665m at year end.

For January-March 2021 an exchange rate difference of SEK 846m (2 622) was recognised for the Group's foreign net investments in subsidiaries. The loss related to subsidiaries mainly arose because the Swedish krona weakened against the euro during the period. In addition, an exchange rate difference of SEK 103m (-77) for the Group's foreign net investments in associates and joint ventures is included in Share of other comprehensive income of associates and joint ventures. The total gain of SEK 949m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 729m (1 922) 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 Mar 2021	31 Dec 2020	31 Mar 2020
Assets			
Cash and balances with central banks	499 858	293 811	295 442
Treasury bills and other bills eligible for refinancing with central banks, etc.	125 288	137 191	160 999
Loans to credit institutions (note 10)	46 472	47 954	55 628
Loans to the public (note 10)	1 667 069	1 680 987	1 694 708
Value change of interest hedged item in portfolio hedge	879	1 774	1 176
Bonds and other interest-bearing securities	66 971	59 975	104 602
Financial assets for which customers bear the investment risk	278 442	252 411	197 672
Shares and participating interests	27 016	17 215	9 904
Investments in associates and joint ventures	7 571	7 287	6 834
Derivatives (note 17)	50 153	52 177	84 253
Intangible assets (note 13)	18 794	18 361	18 610
Tangible assets	5 398	5 421	5 667
Current tax assets	1 541	1 554	2 674
Deferred tax assets	176	124	180
Other assets	31 408	16 483	34 942
Prepaid expenses and accrued income	2 531	1 917	2 178
Total assets	2 829 567	2 594 642	2 675 469
Liabilities and equity			
Amounts owed to credit institutions (note 14)	163 281	150 313	174 934
Deposits and borrowings from the public (note 15)	1 238 655	1 148 240	1 066 052
Financial liabilities for which customers bear the investment risk	280 727	253 229	199 847
Debt securities in issue (note 16)	830 062	732 814	908 130
Short positions, securities	24 450	23 300	19 927
Derivatives (note 17)	35 024	54 380	54 107
Current tax liabilities	632	424	816
Deferred tax liabilities	3 127	2 784	2 481
Pension provisions	2 028	3 665	4 578
Insurance provisions	1 904	1 859	2 035
Other liabilities and provisions	46 516	30 610	54 444
Accrued expenses and prepaid income	5 176	4 038	8 682
Senior non-preferred liabilities (note 16)	20 214	10 359	11 153
Subordinated liabilities (note 16)	24 005	23 434	26 727
Total liabilities	2 675 801	2 439 449	2 533 913
Equity			
Non-controlling interests	24	25	25
Equity attributable to shareholders of the parent company	153 742	155 168	141 531
Total equity	153 766	155 193	141 556
Total liabilities and equity	2 829 567	2 594 642	2 675 469

Statement of changes in equity, condensed

Group SEKm	Equity attributable to shareholders of Swedbank AB										
	Share capital	Other contri- buted equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserves	Foreign currency basis reserves	Own credit risk reserves	Retained earnings	Total	Non- controlling interests	Total equity
January-March 2021											
Opening balance 1 January 2021	24 904	17 275	4 355	-2 669	1	-62	0	111 364	155 168	25	155 193
Dividends								-8 124	-8 124		-8 124
Share based payments to employees								62	62		62
Deferred tax related to share based payments to employees								3	3		3
Total comprehensive income for the period			949	-576	3	-2		6 259	6 633	-1	6 632
of which reported through profit or loss								4 975	4 975	-1	4 974
of which reported through other comprehensive income			949	-576	3	-2		1 284	1 658		1 658
Closing balance 31 March 2021	24 904	17 275	5 304	-3 245	4	-64	0	109 564	153 742	24	153 766
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	0	111 364	155 168	25	155 193
January-March 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								48	48		48
Deferred tax related to share based payments to employees								1	1		1
Current tax related to share based payments to employees								-4	-4		-4
Total comprehensive income for the period			2 545	-1 510	10	6	1	1 826	2 878	0	2 878
of which reported through profit or loss								-1 687	-1 687	0	-1 687
of which reported through other comprehensive income			2 545	-1 510	10	6	1	3 513	4 565		4 565
Closing balance 31 March 2020	24 904	17 275	8 824	-5 390	18	-27	-4	95 931	141 531	25	141 556

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Mar 2021	Full-year 2020	Jan-Mar ¹⁾ 2020
Operating activities			
Profit before tax	6 182	16 780	-1 289
Adjustments for non-cash items in operating activities	-1 707	447	3 493
Income taxes paid	-969	-4 331	-757
Increase (-) / decrease (+) in loans to credit institution	1 696	-2 708	-9 883
Increase (-) / decrease (+) in loans to the public	16 964	-39 022	-33 876
Increase (-) / decrease (+) in holdings of securities for trading	-4 889	-15 081	-74 406
Increase (-) / decrease (+) in other assets	-10 787	-17 957	-65 625
Increase (+) / decrease (-) in amounts owed to credit institutions	11 867	82 381	102 936
Increase (+) / decrease (-) in deposits and borrowings from the public	85 143	203 526	98 397
Increase (+) / decrease (-) in debt securities in issue	80 261	-104 629	28 375
Increase (+) / decrease (-) in other liabilities	15 205	-10 169	55 525
Cash flow from operating activities	198 966	109 237	102 890
Investing activities			
Acquisitions of and contributions to joint ventures	-25	-54	
Disposal of shares in associates		76	71
Dividend from associates and joint ventures	82	2	
Acquisitions of other fixed assets and strategic financial assets	-54	-364	-66
Disposals of/maturity of other fixed assets and strategic financial assets	31	1 723	90
Cash flow from investing activities	34	1 383	95
Financing activities			
Amortisation of lease liabilities	-193	-723	-213
Issuance of senior non-preferred liabilities	9 958		
Redemption of senior non-preferred liabilities	-2	-95	
Redemption of subordinated liabilities	-243	-7 880	-7 463
Dividends paid	-4 871		
Cash flow from financing activities	4 649	-8 698	-7 676
Cash flow for the period	203 649	101 922	95 309
Cash and cash equivalents at the beginning of the period	293 811	195 286	195 286
Cash flow for the period	203 649	101 922	95 309
Exchange rate differences on cash and cash equivalents	2 398	-3 397	4 847
Cash and cash equivalents at end of the period	499 858	293 811	295 442

¹⁾ Presentation of the cash flow statement has been updated, see more in note 26

2021

During the first quarter contributions were provided to joint venture P27 Nordic Payments Platform AB of SEK 25m.

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 fourth quarter, the Visa Inc. A shares were sold and Swedbank received a cash payment of SEK 794m.

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

During the second quarter the associated company Svensk Mäklarstatistik AB was sold. Swedbank received a cash payment of SEK 5m and the capital gain was SEK 3m.

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

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 2020, 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, except for the change as set out below.

Amendments for Interest Rate Benchmark Reform (phase 2)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the Interest Rate Benchmark Reform – Phase 2 are applied from 1 January 2021.

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 did not have any impact on the Group's financial position, results, cash flows or disclosures.

Other changes in accounting regulations

Other amended regulations that have been adopted from 1 January 2021 did not have a significant impact on the Group's financial position, results, cash flows or disclosures.

Note 2 Critical accounting estimates

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

goodwill, deferred taxes and defined benefit pension provisions. Due to the continued uncertainties related to Covid-19 post-model expert credit adjustments to the credit impairment provisions continue to be necessary. Details of these are found in Note 9. Beyond that, there have been no significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2020.

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first quarter 2021.

Note 4 Operating segments (business areas)

January-March 2021

SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	3 921	1 238	904	482	-4	6 541
Net commission income	2 103	595	720	-69	11	3 360
Net gains and losses on financial items	119	91	349	26		585
Other income ¹⁾	484	208	26	258	-60	916
Total income	6 627	2 132	1 999	697	-53	11 402
Staff costs	811	323	628	1 240	-3	2 999
Variable staff costs	19	17	65	15		116
Other expenses	1 790	500	308	-1 091	-50	1 457
Depreciation/amortisation	10	43	65	284		402
Administrative fine						
Total expenses	2 630	883	1 066	448	-53	4 974
Profit before impairment	3 997	1 249	933	249		6 428
Impairment of tangible assets						
Credit impairment	7	220	19			246
Profit before tax	3 990	1 029	914	249		6 182
Tax expense	749	173	180	106		1 208
Profit for the period	3 241	856	734	143		4 974
Profit for the period attributable to:						
Shareholders of Swedbank AB	3 242	856	734	143		4 975
Non-controlling interests	-1					-1
Net commission income						
Commission income						
Payment processing	181	158	152	20	-7	504
Cards	429	345	481		-78	1 177
Asset management and custody	1 759	84	441	-3	-74	2 207
Lending	50	36	209	-1	-1	293
Other commission income ²⁾	531	133	249	16	-2	927
Total Commission income	2 950	756	1 532	32	-162	5 108
Commission expense	847	161	812	101	-173	1 748
Net commission income	2 103	595	720	-69	11	3 360
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	166	330		500
Loans to credit institutions	7		180	268	-409	46
Loans to the public	1 215	188	264			1 667
Interest-bearing securities		1	79	113	-1	192
Financial liabilities for which customers bears the investment risk	271	7				278
Investments in associates and joint ventures	5			3		8
Derivatives			55	39	-44	50
Tangible and intangible assets	5	12	2	5		24
Other assets	4	121	49	392	-501	65
Total assets	1 508	332	795	1 150	-955	2 830
Amounts owed to credit institutions	28		326	203	-394	163
Deposits and borrowings from the public	650	300	257	43	-11	1 239
Debt securities in issue		1	7	824	-2	830
Financial liabilities for which customers bears the investment risk	274	7				281
Derivatives			57	22	-44	35
Other liabilities	492		115	-19	-504	84
Senior non-preferred liabilities				20		20
Subordinated liabilities				24		24
Total liabilities	1 444	308	762	1 117	-955	2 676
Allocated equity	64	24	33	33		154
Total liabilities and equity	1 508	332	795	1 150	-955	2 830
Key figures						
Return on allocated equity, %	19.8	14.1	9.0	1.8		12.8
Cost/income ratio	0.40	0.41	0.53	0.64		0.44
Credit impairment ratio, %	0.00	0.48	0.03			0.06
Loan/deposit ratio, %	187	63	98	1		133
Loans to the public, stage 3, SEKbn ³⁾ (gross)	2	2	4			8
Loans to the public, total, SEKbn ³⁾	1 215	188	218			1 621
Provisions for loans to the public, total, SEKbn ³⁾	2	1	3			6
Deposits from the public, SEKbn ³⁾	650	300	224	42		1 216
Risk exposure amount, SEKbn	400	97	171	27		695
Full-time employees	3 950	4 228	2 404	5 724		16 306
Allocated equity, average, SEKbn	65	24	33	32		155

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.

January-March 2020

	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	4 184	1 370	960	178	-6	6 686
Net commission income	1 978	623	636	-36	22	3 223
Net gains and losses on financial items	63	47	-315	-117	0	-322
Other income ¹⁾	288	193	23	213	-72	645
Total income	6 513	2 233	1 304	238	-56	10 232
Staff costs	757	321	590	1 134	-3	2 799
Variable staff costs	3	10	26	32		71
Other expenses	1 549	470	380	-236	-53	2 110
Depreciation/amortisation	14	44	60	272		390
Administrative fine				4 000		4 000
Total expenses	2 323	845	1 056	5 202	-56	9 370
Profit before impairment	4 190	1 388	248	-4 964		862
Impairment of intangible assets						
Impairment of tangible assets						
Credit impairment	373	146	1 627			2 151
Profit before tax	3 817	1 242	-1 379	-4 969		-1 289
Tax expense	760	217	-552	-27		398
Profit for the period	3 057	1 025	-827	-4 942		-1 687
Profit for the period attributable to:						
Shareholders of Swedbank AB	3 057	1 025	-827	-4 942		-1 687
Non-controlling interests	0					0
Net commission income						
Commission income						
Payment processing	187	167	147	13	-7	507
Cards	546	397	482		-96	1 329
Asset management and custody	1 437	88	336	-2	-66	1 793
Lending	55	42	154	2	-1	252
Other commission income ²⁾	543	118	272	14	-2	945
Total Commission income	2 768	812	1 391	27	-172	4 826
Commission expense	790	189	755	63	-194	1 603
Net commission income	1 978	623	636	-36	22	3 223
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	51	240		295
Loans to credit institutions	8		95	209	-256	56
Loans to the public	1 200	198	297	2	-2	1 695
Interest-bearing securities		1	109	161	-5	266
Financial liabilities for which customers bears the investment risk	193	5				198
Investments in associates	5			2		7
Derivatives			92	60	-68	84
Tangible and intangible assets	2	12	2	7		23
Other assets	4	72	36	479	-540	51
Total assets	1 413	291	682	1 160	-871	2 675
Amounts owed to credit institutions	29		241	147	-242	175
Deposits and borrowings from the public	585	257	198	39	-13	1 066
Debt securities in issue		2	8	905	-7	908
Financial liabilities for which customers bears the investment risk	195	5				200
Derivatives			91	31	-68	54
Other liabilities	537		113	-18	-540	92
Senior non-preferred liabilities			1	11	-1	11
Subordinated liabilities				27		27
Total liabilities	1 346	264	652	1 142	-871	2 533
Allocated equity	67	27	30	18		142
Total liabilities and equity	1 413	291	682	1 160	-871	2 675
Key figures						
Return on allocated equity, %	18.7	15.2	-11.6	-100.2		-4.8
Cost/income ratio	0.36	0.38	0.81	21.86		0.92
Credit impairment ratio, %	0.12	0.30	2.20	0.09		0.51
Loan/deposit ratio, %	205	77	140	1		156
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	8			13
Loans to the public, total, SEKbn ³⁾	1 200	198	234			1 632
Provisions for loans to the public, total, SEKbn ³⁾	2	1	6			9
Deposits, SEKbn ³⁾	585	257	168			1046
Risk exposure amount, SEKbn	395	100	172	24		691
Full-time employees	3 662	4 142	2 296	5 292		15 392
Allocated equity, average, SEKbn	65	27	29	20		141

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 attributable to the shareholders for the operating segment, 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 2021, 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	Q1 2021	Q4 2020	Q1 2020
Interest income			
Cash and balances with central banks	-232	-165	19
Treasury bills and other bills eligible for refinancing with central banks, etc.	14	15	30
Loans to credit institutions	37	46	132
Loans to the public	7 659	7 892	8 302
Bonds and other interest-bearing securities	47	57	41
Derivatives ¹⁾	244	56	294
Other assets	42	46	53
Total	7 811	7 947	8 871
Deduction of trading-related interests reported in Net gains and losses on financial items	-17	-157	75
Total interest income	7 828	8 104	8 796
Interest expense			
Amounts owed to credit institutions	5	10	-135
Deposits and borrowings from the public	-37	-224	-328
of which deposit guarantee fees	-35	-212	-117
Debt securities in issue	-1 258	-1 422	-2 315
Senior non-preferred liabilities	-28	10	-26
Subordinated liabilities	-170	-170	-279
Derivatives ¹⁾	503	561	1 170
Other liabilities	-247	-233	-205
of which resolution fund fee	-229	-220	-176
Total	-1 232	-1 468	-2 118
Deduction of trading-related interests reported in Net gains and losses on financial items	55	69	-8
Total interest expense	-1 287	-1 537	-2 110
Net interest income	6 541	6 567	6 686
Net investment margin before trading-related interests are deducted	0.96	0.97	1.05
Average total assets	2 750 011	2 673 367	2 582 740
Interest expense on financial liabilities at amortised cost	1 502	1 839	3 069
Negative yield on financial assets	282	329	602
Negative yield on financial liabilities	147	164	85

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	Q1 2021	Q4 2020	Q1 2020
Commission income			
Payment processing	504	526	507
Cards	1 177	1 309	1 329
Service concepts	313	310	312
Asset management and custody	2 207	2 075	1 793
Insurance	171	164	191
Securities and corporate finance	193	299	202
Lending	293	280	252
Other	250	222	240
Total commission income	5 108	5 185	4 826
Commission expense			
Payment processing	-310	-285	-281
Cards	-609	-783	-626
Service concepts	-42	-44	-37
Asset management and custody	-518	-471	-428
Insurance	-79	-74	-71
Securities and corporate finance	-81	-73	-87
Lending	-32	-36	-20
Other	-77	-43	-53
Total commission expense	-1 748	-1 809	-1 603
Net commission income			
Payment processing	194	241	226
Cards	568	526	703
Service concepts	271	266	275
Asset management and custody	1 689	1 604	1 365
Insurance	92	90	120
Securities and corporate finance	112	226	115
Lending	261	244	232
Other	173	179	187
Total Net commission income	3 360	3 376	3 223

Note 7 Net gains and losses on financial items

Group SEKm	Q1 2021	Q4 2020	Q1 2020
Fair value through profit or loss			
Shares and share related derivatives	42	128	-33
of which dividend	58	18	9
Interest-bearing securities and interest related derivatives	177	434	-885
Financial liabilities	6	6	15
Other financial instruments	-2	3	6
Total fair value through profit or loss	223	571	-897
Hedge accounting			
Ineffective part in fair value hedges	-16	58	37
of which hedging instruments	-3 026	-1 185	3 406
of which hedged items	3 010	1 243	-3 369
Ineffective part in portfolio fair value hedges	21	-40	-11
of which hedging instruments	916	594	-916
of which hedged items	-895	-634	905
Ineffective part in cash flow hedges	0	0	2
Total hedge accounting	5	18	28
Amortised cost			
Derecognition gain or loss for financial assets	43	63	34
Derecognition gain or loss for financial liabilities	-11	1	-76
Total amortised cost	32	64	-42
Trading related interest			
Interest income	-17	-157	75
Interest expense	55	69	-8
Total trading related interest	38	-88	67
Change in exchange rates	287	345	522
Total net gains and losses on financial items	585	910	-322

Note 8 Other general administrative expenses

Group SEKm	Q1 2021	Q4 2020	Q1 2020
Premises	105	163	92
IT expenses	568	587	569
Telecommunications and postage	31	54	46
Consultants	214	271	752
Compensation to savings banks	57	57	58
Other purchased services	213	372	231
Travel	1	5	50
Entertainment	4	9	11
Supplies	21	33	23
Advertising, PR and marketing	39	198	77
Security transport and alarm systems	18	16	16
Repair/maintenance of inventories	24	19	30
Other administrative expenses	114	131	128
Other operating expenses	48	59	27
Other general administrative expenses	1 457	1 974	2 110

Note 9 Credit impairment

Group SEKm	Q1 2021	Q4 2020	Q1 2020
Loans at amortised cost			
Credit impairment provisions - Stage 1	-133	-13	297
Credit impairment provisions - Stage 2	246	62	618
Credit impairment provisions - Stage 3	-2 538	-412	825
Credit impairment provisions - Credit-impaired purchased or originated	-2	-2	-1
Total	-2 427	-365	1 739
Write-offs	2 860	1 149	137
Recoveries	-64	-43	-46
Total	2 796	1 106	91
Total loans at amortised cost	369	741	1 830
Other assets at amortised cost	-4		
Loan commitments and guarantees			
Credit impairment provisions - Stage 1	-54	5	84
Credit impairment provisions - Stage 2	-61	-61	190
Credit impairment provisions - Stage 3	-4	-162	47
Total Loan commitments and guarantees	-119	-218	321
Total credit impairment	246	523	2 151
Credit impairment ratio, %	0.06	0.12	0.51

During the first quarter, the Group reduced the gross exposure in the oil sector primarily through sales. The sales mean that the losses are established and the unpaid gross exposures are written off. Most of the exposures were previously provisioned.

Calculation of credit impairment provisions

The measurement of expected credit losses is described in Note G3.1 Credit risks on pages 73-77 of the 2020 Annual and Sustainability Report. There have been no significant changes during the year to the methodology.

Measurement of 12-month and lifetime expected credit losses

Key portfolio risks continue to be 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 continue to significantly suppress the impacts of Covid-19 and there is a risk that credit quality may start to deteriorate as such measures end. The models do not capture these complexities, nor do they capture the continued uncertainty around further Covid-19 outbreaks, which could event further delay the recovery. As the quantitative risk models do not appropriately incorporate these dynamics, post-model adjustments to increase the credit impairment provisions continue to be deemed necessary.

The post-model expert credit adjustments were increased to SEK 1,852m from SEK 1,533m, attributable to heightened uncertainty in Baltic Banking. The post-model expert credit adjustments are allocated as SEK 455m in Stage 1, SEK 1 381m in Stage 2 and

SEK 16m in Stage 3 and the most significant impacts are reflected in the shipping and offshore, hotels and restaurants, manufacturing, transportation, retail and property management segments.

Determination of a significant increase in credit risk

The tables below show the quantitative thresholds used by the Group for assessing a significant increase in credit risk, 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 2020 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 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating downgrade ^{1) 2) 3)}	Impairment provision impact of		Recognised credit impairment provisions 31 Mar 2021	Share of total portfolio (%) in terms of gross carrying amount 31 Mar 2021	Impairment provision impact of		Recognised credit impairment provisions 31 Dec 2020	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2020
			Increase in threshold by 1 grade	Decrease in threshold by 1 grade			Increase in threshold by 1 grade	Decrease in threshold by 1 grade		
13-21	< 0.5%	3 - 8 grades	-8.6%	6.4%	429	32%	-7.7%	7.0%	514	35%
9-12	0.5-2.0%	1 - 5 grades	-17.4%	14.6%	250	6%	-13.5%	13.0%	330	7%
6-8	2.0-5.7%	1 - 3 grades	-10.7%	4.2%	75	2%	-11.5%	4.0%	84	3%
0-5	>5.7% and <100%	1 - 2 grades	-1.0%	0.0%	126	1%	-0.9%	0.0%	141	1%
			-10.3%	7.7%	880	41%	-9.0%	7.7%	1 069	46%
Financial instruments with low risk					3	14%			17	8%
Stage 3 financial instruments					1 779	0%			2 207	0%
Post model expert credit adjustment ⁴⁾					780				673	
Total⁵⁾					3 442	56%			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.

⁵⁾ Of which provisions for off-balance exposures are SEK 455m (499).

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

Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁶⁾	Impairment provision impact of		Recognised credit impairment provisions 31 Mar 2021	Share of total portfolio (%) in terms of gross carrying amount 31 Mar 2021	Impairment provision impact of		Recognised credit impairment provisions 31 Dec 2021	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2021
		Increase in threshold by 100%	Decrease in threshold by 50%			Increase in threshold by 100%	Decrease in threshold by 50%		
13-21	100-300%	-1.9%	8.1%	334	31%	-3.1%	5.8%	340	31%
9-12	100-200%	-4.7%	1.9%	386	8%	-4.8%	2.2%	413	8%
6-8	50-150%	-0.3%	0.9%	146	2%	-0.7%	0.9%	143	3%
0-5	50%	0.0%	0.1%	304	1%	0.0%	0.1%	299	1%
		-2.1%	3.1%	1 170	42%	-2.6%	2.5%	1 195	43%
Financial instruments with low risk					15	2%		15	3%
Stage 3 financial instruments					1 042	0%		2 952	0%
Post model expert credit adjustment ⁷⁾					1 056			847	
Total⁸⁾					3 283	44%		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.

⁸⁾ Of which provisions for off-balance exposures are SEK 261m (307).

A new Swedbank Economic Outlook was published on 20 January 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.

IFRS 9 scenarios

31 March 2021	Positive scenario			Baseline scenario			Negative scenario		
	2021	2022	2023	2021	2022	2023 ¹⁾	2021	2022	2023
Sweden									
GDP (% annual growth)	3.9	3.7	2.3	2.9	3.6	2.3	-5.2	0.7	4.3
Unemployment (%) ²⁾	8.5	7.6	7.2	8.7	7.8	7.4	10.4	12.1	11.2
House prices (% annual change)	8.9	6.4	5.7	7.6	5.0	4.6	0.8	0.5	1.6
Stibor 3m (%)	0.03	0.21	0.40	-0.05	0.01	0.10	-0.29	-0.62	-0.57
Estonia									
GDP (% annual growth)	4.3	5.0	3.2	3.1	4.3	2.9	-1.7	1.0	2.4
Unemployment (%)	7.8	6.6	6.0	8.1	6.9	6.4	12.0	11.8	10.4
House prices (% annual change)	8.7	9.5	5.4	7.0	7.9	5.0	-2.7	-0.2	4.1
Latvia									
GDP (% annual growth)	3.9	5.6	3.5	2.8	5.0	3.3	-2.0	1.7	2.8
Unemployment (%)	7.8	6.2	5.7	8.1	6.6	6.0	12.1	12.5	11.1
House prices (% annual change)	5.2	6.4	6.4	3.5	4.6	5.4	-5.9	-3.8	4.4
Lithuania									
GDP (% annual growth)	3.8	5.1	3.3	2.7	4.2	3.1	-1.9	1.0	2.5
Unemployment (%)	7.6	6.6	5.9	7.9	6.9	6.2	12.1	12.3	10.8
House prices (% annual change)	4.6	7.5	5.6	3.0	5.2	4.9	-6.4	-1.6	4.8
Global indicators									
US GDP (% annual)	5.1	3.9	2.0	4.0	3.5	2.5	0.0	0.0	2.1
EU GDP (% annual)	4.9	4.2	2.1	4.1	4.1	2.1	-1.6	3.8	3.0
Brent Crude Oil (USD/Barrel)	62.3	62.5	62.3	54.0	52.0	51.1	36.8	39.6	43.1
Euribor 6m (%)	-0.25	0.33	1.04	-0.50	-0.44	-0.21	-0.75	-0.80	-0.73

¹⁾ The baseline scenario for 2021 and 2022 are based on the published Swedbank Economic Outlook. The baseline scenario variables for 2023 are model-based extrapolations.

²⁾ Unemployment rate, 16-64 years

The second wave of Covid-19 had a profound impact on economic activity globally, as well as in the Nordic and Baltic countries. Restrictions have been imposed on a broad front, the spread of infection remains high, and health care systems are heavily affected in many countries. Despite this, manufacturing and exports have managed to keep up activity. Firms are holding back on investment and their deposits are increasing. Housing prices in the Sweden and Baltics are expected to increase in 2021, but less so than in 2020. On the other hand, the service sector is, still struggling with the restrictions, putting strong pressure on revenue and profitability.

Gradual normalisation and easing of restrictions are expected, enabling economies to start to recover in the second half of the year. The recovery will be broad but

is expected to be the most visible in the service sector. The consumer-oriented services sector in Sweden is likely to continue to have a tough economic situation in the near term. There is a clear risk of an increasing number of bankruptcies, which will have adverse effects on the labour market. Such a development could reduce the momentum of economic recovery in Sweden.

The forecast assumes a successful rollout of vaccine across countries. Should this fail, the recovery will be delayed, and the current economic downturn deepen. We see mainly downside risks to GDP forecasts in the near term.

Sensitivity

Set out below are the credit impairment provisions 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	31 Mar 2021				31 Dec 2020			
	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
Swedish Banking	1 753	426	1 919	1 661	1 788	424	1 969	1 690
Baltic Banking	967	530	1 075	906	754	242	872	669
LC&I	3 994	896	5 052	3 217	6 423	867	7 471	5 640
Group ¹⁾	6 725	1 852	8 057	5 795	8 975	1 533	10 323	8 010

¹⁾ Including Group Functions & Other.

Note 10 Loans

Group SEKm	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	
Loans to the public at amortised cost										
Private customers	1 042 700	122	1 042 578	42 410	290	42 120	2 143	505	1 638	1 086 336
Private mortgage	909 935	50	909 885	35 738	164	35 574	1 513	279	1 234	946 693
Tenant owner associations	89 902	4	89 898	1 295	4	1 291	121	3	118	91 307
Private other	42 863	68	42 795	5 377	122	5 255	509	223	286	48 336
Corporate customers	467 149	602	466 547	66 744	2 325	64 419	5 626	2 151	3 475	534 441
Agriculture, forestry, fishing	56 962	10	56 952	7 391	58	7 333	169	27	142	64 427
Manufacturing	33 330	136	33 194	5 327	197	5 130	247	73	174	38 498
Public sector and utilities	25 171	16	25 155	2 890	18	2 872	52	11	41	28 068
Construction	17 431	29	17 402	4 392	114	4 278	139	31	108	21 788
Retail and wholesale	21 761	59	21 702	6 078	241	5 837	502	217	285	27 824
Transportation	11 158	21	11 137	2 510	74	2 436	17	3	14	13 587
Shipping and offshore	6 362	34	6 328	4 352	796	3 556	3 559	1 600	1 959	11 843
Hotels and restaurants	4 049	58	3 991	4 617	346	4 271	343	32	311	8 573
Information and communication	12 153	11	12 142	1 352	18	1 334	11	2	9	13 485
Finance and insurance	19 652	14	19 638	731	4	727	32	15	17	20 382
Property management, including Residential properties	226 427	185	226 242	20 574	331	20 243	308	71	237	246 722
Commercial	68 660	49	68 611	7 372	75	7 297	18	8	10	75 918
Industrial and Warehouse	98 945	96	98 849	7 433	159	7 274	171	41	130	106 253
Other	38 860	22	38 838	3 111	25	3 086	91	20	71	41 995
Professional services	19 962	18	19 944	2 658	72	2 586	28	2	26	22 556
Other corporate lending	17 541	12	17 529	4 902	85	4 817	166	46	120	22 466
Other corporate lending	15 152	17	15 135	1 628	43	1 585	81	23	58	16 778
Loans to the public at fair value through profit or loss										
										132
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 509 849	724	1 509 125	109 154	2 615	106 539	7 769	2 656	5 113	1 620 909
Swedish National Debt Office Repurchase agreements ¹⁾	3		3							3
										46 157
Loans to the public	1 509 852	724	1 509 128	109 154	2 615	106 539	7 769	2 656	5 113	1 667 069
Banks and other credit institutions Repurchase agreements ¹⁾	37 038	14	37 024	134		134				37 158
										9 314
Loans to credit institutions	37 038	14	37 024	134		134				46 472
Loans to the public and credit institutions	1 546 890	738	1 546 152	109 288	2 615	106 673	7 769	2 656	5 113	1 713 541

¹⁾ At fair value through profit or loss

31 December 2020	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	
Loans to the public at amortised cost										
Private customers	1 036 489	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 and wholesale	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

31 March 2020	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	
Loans to the public at amortised cost										
Private customers	1 012 269	108	1 012 161	49 666	303	49 363	2 362	513	1 849	1 063 373
Private mortgage	876 097	40	876 057	38 847	183	38 664	1 668	313	1 355	916 076
Tenant owner associations	93 810	8	93 802	3 968	11	3 957	233	10	223	97 982
Private other	42 362	60	42 302	6 851	109	6 742	461	190	271	49 315
Corporate customers	490 861	662	490 199	74 274	1 689	72 585	11 010	5 431	5 579	568 363
Agriculture, forestry, fishing	57 842	20	57 822	8 248	95	8 153	203	40	163	66 138
Manufacturing	39 613	118	39 495	5 743	148	5 595	1 198	966	232	45 322
Public sector and utilities	23 615	31	23 584	883	11	872	59	14	45	24 501
Construction	14 676	19	14 657	5 103	112	4 991	514	188	326	19 974
Retail and wholesale	23 476	61	23 415	11 792	279	11 513	401	231	170	35 098
Transportation	13 315	20	13 295	2 354	22	2 332	23	7	16	15 643
Shipping and offshore	9 272	50	9 222	6 432	463	5 969	7 232	3 491	3 741	18 932
Hotels and restaurants	7 802	15	7 787	2 049	82	1 967	111	23	88	9 842
Information and communication	11 601	27	11 574	1 901	50	1 851	16	3	13	13 438
Finance and insurance	19 268	28	19 240	519	3	516	8	7	1	19 757
Property management, including	230 593	205	230 388	22 336	283	22 053	712	220	492	252 933
Residential properties	69 621	53	69 568	7 494	99	7 395	117	47	70	77 033
Commercial	92 213	99	92 114	8 278	99	8 179	483	142	341	100 634
Industrial and Warehouse	41 488	30	41 458	2 393	14	2 379	53	6	47	43 884
Other	27 271	23	27 248	4 171	71	4 100	59	25	34	31 382
Professional services	21 623	54	21 569	4 192	90	4 102	339	184	155	25 826
Other corporate lending	18 165	14	18 151	2 722	51	2 671	194	57	137	20 959
Loans to the public at fair value through profit or loss										122
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 503 130	770	1 502 360	123 940	1 992	121 948	13 372	5 944	7 428	1 631 858
Swedish National Debt Office	4		4							4
Repurchase agreements ¹⁾										62 846
Loans to the public	1 503 134	770	1 502 364	123 940	1 992	121 948	13 372	5 944	7 428	1 694 708
Banks and other credit institutions	48 831	11	48 820	109	2	107				48 927
Repurchase agreements ¹⁾										6 701
Loans to credit institutions	48 831	11	48 820	109	2	107				55 628
Loans to the public and credit institutions	1 551 965	781	1 551 184	124 049	1 994	122 055	13 372	5 944	7 428	1 750 336

¹⁾ At fair value through profit or loss

Ratios, %	31 Mar	31 Dec	31 Mar
	2021	2020	2020
Share of Stage 1 loans, gross	92.96	92.99	91.87
Share of Stage 2 loans, gross	6.57	6.39	7.34
Share of Stage 3 loans, gross	0.47	0.62	0.79
Credit impairment provision ratio Stage 1 loans	0.05	0.05	0.05
Credit impairment provision ratio Stage 2 loans	2.39	2.14	1.61
Credit impairment provision ratio Stage 3 loans	34.19	47.46	44.45
Total credit impairment provision ratio	0.36	0.48	0.52

Note 11 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

The tables below provide 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	2021				2020			
	Stage 1	Stage 2	Stage 3 ¹⁾	Total	Stage 1	Stage 2	Stage 3 ¹⁾	Total
Carrying amount before provisions								
Opening balance 1 January	1 576 657	108 293	10 530	1 695 480	1 537 745	106 264	13 593	1 657 602
Closing balance 31 March	1 546 890	109 288	7 769	1 663 947	1 551 965	124 049	13 372	1 689 386
Credit impairment provisions								
Opening balance 1 January	855	2 316	4 998	8 169	483	1 348	4 853	6 684
Movements affecting Credit impairment line								
New and derecognised financial assets, net	26	-20	-2 763	-2 757	63	6	-65	4
Changes in risk factors (EAD, PD, LGD)	13	-108	-15	-110	-27	-219	-31	-277
Changes in macroeconomic scenarios	-65	-99	0	-164	243	276	13	532
Post-model expert credit adjustments	-33	374	1	342	71	439		510
Individual assessments			157	157			885	885
Stage transfers	-74	99	106	131	-53	116	67	130
from 1 to 2	-81	176		95	-65	188		123
from 1 to 3	-1		14	13	0		26	26
from 2 to 1	8	-35		-27	11	-57		-46
from 2 to 3		-45	108	63		-19	94	75
from 3 to 2		3	-13	-10		4	-22	-18
from 3 to 1	0		-3	-3	1		-31	-30
Other			-25	-25		0	-45	-45
Total movements affecting Credit impairment line	-133	246	-2 539	-2 426	297	618	824	1 739
Movements recognised outside Credit impairment line								
Interest			25	25			45	45
Change in exchange rates	16	53	172	241	1	28	222	251
Closing balance 31 March	738	2 615	2 656	6 009	781	1 994	5 944	8 719
Carrying amount								
Opening balance 1 January	1 575 802	105 977	5 532	1 687 311	1 537 262	104 916	8 740	1 650 918
Closing balance 31 March	1 546 152	106 673	5 113	1 657 938	1 551 184	122 055	7 428	1 680 667

¹⁾ Including purchased or originated credit-impaired

Loan commitments and financial guarantees

The tables below provide 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	2021				2020			
	Stage 1	Stage 2	Stage 3 ¹⁾	Total	Stage 1	Stage 2	Stage 3 ¹⁾	Total
Nominal amount								
Opening balance 1 January	358 988	17 341	542	376 871	322 384	11 325	1 248	334 957
Closing balance 31 March	369 486	17 320	557	387 363	318 081	13 837	1 380	333 298
Credit impairment provisions								
Opening balance 1 January	249	396	161	806	113	144	326	583
Movements affecting Credit impairment line								
New and derecognosed financial assets, net	16	-10	-6	0	16	5	-13	8
Changes in risk factors (EAD, PD, LGD)	-11	-19	-3	-33	-18	-32	-1	-51
Changes in macroeconomic scenarios	-18	-18		-36	80	37		117
Post-model expert credit adjustments	-39	-20	0	-59	22	165		187
Individual assessments							4	4
Stage transfers	-2	6	5	9	-16	14	57	55
from 1 to 2	-3	11		8	-17	33		16
from 1 to 3					0		1	1
from 2 to 1	1	-5		-4	1	-2		-1
from 2 to 3		0	6	6		-17	56	39
from 3 to 2		0	-1	-1				
from 3 to 1								
Other					0	1	0	1
Total movements affecting Credit impairment line	-54	-61	-4	-119	84	190	47	321
Movements recognised outside Credit impairment line								
Change in exchange rates	7	14	8	29	1	-2	6	5
Closing balance 31 March	202	349	165	716	198	332	379	909

¹⁾ Including purchased or originated

Note 12 Credit risk exposures

Group	31 Mar	31 Dec	31 Mar
SEKm	2021	2020	2020
Assets			
Cash and balances with central banks	499 858	293 811	295 442
Interest-bearing securities	192 259	197 166	265 601
Loans to credit institutions	46 472	47 954	55 628
Loans to the public	1 667 069	1 680 987	1 694 708
Derivatives	50 153	52 177	84 253
Other financial assets	31 377	16 451	34 881
Total	2 487 188	2 288 546	2 430 513
Contingent liabilities and commitments			
Guarantees	56 378	50 696	51 892
Loan commitments	330 985	326 175	285 412
Total	387 363	376 871	337 304
Total credit risk exposures	2 874 551	2 665 417	2 767 817

Note 13 Intangible assets

Group SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
With indefinite useful life			
Goodwill	13 508	13 327	14 291
Brand name	93	92	92
Total	13 601	13 419	14 383
With finite useful life			
Customer base	283	293	328
Internally developed software	4 552	4 319	3 523
Other	358	330	376
Total	5 193	4 942	4 227
Total intangible assets	18 794	18 361	18 610

At 31 March 2021 there was no indication of an impairment of intangible assets.

Note 14 Amounts owed to credit institutions

Group SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Amounts owed to credit institutions			
Central banks	54 829	79 715	73 860
Banks	71 993	60 110	82 964
Other credit institutions	5 648	7 195	12 283
Repurchase agreements - banks	15 495	1 877	3 624
Repurchase agreements - other credit institutions	15 316	1 416	2 203
Amounts owed to credit institutions	163 281	150 313	174 934

Note 15 Deposits and borrowings from the public

Group SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Deposits from the public			
Private customers	603 567	588 487	556 279
Corporate customers	612 053	542 860	489 271
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	1 215 620	1 131 347	1 045 550
Swedish National Debt Office	66	69	30
Repurchase agreements - Swedish National Debt Office	0	0	
Repurchase agreements - public	22 969	16 824	20 473
Deposits and borrowings from the public	1 238 655	1 148 240	1 066 052

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

Group SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Commercial papers	244 709	127 209	184 622
Covered bonds	459 764	471 491	598 101
Senior unsecured bonds	120 161	128 437	118 176
Structured retail bonds	5 428	5 677	7 231
Total debt securities in issue	830 062	732 814	908 130
Senior non-preferred liabilities	20 214	10 359	11 153
Subordinated liabilities	24 005	23 434	26 727
Total debt securities in issue, senior non-preferred liabilities and subordinated liabilities	874 281	766 607	946 010

Turnover	Jan-Mar 2021	Full-year 2020	Jan-Mar 2020
Opening balance	766 607	898 493	898 493
Issued	197 144	498 084	155 636
Repurchased	-9 426	-54 877	-33 486
Repaid	-97 744	-555 811	-101 238
Interest	1 116	6 498	1 956
Change in market values or in hedged item in hedge accounting at fair value	-2 132	2 689	314
Changes in exchange rates	18 716	-28 469	24 335
Closing balance	874 281	766 607	946 010

Note 17 Derivatives

Group SEKm	Nominal amount			Positive fair value			Negative fair value		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Derivatives in hedge accounting									
Fair value hedges, interest rate swaps	507 544	514 849	616 921	12 243	14 953	16 678	336	37	209
Portfolio fair value hedges, interest rate swaps	468 264	457 647	387 456	510	137	391	1 806	2 412	1 869
Cash flow hedges, foreign currency basis swaps	8 129	8 500	9 753	40	19	684	130	256	0
Total	983 937	980 996	1 014 130	12 793	15 109	17 753	2 272	2 705	2 078
Non-hedge accounting derivatives	21 526 824	19 302 025	18 051 974	142 459	126 813	140 969	138 650	143 547	128 543
Gross amount	22 510 761	20 283 021	19 066 104	155 252	141 922	158 722	140 922	146 252	130 621
Offset amount	-17 928 605	-16 771 805	-14 100 789	-105 099	-89 745	-74 469	-105 898	-91 872	-76 514
Total	4 582 156	3 511 216	4 965 315	50 153	52 177	84 253	35 024	54 380	54 107

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share price, interest rate, credit and currency risks. The carrying amounts of all derivatives refer to fair value including accrued interest.

Note 18 Fair value of financial instruments

Group SEKm	31 Mar 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	499 858	499 858		293 811	293 811	
Treasury bills and other bills eligible for refinancing with central banks	125 300	125 288	12	137 206	137 191	15
Loans to credit institutions	46 472	46 472		47 954	47 954	
Loans to the public	1 669 771	1 667 069	2 702	1 684 884	1 680 987	3 897
Value change of interest hedged items in portfolio hedge	879	879		1 774	1 774	
Bonds and interest-bearing securities	66 971	66 971		59 976	59 975	1
Financial assets for which the customers bear the investment risk	278 442	278 442		252 411	252 411	
Shares and participating interest	27 016	27 016		17 215	17 215	
Derivatives	50 153	50 153		52 177	52 177	
Other financial assets	31 377	31 377		16 451	16 451	
Total	2 796 239	2 793 525	2 714	2 563 859	2 559 946	3 913
Investment in associates		7 571			7 287	
Non-financial assets		28 471			27 409	
Total		2 829 567			2 594 642	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	163 281	163 281		150 313	150 313	
Deposits and borrowings from the public	1 238 647	1 238 655	-8	1 148 231	1 148 240	-9
Debt securities in issue	835 425	830 062	5 363	738 196	732 814	5 382
Financial liabilities for which the customers bear the investment risk	280 727	280 727		253 229	253 229	
Senior non-preferred liabilities	20 865	20 214	651	10 545	10 359	186
Subordinated liabilities	24 418	24 005	413	23 688	23 434	254
Derivatives	35 024	35 024		54 380	54 380	
Short positions securities	24 450	24 450		23 300	23 300	
Other financial liabilities	46 447	46 447		30 536	30 536	
Total	2 669 284	2 662 865	6 419	2 432 418	2 426 605	5 813
Non-financial liabilities		12 936			12 844	
Total		2 675 801			2 439 449	

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. During the period, there were no transfers of financial instruments between valuation levels 1 and 2.

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

Financial instruments recognised at fair value

Group 31 March 2021 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	41 859	7 272		49 131
Loans to credit institutions		9 314		9 314
Loans to the public		46 281	8	46 289
Bonds and other interest-bearing securities	25 639	41 295		66 934
Financial assets for which the customers bear the investment risk	278 442			278 442
Shares and participating interests	25 868		1 148	27 016
Derivatives	101	50 052		50 153
Total	371 909	154 214	1 156	527 279
Liabilities				
Amounts owed to credit institutions		30 811		30 811
Deposits and borrowings from the public		22 968		22 968
Debt securities in issue		5 572		5 572
Financial liabilities for which the customers bear the investment risk		280 727		280 727
Derivatives	90	34 934		35 024
Short positions, securities	22 937	1 513		24 450
Total	23 027	376 525		399 552
Group 31 December 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

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

period of up to 8 years and under certain conditions may have to be returned. Liquid quotes are not available for these shares, therefore the fair value is established with significant elements of Swedbank's own internal assumptions. As of 31 March 2021, the carrying amount for the holdings in Visa Inc. C amounts to SEK 599m.

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 period.

Changes in level 3 Group SEKm	2021 Assets			2020 Assets	
	Equity instruments	Loans	Total	Equity instruments	Total
Opening balance 1 January	1 127		1 127	1 854	1 854
Purchases	1		1	4	4
Sale of assets/ dividends received	-1		-1		
Issues		8	8		
Gains or losses	21		21	-98	-98
of which changes in unrealised gains or losses for items held at closing day	21		21	-97	-97
Closing balance 31 March	1 148	8	1 156	1 760	1 760

Note 19 Assets pledged, contingent liabilities and commitments

Group SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Loans used as collateral for covered bonds ¹⁾	521 947	561 209	579 017
Financial assets pledged for insurance policy holders	274 592	247 632	195 105
Other assets pledged	100 988	117 257	84 067
Assets pledged	897 527	926 098	858 189
Nominal amounts			
Guarantees	56 378	50 696	51 892
Other	175	172	257
Contingent liabilities	56 553	50 868	52 149
Nominal amounts			
Loans granted not paid	266 827	259 683	219 562
Overdraft facilities granted but not utilised	64 158	66 492	65 850
Commitments	330 985	326 175	285 412

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 tables below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions. Collateral amounts represent financial instruments or cash collateral received or pledged for transactions that are subject to a legally enforceable

master netting or similar agreements and which allow for the netting of obligations against the counterparty in the event of a default. Collateral amounts are limited to the amount of the related instruments presented in the balance sheet; therefore any over-collateralisation is not included. Amounts that are not offset in the balance sheet are presented as a reduction to the financial assets or liabilities in order to derive net asset and net liability exposure.

Group SEKm	Assets		Liabilities			
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Financial assets and liabilities, which have been offset or are subject to netting						
Gross amount	255 101	224 363	268 867	241 517	207 455	194 988
Offset amount	-148 713	-133 010	-116 499	-153 595	-135 137	-118 544
Net amounts presented in the balance sheet	106 388	91 353	150 368	87 922	72 318	76 444
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	37 760	19 688	23 146	37 760	19 688	23 146
Financial Instruments, collateral	38 528	39 949	72 325	41 037	24 313	31 440
Cash collateral	17 647	15 278	5 926	9 125	15 551	8 551
Total amount not offset in the balance sheet	93 935	74 915	101 397	87 922	59 552	63 137
Net amount	12 453	16 438	48 971	0	12 766	13 307

The amount offset for derivative assets includes offset cash collateral of SEK 2 881m (3 934) derived from the balance sheet item Amounts owed to credit institutions. The amount offset for derivative liabilities includes offset cash collateral of SEK 3 681m (6 061), derived from the balance sheet item Loans to credit institutions. The amount offset for reverse repurchase agreements

includes offset security settlements liabilities of SEK 9 444m, which derive from the balance sheet item Other liabilities. The amount offset for repurchase agreements includes offset security settlement claims of SEK 13 528 m, which derive from the balance sheet item's Other assets.

Note 21 Capital adequacy, consolidated situation

Capital adequacy	31 Mar	31 Dec	31 Mar
SEKm	2021	2020	2020
Shareholders' equity according to the Group's balance sheet	153 742	155 168	141 531
Anticipated dividend ⁶⁾	-10 685	-16 320	-9 856
Deconsolidation of insurance companies ⁷⁾			-532
Value changes in own financial liabilities	-78	-77	-134
Cash flow hedges	-1	2	-15
Additional value adjustments ¹⁾	-737	-478	-1 456
Goodwill	-13 597	-13 414	-14 378
Deferred tax assets	-113	-78	-128
Intangible assets	-3 627	-4 116	-3 561
Deductions of CET1 capital due to Article 3 CRR ⁸⁾	-144	-158	
Shares deducted from CET1 capital	-35	-33	-25
Common Equity Tier 1 capital	124 725	120 496	111 446
Additional Tier 1 capital	8 823	8 352	10 274
Total Tier 1 capital	133 548	128 848	121 720
Tier 2 capital	16 163	15 889	17 116
Total own funds	149 711	144 737	138 836
Minimum capital requirement for credit risks, standardised approach	3 838	3 865	3 763
Minimum capital requirement for credit risks, IRB	23 955	23 972	22 791
Minimum capital requirement for credit risk, default fund contribution	46	44	60
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 670	1 385	1 479
Trading book	1 652	1 373	1 458
of which VaR and SVaR	1 235	1 119	1 004
of which risks outside VaR and SVaR	417	254	454
FX risk other operations	18	12	21
Minimum capital requirement for credit value adjustment	352	352	571
Minimum capital requirement for operational risks	5 882	5 882	5 716
Additional minimum capital requirement, Article 3 CRR ²⁾	1 564	1 584	3 326
Additional minimum capital requirement, Article 458 CRR ³⁾	18 263	18 084	17 583
Minimum capital requirement	55 570	55 168	55 289
Risk exposure amount credit risks, standardised approach	47 976	48 309	47 038
Risk exposure amount credit risks, IRB	299 434	299 652	284 883
Risk exposure amount default fund contribution	574	556	756
Risk exposure amount settlement risks	0	0	1
Risk exposure amount market risks	20 879	17 314	18 485
Risk exposure amount credit value adjustment	4 401	4 398	7 135
Risk exposure amount operational risks	73 521	73 521	71 454
Additional risk exposure amount, Article 3 CRR ²⁾	19 556	19 800	41 571
Additional risk exposure amount, Article 458 CRR ³⁾	228 284	226 044	219 784
Risk exposure amount	694 625	689 594	691 107
Common Equity Tier 1 capital ratio, %	18.0	17.5	16.1
Tier 1 capital ratio, %	19.2	18.7	17.6
Total capital ratio, %	21.6	21.0	20.1
Capital buffer requirement⁴⁾	31 Mar	31 Dec	31 Mar
%	2021	2020	2020
CET1 capital requirement including buffer requirements	11.0	11.0	10.1
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.0	0.0	0.1
of which systemic risk buffer	3.0	3.0	3.0
of which buffer for other systemically important institutions	1.0	1.0	
CET 1 capital available to meet buffer requirement ⁵⁾	13.2	12.7	11.6
Leverage ratio	31 Mar	31 Dec	31 Mar
	2021	2020	2020
Tier 1 Capital, SEKm	133 548	128 848	121 720
Leverage ratio exposure, SEKm	2 779 915	2 526 721	2 613 847
Leverage ratio, %	4.8	5.1	4.7

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.

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, 2020 and 2021.

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.

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

Capital requirements ¹⁾	31 Mar	31 Dec	31 Mar	31 Dec
SEKm / %	2021	2020	2021	2020
Capital requirement Pillar 1	100 721	99 991	14.5	14.5
of which Buffer requirements ²⁾	45 151	44 824	6.5	6.5
Total capital requirement Pillar 2 ³⁾	13 712	13 712	2.0	2.0
Total capital requirement Pillar 1 and 2	114 433	113 703	16.5	16.5
Own funds	149 711	144 737		

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 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec
Credit risk, IRB	2021	2020	2021	2020	2021	2020
SEKm						
Central government or central banks exposures	616 229	475 296	1	1	580	539
Institutional exposures	54 882	57 900	18	20	781	919
Corporate exposures	543 540	535 990	36	36	15 603	15 452
Retail exposures	1 223 095	1 211 927	6	6	6 152	6 063
of which mortgage lending	1 131 376	1 119 419	4	4	4 017	3 941
of which other lending	91 719	92 508	29	29	2 135	2 122
Non credit obligation	17 030	16 217	77	77	839	999
Total credit risks, IRB	2 454 776	2 297 330	12	13	23 955	23 972

31 March 2021 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	116 726	47 976	3 838
Central government or central banks exposures	68		
Regional governments or local authorities exposures	2 936	443	35
Public sector entities exposures	1 061	177	14
Multilateral development banks exposures	5 864		
Institutional exposures	62 235	1 327	106
Corporate exposures	5 735	5 653	452
Retail exposures	19 872	14 359	1 150
Exposures secured by mortgages on immovable property	5 532	1 936	155
Exposures in default	865	879	70
Exposures in the form of covered bonds	537	54	4
Exposures in the form of collective investment undertakings (CIUs)	3	3	0
Equity exposures	9 408	21 570	1 726
Other items	2 610	1 575	126
Credit risks, IRB	2 454 776	299 434	23 955
Central government or central banks exposures	616 229	7 253	580
Institutional exposures	54 882	9 759	781
Corporate exposures	543 540	195 043	15 603
of which specialized lending in category 1	3	1	0
of which specialized lending in category 2	180	128	10
of which specialized lending in category 3	33	38	3
of which specialized lending in category 4	95	238	19
Retail exposures	1 223 095	76 895	6 152
of which mortgage lending	1 131 376	50 202	4 017
of which other lending	91 719	26 693	2 135
Non-credit obligation	17 030	10 484	839
Credit risks, Default fund contribution		574	46
Settlement risks	0	0	0
Market risks		20 879	1 670
Trading book		20 649	1 652
of which VaR and SVaR		15 431	1 235
of which risks outside VaR and SVaR		5 218	417
FX risk other operations		230	18
Credit value adjustment	23 444	4 401	352
Operational risks		73 521	5 882
of which Standardised approach		73 521	5 882
Additional risk exposure amount, Article 3 CRR		19 556	1 564
Additional risk exposure amount, Article 458 CRR		228 284	18 263
Total	2 594 946	694 625	55 570

31 December 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

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 need 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

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. Covid-19 has had and is likely to continue to have further consequences for the global economy and on Swedbank. Despite the roll-out of vaccines and overall positive economic forecasts in our home markets, the uncertainty in terms of long-term impact is still significant for many businesses.

Anti-money laundering and Counter terrorist financing and other compliance risks

For risks related to the ongoing investigations by the US authorities related to suspected money laundering, please refer to Note 19 Assets pledged, contingent liabilities and commitments.

In addition to the observations reported on money laundering and terrorist financing, Swedbank has identified elevated compliance risks within the bank related to internal governance as noted by supervisory authorities in their investigations of money laundering. In this regard, Swedbank assesses that the deficiencies identified by the supervisory authorities have been addressed by the bank, and that many of them also has been closed. Swedbank has also identified elevated compliance risks in the customer protection area. Work is

as well as the own funds 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 March 2021, the internal capital assessment for Swedbank's consolidated situation amounted to SEK 36.2bn (SEK 37.0bn as of 31 December 2020). The capital to meet the internal capital assessment, i.e. the Common Equity Tier 1, amounted to SEK 149.7bn (SEK 144.7bn as of 31 December 2020) (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 24.6bn (SEK 25.7bn as of 31 December 2020) and the Common Equity Tier 1 capital amounted to SEK 119.8bn (SEK 118.1bn as of 31 December 2020) (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 2020 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.se.

ongoing within the bank to ensure that the deficiencies identified are addressed. Swedbank's Compliance function monitors this work.

Interest Rate Benchmark Reform

The Group's IBOR (Interbank Offered Rate) transition Programme continues to manage transition activities and operational changes necessary for the move from existing IBORs to alternative risk-free rates, also called the IBOR reform. Based on the nominal amounts, significant exposures in the Group's balance sheet that are affected by the IBOR reform are linked to STIBOR (SEK), EURIBOR (EUR), USD LIBOR and NIBOR (NOK). USD LIBOR will cease after 30 June 2023, while the remainder of these IBORs are expected to be available beyond 2021 for the foreseeable future in reformed formats. Other exposures that are affected by the IBOR reform and for which the publication of the benchmark rate will cease are linked to EONIA, CHF LIBOR, EUR LIBOR, GBP LIBOR and JPY LIBOR, which cease after 31 December 2021.

To manage the transition for the benchmark rates which will cease, Swedbank adhered to the ISDA 2020 Benchmark Supplement Protocol for its derivative exposures, which came into effect on 25 January 2021. The Group's current bilateral derivative exposures where counterparties did not adhere to the ISDA 2020 Benchmark Supplement

Protocol are insignificant and the Group plans to ensure voluntary transition to alternative benchmark rates ahead of the cessation dates. In addition, Swedbank updated its bond issuance programs with proper fallback language for the benchmark rates expected to cease.

Tax

The tax area is complex and leaves room for judgement. Practices and interpretations of applicable laws can be 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, 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 2020 Annual and sustainability report and in the annual disclosure in the Risk Management and Capital Adequacy report available at www.swedbank.com.

Change in value if the market interest rate rises by one percentage point

Impact in SEKm on the net value of assets and liabilities, including derivatives, when market interest rates are increased by one percentage point.

31 March 2021	< 5 yrs	> 5-10 yrs	> 10 yrs	Total
SEK	708	-1 964	1 079	-177
Foreign currency	1 842	-621	5	1 226
Total	2 550	-2 585	1 084	1 049

Impact in SEKm on the net value of assets and liabilities measured at fair value through profit or loss, when market interest rates are increased by one percentage point.

31 March 2021	< 5 yrs	> 5-10 yrs	> 10 yrs	Total
SEK	1 030	-1 773	1 039	296
Foreign currency	2 203	-2 144	-692	-633
Total	3 233	-3 917	347	-337

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 Mar 2021	31 Dec 2020	31 Mar 2020
Number of outstanding ordinary shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-10 733 523	-12 013 947	-12 281 208
Number of outstanding ordinary shares on the closing day	1 121 272 199	1 119 991 775	1 119 724 514
SWED A			
Last price, SEK	153.90	144.12	110.85
Market capitalisation, SEKm	172 564	161 413	124 121

Within Swedbank's share-based compensation programme, Swedbank AB has during 2021 transferred 1 280 424 shares at no cost to employees.

	Q1 2021	Q4 2020	Q1 2020
Earnings per share			
Average number of shares			
Average number of shares before dilution	1 120 203 756	1 119 991 775	1 118 968 741
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	2 745 747	3 934 735	3 244 242
Average number of shares after dilution	1 122 949 503	1 123 926 510	1 122 212 983
Profit, SEKm			
Profit for the period attributable to shareholders of Swedbank	4 975	4 510	-1 687
Earnings for the purpose of calculating earnings per share	4 975	4 510	-1 687
Earnings per share, SEK			
Earnings per share before dilution	4.44	4.03	-1.51
Earnings per share after dilution	4.43	4.01	-1.50

Note 26 Changed presentation, cash-flow statement

From 2020 the cash flows from issued interest-bearing securities and commercial papers, excluding senior non-preferred liabilities and subordinated liabilities, have been transferred from financing activities to operating activities.

Cash flows within the financing activities will going forward be split into senior non-preferred liabilities, subordinated liabilities, leasing liabilities and dividend. The changes are made to the cash flow statement to be more representative of the Group's business model and to align it with our balance sheet.

January-March 2020	Previous reporting	Change	New reporting
Operating activities			
Operating profit	-1 289		-1 289
Adjustments for non-cash items in operating activities	3 493		3 493
Taxes paid	-757		-757
Increase (-)/decrease (+) in loans to credit institution	-9 883		-9 883
Increase (-)/decrease (+) in loans to the public	-33 876		-33 876
Increase (-)/decrease (+) in holdings of securities for trading	-74 406		-74 406
Increase (-)/decrease (+) in other assets	-65 625		-65 625
Increase (+)/decrease (-) in amounts owed to credit institutions	102 936		102 936
Increase (+)/decrease (-) in deposits and borrowings from the public	98 397		98 397
Increase (+)/decrease (-) in debt securities in issue		28 375	28 375
Increase (+)/decrease (-) in other liabilities	55 525		55 525
Cash flow from operating activities	74 515	28 375	102 890
Investing activities			
Disposals of shares in associates	71		71
Acquisition of other fixed assets and strategic financial assets	-66		-66
Disposals of/maturity of other fixed assets and strategic financial asset	90		90
Cash flow from investing activities	95		95
Financing activities			
Amortisation of lease liabilities	-213		-213
Issuance of interest-bearing securities	30 932	-30 932	
Redemption of interest-bearing securities	-60 341	60 341	
Issuance of commercial papers	124 704	-124 704	
Redemption of commercial papers	-74 383	74 383	
Redemption of subordinated liabilities		-7 463	-7 463
Cash flow from financing activities	20 699	-28 375	-7 676
Cash flow for the year	95 309		95 309
Cash and cash equivalents at the beginning of the year	195 286		195 286
Cash flow for the year	95 309		95 309
Exchange rate differences on cash and cash equivalents	4 847		4 847
Cash and cash equivalents at end of the year	295 442		295 442

Swedbank AB

Income statement, condensed

Parent company SEKm	Q1 2021	Q4 2020	Q1 2020
Interest income on financial assets at amortised cost	2 541	2 807	3 393
Other interest income	1 534	1 301	1 619
Interest income	4 075	4 108	5 012
Interest expense	-497	-702	-1 268
Net interest income	3 578	3 406	3 744
Dividends received	3 996	7 785	2 822
Commission income	2 015	2 077	1 967
Commission expense	-566	-620	-504
Net commission income	1 449	1 457	1 463
Net gains and losses on financial items	268	795	-422
Other income	453	680	351
Total income	9 744	14 123	7 958
Staff costs	2 363	2 406	2 105
Other expenses	1 390	2 014	1 900
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 242	1 208	1 236
Administrative fine			4 000
Total expenses	4 995	5 628	9 241
Profit before impairment	4 749	8 495	-1 283
Impairment of financial assets		-16	
Credit impairment, net	48	565	1 939
Operating profit	4 701	7 946	-3 222
Appropriations		-42	
Tax expense	852	1 337	64
Profit for the period	3 849	6 651	-3 286

Statement of comprehensive income, condensed

Parent company SEKm	Q1 2021	Q4 2020	Q1 2020
Profit for the period reported via income statement	3 849	6 651	-3 286
Total comprehensive income for the period	3 849	6 651	-3 286

Balance sheet, condensed

Parent company SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets			
Cash and balance with central banks	347 695	167 121	201 502
Loans to credit institutions	656 341	669 495	564 839
Loans to the public	405 798	428 997	450 436
Interest-bearing securities	184 395	192 488	266 331
Shares and participating interests	92 111	82 321	74 996
Derivatives	54 777	59 644	88 666
Other assets	51 644	48 538	57 641
Total assets	1 792 761	1 648 604	1 704 411
Liabilities and equity			
Amounts owed to credit institutions	211 618	246 804	277 361
Deposits and borrowings from the public	944 325	869 222	814 394
Debt securities in issue	368 237	259 922	305 093
Derivatives	53 363	74 236	94 764
Other liabilities and provisions	61 094	50 512	74 020
Senior non-preferred liabilities	20 214	10 359	11 153
Subordinated liabilities	24 005	23 434	26 727
Untaxed reserves	10 682	10 682	10 724
Equity	99 223	103 433	90 175
Total liabilities and equity	1 792 761	1 648 604	1 704 411
Pledged collateral	92 520	110 092	78 160
Other assets pledged	10 885	7 149	5 898
Contingent liabilities	295 077	315 206	476 218
Commitments	328 031	324 052	275 601

Statement of changes in equity, condensed

Parent company SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-March 2021					
Opening balance 1 January 2021	24 904	13 206	5 968	59 355	103 433
Dividend				-8 124	-8 124
Share based payments to employees				62	62
Deferred tax related to share based payments to employees				3	3
Total comprehensive income for the period				3 849	3 849
Closing balance 31 March 2021	24 904	13 206	5 968	55 145	99 223
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-March 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				48	48
Current tax related to share based payments to employees				-5	-5
Total comprehensive income for the period				-3 286	-3 286
Closing balance 30 March 2020	24 904	13 206	5 968	46 097	90 175

Cash flow statement, condensed

Parent company SEKm	Jan-Mar 2021	Full-year 2020	Jan-Mar 2020
Cash flow from operating activities	164 612	58 388	90 164
Cash flow from investing activities	11 121	9 112	11 205
Cash flow from financing activities	4 841	-7 975	-7 463
Cash flow for the period	180 574	59 525	93 906
Cash and cash equivalents at beginning of period	167 121	107 596	107 596
Cash flow for the period	180 574	59 525	93 906
Cash and cash equivalents at end of period	347 695	167 121	201 502

The cash flow for the period January to March 2020 have been restated for changed presentation of statement of cash flow. Parent company cash flow from operating activities has increased by SEK 33 146m and

cash flow from financing activities has decreased by SEK 33 146m. Refer to note 26 in Group for further information.

Capital adequacy

Capital adequacy, Parent company SEKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Common Equity Tier 1 capital	95 020	93 880	86 043
Additional Tier 1 capital	8 823	8 352	10 275
Tier 1 capital	103 843	102 232	96 318
Tier 2 capital	16 002	15 859	17 155
Total own funds	119 845	118 091	113 473
Minimum capital requirement	28 821	28 662	28 705
Risk exposure amount	360 259	358 278	358 813
Common Equity Tier 1 capital ratio, %	26.4	26.2	24.0
Tier 1 capital ratio, %	28.8	28.5	26.8
Total capital ratio, %	33.3	33.0	31.6
Capital buffer requirement¹⁾ %	31 Mar 2021	31 Dec 2020	31 Mar 2020
CET1 capital requirement including buffer requirements	7.1	7.1	7.1
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.1	0.1	0.1
CET 1 capital available to meet buffer requirement ²⁾	21.9	21.7	19.5
Leverage ratio	31 Mar 2021	31 Dec 2020	31 Mar 2020
Tier 1 Capital, SEKm	103 843	102 232	96 318
Total exposure, SEKm	1 454 485	1 263 146	1 379 765
Leverage ratio, %	7.1	8.1	7.0

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⁾ SEKm / %	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Capital requirement Pillar 1	38 187	37 977	10.6	10.6
of which Buffer requirements ²⁾	9 367	9 315	2.6	2.6
Total capital requirement Pillar 2 ³⁾	8 035	8 035	2.2	2.2
Total capital requirement Pillar 1 and 2	46 222	46 012	12.8	12.8
Own funds	119 845	118 091		

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 March 2021 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 004 761	88 157	7 053
Regional governments or local authorities exposures	40	8	1
Public sector entities exposures	800	153	12
Multilateral development banks exposures	5 745		
Institutional exposures	924 682	9 439	755
Corporate exposures	4 166	4 051	324
Retail exposures	157	117	9
Exposures secured by mortgages on immovable property	2 912	1 019	82
Equity exposures	66 206	73 370	5 870
Other items	53		
Credit risks, IRB	1 050 999	184 991	14 800
Central government or central banks exposures	453 032	4 927	394
Institutional exposures	57 950	10 641	851
Corporate exposures	440 582	147 270	11 782
Retail exposures	95 620	18 483	1 479
of which mortgage lending	32 374	2 367	189
of which other lending	63 246	16 116	1 290
Non-credit obligation	3 815	3 670	294
Credit risks, Default fund contribution		574	46
Settlement risks	0	0	0
Market risks		19 916	1 593
Trading book		19 774	1 582
of which VaR and SVaR		14 590	1 167
of which risks outside VaR and SVaR		5 184	415
FX risk other operations		142	11
Credit value adjustment	21 955	4 371	349
Operational risks		39 068	3 125
Standardised approach		39 068	3 125
Additional risk exposure amount, Article 3 CRR		17 458	1 397
Additional risk exposure amount, Article 458 CRR		5 724	458
Total	2 077 715	360 259	28 821

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

31 December 2020 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	1 014 105	85 062	6 805
Central government or central banks exposures			
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
Exposures in default			
Equity exposures	66 472	73 635	5 891
Other items	23	0	0
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

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 (annualised) attributable to the shareholders for the operating segment, 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 (annualised) attributable 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 attributable 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.

Other alternative performance measures

These measures are defined in Fact book on page 78 and are calculated from the financial statements without adjustment.

- Share of Stage 1 loans, gross
- 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

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

¹⁾ The month-end figures used in the calculation of the average can be found on page 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-March 2021 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, 26 April 2021

Göran Persson
Chair

Bo Bengtsson
Board Member

Göran Bengtsson
Board Member

Annika Creutzer
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

Per Olof Nyman
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 March 2021 and the three-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, 27 April 2021

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 2021

Interim report for the second quarter	16 July 2021
Interim report for the third quarter	21 October 2021

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

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