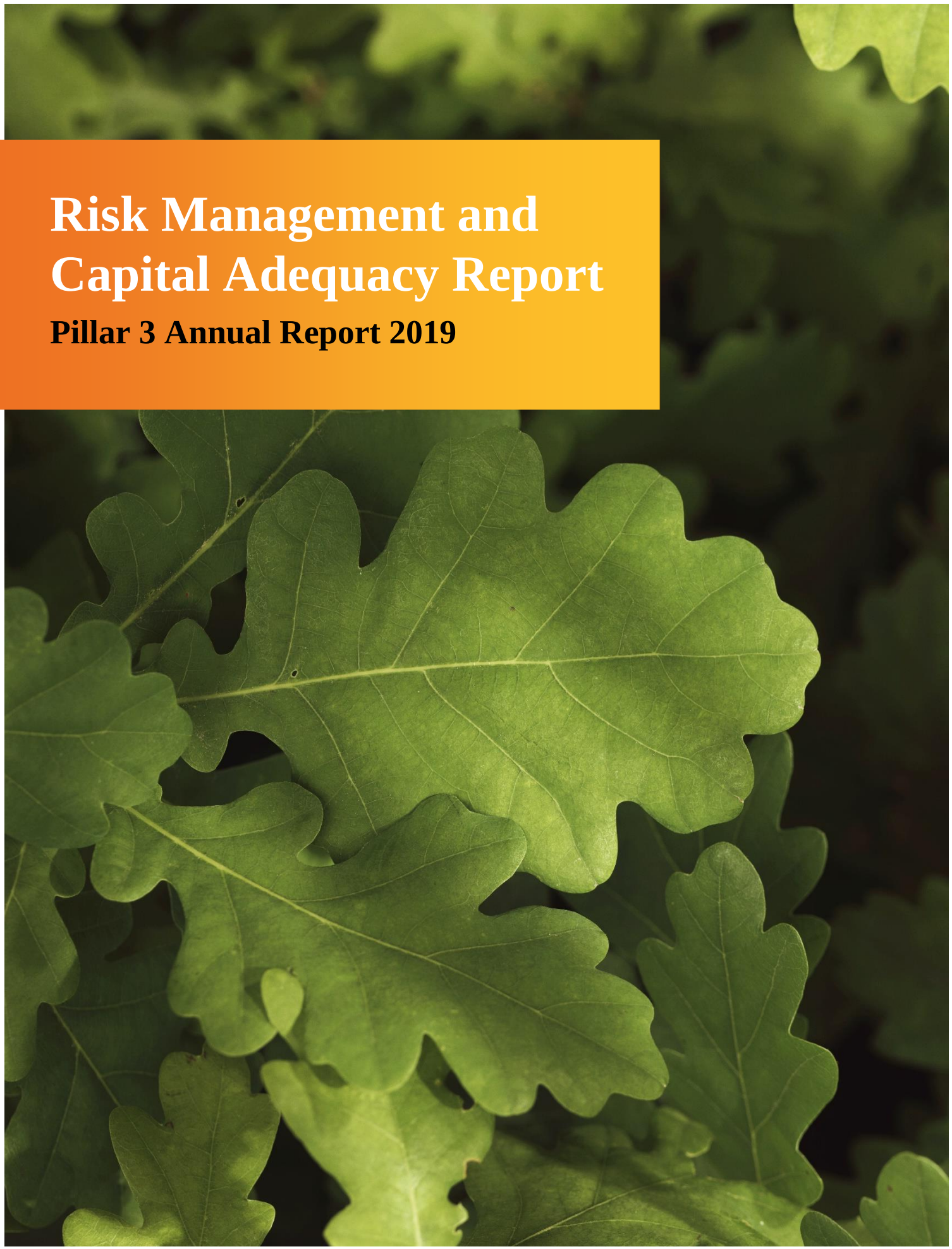
Swedbank



Risk Management and Capital Adequacy Report

Pillar 3 Annual Report 2019

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Introduction

This Risk Management and Capital Adequacy Report Q4 2019 (Pillar 3 Annual Report 2019) provides information on Swedbank's risk management and capital adequacy. The report is based on regulatory disclosure requirements set out in the Regulation (EU) 575/2013 "Capital Requirements Regulation" (CRR) and the Swedish Financial Supervisory Authority (SFSA) regulation FFFS 2014:12.

Information in this report pertains to the conditions for Swedbank Consolidated Situation (see the Swedbank Consolidated Situation table in Appendix A) as of 31 December 2019 if not otherwise stated. Disclosures are made annually in conjunction with the publication of Swedbank's Annual Report and quarterly in conjunction with the quarterly reports.

Unless otherwise stated, the reports of Q1 and Q3 follow the quarterly disclosure format, the report for Q2 follows the semi-annual format, and the report for Q4 follows the annual format and includes the most comprehensive details. In this report Swedbank Consolidated Situation is referred to as Swedbank, unless otherwise stated.

Furthermore, this report includes information for large subsidiaries (Estonia, Latvia, and Lithuania each on a consolidated basis as well as Swedbank Mortgage) in accordance with Article 13 in the CRR.

The report is part of the capital adequacy framework that builds on three pillars:

Pillar 1 provides rules for how to calculate minimum capital requirements for credit risk, market risk and operational risks. The calculations can be done either by using prescribed standardised risk measures or by using the bank's own internally used risk measures. Swedbank must fulfil certain requirements in order to apply its own internal risk measures and must seek approval from the SFSA and local supervisors in other countries where Swedbank operates.

Pillar 2 requires institutions to prepare and document their own internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP respectively). All significant sources of risk must be taken into account in the ICAAP, that is, not only those already included when calculating the minimum capital requirement for credit, market and operational risks. Similarly, the analysis in the ILAAP should go beyond the minimum liquidity requirements. The SFSA will, together with the regulatory supervisory college, assess the banks' ICAAP and ILAAP and may impose additional capital or liquidity requirements for Pillar 2 risks, meaning risks not covered by the Pillar 1 capital requirement.

Pillar 3 requires institutions to disclose comprehensive information about their risks, risk management and associated capital. This report constitutes the required disclosure for Swedbank.

Information on Swedbank's corporate governance structure and measures undertaken to manage the operations in the consolidated situation, is presented in Swedbank's Corporate Governance Report. Furthermore, that report also presents information regarding Swedbank's Board of Directors including directorships and the recruitment policy. Information concerning risk implications of the remuneration process (and aggregate as well as granular quantitative information on remuneration) is disclosed in the document "Information regarding remuneration in Swedbank", which is published in conjunction with the Annual General Shareholders Meeting. All documents mentioned above, as well as the Policy on Gender Equality and Diversity, are available on www.swedbank.com.

This report is submitted by Swedbank AB, incorporated in Sweden, a public limited liability company with registration number 502017-7753. This document has not been audited and does not form part of Swedbank AB's audited financial statements.

Swedbank in brief

Swedbank is a full-service bank, available to households and businesses in its home markets, having 7.3 million private customers and 600 000 corporate and organisational customers across its operations. The customers are served by 316 branches in Swedbank's four home markets – Sweden, Estonia, Latvia and Lithuania – and by a presence in neighbouring markets such as Denmark, Finland and Norway. Swedbank also operates in financial hubs such as the United States, China, and South Africa.

Swedbank consists of three main business segments: (i) Swedish Banking, (ii) Baltic Banking, and (iii) Large Corporates & Institutions.

Strengthening the overall risk management of the bank

Swedbank continues to be well capitalised with healthy buffers towards regulatory requirements and, as communicated in the ICAAP and SREP of 2019, the Swedish FSA considers the capital position of Swedbank to be adequate. During 2019, the dividend pay-out policy was adjusted from 75% to 50% of annual profit and, to further strengthen the capital position, a capital buffer target of 100-300 basis points above the capital requirement was introduced. This, together with a robust profitability, makes Swedbank well positioned to grow its business, meet future capital requirements and withstand changes in the economic environment.

We aim for low risk in all aspects of our operations, and to earn the trust of all our stakeholders. During 2019 Swedbank had a few but extraordinary incidents of fraud against the bank that increased the operational losses compared to previous years. Incidents that affected the availability of online services prompted several actions aimed at improving the resilience of the operations. Swedbank continues to implement tools and practises that will further improve governance, processes and controls concerning operational risk.

In the AML/CTF area, Swedbank is addressing gaps in internal governance and controls. Regarding deficiencies related to the alleged money laundering, the ongoing work to remediate the identified shortcomings strives to ensure that the bank follows industry-leading best practice when it comes to AML/CTF measures. There have been changes to management and to the organisation, and a remedial program on processes, systems and controls with continuous deliveries has been launched. In addition, the CEO has initiated a cultural assessment to align the Bank with its core values. Deficiencies related to customer protection has also led to unwanted compliance risks and work is initiated to remediate the identified shortcomings.

Within credit risk, risks related to climate change and to commercial real estate were in focus during 2019. To clarify Swedbank's exposure to climate risks in the lending portfolio, an analysis of sectors with increased risks according to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations was performed. A pilot project with climate-related scenario analysis was carried out during 2019 for the energy sector and will be followed in 2020 by scenario analysis for other sectors where risks from climate change are material.

The Swedish FSA is concerned about increased risks in the Swedish commercial real estate market after a long period of very low interest rates and increasing real estate prices and will increase the capital requirements for bank loans for commercial real estate from September 2020. The new requirements are expected to raise Swedbank's total capital requirement by 0.7 percentage points of risk-weighted assets, which is in line with the average of the major banks. Swedbank has a low-risk portfolio in property management and applies strict lending criteria focused on the long-term repayment capacity. The stability in the portfolio is confirmed by stress tests.

Despite recession worries and unpredictable trade talks between the United States and China, 2019 was characterised by calmer markets with rising equity prices and falling volatility. Interest rates declined and stabilised at lower levels. In this environment, Swedbank's low-risk profile was achieved through a pro-active yet cautious management of the portfolios carrying market risk. During the year, Swedish housing prices stabilised and Riksbanken abandoned the negative rate policy. The overall picture by the end of 2019 is a trend of a further reduction of geopolitical uncertainties. Volatility is at a multi-year low, which suggests that the markets expect a stable 2020.

Swedbank's liquidity position remained strong due to proactive funding activities and a stable demand from debt investors. Furthermore, the liquidity position is strong according to indicators such as the Survival Horizon, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) and showed strong resilience even under hypothetical adverse scenarios.

Gunilla Domeij Hallros
Acting Chief Risk Officer

1. Risk governance

Swedbank's structure for risk management consists of three lines of defence. With well-established processes, the risk organisation's purpose is to ensure a professional risk management protecting Swedbank from unintentional and unnecessary risk taking.

Risk profile

Swedbank defines risk as a potential negative impact on the value of the Group that may arise from current internal processes or from internal or external future events. The concept of risk combines the probability of an event occurring with the impact that event would have on profit and loss, equity and the value of the Group.

The Policy on Enterprise Risk Management (ERM), established by the Board of Directors, contains the fundamental principles for the Group´s risk management. Swedbank's strategy is to maintain a low-risk profile. The Board of Directors' attitude towards risk is expressed by its risk appetite, according to which targets are set for the type and level of risk that Swedbank may expose itself to through its business activities. These risks include: market risk, credit risk, liquidity and funding risk, insurance risk, operational risk, legal risk, compliance risk, conduct risk, money laundering and terrorist financing risks, and reputational risk.

Swedbank's customer base, which mainly consists of private individuals and small and medium-sized companies in Sweden and in the Baltic countries, but also large corporates in the Nordic countries, is the foundation for the low risk. During 2019 the bulk of the credit impairments emanated from oil-related exposures. In the other portfolios, consisting of loans to customers with generally strong repayment capabilities deemed to be resilient to an economic downturn, the credit quality remained strong, safe-guarding the low-risk profile of the Bank. Market risks continued to be limited, despite increased geopolitical risks. Swedbank's liquidity position remained strong, due to proactive funding activities and stable demand from debt investors. In terms of operational risks, in 2019 Swedbank saw an increase in incidents and losses compared to 2018. Availability and accessibility as a full-service bank in our four home markets remains a key priority for Swedbank and several initiatives to lower the risk and to improve processes and controls are under way, both short and medium term. Internal and external stress tests resulted in a clear picture of adequate capitalization and strong capacity to manage severe negative scenarios. Swedbank remains one of the best capitalized financial institutions globally and is among the most resilient banks according to the EBA 2018 stress test.

In order to continuously secure a low risk level, Swedbank's operations are based on professional risk management and control. A risk framework has been developed to ensure risk awareness and business acumen within all parts of Swedbank. This framework is aligned with Swedbank's strategy and business planning process, in which risk-based planning is an integrated part. Internal regulations and guidelines are developed to secure strong risk control and steering. Swedbank's risk framework includes risk limits applied for individual risk types, starting from the Board of Directors down to the business areas for appropriate steering. The framework also includes well-developed origination standards for prudent lending.

After media allegations of money laundering in Swedbank's Estonian operations in early 2019, regulatory authorities in Sweden, Estonia and the U.S. initiated investigations of the Bank's ML-related compliance. These investigations of Swedbank's work to prevent money laundering have continued throughout 2019, and shortcomings have been found in routines, systems and processes. The established remedial program includes measures to combat money laundering and terrorist financing that will ensure that Swedbank follows industry-leading best practice.

Internal control and framework

Risk arises in all financial operations, hence a profound understanding and solid management of risk is central for any successful business. The risk culture throughout Swedbank is important for efficient risk management and, consequently, for a strong risk-adjusted return.

The Board of Directors has the ultimate responsibility for Swedbank's risk-taking and capital assessment. Through the ERM Policy, the Board provides the key principles on risk management and risk control in order to support the business strategy. Furthermore, the ERM Policy stipulates Swedbank's risk appetite, the concept of three lines of defence, the fundamental principles of risk management as well as roles and responsibilities for the risk organisation. The Board has established a Risk and Capital Committee (RCC), an Audit Committee (AC), a Remuneration Committee (RC) and, starting from January 2020, a Governance Committee (GC). The committees support in matters related to risk management, governance, capital requirements and remuneration. For further information on these committees, see the Swedbank Corporate Governance Report available on: www.swedbank.com/about-swedbank/management-and-corporate-governance/.

Swedbank's risk organisation is responsible for ensuring that key risks are identified, analyzed and properly managed. Decisions made on an aggregated level should always be in line with Swedbank's risk appetite. The Board, as well as the CEO, is regularly informed on the overall and specific risk profile. Furthermore, the Board and the CEO are also regularly provided with information regarding changes in Swedbank's risk limit framework structure and, in case of a breach, the actions needed to be taken to mitigate the breach. Swedbank's risk organization is responsible for providing the business operations with guidance and support by developing and maintaining, for example, internal regulations and guidelines.

The CEO has overall operational responsibility for the management and control of Swedbank's risks including the responsibility for reporting to the Board of Directors. The CEO is responsible for communicating and implementing the Board's approach regarding risk management and risk control and to ensure that there is an implemented and well-functioning internal control within the organisation. Based on the Board's overall governing documents, the CEO issues more detailed regulations for the operational management and control of Swedbank's risks. The CEO also has delegated parts of the operational responsibility for risk management to Swedbank's unit managers. The CEO has established the Group Executive Committee to support in the effective management and governance of the Group.

The Group Risk and Compliance Committee (GRCC), chaired by the CRO, gives recommendations to the Board and CEO and supports senior management in risk and compliance matters. This includes reviewing, monitoring, and challenging of the Group's risks in terms of significant exposures, risk trends, losses, findings, management actions, and performance versus risk appetite, which includes observance of the risk limit framework. The GRCC secures that internal audit, risk and compliance findings are accurately managed. In order to further strengthen the risk management arrangements, in both group functions and business areas, the GRCC is supported by Business Area Risk and Compliance Committees (BARCCs). Individual BARCCs are established in all business areas and relevant group functions and have similar setup as the GRCC. Escalation routines are implemented from the BARCCs to the GRCC in order to secure solid and efficient risk management.

The Group Asset Allocation Committee (GAAC), chaired by the CFO, gives recommendations to the Board and CEO and supports senior management in matters related to the management of assets, liabilities, capital and the balance sheet structure, in order to ensure a robust system of financial control. GAAC is responsible of ensuring that the Group's financial risk exposures stay within the risk appetite and the distributed risk limits as well as ensuring that the risk appetite framework and the level, type and allocation of internal capital adequately cover the underlying risks. Furthermore, GAAC manage and allocate capital, liquidity, funding and tax position, in order to support the implementation of business objectives. Each BA has established a Business Area Asset Allocation Committee (BAAC). BAAC assists the BA Head in discharging his/her duties in the BAAC scope. This includes pre-approval of annual targets on BA level for Lending Volume and/or total REA growth, partake in tasks concerning the internal capital assessment, provide recommendations regarding choice of scenarios and evaluate the results of simulations and stress prior to GAAC approval. Furthermore, BAAC ensures BAs are compliant with the business steering principles decided by the Group in GAAC.

Three lines of defence

Successful risk management requires a strong risk culture and a common approach. Swedbank has built its approach to risk management on the concept of three lines of defence, with clear division of responsibilities between the risk owners and control functions, i.e. Group Risk, Swedbank Compliance and Group Internal Audit.

Swedbank's risk management

First line of defence

First line of defence refers to all risk management activities carried out by the business areas, product areas and group functions. The first line management take risks and are responsible for the continuous and active risk management. Management owns the risk within their respective area of responsibility and are responsible to ensure that there are appropriate processes and internal control structures in place that aim to ensure that risks are identified, analysed, measured, monitored, reported and kept within limits and the Group´s risk appetite. First line responsibilities also include establishing relevant governance and internal controls to secure that activities are in compliance with external and internal requirements.

Second line of defence

Second line of defence consists of the function for risk control (Group Risk) and the compliance function (Swedbank Compliance). These control functions are responsible for independent control as well as independent reporting of Swedbank's risks. It develops and maintains principles and frameworks for risk management as well as conducts independent validation of methods and models for risk measurement and control. The second line of defence also challenges and validates the first line's risk management activities. The second line of defence is organisationally independent from first line and shall not be involved in operational activities in the business or the unit they monitor and control.

Third line of defence

Third line of defence is the part of the organisation that is responsible for the independent evaluation (review) of the work in both first and second line of defence. Internal audit is the third defence line. Internal audit is wholly independent, a reviewing and, to a certain extent, an advisory function, which has the task of evaluating and thereby improving operations in Swedbank.

The internal audit function is a direct subordinate to the Board of Swedbank and is organisationally separated from the bank's other activities.

Risk appetite and framework

The ERM Policy states that Swedbank shall maintain a low-risk profile. The long-term risk profile shall be managed so that a severely stressed scenario, as defined in the annual Internal Capital Adequacy Assessment Process (ICAAP), should not result in an impact on the CET1 capital ratio that exceeds the Group's established risk appetite. If the impact exceeds the risk appetite, preventive measures must be taken. The Board of Directors establishes the fundamental principles for Swedbank's risk management and decides on the overall risk appetite. In order to ensure the approach to risk in different operations, the Board has also formulated risk appetites for each main risk type (see below). The risk appetites are further substantiated by limits set by the CEO and complemented by CRO limits with the purpose to identify potential limit breaches at an early stage. The risk appetite and limits are designed to secure that Swedbank sustains its low-risk profile, taking into account Swedbank's business operations. The risk limit framework structure includes escalation principles in the event of any breaches of the risk appetite or limits.

ALM and capital management

In addition to the Policy on Enterprise Risk Management, there is a Board's policy on Swedbank's Asset, Liability, and Liquidity. This policy specifies the fundamental principles that shall apply for Swedbank's processes and structures in order to identify and manage Swedbank's assets and liabilities, hence enabling the maintenance of an optimised balance-sheet structure that meets liabilities, absorbs losses, safeguards shareholder returns, and maintains public confidence. Swedbank's capital, funding, and liquidity shall be managed so that it does not create disproportionate constraints on the governance or management of Swedbank.

Credit risk

Swedbank maintains a well-diversified credit portfolio with a low-risk profile. All credit activities strive for a long-term customer relationship and rest on strong business acumen to achieve solid profitability and a sound credit expansion for long-term stability. A basic principle in Swedbank's lending operations is that each business unit carries full responsibility for its transactions and its associated credit risks. Each business unit strives to develop and maintain a balanced credit risk level for the respective credit portfolio, which is achieved by lending to customers with high debt-service capabilities, by maintaining a strong collateral position and by portfolio diversification within and between sectors and geograhpies.

Counterparty risk

Counterparty risk arises as a result of hedging of own market risk and from customer-related trading activities. Swedbank has a conservative approach when choosing interbank counterparts. In the derivatives business, International Swaps and Derivatives Association (ISDA), or similar agreements, are in general established with Swedbank's customers. Furthermore, Swedbank restricts the extent of its counterparty risk exposure through several actions such as setting counterparty limits and FX settlement limits.

Market risk

According to Swedbank's ERM Policy, and the concept of three lines of defence, market risk-taking shall only be conducted by units granted permission by Swedbank's CEO. The risk-taking is limited by a certain risk appetite, established by Swedbank's Board of Directors. Originating from the risk appetites, respectively, risk limit structures have been created in order to ensure a low risk profile and protect Swedbank against unintentional losses and excessive levels of market risk.

Liquidity risk and Funding

Swedbank strives to maintain a conservative risk profile with resilience to both short-term and long-term external stress and to maintain an adequate buffer of high-quality liquid assets to enable the Group to withstand a prolonged period of liquidity stress without relying on forced asset sales or government intervention. Swedbank shall have a long-term, stable, well-diversified funding and investor base with a wholesale funding that is well diversified across markets, instruments and currencies. Furthermore, it shall strive to avoid maturity mismatch risk in assets funded by unsecured funding. All non-liquid assets, not eligible for covered bond issuance, shall be funded, either through customer deposits, or through wholesale funding with a maturity, to the largest extent, matching or exceeding that of the assets.

Group Treasury has the overall responsibility to manage the Group's liquidity, which includes securing that the Group's liquidity risk is kept within the mandates provided by the Board of Directors, the CEO and the CRO. Group Treasury is responsible for the first line risk management including identifying, measuring, analysing, reporting, monitoring and management of the liquidity risk exposure across Swedbank. Group Risk constitutes the second line risk management control function and is responsible for ensuring that liquidity risks are identified and properly managed by Group Treasury. For this purpose, Group Risk has the responsibility to develop, maintain and provide internally developed Group-wide methods, measurements and a governance framework.

Operational risk

Swedbank strives to maintain a low-risk profile in operational risk, with the aim to not experience operational risk-related losses or incidents that have materially negative impact on Swedbank's funding, capitalisation, or third-party credit rating. The maximum level of operational risk is further defined in the risk limits by a stated level of unexpected financial loss, tolerable errors in the financial statement and as specific qualitative statements which relate directly to Swedbank.

Operational risks are to be kept at the lowest possible level taking into account business strategy, market sentiment, regulatory requirements, rating ambitions, and the capacity to absorb losses through earnings and capital. They shall be considered in business decisions and as far as possible in the pricing of products and services. Managers shall ensure that the operational risks inherent in their respective areas are identified, assessed, and properly managed in the day-to-day operations.

Compliance

According to Swedbank's Policy on Enterprise Risk Management, the Group shall not implement or maintain products, services, processes, systems, relationships that result in systematic non-compliance with laws regulations and external rules that apply for different licenses that the Group operates under. For governing, controlling and supporting the proper handling of compliance matters, Swedbank has established a Compliance organisation that is responsible for providing assurance to the CEO and the Board of Directors that Swedbank's business is being conducted in accordance with the compliance risk appetite. The focus key regulatory areas for the Compliance function are internal governance, customer protection, market conduct, ethics, conflicts of interest, anti-money laundering activities, counter-terrorist financing activities, and data protection.

The Board´s risk statement and risk declaration

The Board has decided on the following risk statement and risk declaration.

Risk statement

Swedbank is a full-service bank, having 7.3 million private customers and 600 000 corporate and organisational customers across its operations. The market capitalization reaches above SEK 150bn and total assets amount to SEK 2 408bn.

Swedbank's roots are firmly entrenched in Sweden's savings bank history, the cooperative agricultural bank tradition and our major role in the Baltic countries.

Swedbank strives to meet our stakeholders' expectations and financial needs. High cost efficiency is crucial to continue developing a competitive offering. Swedbank has, and will maintain, a robust balance sheet that can withstand business cycle fluctuations. Evaluating and managing risks is part of the daily work, and Swedbank's broad customer base of individuals and companies in many different sectors diversifies risk while generating stable results. Swedbank´s Board of Directors determines the Bank´s risk appetite and the risk exposure is controlled and monitored regularly.

To ensure that Swedbank is well capitalized in relation to the risks and has a good liquidity situation, the Board stipulates the Bank's risk appetite for capitalisation and liquidity. The risk tolerance for capitalisation considers both statutory requirements and Swedbank's assessed capital requirement based on the Bank's model for economic capital (EC). The CET1 capital ratio stood at 17.0% at end-2019 and the total capital ratio at 21.8% while the leverage ratio reached 5.4%. Swedbank´s risk appetite for liquidity risk implies that the Bank maintains a conservative liquidity risk profile with resilience to both short-term and long-term external stress. In the ERM Policy the Board of Directors stipulates a risk appetite regarding the internal Survival Horizon metric. The risk appetite is measured by the number of days with a positive future cumulative net cash flow given a stressed scenario. Moreover, Swedbank calculates and monitors the Bank's liquidity risk using a number of different risk measures such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Throughout 2019 Swedbank maintained a strong liquidity position with all metrics remaining well above regulatory requirements. Also, capital and liquidity stress tests were conducted to increase the preparedness for possible disruptions in the financial markets. These stress tests focus on both Swedbank specific and market related disruptions. These analyses also take into account the combined effects if all these disruptions would occur at the same time.

In the credit risk appetite it is stated that Swedbank shall have a well-diversified credit portfolio with a low risk profile, regarding all credit risks. Diversification is obtained by avoiding undesirable risk concentrations in sectors, instruments and counterparties.

Swedbank's credit exposures have low risk, which is confirmed by internal and external stress tests and 85% of all risk classified exposures have an internal rating corresponding to investment grade. The bank's customer base, which mainly consists of private individuals and small and medium-sized companies in Sweden and in the Baltic countries, but also large corporates in the Nordic countries, is the foundation for the low risk. Private mortgage is Swedbank's largest loan segment, amounting at end of 2019 to SEK 905bn, 56% of Swedbank's total loans to the public. The risks in household mortgage lending are low and the customers repayment capacity is good, proved by low historical losses. The diversification in terms of number of customers is high and the geographical distribution in Sweden is high, whereas in the Baltic countries the capital regions dominate.

During 2019 the bulk of the credit impairments emanated from oil-related exposures due to the pro-longed weak situation for some subsegments in the offshore sector. In the other portfolios, consisting of customers with a general strong repayment ability deemed to be resilient to an economic downturn, the credit quality remains strong, safe-guarding the low-risk profile. In 2019, net credit impairment was 0.09 % (0.03% in 2018). Downside risks consist of economic business cycle, geopolitical risks such as trade war and transition risks such as e-commerce and climate change. Swedbank works pro-actively to mitigate risks such as these at an early stage through an active risk management and risk control.

Market Risk comprise 2.5% of the total REA for the Bank. The Bank shall keep a low risk profile including limited risks in the financial markets. The Bank's activity in these markets is designed firstly to satisfy the long-term needs of its customers. The low risk profile is manifested through the risk appetites for Trading Book and Banking Book respectively, combined with a comprehensive limit structure. For the Banking Book, there are additional risk appetite levels expressed as the negative impact on economic value, mark-to-market and net interest income due to adverse stressed interest rate risk movements. To safeguard the risk appetite, limits are placed on VaR as well as asset class specific risk measures on bank level. Using a top-down principle, these limits are cascaded down to detailed levels to contain any concentration risks.

Operational risk is the second largest risk type for Swedbank, from a capital adequacy perspective. As a bank for the many households and companies key operational risks are often those related to the availability of Swedbank's services and the integrity and confidentiality of the data entrusted to Swedbank. The Board of Directors express a risk appetite for operational risk in terms of tolerance for levels and types of risks with respect to Swedbank's overall low risk profile. During 2019, total losses due to operational risks were SEK 153m. However, several operational risks have risen in importance during 2019, including cyber risks, outsourcing and third-party risks and technology risks that affect availability. Several initiatives to mitigate risks and to improve processes and controls are under way, both short and medium term.

The ongoing investigations of Swedbank's work to prevent money laundering are continuing. Shortcomings have been found in routines, systems and processes to combat money laundering and other financial crime. The Board has initiated substantial changes of the management of the Bank and as a result a remedial program has been established that includes measures to combat money laundering and terrorist financing to ensure that Swedbank follows industry-leading best practice.

No transactions of material enough nature to impact Swedbank´s risk profile has taken place during 2019. However, observations and preliminary conclusions of shortcomings related to suspected money laundering have negatively impacted the market value and reputation of Swedbank beyond the risk appetite set by the Board of Directors. Deficiencies related to money laundering and customer protection has also led to compliance risks materialised beyond the risk appetite statement set by the Board of Directors. In other areas, the risk profile is within the risk appetite set by the Board of Directors.

Risk declaration

Swedbank has through established risk management processes, including strengthened governance, organisational changes, increased resources and the remedial program to combat money laundering and terrorist financing, adequate arrangements for risk management considering the Bank's risk appetite and the Bank´s chosen strategy of being the leading Bank for the many households and businesses in our home markets.

Swedbank Group capital and liquidity key ratios

	2019	2018
Capital		
Common Equity Tier 1 capital, SEKm	110 073	103 812
Tier 1 capital, SEKm	126 226	114 761
Total capital, SEKm	141 554	136 993
Capital ratios		
Common Equity Tier 1 ratio, %	17.0%	16.3%
Tier 1 ratio, %	19.4%	18.0%
Total capital ratio, %	21.8%	21.5%
Risk Exposure Amount (REA), SEKm	649 237	637 882
CET1 Capital buffer requirements[1]		
CET1 capital requirement including buffer requirements, %	12.0%	11.6%
Of which minimum capital requirement, %	4.5%	4.5%
Of which capital conservation buffer requirement, %	2.5%	2.5%
Of which countercyclical buffer requirement, %	2.0%	1.6%
Of which systemic risk buffer, %	3.0%	3.0%
CET1 capital available to meet buffer requirement[2]	12.5%	11.8%
Liquidity ratios		
Leverage ratio exposure, SEKm	2 353 631	2 241 604
Leverage ratio, %	5.4%	5.1%
Total High Quality Liquid Assets (HQLA), SEKbn	376	310
Liquidity Coverage Ratio (LCR), %	182%	144%
Net Stable Funding Ratio (NSFR), (CRR2), %	120%	119%

1) According to Swedsh implementation of CRD IV

2) Total CET1 capital ratio less minimum capital requirement

2. Capital position

Swedbank continues to be well capitalised with healthy buffers towards regulatory requirements, enabling the bank to grow with its customers and withstand changes in the economic environment. Combined with its robust profitability, Swedbank is well positioned to meet future changes in capital requirements.

Capital requirements
Capital adequacy rules express the regulatory requirement for how much capital a bank must hold in relation to the risk the bank faces.

Highlights 2019

Swedbank's Common Equity Tier 1 (CET1) capital ratio was 17.0% as of year-end, which represents a buffer towards the Swedish Financial Supervisory Authority's (SFSA) requirement of 1.9 percentage points. Swedbank is well-positioned to meet both current and future capital requirements.

In Q2 2019, the Board of Directors decided to revise the dividend pay-out policy from 75% to 50% of annual profit in order to further strengthen the capital position. Swedbank also introduced a capital target where the CET1 capital ratio shall exceed the Swedish FSA's requirement by 100 to 300bps. This makes Swedbank well positioned to meet future capital requirements and withstand changes in the economic environment. The measures will also ensure that Swedbank remains one of the strongest banks financially in Europe while continuing to support our customers' growth.

During 2019, Swedbank has issued USD 0.5bn in Additional Tier 1 capital to optimise its capital structure. Swedbank has also commenced issuance of non-preferred senior debt in anticipation of forthcoming requirements for instruments eligible as recapitalisation amount under the Minimum Requirement of Own Funds and Eligible Liabilities (MREL) to be subordinated to senior liabilities. In 2019 Swedbank issued EUR 0.8bn and NOK 2.8bn of non-preferred senior debt.

Capital requirements

The capital adequacy rules stipulate the regulatory requirement for how much capital a bank must hold in relation to the risk that the bank faces. When assessing its capital needs, Swedbank takes into consideration its current and future risk profile, internal risk measurement and assessment of the risk capital needed. In addition to capital requirements for credit, market, and operational risks (i.e. Pillar 1), all other significant risks, such as interest rate risk in the banking book, concentration risks, pension risks, earnings volatility risk, and strategic risk must be taken into account when assessing the total capital need (i.e. as part of the Pillar 2 assessment). In recent years, the Pillar 2 capital charges have increased in importance as a supervisory tool. In particular, the SFSA has introduced both a systemic risk buffer and a risk-weight floor for Swedish mortgages within the Pillar 2 framework. The risk-weight floor for Swedish mortgages within the Pillar 2 framework was moved to Pillar 1 from the 31 of December 2018. In 2016, the SFSA also imposed a temporary additional Pillar 2 capital charge related to revised requirements on banks' internal models for credit risk, requiring the banks to anticipate a higher frequency of economic downturns in their estimates of probability of default, as described below. The capital charge will be imposed until the SFSA has approved the banks' updates to their models in response to the revised requirements.

Other laws and regulations are also relevant for Swedbank; for example, the Swedish Banking and Finance Business Act require a minimum initial capital of EUR 5m. Furthermore, the CRR includes rules regarding large exposures, i.e. the limitation of exposures to individual customers or groups of customers in relation to total capital.

In brief, the total capital is the sum of the CET1 capital, the Additional Tier 1 (AT1) capital, and the Tier 2 (T2) capital. The CET1 capital is mainly comprised of shareholder equity after various adjustments, while the Additional Tier 1 capital and the Tier 2 capital are mainly constituted by subordinated debt. A reconciliation of shareholders' equity (according to International Financial Reporting Standards, IFRS) and the regulatory total capital is presented below in Figure 2.1.

Key figures

At year-end 2019, the CET1 capital ratio (i.e. the CET1 capital in relation to the risk weighed assets), was 17.0% (31 December 2018: 16.3%). This can be compared with the capital requirement of 15.1% (14.6%).

During 2019, Swedbank's CET1 capital increased by SEK 6.3bn, to SEK 110.1bn. The change was mainly attributable to earnings, net of proposed dividend. The accounting for employee benefits (IAS 19) created volatility in the estimated pension liabilities and decreased the CET1 capital by approximately SEK 3.2bn. The changes in the CET1 capital are shown in Figure 2.2 below.

The risk weighted assets (RWA) increased during 2019 by SEK 11.3bn to SEK 649.2bn (31 December 2018: SEK 637.9bn). Credit risk RWA increased during 2019 by SEK 11.2bn. Increased exposures, mainly towards corporates within LC&I and towards retail and corporates in Baltic Banking, has increased RWA by SEK 7.7bn. Furthermore, one-offs during 2019 have increased credit risk RWA by SEK 4.8bn, compiled by RWA increase due to implementation of IFRS 16 and PD substitution offset by RWA decrease due to the transition of Sparbanken Öland AB from subsidiary to associated company. Additional RWA for article 458 (mortgage floor) has contributed with an increase of RWA by SEK 5.2bn during 2019.

Improved loss given default (LGD) levels resulting from increasing collaterals, mainly for corporate customers within LC&I, decreased credit risk RWA by SEK 3.9bn. Other credit risk decreased RWA by SEK 3.2bn mainly due to shorter maturities as well as provisions of defaulted customers, both towards corporates within LC&I.

RWA for market risks increased by SEK 3.3bn in 2019. Most of the increase was derived from the input to the internal model used when calculating market risk RWA.

In 2019, RWA for credit valuation adjustment increased by SEK 0.9bn. The main driver was higher total EAD.

The yearly update of the operational risk calculation increased RWA by SEK 3.7bn during the first quarter of 2019, mainly due to increased income levels. This impacted the capital requirement for operational risks, since it is calculated based on a rolling three-year average of revenues.

The additional risk exposure amounts for article 3 in the CRR resulted in an RWA decrease of SEK 7.9bn, primarily due to changes in the portfolio and yearly update of SREP for IRB-models.

On 31 December 2019, Swedbank's leverage ratio was 5.4% (31 December 2018: 5.1%). The Tier 1 capital increased by SEK 11.5bn to SEK 126.2bn. The change was mainly attributable to earnings, net of proposed dividend, and the issuance of Additional Tier 1 capital in August 2019. The exposures included in the calculation of the leverage ratio increased by SEK 112.0bn. Please see Tables 2.5 and 2.6 for a full reconciliation of the leverage ratio.

Figure 2.1: Link between shareholders' equity and total capital

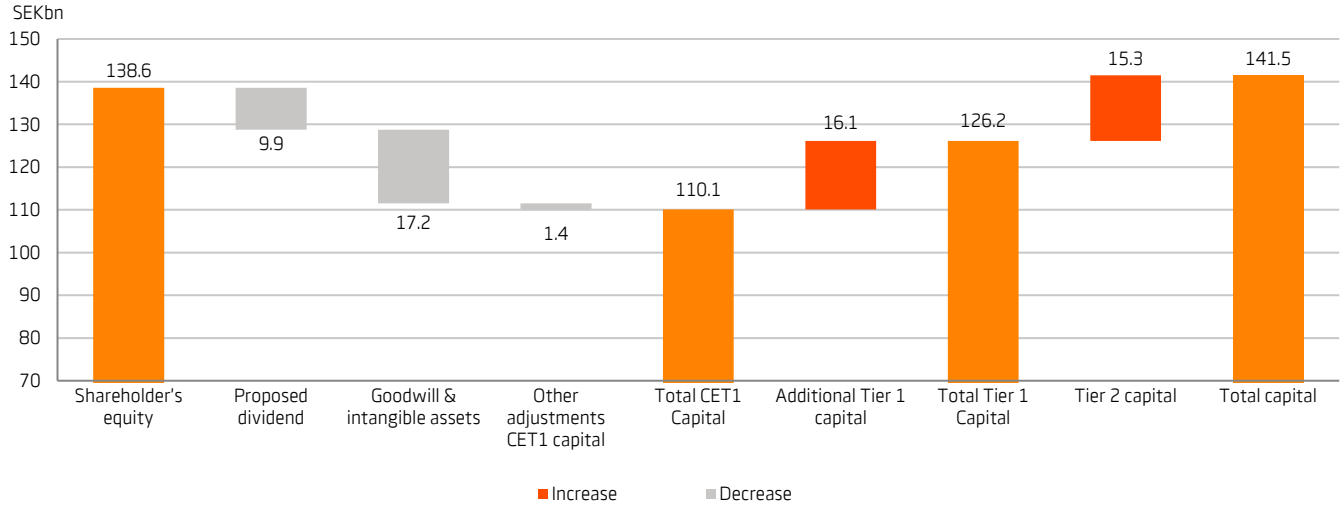


Figure 2.2: CET1 capital, changes during 2019, Swedbank Consolidated Situation

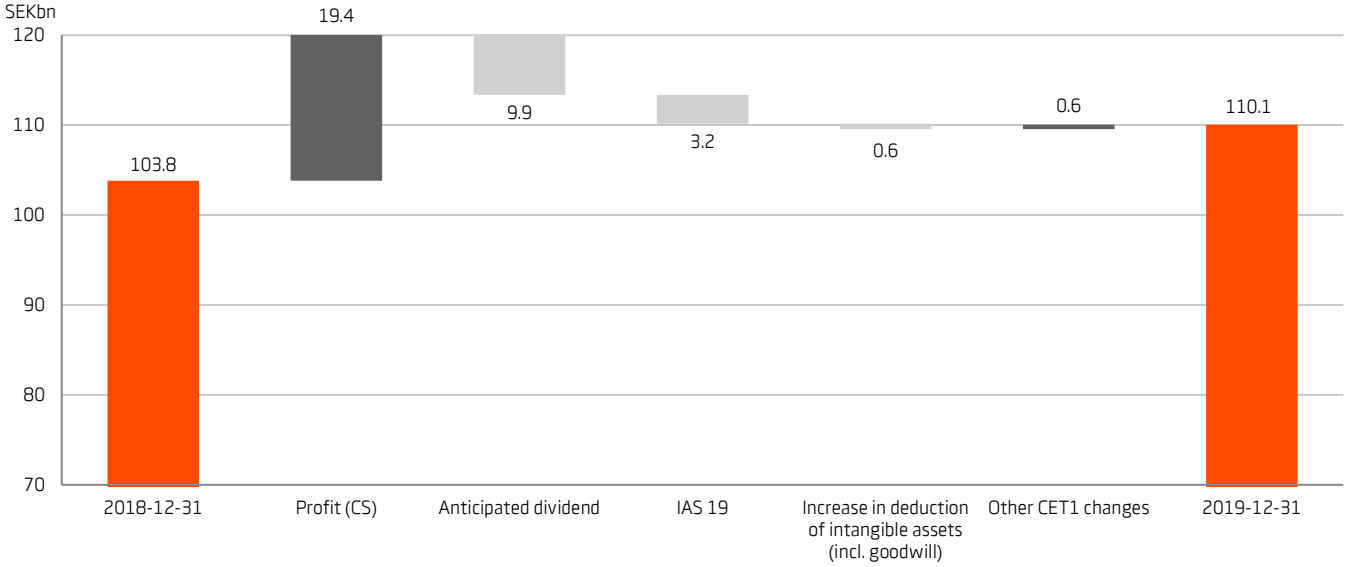


Figure 2.3: RWA, changes during 2019, Swedbank Consolidated Situation

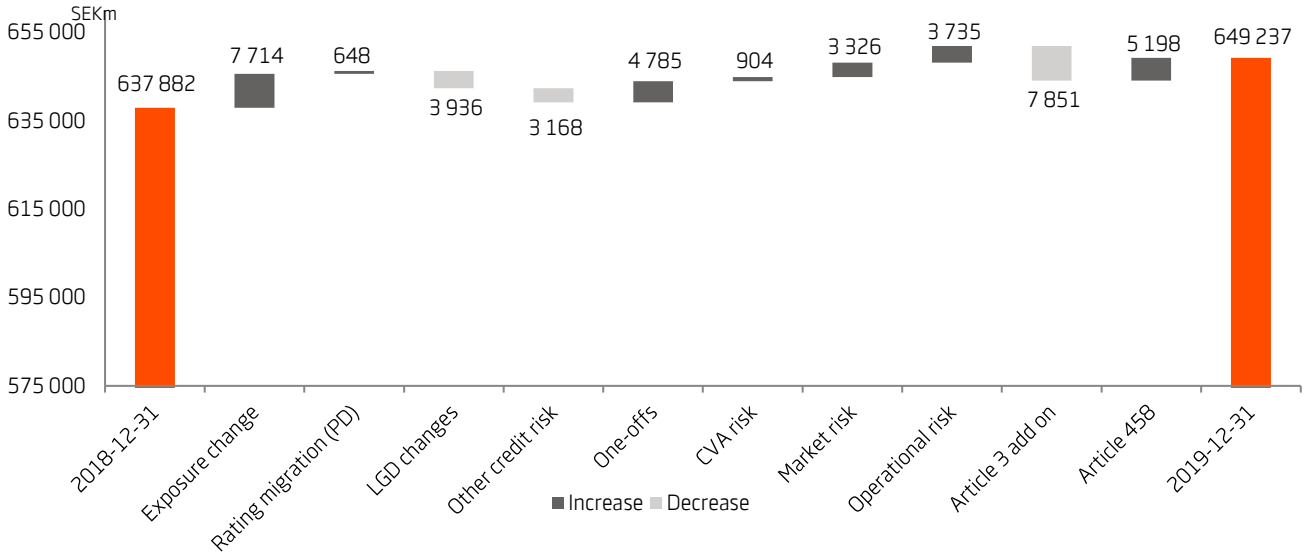


Figure 2.4: CET1 capital ratio

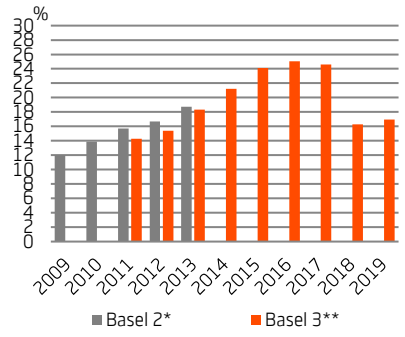


Figure 2.5: Tier 1 capital ratio

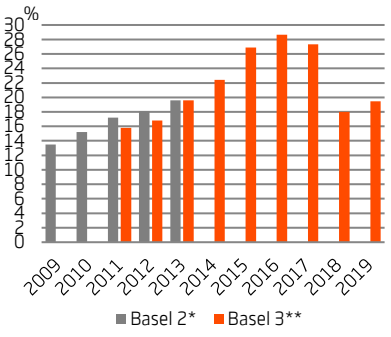
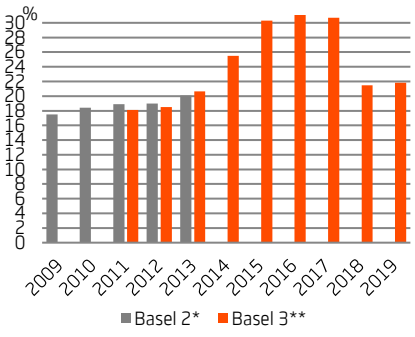


Figure 2.6: Total capital ratio



*As the new capital regulations came into force in January 2014, Swedbank's capital adequacy reporting under Basel II ceased from that date.

**2011-2013 according to Swedbank's calculation based on the proposed regulations.

Capital planning

All banks are affected by macroeconomic changes that cannot be fully mitigated by a strong risk culture and risk management. Swedbank is well capitalised and has sufficient capital buffers above the requirements to ensure operations on a going concern basis even under adverse conditions. Such

buffers are also necessary to absorb fluctuations of capital under normal conditions due to parameters such as volatility in the estimated pension liabilities and variation in foreign currency exchange rates and interest rates.

During the year, the dividend pay-out policy has been adjusted by the Board of Directors from 75 to 50 percent of annual profit to further strengthen the bank's capital position. Swedbank has also introduced a capital target where the CET1 capital ratio shall exceed the Swedish FSA's requirement by 100-300bps. Swedbank is thereby well positioned to withstand changes in the economic environment, meet upcoming changes in capital requirements while continuing to support our customers' growth.

Swedbank conducts stress tests to identify the potential effects of possible, though unlikely, negative scenarios and to assess whether the capital buffer is satisfactory at any given point in time. Capital planning, and efforts to sustain satisfactory capitalisation, are critical for Swedbank's ability to maintain the market's confidence, and consequently to retain access to cost-efficient funding in the capital market, thus enabling Swedbank to support its customers.

The financial crisis in 2008 and 2009 dramatically changed the way regulators, rating agencies and debt investors perceive banks' capitalisation. A large number of regulatory changes that have been implemented in recent years, or are about to be implemented, collectively aim at raising both the size and quality of the banks' total capital. Stable earnings and strong capitalisation provide Swedbank with a stable position, both today and for the future. Swedbank's capital position is robust with a buffer relative to the Swedish Financial Supervisory Authority's requirement of approximately 1.9 percentage points at year-end 2019.

Swedbank's capital objective is to hold, at all times, a strong capital position to maintain confidence and access to cost-efficient funding in the capital markets, even under adverse market conditions. At the same time, Swedbank should uphold an efficient total capital which, by its size and structure, ensures a high return on shareholder equity.

Swedbank takes the risk of excessive leverage into account in the forward-looking capital planning process which is performed at least on a quarterly basis. Other business steering or asset-and-liability management tools are also considered as means to affect the total exposure measure and may be accessed should such a need arise. Swedbank assesses if the entire Group, as well as the parent company and its subsidiaries, are adequately capitalised. In case of a potential shortfall, a capital injection to support subsidiaries or measures to reduce risk exposure amount may be performed. In addition to the injection of equity capital, the total capital in a subsidiary may also be strengthened through subordinated loans within the Group. To the extent that non-restricted equity is available in subsidiaries, funds can be transferred back to the parent company as dividends. Swedbank regularly reviews the capitalisation of the Group and the individual legal entities. The outcome of such reviews may trigger adjustments deemed necessary to ensure compliance with regulatory requirements and an efficient capital management within the Group. Further, there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities to or from the parent company and its subsidiaries.

Adequate and comprehensive capital allocation is an essential tool in measuring profitability, from the level of the business area and all the way through to each customer. At Swedbank, shareholder value is seen as an excess return over the cost of capital and is measured by economic profit and risk-adjusted return on capital (RAROC). The principles of capital allocation reflect Swedbank's risk tolerance and capital strategy. Consolidated shareholders' equity is allocated to each business area based not only on regulatory requirements, but also on an internal assessment of risk in individual transactions.

Regulatory environment – impact on Swedbank

The regulatory environment of banks is changing as a consequence of the financial crisis that began in 2008. These efforts are coordinated globally by the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). In Europe, there is a focus on harmonising regulations and supervisory practices through the development of a single rulebook and the introduction of pan-European supervisory institutions. Starting from 2014, the European Central Bank (ECB) began to supervise directly the largest banks in the euro area; national supervisors continue to monitor the remaining banks. As of 1 January 2015, the ECB's supervision includes Swedbank in Estonia, Latvia and Lithuania. An additional feature that has emerged is that the European capital adequacy legislation includes a framework for macro prudential supervision, aimed at detecting and mitigating systemic risk. As a consequence, the banks' capital requirements may be revised rather frequently by the national authorities, when deemed necessary to contain systemic risk.

Swedish capital requirements

The Basel III framework for bank regulation was introduced in the EU in 2014 through the EU's Capital Requirements Regulation (CRR) and the EU Capital Requirements Directive IV (CRD IV). In 2014, the SFSA also decided what capital requirements that would apply to Swedish banks beyond the minimum level of a 7% CET1 capital as stipulated by the EU rules. The SFSA's requirements can be summarised as follows:

- As of 1 January 2015, the four major Swedish banks are assigned a systemic risk buffer of 3% in CET1 capital within the framework of Pillar 1 and a further 2% systemic risk charge within the framework of Pillar 2.
- A risk-weight floor for Swedish mortgages of 25% applied through Pillar 1 RWA, starting from 31 December 2018. Previously the requirement was applied through Pillar 2.
- On 13 September 2015, the Swedish countercyclical buffer rate was 1%, a figure that was raised to 1.5% in

June 2016, further increased to 2.0% in March 2017, and in September 2019 it was increased to 2.5%.

- On 28 November 2019 the SFSA announced a proposal to introduce a risk-weight floor for corporate real-estate exposures in Pillar 2 of 35% and 25% for corporate residential real-estate exposures to be decided in the 2020 SREP.

During 2015, the SFSA clarified its view on the capital requirements for Pillar 2 risks. In its overall supervisory capital assessment during the course of the annual supervisory review and evaluation process (SREP), the SFSA uses the methods it had presented in May 2015 for assessing capital requirements within the framework of Pillar 2 for credit-related concentration risk, interest rate risk in the banking book, and pension risk. On this basis, Swedbank's CET1 capital requirement for these Pillar 2 risks is estimated to be 1.1% of RWA, calculated as per 31 December 2019.

The SFSA has previously stated that it does not intend to make a formal decision on the capital requirement for individual institutions in Pillar 2. As long as a formal decision has not been made, the capital requirement under Pillar 2 does not affect the level at which automatic restrictions on dividend and coupon payments take effect (due to a breach of the combined buffer requirements). In January 2016, the SFSA reiterated its view in a response to an EBA document on this topic.

The capital requirement for Swedbank, calculated as per 31 December 2019, was equivalent to a CET1 capital requirement of 15.1% and a total capital requirement of 18.9%. At the end of 2018, Swedbank's CET1 capital requirement and total capital requirement were 14.6% and 18.4% respectively. On a nominal basis, the amount of CET1 capital Swedbank must hold to be compliant with the capital requirements was approximately SEK 98 billion by 31 December 2019 and it was approximately SEK 93 billion by 31 December 2018. The increase is mainly driven by underlying business growth, consequential growth in RWAs, and the hike of the Countercyclical capital buffer rate in Sweden from 2% to 2.5%.

The Basel Committee's review of capital requirements

On 7 December 2017, the Basel Committee and Group of Governors and Heads of Supervision (GHOS) presented the finalisation of the Basel III regulatory framework, also referred to as Basel IV. The finalisation of Basel III includes several policy and supervisory measures that aim to enhance the reliability and comparability of risk-weighted capital ratios and to reduce the potential for undue variation in capital requirements for banks across the globe. The measures comprise revisions to the standardised approaches and the introduction of an aggregate RWA output floor of 72.5%. The changes also include a review of the role of internal model based (IRB) method in the credit risk requirement framework and an introduction of a leverage ratio buffer requirement, only for global systemically important banks (G-SIBs). The new rules will be applied from 2022 with a long transitional period for the output floor up until 2027.

The standardised approach (SA) for credit risk will be updated with a risk sensitivity measure where, for example, loan to value (LTV) will determine the risk weight for credit to residential real estate. This can be compared to the previous standardised approach where all credits of the same credit type were allocated the same risk weight. The update of the standardised approach will therefore increase the risk sensitivity of the credit risk RWA. Other adjustments that aim to increase the risk sensitivity in credit risk RWA is a new framework for more granular classification of unrated exposures, corporates and specific risk-weights for small and medium sized enterprises (SMEs). Changes to the internal ratings-based models for credit risk will be implemented, for example a removal of the advanced IRB models for some asset classes. Moreover, input floors for factors in the calculations such as probability of default (PD) and loss given default (LGD) will be implemented to ensure a minimum level of conservatism when calculating IRB credit risk RWA.

The amendments to the CVA risk framework aim to enhance risk sensitivity by increasing the exposure component in the calculation of the risk exposure amount. Furthermore, the purpose of the amendments is to harmonise and strengthen the measure and the use of the internal model-based approach will be removed and the measures applicable will be a new standardised approach and a basic approach. Additionally, the framework has been aligned with the revision of the standardised approach for market risk.

In the revised Basel III, the operational risk framework has been simplified to a great extent where the previous advanced measurement approaches (AMA) and the existing three standardised approaches will be replaced with one new risk-sensitive standardised approach for all banks.

The leverage ratio is a non-risk-based solvency requirement introduced through Basel III. It is described as a backstop to the risk-based capital requirements. It is intended to constrain excess leverage in the banking system and to provide an extra layer of protection against model risk and measurement error. Since 2014, banks have been required to report the leverage ratio to regulators, and a formal disclosure requirement was introduced as from Q1 2015. The minimum leverage ratio is 3% for all banks which was implemented in the CRR II and applies from 28 June 2021. In the finalisation of Basel III, the minimum leverage ratio is expanded with a buffer framework only to be a regulatory requirement for G-SIB´s, consequently not affecting Swedbank. Still, Swedbank needs to disclose the leverage ratio due to previous regulatory requirements and will eventually have to meet the minimum leverage ratio requirement of 3%.

In January 2016, the Basel Committee completed the Fundamental Review of the Trading Book (FRTB), a comprehensive revision of the capital adequacy standard for market risk also included in the European Commission's proposals. The new standard implies substantial revisions to both the standardised approach and the internal model approach. In January 2019 the GHOS endorsed a set of revisions to the FRTB framework, intended to enhance its design and calibration in certain areas. The revised framework

will form part of Basel III framework, with 1 January 2022 as application date.

The time frame for the implementation of the finalisation of the Basel III framework is still uncertain as most of the requirements from the framework are yet to be implemented into EU legislation. It also remains unclear how the finalisation of the Basel III framework will affect the regulatory capital requirements for Swedish banks until the implementation into Swedish law is finalised and the SFSA have communicated their intended application. For more risk-specific information regarding the Basel Committee's review of capital requirements, see Chapter 3 (Credit risk), Chapter 4 (Market risk), and Chapter 6 (Operational risk) of this report.

EBA guidelines on IRB models

In November 2018 the Swedish FSA published a memorandum explaining that Swedish banks using an internal ratings-based (IRB) approach to calculate their credit risk must analyse their risk classification systems to be compliant with changed guidelines to come from the European Banking Authority (EBA). The new guidelines are supposed to be fully phased in by year-end 2021.

Bank Recovery and Resolution Directive (BRRD)

The BRRD, which allows authorities to manage banks in distress, was established in the EU in 2014. It was implemented in Sweden in February 2016, through the Swedish Resolution Act. The crisis management framework set out in the BRRD is intended to prevent crisis situations and improve the ability to manage crises that may arise. The aim is to reduce the risk that taxpayers will have to bear the cost of a banking crisis. This is to be accomplished through bail-in, which means that shareholders and creditors bear the costs to a greater extent.

According to the directive, EU member states shall appoint one or several resolution authorities in each member state. The Swedish government has designated the Swedish National Debt Office (SNDO) as the Swedish resolution authority.

The Single Resolution Mechanism (SRM) regulation, which is applicable in the Baltic countries, establishes a centralised resolution approach with a Single Resolution Board (SRB) being responsible for the overall framework, while national resolution authorities are in charge of implementing the resolution decisions.

The resolution authorities' tasks include drawing up resolution plans, determining when a bank shall enter into resolution, and applying the resolution tools. To ensure that banks always have sufficient loss-absorbing capacity, the BRRD also provides for the resolution authorities to set minimum requirements for own funds and eligible liabilities (MREL) for each bank, based on, amongst other criteria, its size, risk and business model.

On 2 February 2017, the SNDO published its decision memorandum detailing its plans for implementing the Minimum Requirement of Own Funds and Eligible Liabilities (MREL) on Swedish banks. The MREL requirement for systemically important banks in Sweden, such as Swedbank, is the sum of a loss absorption amount and a recapitalisation amount. The loss absorption amount equals the current total capital requirement excluding the combined buffer requirement and macro-prudential elements within Pillar 2. The recapitalisation amount equals the total current capital requirement less the combined buffer requirement.

The loss absorption amount can be met with own funds instruments (Common Equity Tier 1, Additional Tier 1 and Tier 2), while the recapitalisation amount can only be met with eligible liabilities; essentially senior unsecured bonds or term deposits from large corporates, having a remaining maturity of at least one year.

Moreover, the BRRD requires that the MREL eligible liabilities shall in the future be subordinated to senior liabilities. The subordination should be, according to the SNDO, a requirement as of January 2022. The SNDO has stated that they will follow the development and issue pace of the subordinated senior unsecured in the affected institutions closely, making sure that they will reach the required levels in time for the requirement. The SNDO's estimates of Swedbank's current MREL position shows that Swedbank on a consolidated level already has enough capital and eligible liabilities to meet the MREL requirements (excluding any subordination requirement). On 21 November 2018, the Swedish parliament passed an update of laws regulating the insolvency hierarchy – the changes came into effect in the end of 2018 and it enabled Swedish banks to start issuing the new type of bond that is needed to meet the recapitalisation amount by 2022.

The Swedish Government's focus in its implementation of the BRRD is to build up resilience in the financial system, thereby reducing the likelihood of banks entering into resolution. In accordance with the BRRD, the Government introduced a resolution reserve as a new financing arrangement together with the existing deposit insurance fund and the stability fund, which is intended for the banking system as a whole. The new resolution reserve is financed by fees paid by the banks that could be subject to resolution. Therefore, no fee to the stability fund will be charged going forward while a fee has to be paid to the resolution reserve instead.

The Government has decided that the target level for the Swedish resolution reserve should be 3% of the total stock of covered deposits in Sweden. The fee for an individual bank is determined by the bank's size and its risk profile based on a methodology defined in the BRRD regime. In 2019, Swedbank paid an amount of SEK 1 117m to the Swedish resolution reserve. Swedbank is also liable to pay fees to the resolution reserves in the Baltic countries. These fees totalled SEK 55.7m in 2019.

As part of the crisis management framework, banks need to submit recovery plans annually to their regulators. Swedbank submitted its initial plan to the SFSA in 2013 and has since then submitted updated plans annually.

Enactment of the CRR II, the CRD V and the BRRD II

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR (CRR II), the CRD IV (CRD V), the BRRD (BRRD II) and the single resolution mechanism (the Proposals). Amendments to the latter include the introduction of a new asset class of "non-preferred" senior debt. The Proposals are also known as the Banking Package.

The Banking Package covers multiple areas, including the Pillar 2 framework, a binding leverage ratio minimum requirement, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macro-prudential tools, the Basel Committee's new standardised approach for measuring counterparty credit risk exposures, the Basel Committee's Fundamental Review of the Trading Book, a new category of "non-preferred" senior debt, the MREL framework and the integration of the (Total Loss-Absorbing Capacity) TLAC standard into EU legislation as mentioned above.

The Banking Package has been amended by the European Parliament and the Council of the European Union. The final package of new legislation does not include all elements of the initial proposals and new amended elements were introduced through the course of the legislative process. Although the Banking Package has been adopted on an EU level, until Swedish legislators and authorities have decided on how the proposals would be applied in Sweden, it is uncertain how the new legislation will affect Swedbank.

Overview of parameters for RWA and institutional specific countercyclical capital buffer

The risk weighted assets (RWA) decreased during the last quarter of 2019 by SEK 7.3bn to SEK 649.2bn (30 September 2019: SEK 656.5bn), mainly due to decreases in credit risk and re-calculation of the article 3 add-on.

Credit risk RWA decreased by SEK 5.0bn. Volume growth, including mortgage floor adjustments, increased RWA for credit risk by SEK 2.9bn, mainly driven by business areas LC&I and Baltic Banking. Non-lending assets in credit risk decreased RWA by SEK 2.4bn, primarily explained by decreased counterparty credit risk within LC&I. Effects from FX and shorter maturities for corporates decreased RWA by SEK 3.1bn and 1.0bn respectively.

The quarterly reassessment of the article 3 add-on decreased RWA by SEK 2.5bn, mainly due to decreases in exposures subject to the add-on. Amounts held under article 3 are additional RWA amounts that covers deficiencies in IRB models until the models have been updated.

Table 2.1: Overview of RWAs (EU OV1), 31 December 2019

	RWA		Minimum capital requirements
SEKm	31.12.2019	30.09.2019	31.12.2019
Credit risk (excluding Counterparty credit risk (CCR))	**284 519**	**288 010**	**22 762**
- of which the standardised approach (SA)	25 764	26 306	2 061
- of which the foundation IRB (FIRB) approach	68 967	72 573	5 517
- of which the advanced IRB (AIRB) approach	189 788	189 131	15 183
- of which equity IRB under the simple risk- weighted approach or the IMA			
Counterparty credit risk	**18 194**	**20 401**	**1 456**
- of which mark to market	11 221	12 741	898
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which financial collateral comprehensive method (for SFTs)	1 659	1 817	133
- of which risk exposure amount for contributions to the default fund of a CCP	584	1 000	47
- of which CVA	4 730	4 843	378
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
- of which IRB approach			
- of which IRB supervisory formula approach (SFA)			
- of which internal assessment approach (IAA)			
- of which standardised approach			
Market risk	**16 350**	**16 318**	**1 308**
- of which the standardised approach	3 588	4 253	287
- of which IMA	12 762	12 065	1 021
Large exposures			
Operational risk	**68 514**	**68 514**	**5 481**
- of which basic indicator approach			
- of which standardised approach	68 514	68 514	5 481
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	17 260	16 636	1 381
Floor adjustment			
Other risk exposure amount	**244 400**	**246 651**	**19 552**
Total	**649 237**	**656 530**	**51 939**

Table 2.2: Capital adequacy (parameters for RWA and capital req., incl. fully implemented buffers and Pillar 2 req.)

Information regarding the capital requirements is enclosed in the Fact Book as of Q4 2019 on pages 47-54, available on: https://www.swedbank.com/investor-relations/financial-information-and-publications/.

Table 2.3a: Capital buffers (amount) - Commission Delegated Regulation (EU) 2015/1555

SEKm	31.12.2019
Total risk exposure amount	649 237
Institution-specific countercyclical buffer rate	2.02%
Institution-specific countercyclical buffer requirement	**13 119**

Table 2.3b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2019

	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements					
SEKm	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Sweden	36 236	1 439 759	20 857				31 134	166		31 300	75.37%	2.50%
Estonia	5 864	84 859	11				2 536	1		2 538	6.11%	
Latvia	1 079	40 270					1 752			1 752	4.22%	
Lithuania	4 014	65 147	86				1 970	1		1 971	4.75%	1.00%
Norway	10 681	41 688	1 960				1 255	12		1 267	3.05%	2.50%
Finland	952	27 362	2 192				710	14		724	1.74%	
Denmark	7 095	4 826	235				408	1		409	0.99%	1.00%
USA	1 304	6 237					364			364	0.88%	
Great Britain	132	1 744					72			72	0.17%	1.00%
Other countries	2 714	29 208	485				1 127	6		1 132	2.72%	0.00%
Total	**70 071**	**1 741 100**	**25 826**				**41 328**	**201**		**41 529**	**100.00%**	**2.02%**

Table 2.4: Capital requirements, 31 December 2019[1]

	SEKm	% of RWA
Capital requirement Pillar 1	100 766	15.5
-of which Buffer requirements[2]	48 827	7.5
Total capital requirement Pillar 2[3]	22 140	3.4
Total capital requirement Pillar 1 and 2	**122 906**	**18.9**
Own funds	**141 554**	

[1] Swedbank's calculation based on the Swedish FSA's announced capital requirements, including Pillar 2 requirements.

[2] Buffer requirements include the systemic risk buffer, the capital conservation buffer and the countercyclical capital buffer.

[3] Systemic buffer as of 31 December 2019. The individual Pillar 2 charge items are as of 30 September 2019, according to the Swedish FSA's SREP report of 30 September 2019 in relation to RWA as of 31 December 2019.

Leverage ratio disclosure

Swedbank monitors and discloses its leverage ratio according to the regulatory requirements and will in the future eventually have to meet a minimum leverage ratio requirement of 3%. On 31 December 2019, Swedbank's leverage ratio was 5.4% (31 December 2018: 5.1%). The change from end of 2018 is mainly due to an increase in Tier 1 capital. The Tier 1 capital has increased by SEK 11.5bn mainly attributable to earnings, net of proposed dividend, and the issuance of Additional Tier 1 capital during 2019. Values as of Q4 2019 can be found in Tables 2.5 and 2.6.

Table 2.5: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2019

Summary reconciliation of accounting assets and leverage ratio exposures, SEKm	Applicable Amounts
Total assets as per published financial statements	1 852 028
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	331 475
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
Adjustments for derivative financial instruments	-8 623
Adjustments for securities financing transactions "SFTs"	54 267
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	143 117
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-18 633
Total leverage ratio exposure	**2 353 631**

Table 2.6: Leverage ratio common disclosure (LRCom), 31 December 2019

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2 092 401
(Asset amounts deducted in determining Tier 1 capital)	-18 633
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**2 073 768**
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	12 185

Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	46 888
Exposure determined under Original Exposure Method	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-15 286
(Exempted CCP leg of client-cleared trade exposures)	-7 984
Adjusted effective notional amount of written credit derivatives	
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
Total derivative exposures (sum of lines 4 to 10)	**35 803**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	97 585
(Netted amounts of cash payables and cash receivables of gross SFT assets)	
Counterparty credit risk exposure for SFT assets	3 359
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
Agent transaction exposures	
(Exempted CCP leg of client-cleared SFT exposure)	
Total securities financing transaction exposures (sum of lines 12 to 15a)	**100 944**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	345 720
(Adjustments for conversion to credit equivalent amounts)	-202 604
Other off-balance sheet exposures (sum of lines 17 to 18)	143 116
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures	
Tier 1 capital	**126 226**
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**2 353 631**
Leverage ratio	
Leverage ratio	**5.36%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table 2.7: Split-up of on BS exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl), 31 December 2019

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which	2 092 402
Trading book exposures	49 319
Banking book exposures	2 043 083
of which covered bonds	19 855
of which exposures treated as sovereigns	336 077
of which exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2 504
of which institutions	17 288
of which secured by mortgages of immovable properties	1 071 280
of which retail exposures	97 453
of which corporate	436 366
of which exposures in default	8 925
of which other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	53 335

Differences between accounting and regulatory exposure amounts

Table 2.8: Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1), 31 December 2019

			Carrying values of items				
Assets, SEKm	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances with central banks	195 286	195 286	195 286	0	0	0	0
Bonds and other interest-bearing securities, treasury bills and other bills eligible for refinancing with central banks, etc.	194 461	194 265	152 771	0	0	41 494	0
Loans to public and credit institutions	1 697 748	1 697 634	1 637 379	60 135	0	0	120
Value change of interest hedged item in portfolio hedge	271	271	271	0	0	0	0
Financial assets for which the customers bear the investment risk	224 893	0	0	0	0	0	0
Shares and participating interests	6 568	6 453	2 542	0	0	3 911	0
Investments in associates	6 679	3 642	3 642	0	0	0	0
Investments subsidiaries	0	3 768	3 059	0	0	0	709
Derivatives	44 424	44 424	0	44 424	0	19 887	0
Intangible fixed assets	17 864	17 275	0	0	0	0	17 275
Tangible assets	5 572	5 638	5 638	0	0	0	0
Current tax assets	2 408	2 408	2 408	0	0	0	0
Deferred tax assets	170	161	53	0	0	0	108
Other assets	8 858	9 156	2 579	0	0	0	6 576
Prepaid expenses and accrued income	3 025	3 142	3 142	0	0	0	0
Total assets	**2 408 228**	**2 183 523**	**2 008 770**	**104 560**	**0**	**65 292**	**24 788**

Liabilities							
Amounts owed to credit institutions	69 686	69 687	0	0	0	0	0
Deposits and borrowings from the public	954 013	957 890	0	50 931	0	0	0
Financial liabilities for which the customers bear the investment risk	225 792	0	0	0	0	0	0
Debt securities in issue	855 754	855 754	0	0	0	0	0
Short positions securities	34 103	34 103	0	0	0	0	0
Derivatives	40 977	40 977	0	0	0	0	0
Current tax liabilities	836	934	0	0	0	0	0
Deferred tax liabilities	1 571	1 446	0	0	0	0	0
Pension provisions	8 798	8 917	0	0	0	0	0
Insurance provisions	1 894	0	0	0	0	0	0
Other liabilities and provisions	29 051	28 695	0	0	0	0	0
Accrued expenses and prepaid income	4 383	4 508	0	0	0	0	0
Subordinated liabilities	31 934	31 934	0	0	0	0	0
Liabilities directly associated with group of assets classified as held for sale	0	0	0	0	0	0	0
Total liabilities	**2 269 596**	**2 045 650**	**0**	**50 931**	**0**	**0**	**0**

Explanation of differences between accounting and Regulatory exposure amounts

This section identifies the differences between regulatory and accounting consolidation. The regulatory consolidation for Swedbank as of 31 December 2019 comprised the Swedbank Group with the exception of insurance companies and a different consolidation method for EnterCard Group. The EnterCard Group is included through the proportionate consolidation method for regulatory purposes, compared to the equity method in Swedbank Group. The total difference between the regulatory and accounting consolidation is SEK 224.7bn. The difference between Swedbank Group and Swedbank Consolidated Situation (CS) is shown in more detail in the outline of the differences in the scopes of consolidation. Carrying values under regulatory scope of consolidation are then allocated to applicable risk frameworks. The trading book of derivatives is subject to both the CCR and the market risk framework, which is why the sum of these columns is more than the carrying value under regulatory scope of consolidation.

Table 2.9: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2), 31 December 2019

		Items subject to			
SEKm	Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**2 178 622**	2 008 770	104 560	0	65 292
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**50 931**	0	50 931	0	0
Total net amount under regulatory scope of consolidation	**2 229 552**	**2 008 770**	**155 491**	**0**	**65 292**
Off-balance sheet amounts	**345 721**	345 721	0	0	0
Differences due to reversal of IFRS netting	**99 794**	0	99 794	0	0
Differences due to potential future exposure	**45 403**	0	45 403	0	0
Differences due to different netting rules, other than those already included in row 2	**-72 363**	0	-72 363	0	0
Differences due to consideration of provisions	**6 612**	6 612	0	0	0
Exempted CCP exposures from client trades	**-1 546**		-1 546		
Difference due to sundry balances and other differences	**-1 438**	-545	-893	0	0
Difference due to impact of collaterals	**-160 877**	0	-160 877	0	0
Difference between accounting and regulatory treatment of positions subject to market risk	**-1 677**	0	0	0	-1 677
Exposure amounts considered for regulatory purposes	**2 489 181**	**2 360 558**	**65 008**	**0**	**63 615**

The differences that arise between the regulatory and accounting framework are explained by different rules set out in IFRS and in the CRR. The exposure amounts considered for regulatory purposes are original exposures before credit risk mitigation. The main differences for the items subject to the credit risk framework are as following:

- Off-balance sheet amounts are not part of carrying values of asset items, but are included in regulatory exposure amounts.
- Provisions are not part of risk-weighting in the IRB framework, therefore are re-integrated to be comparable to carrying amounts that are net of provisions.
- Other differences are due to certain manual adjustments to accounting balances that are not eliminated from regulatory exposures due to late data delivery.

Instruments under the Counterparty credit risk framework in Swedbank include repurchase transactions, security lending and derivatives. The differences arise due to different netting rules between risk and accounting frameworks, as well as different treatment and rules on recognition of collaterals. Additionally, capital has to be set aside for potential future exposure of listed instruments.

Table 2.10: Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3), 31 December 2019

		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Consolidation according to the equity method	Proportional consolidation	Neither consolidated nor deducted	Deducted	Description of the entity
Swedbank AB							Credit institution
Swedbank Mortgage AB	Full consolidation	X					Credit institution
Swedbank Robur AB	Full consolidation	X					Financial institution
Swedbank Robur Fonder AB	Full consolidation	X					Mutual fund company
Swedbank Investeerimisfondid AS	Full consolidation	X					Investment firm
Swedbank Ieguldijumu Parvaldes Sabierdiba AS	Full consolidation	X					Investment firm
Swedbank investiciju valdymas UAB	Full consolidation	X					Investment firm
Cerdo Bankpartner AB	Full consolidation	X					Ancillary company - IT
SwedLux S A	Full consolidation	X					Credit institution
Sparfrämjandet AB	Full consolidation	X					
Sparia Group Insurance Company Ltd	Full consolidation				X		Insurance company
Swedbank Fastighetsbyrå AB	Full consolidation	X					Financial institution
Fastighetsbyran The Real Estate Agency S L	Full consolidation	X					Ancillary company - Real Estate
Svensk Mäklarstatistik AB	Equity method		X				Ancillary company - Other
Bankernas Kontantkort CASH Sverige AB	Full consolidation	X					
Swedbank PayEx Holding AB	Full consolidation	X					Financial institution
PayEx Norge AS	Full consolidation	X					Ancillary company - Payments
PayEX Danmark AS	Full consolidation	X					Ancillary company - Payments
Swedbank PayEx Collection AB	Full consolidation	X					
PayEx Sverige AB	Full consolidation	X					Ancillary company - Payments
PayEx Solutions OY	Full consolidation	X					
PayEx Suomi OY	Full consolidation	X					Ancillary company - Payments
PayEx Invest AB	Full consolidation	X					Ancillary company - Real estate
Faktab B1 AB	Full consolidation	X					Ancillary company - Real estate
Faktab V1 AB	Full consolidation	X					Ancillary company - Real estate
Faktab S1 AB	Full consolidation	X					Ancillary company - Real estate
Ektornet AB	Full consolidation	X					Holding company
Swedbank Försäkring AB	Full consolidation				X		Insurance company
ATM Holding AB	Full consolidation	X					Financial institution
Bankomat AB	Equity method		X				Ancillary company - Other
FRoR Invest AB	Full consolidation	X					Ancillary company - Other
Swedbank Newco AB	Full consolidation	X					Ancillary company - Other
Swedbank Securities US LLC	Full consolidation	X					Financial institution
First Securities AS	Full consolidation	X					Financial institution
Swedbank Management Company SA ManCo	Full consolidation	X					Financial institution
Swedbank AS Latvia	Full consolidation	X					Credit institution
Swedbank Lizings SIA	Full consolidation	X					Financial institution - Leasing
Swedbank Atklatais Pensiju Fonds AS	Full consolidation	X					Investment firm
Swedbank AB Lithuania	Full consolidation	X					Credit institution
Swedbank Lizingas UAB	Full consolidation	X					Financial institution - Leasing
Swedbank valda UAB	Full consolidation	X					Ancillary company - Real estate
Swedbank AS Estonia	Full consolidation	X					Credit institution
Swedbank Liising AS	Full consolidation	X					Financial institution - Leasing
Swedbank Life Insurance SE	Full consolidation				X		Insurance company
Swedbank PoC Insurance AS	Full consolidation				X		Insurance company
Swedbank Support OU	Full consolidation	X					Ancillary company - IT
SK ID Solutions AS	Equity method		X				Ancillary company - Other
EnterCard Group AB	Equity method			X			Financial institution
Sparbanken Sjuhärad AB	Equity method		X				Credit institution
Sparbanken Rekarne AB	Equity method		X				Credit institution
Sparbanken Skåne AB	Equity method		X				Credit institution
Vimmerby Sparbank AB	Equity method		X				Credit institution
Ölands Bank AB	Equity method		X				Credit institution
Finansiell IDTeknik BID AB	Equity method		X				Ancillary company - IT
BGC Holding AB	Equity method		X				Ancillary company - Payments
Getswish AB	Equity method		X				Ancillary company - Payments
VISA Sweden, ek för	Equity method		X				Ancillary company - Other
USE Intressenter AB	Equity method		X				Holding company
P27 Nordic Payments Platform AB	Equity method		X				Ancillary company - Payments
Nordic KYC Utility AB	Equity method		X				Ancillary company - Other

Prudent valuation adjustment

Prudent valuation is a regulatory requirement which takes into account uncertainties in the valuation of assets and liabilities carried at fair value. The Prudent valuation adjustment is deducted from the CET1 capital in accordance with the CRR Article 105. In addition to the Fair value adjustments made in the accounts (see next section), Swedbank calculates Additional valuation adjustments (AVAs) for fair valued positions in the trading and banking book. The basis for the calculation of AVAs is valuation input data used in the independent valuation process. The purpose of the Prudent valuation adjustment is to ensure, with an appropriate degree of certainty, that the valuations are sufficiently prudent, taking into account factors such as market price uncertainty, close-out-costs, unearned credit spreads, investing and funding costs, model risk, future administrative costs and operational risk. The prudent value is equal to or lower than the fair value for assets, and equal to or higher than the fair value for liabilities.

Fair value adjustments

Swedbank applies the following Fair value adjustments in the accounts;

- Credit and Debit valuation adjustments (CVA/DVA)
- Bid/Ask adjustment

Credit and Debit valuation adjustments (CVA/DVA)

CVA and DVA are features incorporated in derivative valuation that reflect the impact on fair value of counterparty credit risk and Swedbank's own credit quality respectively. CVA is calculated on a portfolio (counterparty) basis for uncollateralised and collateralised derivatives. Where a strong credit support annex (CSA) exists to mitigate the counterparty credit risk, the exposure will have a limited impact on the CVA. The purpose of the adjustment is to reflect the fair value taking the counterparty credit risk inherent in derivate exposures into account.

Bid/Ask adjustment

Where mid-prices are retrieved for the purpose of valuation, Swedbank applies a Bid/Ask adjustment to fair valued positions. The Bid/Ask adjustment is calculated on individual positions, or portfolio level for derivative exposures. The approach for calculating the Bid/Ask adjustment for derivatives involves determining the net risk exposure by offsetting long and short positions. The Bid/Ask spreads are generally derived from market quotes.

Valuation governance and independent price verification (IPV)

The responsibility for the independent valuation process rests within Group Finance. The Valuation Policy Group, chaired by the Head of Group Finance, is the decision forum for principal valuation issues and decides on independent valuation models/techniques, Fair value adjustments and Prudent valuation adjustment methodologies. The Prudent valuation and Fair value adjustments are calculated by Group Finance. For the trading and banking books, independent review and verification of prices and inputs into the valuations are conducted regularly by Group Finance. In general, market quotes and model parameters used for valuation are verified for accuracy on a daily basis by Group Finance. For financial instruments where input parameters are set by the trading units, review and verification of valuations, market quotes and model inputs are performed by Group Finance on a regular basis and amendments are made if necessary.

Valuation methodology

Swedbank uses various methods to determine the fair value of financial instruments depending on the degree of observable quotes and activity in the market. The fair value of financial instruments is derived directly from observable market quotes wherever possible. For instruments where directly observable market quotes are unavailable, valuation models are used to determine fair value. In accordance with IFRS 13, Swedbank classifies all assets and liabilities measured at fair value according to the fair value hierarchy, see G46 of the Annual Report 2019. The classification is carried out by Group Finance. Swedbank uses standard methods and models for valuation of financial instruments, see G46 of the Annual Report 2019 for details.

3. Credit risk

Swedbank's credit portfolio is concentrated to stable low-risk segments such as private mortgage and real estate companies in the four home markets. Conservative lending standards and close dialogue with customers are keys to a sustainable high quality in the credit portfolio.

Credit risk

The risk that a borrower will fail to meet its contractual obligations to Swedbank and the risk that pledged collateral will not cover the claim.

Credit risk also includes concentration risk, which means large individual exposures as well as significant exposures to groups of counterparties whose probability of default is driven by common underlying factors, such as sector, economy, geographical location, or type of instrument.

Counterparty credit risk is the risk that a counterparty to a trading transaction will not meet its financial obligations towards Swedbank and that collateral held will not be enough to cover the claims. This definition encompasses repurchase agreements, derivatives and securities financing transactions.

Developments in credit risk in 2019

Swedbank's credit quality remained solid in 2019. The credit impairment ratio increased to 0.09% (0.03%), mainly due to provisions for a few oil-related exposures, in sectors Shipping and offshore and Manufacturing. The loss levels in the rest of the credit portfolio remained low.

Swedbank's credit risk exposure (EAD) increased to SEK 2 353bn (SEK 2 235bn), of which increased placements in central banks explained SEK 68bn. The increase in corporate exposures (SEK 17bn) was mainly explained by growth in property management in Sweden and growth in several sectors in Baltic Banking. The increase in retail exposures (SEK 25bn) was mainly driven by increased mortgage lending in Sweden. The Baltic portfolio exposures grew by SEK 16bn in 2019, mainly in private mortgage, but also in several corporate sectors.

Swedbank's loan portfolio is concentrated to segments where forthcoming risks are predicted to stay low. The largest portfolios, private mortgage and property management, are commented on the following page.

Swedbank's oil-related exposure is small and the ongoing restructuring and reduction of the portfolio continued in 2019. Investments in the sector have begun to recover, but there is still surplus capacity in some segments. These segments performed more poorly than expected in 2019 and are still over-leveraged despite previous reconstructions, which led to additional provisions.

The agricultural sector which was adversely affected by the summer drought in 2018 has now recovered after more favourable summer weather and good harvests in 2019, Swedbank's credit impairments in the agricultural portfolio remains on a low level.

The Swedish housing market recovered in 2019, with transactions at normal levels and prices almost back at the level of 2017, supported by high demand, lower inflow of new supply and low interest rates. The weaker housing construction market however continued, due to decreased demand for new tenant-owner rights and reduced willingness to sign purchase agreements during the construction phase. Swedbank's credit exposure to housing developers is limited and lending is primarily to large, established companies with which Swedbank has long-term relationships.

The focus on climate related risks increased both in the society and in Swedbank during 2019. To understand climate change and associated risks is central for financial stability but also to take advantage of the business opportunities arising during the transition phase. Within the credit risk area, several actions were carried out during 2019. To identify Swedbank's exposure to climate risks in the lending portfolio a review of sectors with increased risks according to the TCFD recommendations was performed and disclosed in the annual report. A pilot project with climate-related scenario analysis was carried out during 2019 for the energy sector and will be followed in 2020 by scenario analysis for other sectors where risks from climate change are material. In the yearly forward-looking credit risk analysis, the climate perspective was enhanced and transition as well as physical risks were identified in different sectors. The sustainability risk assessment for large corporate lending was updated, climate risk is a core component and an action plan should always be developed for customers considered high risk.

Private mortgages

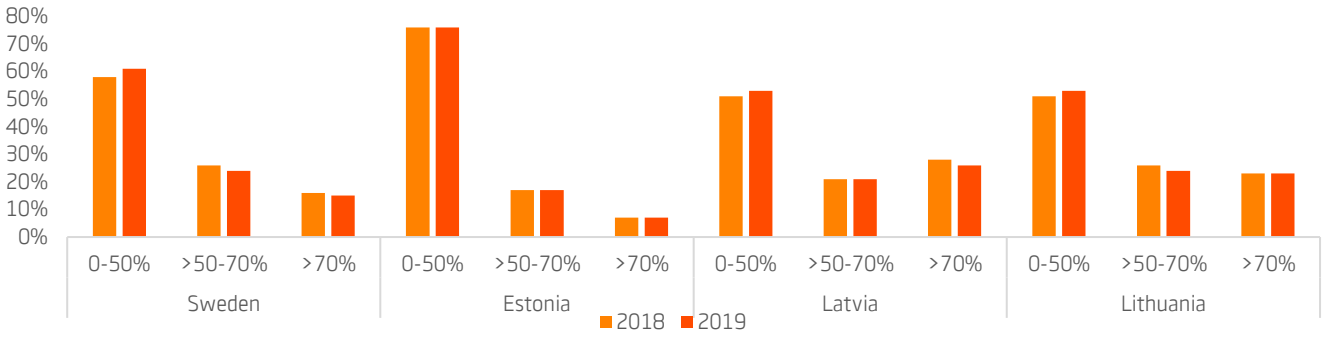
Private mortgage loans constitute Swedbank's largest loan segment. Exposures (EAD) amounted to SEK 906bn at the end of the year, 38% of Swedbank's total credit exposures. However, from a balance sheet perspective the private mortgage loans constituted 56% of Swedbank's total loan portfolio, distributed with 90% in Sweden and 10% in the Baltic countries. In Sweden the diversification in terms of number of customers and geographical distribution is high. In the Baltic countries the capital regions dominate. Swedbank's market share in private mortgage lending is 24% in Sweden and 46-50% in the three Baltic countries.

The portfolio is of high quality with low historical losses and sound LTV ratios (volume weighted average 55% in Sweden, 47% in Estonia, 75% in Latvia and 60% in Lithuania). Lending is based on the borrower's repayment capacity, including the ability to manage a significantly increased interest rate and still afford relevant amortisation, fees and other costs of living. The lending criteria is continuously reviewed and updated. The mortgage portfolio undergoes regular stress tests which have proven the low risk profile with robust solvency among customers and an average LTV ratio supporting a resilient portfolio with low credit impairments.

The 2019 portfolio growth in Sweden was 2%, which was lower than market growth (5%), explained by increased competition and Swedbank's strict lending criteria and low-risk focus. The annual growth in the Baltic countries was 10% (in local currencies), driven by rising wages, low interest rates and increased housing prices.

The recovery of the Swedish housing market continued in 2019, with transactions at normal levels and prices almost back at the top level of 2017, supported by high demand and low interest. rates. The reduction in new housing production after the price drop in 2017, has contributed to increased demand in the existing stock. In the Baltic markets supply and demand are in balance.

Figure 3.1: LTV distribution



Property management

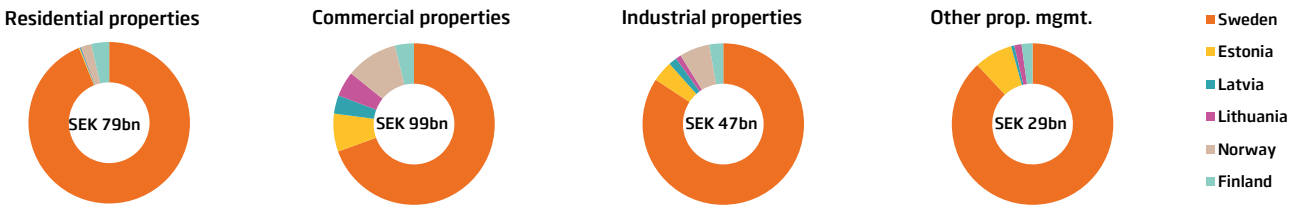
The property management portfolio constitutes the second largest risk concentration in Swedbank and amounted to SEK 307bn (EAD) and 13% of the total exposures at the end of the year. The major part of the lending portfolio, 82%, is in Sweden, while 9% in the Baltic countries and 9% in other Nordic countries than Sweden. The geographic distribution within Sweden is good, while the Baltic portfolio is concentrated to the capital regions.

The portfolio is dominated by low-cyclical segments with low risk, such as residential and community-service properties, and office properties in prime locations in growing regions. The lending to retail properties is limited and represents a small part of the property management portfolio.

The high credit quality is demonstrated by low historical losses and few customers with payment problems. Swedbank's lending is mainly to companies with strong finances and good collateral. The average LTV ratio is low, for example 58% for the portfolio in Sweden. Swedbank's underwriting criteria is focused on the long-term ability to pay stressed interest rates and proper amortisations with a special attention to future cash flow. The low risk is confirmed in internal and external stress tests.

The portfolio grew by 4% in Sweden in 2019, while the growth in the Baltic portfolio was 8% (in local currencies).

Figure 3.2: Property management by subsegment and country



The transaction market for commercial real estate in Sweden continued to be strong in 2019, with increased market prices, high sales volume and somewhat declining yield requirements. Office, residential and logistic properties attracted the largest interest and share of transactions, while the interest in retail properties was lower than in recent years. Office market rents increased in the large city areas. The activity in the commercial real estate market in the Baltic countries increased in 2019 along with rising rent levels and lower vacancy rates. Due to decreasing interest rates, exit yields were pushed downwards and prices upwards.

The commercial real estate markets in Sweden and the Baltic countries are expected to perform well in the coming years, with some concern for the retail property market affected by increasing e-commerce. Supply is still low, and demand is high for both rental apartments in Sweden and for modern office premises in good locations in the larger city areas, which will hold back vacancy rates.

The Swedish FSA in December 2019 decided on an additional capital requirement for commercial real estate exposures. This new risk weight floor shall be applied for corporate exposures collateralised by Swedish commercial real estate (35% RW) and Swedish commercial housing properties (25% RW). From 2020 the measure is expected to increase the major Swedish banks' total capital requirement by on average 0.7 percentage points of risk-weighted assets per bank. Swedbank's expected increase is in line with the average.

Portfolio overview

Swedbank's credit portfolio is stable and well diversified with a customer base consisting of a large number of private households and corporates in several different sectors. The focus is on customers in the four home markets and 89% of the exposures are towards customers in Sweden, Estonia, Latvia and Lithuania, whereas 76% is to customers in Sweden. The retail exposure is dominated by private mortgage loans in Sweden, a portfolio of high quality with very low and stable historical losses. The largest corporate sector concentration is Property management in Sweden, which is also a portfolio of high quality and with low historical losses.

Table 3.1: Key parameters by business area, 31 December 2019

	Swedish Banking	Baltic Banking	- of which Estonia	- of which Latvia	- of which Lithuania	- of which Investment and Other	LC&I	Group Functions	Total 2019	Total 2018
Retail - mortgages										
Exposure, in SEKm	983 438	86 579	37 825	15 724	33 030		12	250	**1 070 279**	1 047 939
Exposure weighted avg. PD (excl. def.), %	0.21	1.78	1.58	2.83	1.51		0.17	0.22	**0.34**	0.35
Exposure weighted avg. LGD, %	10.3	14.7	12.9	20.5	14.0		30.1	44.0	**10.7**	10.6
Average risk weight, %	3.3	19.6	15.9	35.0	16.6		7.6	2.7	**4.6**	4.7
Retail - other										
Exposure, in SEKm	83 741	29 552	13 218	7 800	8 534		846	21	**114 160**	117 069
Exposure weighted avg. PD (excl. def.), %	0.95	3.20	2.73	4.47	2.78		0.73	2.77	**1.54**	1.54
Exposure weighted avg. LGD, %	31.5	34.8	29.2	42.2	36.7		45.7	22.9	**32.4**	32.6
Average risk weight, %	20.2	37.2	28.5	51.9	37.2		17.3	27.5	**24.6**	24.5
Corporate - Advanced IRB										
Exposure, in SEKm	163 600						293 690	93	**457 383**	445 689
Exposure weighted avg. PD (excl. def.), %	1.06						0.48	0.04	**0.69**	0.79
Exposure weighted avg. LGD, %	16.8						20.1	24.8	**19.0**	19.3
Average risk weight, %	28.5						24.1	4.7	**25.6**	27.8
Corporate - Foundation IRB										
Exposure, in SEKm	5 017	68 945	31 807	14 819	22 319		11 341	785	**86 088**	86 138
Exposure weighted avg. PD (excl. def.), %	1.04	1.26	1.10	2.09	0.92		0.42	0.44	**1.13**	0.98
Exposure weighted avg. LGD, %	40.8	44.6	44.6	44.6	44.4		45.0	44.9	**44.4**	43.8
Average risk weight, %	54.6	60.6	54.0	72.6	61.9		55.9	64.5	**59.6**	57.7
Corporate - specialised lending										
Exposure, in SEKm		609	331	174	104				**609**	739
Average risk weight, %		118.3	140.1	103.9	73.1				**118.3**	116.1
Sovereigns										
Exposure, in SEKm	20 478	3 408	1 441	1 292	675		25 532	312 962	**362 380**	296 418
Exposure weighted avg. PD (excl. def.), %	0.00	0.02	0.01	0.03	0.01		0.01	0.00	**0.00**	0.00
Exposure weighted avg. LGD, %	45.0	44.8	45.0	44.4	45.0		44.8	45.0	**45**	45
Average risk weight, %	3.7	9.0	4.1	14.7	8.4		2.7	1.0	**1.4**	1.6
Institutions										
Exposure, in SEKm	6 430	546	176	135	235		22 856	23 634	**53 466**	49 183
Exposure weighted avg. PD (excl. def.), %	0.07	0.08	0.07	0.07	0.09		0.06	0.03	**0.05**	0.06
Exposure weighted avg. LGD, %	45.0	45.0	45.0	45.0	45.0		45.0	14.0	**31.3**	32.2
Average risk weight, %	24.4	31.4	28.9	31.3	33.3		28.0	7.2	**18.4**	19.5
Other IRB exposure classes										
Exposure, in SEKm	1 479	6 502	2 282	1 870	2 350		515	4 085	**12 581**	8 508
Average risk weight, %	92.5	37.7	35.1	48.9	31.3		86.6	94.4	**64.6**	56.5
Total IRB approach										
Exposure, in SEKm	1 264 184	196 140	87 079	41 814	67 247		354 792	341 830	**2 156 946**	2 051 683
Exposure weighted avg. PD (excl. def.), %	0.37	1.77	1.55	2.77	1.46		0.42	0.01	**0.44**	0.48
Exposure weighted avg. LGD, %	13.4	29.4	28.0	34.6	28.0		24.4	42.8	**21.3**	20.7
Average risk weight, %	8.1	37.4	32.5	51.7	34.9		23.9	2.7	**12.5**	13.2
Standardised approach										
Exposure, in SEKm	30 311	11 584	6 083	1 114	3 835	552	30 373	7 243	**79 511**	64 111
Average risk weight, %	102.3	56.4	42.1	40.7	55.7	250.0	16.1	37.8	**56.8**	64.9
Total exposures										
Exposure, in SEKm	1 294 495	207 724	93 162	42 928	71 082	552	385 165	349 073	**2 236 457**	2 115 794
Average risk weight, %	10.3	38.5	33.1	51.5	36.0	250.0	23.3	3.5	**14.1**	14.8

Note: Average risk weights and capital requirements is presented for Pillar 1. The risk weight floor of 25 percent for the Swedish mortgage portfolio has been moved from Pillar 2 to Pillar 1. The figures above are presented without the risk weight floor of 25 per cent.

Management of credit risk

Credit risk governance

In the Policy on Enterprise Risk Management, the Board of Directors has established a risk management and control process (see Chapter 1 for further information on Risk governance). In the credit area this details as follows;

The business units are responsible for the operational credit management of their customers and own all credit risks that arise within their area of operation. The head of each unit is fully responsible for the credit operation, including application of the credit process as well as the credit risks stemming from all borrowers within the unit. The head of the unit shall ensure that all credits are assessed, decided, administrated, and followed-up in accordance with the credit framework, including establishing an integrated internal control of high quality in the credit process. The head of each business unit shall also make sure that the credit transactions are in line with Swedbank's strategies, policies, and instructions. The business unit is furthermore accountable for the profitability connected to the credit decision.

The Group Credit organisation is responsible for the credit risk governance and guidance. Group Credit sets the framework for credit governance principles as well as for the qualitative standards in the credit process. It contributes with credit risk management competence through the credit process by guidance and support. As part of credit risk governance, decision-makers representing Group Credit take part in upper credit decision-making bodies in order to ensure that risk considerations are taken into account appropriately, but also to contribute with credit business knowledge and experience. The responsibility for the credit decisions remains, however, with the business unit.

The Group Risk organisation is responsible for independent monitoring and control of credit risk management. Group Risk has also the primary responsibility to maintain, develop and monitor the risk limits and the risk classification systems. The risk limit framework identifies areas where restrictions need to be set, in order to make sure that the credit portfolio will stay within the decided risk appetite.

Group Risk also performs independent controls of the operations carried out by the business units including verification that internal rules and processes are complied with in the credit process.

The Internal Audit function performs independent periodic reviews of the credit governance and the system of internal control.

To safeguard that business operations conform to the risk appetite, decided by the Board of Directors, and that Swedbank maintains a well-diversified credit portfolio with a low-risk profile, the CEO, CRO and Chief Credit Officer issue steering documents and limits for the credit portfolio. Risk limits are set for different sectors, geographies and products, but also for borrowers and groups of connected borrowers. As a part of the business strategy each business area develops their credit strategy in line with decided risk appetite, low-risk profile and the various limits and framework set by CEO, CRO or Chief Credit Officer.

Credit risk assessment

When Swedbank considers a credit application, a thorough analysis is performed which includes the counterparty's capacity and willingness to repay the new credit as well as other credits. A borrower's cash flow, solvency, and collateral are always key variables when lending and Swedbank always strives to obtain adequate collateral. Swedbank continuously monitors borrowers and carries out additional periodic credit reviews of corporate customers, financial institutions and sovereigns at least once per year.

Swedbank's credit exposures are risk-classified in accordance with an internal credit risk framework. All counterparties are risk-classified before a credit limit is established, and thereafter at least once every 12 months. A new risk classification is always made if Swedbank receives information indicating that the risk has changed in such a way that the risk grade established is no longer considered relevant.

Duality and segregation of duties in the risk classification process is applied to ensure well-founded decisions. Any risk grade proposed for sovereigns, financial institutions and corporate customers (including segments SME and Large Corporates) is approved individually by a credit decision-making body in accordance with the established decision mandates. In addition, on every proposed risk grade for large corporates it is performed a second opinion by Group Credit before the decision is made. Risk classification concerning credits to the retail segment is performed in automated sub-systems.

A sustainability risk analysis is carried out in all large and medium-sized corporate lending and covers (i) social responsibility, (ii) ethics, and (iii) environment. The sustainability analysis is an integrated part of the credit analysis. The aim is to assess whether the customers' sustainability approaches are in line with Swedbank's values and how risks related to these areas could affect Swedbank's and its customers' profitability, repayment ability, collateral security value, and reputation.

Credit risk monitoring

The risk profile of the credit portfolio is continuously analysed. For portfolio segments and individual customers where the risk of default appears higher, reviews are performed more frequently.

Each business unit is responsible for monitoring signals and conditions that might suggest that the level of credit risk in individual exposures has increased, e.g. by using information from integrated early warning systems. If a customer's risk profile has deteriorated, a number of corrective measures are considered and implemented. A part of the credit risk management of borrowers with material increased risk is e.g. the watch list process.

Financial Restructuring and Recovery (FR&R) is a special unit within the Group Credit organisation that may support the

business units when the risk associated with a certain exposure has increased. FR&R provides expertise in managing insolvency and restructuring cases. This organisation is built up with knowledge and expertise from previous crises.

A thorough and comprehensive stress test of the entire Group (see Chapter 7 of this report for further information on Group-wide stress tests) which includes the total credit portfolio is conducted at least annually.

Specific stress tests, portfolio analysis or ad-hoc reviews are also conducted to further evaluate Swedbank's loan portfolio and credit risk. These tests provide additional understanding and information on specific segments or exposure types that may be perceived as having a high or increased risk or a high potential impact on Swedbank. By identifying increased risk levels at an early stage, swift and appropriate actions can be taken for relevant exposures or segments of exposures. Credit portfolio trends and findings from stress tests constitute an important part of the monthly risk reports that are presented to Swedbank's senior management and Board of Directors.

Credit risk exposures

Table 3.2: Total and average net amount of exposures (EU CRB-B), 31 December 2019

SEKm	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	358 947	387 343
Institutions	38 652	38 948
Corporates	643 325	642 113
- of which Specialised Lending	673	713
- of which SME	182 812	186 183
Retail	1 225 426	1 226 653
- Secured by real estate property	1 071 718	1 067 484
---SME	103 321	104 944
---Non-SME	968 397	962 540
- Qualifying Revolving		
- Other Retail	153 708	159 169
--- SME	41 896	43 359
--- Non-SME	111 812	115 810
Equity		
Other exposures	12 581	12 788
Total IRB approach	**2 278 931**	**2 307 845**
Central governments or central banks	64	471
Regional governments or local authorities	2 626	2 538
Public sector entities	1 926	1 957
Multilateral Development Banks	1 395	1 792
International Organisations		239
Institutions	491	244
Corporates	5 660	5 928
- of which SME	1 902	1 747
Retail	41 874	41 612
- of which SME	5 159	5 128
Secured by mortgages on immovable property	6 608	6 313
- of which SME	3	2
Exposures in default	736	687
Items associated with particularly high risk		
Covered bonds	564	327
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)	6	7
Equity exposures	9 237	8 817
Other exposures	3 230	3 611
Total SA approach	**74 417**	**74 543**
Total	**2 353 348**	**2 382 388**

In 2019, Swedbank's total exposure increased by SEK 118bn. The main drivers of the change were increased placements in central banks by SEK 68bn. Retail exposures rose by SEK 25bn, driven by mortgage loans in Sweden and the Baltic countries. Corporate exposures increased by SEK 17bn, driven by growth in property management in Sweden and several sectors in the Baltic countries.

Net exposures as of 31 December 2019 were SEK 29bn lower than the annual average due to lower balances with central governments and central banks at the year end.

Table 3.3: Geographical breakdown of exposures (EU CRB-C), 31 December 2019

	Net carrying values												
SEKm	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	Total
Central governments or central banks	250 026	183 533	139	87	66 267	88 895	23 832	21 614	43 449	20 026	19 945	81	358 947
Institutions	31 288	29 191	431	530	1 136	16	0	0	16	7 348	1 736	5 612	38 652
Corporates	521 627	428 704	50 580	4 491	37 852	77 117	35 514	17 060	24 543	44 581	8 681	35 900	643 325
Retail	1 104 044	1 103 080	473	300	191	120 658	53 026	24 506	43 126	724	48	676	1 225 426
Equity													
Other exposures	5 983	5 981	0		2	6 498	2 278	1 870	2 350	100	70	30	12 581
Total IRB approach	**1 912 968**	**1 750 489**	**51 623**	**5 408**	**105 448**	**293 184**	**114 650**	**65 050**	**113 484**	**72 779**	**30 480**	**42 299**	**2 278 931**
Central governments or central banks	58	2		56						6		6	64
Regional governments or local authorities	711	567	144			1 915	1 854	24	37				2 626
Public sector entities	1 074	31			1 043	246		192	54	606		606	1 926
Multilateral Development Banks										1 395		1 395	1 395
International Organisations													
Institutions	440	298	0	142	0	1	0	0	1	50		50	491
Corporates	3 503	1 874	93	1 187	349	1 924	917	122	885	233	13	220	5 660
Retail	37 995	24 780	10 063	3 152		3 732	3 053	365	314	147	0	147	41 874
Secured by mortgages on immovable property	2 235	5	3	2 227	0	2 954		528	2 426	1 419	2	1 417	6 608
Exposures in default	665	305	339	21	0	68	0	12	56	3		3	736
Items associated with particularly high risk													
Covered bonds	564	564											564
Claims on institutions and corporates with a short-term credit assessment													
Collective investments undertakings (CIU)										6		6	6
Equity exposures	6 924	6 251	93		580	684	678	3	3	1 629	1 288	341	9 237
Other exposures	1 687	1 572	81	11	23	1 543	1 215	7	321				3 230
Total SA approach	**55 856**	**36 249**	**10 816**	**6 796**	**1 995**	**13 067**	**7 717**	**1 253**	**4 097**	**5 494**	**1 303**	**4 191**	**74 417**
Total	**1 968 824**	**1 786 738**	**62 439**	**12 204**	**107 443**	**306 251**	**122 367**	**66 303**	**117 581**	**78 273**	**31 783**	**46 490**	**2 353 348**

The significant countries disclosed are Swedbank's four home markets Sweden, Estonia, Latvia, and Lithuania; Sweden's neighbouring countries Norway, Denmark and Finland in the Nordic region; and the US, where Swedbank has an international branch. The Other column includes 90 countries, most of them with small exposures and all of them with exposures less than 0.5% of Swedbank's total exposure.

The largest exposure changes in 2019 were in the Nordic countries, with increases of SEK 87bn in Sweden and SEK 24bn in Finland, mainly driven by increased central bank placements. The increased exposure in the Baltic countries by SEK 21bn, is explained by growth in lending to both private individuals and corporates, but partly also by the depreciation of the Swedish krona compared to the euro. In the US, exposures to the central bank decreased.

Table 3.4: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2019

SEKm	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial properties	Industrial and warehouse	Other property management	Professional services	Other corporate lending	Credit institutions, incl Central banks	Other exposures	Total
Central governments or central banks		0	0	0	0	32 808	0	0	0	0	0	0	2 199	459	0	0	0	459	0	0	323 314	167	358 947
Institutions	-	0	0	0	0	0	0	0	0	0	0	0	300	0	0	0	0	0	0	0	38 352	-	38 652
Corporates	723	8 406	493	12 775	87 117	36 989	24 693	43 586	15 836	21 954	8 875	17 936	33 681	282 232	76 658	124 856	52 314	28 404	29 262	14 611	3 631	525	643 325
Retail	898 292	93 696	110 540	56 165	5 815	2 183	9 750	9 544	3 572	33	2 092	1 273	1 114	19 679	9 803	3 676	1 544	4 656	7 089	4 589	-	-	1 225 426
Equity	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Other exposures	-	2 835	918	42	104	63	156	230	83	0	21	42	10	41	0	10	0	31	188	3 059	-	4789	12 581
Total IRB approach	**899 015**	**104 937**	**111 951**	**68 982**	**93 036**	**72 043**	**34599**	**53 360**	**19 491**	**21 987**	**10 988**	**19 251**	**37 304**	**302 411**	**86 461**	**128 542**	**53 858**	**33 550**	**36 539**	**22 259**	**365 297**	**5 481**	**2 278 931**
Central governments or central banks	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	58	64
Regional governments or local authorities	-	0	0	0	0	2 571	0	0	0	0	0	0	0	10	0	0	0	10	0	0	-	45	2 626
Public sector entities	-	0	0	0	0	208	0	0	73	0	0	0	438	0	0	0	0	0	1	1 039	167	-	1 926
Multilateral development banks	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 395	-	1 395
International organisations	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Institutions	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	491	-	491
Corporates	-	0	0	45	514	9	129	903	37	0	4	77	2 272	767	301	198	216	52	122	118	-	663	5 660
Retail	98	0	38 176	13	116	47	24	109	6	0	0	12	0	3 110	136	11	0	2 963	141	22	-	-	41 874
Secured by mortgages on immovable property	6 607	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	-	-	6 608
Exposures in default	66	0	670	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	736
Items associated with particularly high risk	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Covered bonds	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	564	-	564
Claims on institutions and corporates with a short-term credit assessment	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Collective investments undertakings (CIU)	-	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0	0	0	0	0	-	-	6
Equity exposures	-	0	0	0	0	3	0	0	0	0	0	0	8 820	175	0	0	0	175	0	180	59	-	9 237
Other exposures	-	0	0	0	0	10	0	0	0	0	0	0	709	279	0	0	0	279	0	337	-	1 895	3 230
Total SA approach	**6 771**	**0**	**38 846**	**58**	**630**	**2 848**	**153**	**1 012**	**116**	**0**	**4**	**89**	**12 246**	**4 341**	**437**	**209**	**216**	**3 479**	**264**	**1 696**	**2 682**	**2 661**	**74 417**
Total	**905 786**	**104 937**	**150 797**	**69 040**	**93 666**	**74 891**	**34 752**	**54 372**	**19 607**	**21 987**	**10 992**	**19 340**	**49 550**	**306 752**	**86 898**	**128 751**	**54 074**	**37 029**	**36 803**	**23 955**	**367 979**	**8 142**	**2353348**

Private mortgage lending continued to increase during 2019, rising by SEK 28bn of which SEK 19bn in Sweden. In the corporate portfolio the growth was mainly in Property management, increasing by SEK 16bn and Public sector and utilities, increasing by SEK 8bn, while the largest declines were in sectors Finance and insurance, SEK 7bn, and Shipping and offshore, SEK 5bn. Increased placements in central banks increased exposures to Credit institutions by SEK 68bn.

Table 3.5: Exposure, exposure-weighted average PD and average risk weight by industry and business area, IRB approach, 31 December 2019

	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial properties	Industrial and warehouse	Other property management	Professional services	Other corporate lending	Credit institutions, incl central banks	Total
Exposure (SEKm)																						
Swedish Banking	813 463	101 573	53 942	61 760	12 853	20 181	15 742	14 795	5 969	87	4 508	1 880	4 094	120 784	57 030	31 255	19 625	12 874	13 474	11 676	7 403	1 264 184
Baltic Banking	85 184	0	18 026	5 365	13 026	8 280	2 914	10 079	7 356	0	4 359	1 729	636	23 649	65	16 662	3 272	3 650	4 001	476	10 452	195 532
of which Estonia	36 900	0	7 736	2 737	5 897	3 387	1 647	2 977	3 600	0	2 022	242	597	12 671	44	7 760	1 968	2 899	2 341	94	3 899	86 749
of which Latvia	15 582	0	4 434	2 134	2 509	1 506	642	2 187	1 730	0	1 287	455	14	4 792	9	3 697	785	302	1 007	61	3 297	41 640
of which Lithuania	32 701	0	5 856	493	4 620	3 386	626	4 914	2 025	0	1 050	1 032	24	6 186	12	5 205	519	449	654	321	3 256	67 144
Large Cororates & Inst.	0	2 011	35	1 000	40 459	19 763	8 316	19 051	4 071	23 786	2 184	11 941	18 978	139 243	28 085	67 587	28 247	15 323	12 738	15 434	35 782	354 792
Group Functions	250	4 041	5	5	21	2 969	3	51	79	0	1	0	2 825	47	0	35	8	4	6	4	331 521	341 830
Total	**898 897**	**107 624**	**72 008**	**68 131**	**66 360**	**51 192**	**26 975**	**43 976**	**17 475**	**23 873**	**11 053**	**15 550**	**26 534**	**283 723**	**85 181**	**115 539**	**51 152**	**31 851**	**30 219**	**27 591**	**385 159**	**2 156 338**
Average PD (%)																						
Swedish Banking	0.16	0.22	0.33	0.86	1.44	0.28	1.65	1.47	1.36	1.56	1.97	1.33	0.92	0.90	0.76	0.96	1.07	1.06	1.43	1.48	0.18	0.37
Baltic Banking	1.73	-	2.19	3.78	1.79	0.67	3.85	2.53	1.60	-	2.45	1.43	0.92	0.84	5.66	0.56	0.54	2.31	3.37	2.57	0.01	1.70
of which Estonia	1.51	-	1.72	2.88	1.85	1.00	3.65	2.12	1.27	-	0.82	3.27	0.84	0.78	6.16	0.39	0.41	2.00	3.68	3.33	0.01	1.50
of which Latvia	2.77	-	3.31	4.66	2.71	0.82	3.96	4.28	2.34	-	5.99	1.36	2.90	1.31	10.41	1.02	0.71	6.11	2.81	3.70	0.01	2.63
of which Lithuania	1.48	-	1.98	4.96	1.22	0.27	4.25	2.00	1.55	-	1.27	1.03	1.82	0.60	0.35	0.48	0.82	1.80	3.15	2.14	0.01	1.40
Large Cororates & Inst.	-	0.51	0.10	0.23	0.32	0.16	1.32	1.08	0.30	1.12	0.21	0.50	0.17	0.34	0.32	0.29	0.37	0.48	0.39	0.12	0.08	0.40
Group Functions	0.22	0.00	0.48	1.50	0.98	0.00	1.20	0.35	0.03	-	0.42	-	0.10	0.72	-	0.59	0.23	3.03	6.65	0.00	0.00	0.01
Total	**0.31**	**0.22**	**0.79**	**1.08**	**0.82**	**0.28**	**1.78**	**1.54**	**1.21**	**1.12**	**1.81**	**0.70**	**0.30**	**0.62**	**0.62**	**0.51**	**0.65**	**0.92**	**1.25**	**0.74**	**0.02**	**0.44**
Average risk weight (%)																						
Swedish Banking	2.18	8.84	12.45	13.68	41.49	11.29	36.20	41.85	33.03	42.57	38.97	37.29	31.26	19.58	19.36	20.49	17.00	22.26	35.46	40.15	24.02	8.07
Baltic Banking	19.30	-	40.46	69.20	62.33	35.97	70.13	67.83	48.14	-	61.92	65.14	68.18	48.99	32.90	48.07	47.65	54.67	68.70	50.07	27.97	37.19
of which Estonia	15.18	-	30.21	58.27	55.24	40.75	66.31	49.66	37.14	-	47.41	35.87	68.57	43.98	36.60	41.51	41.51	52.37	76.49	47.75	23.37	32.11
of which Latvia	34.85	-	62.75	77.27	75.23	37.76	68.01	83.75	59.35	-	84.29	38.64	75.68	58.58	52.28	57.44	58.96	71.80	56.85	72.46	34.78	51.53
of which Lithuania	16.55	-	37.13	94.93	64.37	30.38	82.38	71.74	58.10	-	62.45	83.71	54.00	51.82	5.37	51.19	53.86	57.98	59.05	46.46	26.59	34.87
Large Cororates & Inst.	-	50.75	20.65	27.61	29.10	20.04	41.33	42.20	30.55	38.91	31.29	42.97	24.26	14.92	15.80	13.40	16.95	16.26	39.08	12.27	21.19	23.86
Group Functions	2.73	92.05	7.20	71.33	51.08	8.27	104.23	41.62	5.13	-	55.98	-	18.41	48.79	-	55.19	37.68	13.01	62.75	100.00	1.44	2.74
Total	**3.80**	**12.75**	**19.47**	**18.26**	**38.03**	**18.48**	**41.45**	**47.96**	**38.68**	**38.93**	**46.50**	**44.75**	**25.77**	**19.75**	**18.20**	**20.33**	**18.94**	**23.09**	**41.39**	**24.73**	**4.43**	**12.46**

Table 3.6: Maturity[1)] of exposures (EU CRB-E), 31 December 2019

	Net exposure value					
SEKm	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	97 720	229 032	3 981	970	2 198	333 901
Institutions	7 614	8 190	13 463	4	256	29 527
Corporates	15 475	166 924	93 166	72 993	92 367	440 925
Retail	4 900	42 213	30 194	1 067 580	165	1 145 052
Equity						
Other exposures		10			12 567	12 577
Total IRB approach	**125 709**	**446 369**	**140 804**	**1 141 547**	**107 553**	**1 961 982**
Central governments or central banks		2	56		6	64
Regional governments or local authorities		64	1 186	1 201	24	2 475
Public sector entities		225	606			831
Multilateral Development Banks		437	869			1 306
International Organisations						
Institutions	455	0	1		19	475
Corporates	577	150	800	391	0	1 918
Retail	273	8 978	7 444	2 986		19 681
Secured by mortgages on immovable property	1 334	43	121	4 220		5 718
Exposures in default		24	24	43	645	736
Items associated with particularly high risk						
Covered bonds			565			565
Claims on institutions and corporates with a short- term credit assessment						
Collective investments undertakings (CIU)		6				6
Equity exposures				59	9 178	9 237
Other exposures	282	1 768			1 180	3 230
Total SA approach	**2 921**	**11 697**	**11 672**	**8 900**	**11 052**	**46 242**
Total	**128 630**	**458 066**	**152 476**	**1 150 447**	**118 605**	**2 008 224**

1) Maturity is the remaining contractual maturity as of 31 December 2019.

The maturity structure is largely the same as of December 2018.

Credit quality of exposures

Past due loans

Past-due loans refer to overdrawn accounts and loans where amounts due for payment have not been paid in accordance with the terms of the loan agreements.

Credit impaired loans

Impaired loans are loans for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. A loan is considered credit-impaired when there is objective proof that an event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows. A loan in default is also always considered as an impaired loan, and vice versa.

Events on an individual level arise, implying an impairment test, e.g., when:

- A borrower incurs significant financial difficulties.
- It is likely that the borrower will enter into bankruptcy, liquidation or financial restructuring.
- Or there is a breach of contract, such as materially delayed or non–payment of interest or principal.

Exposures that are overdue by more than 90 days, or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties, are considered as credit-impaired and as being in default. Impaired loans are moved to stage 3 according to the accounting framework IFRS 9. The provisioning level in stage 3 can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee according to the bank's established principles.

Provisions

All loans, performing as well as non-performing, will carry a loss allowance (provision). It is not necessary for a loss event to occur before an impairment loss is recognised. This can also be described as the expected credit loss approach, i.e. all exposures in the Group's accounts will have an expected credit loss recognised directly after their origination, which is in line with the accounting standards IFRS 9.

All loans are subject to stage allocation and will carry a provision based on that allocation at each reporting date. The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage a loan is allocated to, the provisions will be calculated according to Swedbank's models. For some

large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

Forborne loans

Forborne loans refer to loans where the contractual terms have been changed due to the customer's financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again and to avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rate, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts.

Depending on when the forbearance measures are done and the severity of the financial difficulties of the borrower, the forborne loan could either be treated as a performing forborne loan or a non-performing forborne loan.

Table 3.7: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2019

	Gross carrying values of which						
SEKm	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments or central banks		358 948	1				358 947
Institutions		38 658	6				38 652
Corporates	11 743	637 644	6 062		2 010	639	643 325
- of which Specialised Lending	77	613	17		240		673
- of which SME	1 182	182 251	621		591	3	182 812
Retail	2 298	1 224 268	1 140		3 914	-7	1 225 426
- Secured by real estate property	1 464	1 070 864	610		2 404	-46	1 071 718
--- SME	92	103 288	59		110	-10	103 321
--- Non-SME	1 372	967 576	551		2 294	-36	968 397
- Qualifying revolving							
- Other Retail	834	153 404	530		1 510	39	153 708
--- SME	442	41 682	229		160	-12	41 895
--- Non-SME	392	111 722	301		1 350	51	111 813
Equity							
Other exposures		12 581					12 581
Total IRB approach	**14 041**	**2 272 099**	**7 209**		**5 924**	**632**	**2 278 931**
Central governments or central banks		64					64
Regional governments or local authorities		2 626					2 626
Public sector entities		1 926					1 926
Multilateral development banks		1 395					1 395
International organisations							
Institutions		491					491
Corporates:		5 695	35		67	3	5 660
- of which SME		1 901			31		1 901
Retail		42 354	480		3 515	21	41 874
- of which SME		5 161	3		6		5 158
Secured by mortgages on immovable		6 619	11		0	-11	6 608
- of which SME					0		
Exposures in default	1 396		660		55	-5	736
Items associated with particularly high risk							
Covered bonds		564					564
Claims on institutions and corporates with a short- term credit assessment							
Collective investments undertakings (CIU)		6					6
Equity exposures		9 237					9 237
Other exposures		3 230					3 230
Total SA approach	**1 396**	**74 207**	**1 186**		**3 637**	**8**	**74 417**
Total	**15 437**	**2 346 306**	**8 395**		**9 561**	**640**	**2 353 348**
- of which Loans	14 305	1 632 109	7 796		9 561	724	1 638 618
- of which Debt Securities		152 771					152 771
- of which Off-balance sheet exposures	1 132	344 590	599			-84	345 123

Total defaulted exposures increased by SEK 1.4bn compared to June 2019, mainly in the corporate exposure class, in which also credit risk adjustment increased by SEK 0.6bn.

Table 3.8: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2019

SEKm	Gross carrying values of which: Defaulted exposures	Gross carrying values of which: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Private mortgage	1 338	904 935	487		2 436	-28	905 786
Tenant owner associations	136	104 825	24		0	-15	104 937
Private other	1 708	150 481	1 392		4 689	15	150 797
Agriculture, forestry, fishing	159	69 017	136		88	-13	69 040
Manufacturing	1 208	93 461	1 003		337	269	93 666
Public sector and utilities	32	74 906	47		13	-2	74 891
Construction	347	34 701	296		172	153	34 752
Retail	443	54 448	519		544	-173	54 372
Transportation	44	19 597	34		211	-2	19 607
Shipping and offshore	7 916	17 237	3 166		328	583	21 987
Hotels and restaurants	81	10 955	44		140	24	10 992
Information and communication	17	19 413	90		6	-129	19 340
Finance and insurance	13	49 569	32		13	0	49 550
Property management	1 384	305 942	574		379	38	306 752
- Residential properties	154	86 930	186		184	-4	86 898
- Commercial	1 044	127 946	239		75	4	128 751
- Industrial and Warehouse	51	54 098	75		22	11	54 074
- Other property management	135	36 968	74		98	27	37 029
Professional services	181	36 749	127		109	-19	36 803
Other corporate lending	430	23 938	413		96	-59	23 955
Credit institutions		367 990	11		0	-2	367 979
Other exposures		8 142			0	0	8 142
Total	**15 437**	**2 346 306**	**8 395**		**9 561**	**640**	**2 353 348**

The increase in defaulted exposures compared to June 2019 is mainly driven by increases in sectors Shipping and offshore and Property management. The increase in specific credit risk adjustments is mainly in some larger corporate customers in oil-related segments of sectors Shipping and offshore and Manufacturing.

Table 3.9: Credit quality of exposures by geography (EU CR1-C), 31 December 2019

SEKm	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Significant area: Nordic	**9 999**	**1 964 999**	**6 174**		**5 331**	**642**	**1 968 824**
- Sweden	4 024	1 785 672	2 958		3 003	-431	1 786 738
- Norway	5 657	59 472	2 690		1 781	939	62 439
- Denmark	311	12 207	314		545	8	12 204
- Finland	7	107 648	212		2	126	107 443
Significant area: Baltic	**1 504**	**305 381**	**634**		**4 184**	**-9**	**306 251**
- Estonia	449	122 121	203		369	7	122 367
- Latvia	331	66 177	205		3 104	-17	66 303
- Lithuania	724	117 083	226		711	1	117 581
Rest of the world	**3 934**	**75 926**	**1 587**		**46**	**7**	**78 273**
- USA	104	31 769	90		0	15	31 783
- Other geographical areas	3 830	44 157	1 497		46	-8	46 490
Total	**15 437**	**2 346 306**	**8 395**		**9 561**	**640**	**2 353 348**

The increase in defaulted exposures compared to June 2019 is mainly seen in Norway (SEK 1.3bn) and Other geographical areas (SEK 0.9bn) and is partly counteracted by decreases in Sweden and Denmark.

Table 3.10: Performing and non-performing exposures and related provisions, 31 December 2019

SEKm	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**1 844 398**	**1 738 005**	**106 394**	**15 157**	**316**	**14 838**	**2 289**	**947**	**1 342**	**5 382**	**4**	**5 377**		**1 441 053**	**8 780**
Central banks	191 827	191 827													
General governments	4 999	4 942	57	0	0	0	1	1	0	0	0	0		532	
Credit institutions	30 082	30 009	73				4	3	1						
Other financial corporations	23 836	22 839	998	2	0	2	7	7	0	0	0	0		2 742	1
Non-financial corporations	545 655	494 854	50 801	11 530	146	11 385	1 371	393	978	4 353	1	4 352		446 691	7 038
Of which SMEs	275 990	245 609	30 381	1 818	55	1 763	362	84	278	441	1	440		259 427	1 287
Households	1 047 999	993 534	54 465	3 625	170	3 451	906	543	363	1 029	3	1 025		991 088	1 741
Debt securities	**150 609**	**120 251**													
Central banks	120 251	120 251													
General governments	7 048														
Credit institutions	1 954														
Other financial corporations	21 278														
Non-financial corporations	78														
Off-balance-sheet exposures	**359 603**	**344 383**	**15 219**	**1 097**	**41**	**1 012**	**302**	**136**	**166**	**297**	**0**	**297**			**45**
Central banks															
General governments	24 029	24 022	7				0	0	0						
Credit institutions	10 300	10 137	163				4	3	1						
Other financial corporations	9 355	8 398	957	0		0	2	1	1			0			
Non-financial corporations	221 174	210 751	10 422	1 094	41	1 009	273	114	159	297	0	297			45
Households	94 745	91 075	3 670	3	0	3	23	18	5	0		0			0
Total	**2 354 610**	**2 202 639**	**121 613**	**16 254**	**357**	**15 850**	**2 591**	**1 083**	**1 508**	**5 679**	**4**	**5 674**		**1 441 053**	**8 825**

New table in accordance with EBA guidelines on disclosures of non-performing and forborne exposures EBA/GL/2018/10 (Template 4).

The performance of Swedbank's portfolio remains on a high stable level with less than 1% of non-performing exposures. Most of the defaults (stage 3) are within non-financial corporations in sectors Shipping and offshore, Property management and Manufacturing. Stage 2 (significantly increased credit risk) exposures remain on a low level of 5%, where real estate companies in non-financial corporations and mortgages in households contribute the most.

Table 3.11: Credit quality of performing and non-performing exposures by past due days, 31 December 2019

SEKm	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**1 844 398**	**1 843 358**	**1 040**	**15 157**	**11 569**	**791**	**1 068**	**935**	**512**	**132**	**149**	**14 672**
Central banks	191 827	191 827										
General governments	4 999	4 999		0	0							
Credit institutions	30 082	30 082										
Other financial corporations	23 836	23 836		2	1	0	0	0				1
Non-financial corporations	545 655	545 573	82	11 530	10 114	273	537	157	325	86	38	11 376
Of which SMEs	275 990	275 908	82	1 818	884	135	414	141	182	23	38	1 755
Households	1 047 999	1 047 041	958	3 625	1 454	518	531	778	187	46	111	3 295
Debt securities	**150 609**	**150 609**										
Central banks	120 251	120 251										
General governments	7 048	7 048										
Credit institutions	1 954	1 954										
Other financial corporations	21 278	21 278										
Non-financial corporations	78	78										
Off-balance-sheet exposures	**359 603**			**1 097**								**1 012**
Central banks	0											
General governments	24 029											
Credit institutions	10 300											
Other financial corporations	9 355			0								0
Non-financial corporations	221 174			1 094								1 009
Households	94 745			3								3
Total	**2 354 610**	**1 993 967**	**1 040**	**16 254**	**11 569**	**791**	**1 068**	**935**	**512**	**132**	**149**	**15 684**

New table in accordance with EBA guidelines on disclosures of non-performing and forborne exposures EBA/GL/2018/10 (Template 3), replacing table "Ageing of past-due exposures (EU CR1-D)".

The total exposures that are past due is low. Less than 1% of total exposures are past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Table 3.12: Credit quality of forborne exposures, 31 December 2019

SEKm	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**2 945**	**7 248**	**6 772**	**6 814**	**232**	**2 900**	**6 171**	**4 514**
Central banks								
General governments	0							
Credit institutions								
Other financial corporations	0							
Non-financial corporations	2 399	6 522	6 243	6 243	226	2 781	5 169	3 937
Households	546	726	529	571	6	119	1 002	577
Debt Securities								
Loan commitments given	**90**	**88**	**2**	**2**	**8**	**1**	**62**	**42**
Total	**3 035**	**7 336**	**6 774**	**6 816**	**240**	**2 901**	**6 233**	**4 556**

New table in accordance with EBA guidelines on disclosures of non-performing and forborne exposures EBA/GL/2018/10 (Template 1), replacing table "Non-performing and forborne exposures (EU CR1-E)".

During the second half of 2019 there was a decrease in performing forborne loans for non-financial corporations of SEK 3.5bn, mainly due to some large customers in Shipping and offshore, Manufacturing and Information and communication industries that were taken out from performing forborne because of the end of probation period. There was also a decrease in non-performing forborne exposures by SEK 1.4bn, mainly attributable to write-offs (one major case in the Retail sector) and decrease in exposures due to FX effect.

Table 3.13: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2019

SEKm	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	**7 908**	
Increases due to amounts set aside for estimated loan losses during the period	1 779	
Decreases due to amounts reversed for estimated loan losses during the period	-477	
Decreases due to amounts taken against accumulated credit risk adjustments	-543	
Transfers between credit risk adjustments		
Impact of exchange rate differences	4	
Business combinations, including acquisitions and disposals of subsidiaries	-10	
Other adjustments	-266	
Closing balance	**8 395**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-118	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	237	

The total amount of specific credit risk adjustments increased by SEK 0.5bn during the second half of the year and ended at SEK 8.4bn. The major increase came from new and updated individual assessments of larger customers in oil-related segments in stage 3, and also from a few new defaults (transfer from stage 2), mainly within oil-related in sector Shipping and offshore. This was counteracted by changed maturities and amortisation schedules and some improved ratings (Decreases due to amounts reversed) and by write-offs, mainly in the Retail sector (Decreases due to amounts taken against accumulated credit risk adjustments).

Table 3.14: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2019

SEKm	Gross carrying value defaulted exposures
Opening balance	**14 019**
Loans and debt securities that have defaulted or impaired since the last reporting period	4 101
Returned to non-defaulted status	-621
Amounts written off	-781
Other changes	-1 282
Closing balance	**15 436**

The increase in defaulted (stage 3) loans during the second half of 2019 was mainly in oil-related segments in Shipping and offshore and Manufacturing sectors, and in Property management in Norway. Other changes relate to decrease in existing exposures due to FX effect.

Table 3.15: Collateral obtained by taking possession and execution processes, 31 December 2019

SEKm	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	**177**	**-49**
Residential immovable property	15	-1
Commercial Immovable property	101	-42
Movable property (auto, shipping, etc.)	58	-6
Equity and debt instruments		
Other	3	0
Total	**177**	**-49**

New table in accordance with EBA guidelines on disclosures of non-performing and forborne exposures EBA/GL/2018/10 (Template 9). The number of properties that are taken over is low and mostly concentrated to the Baltic countries (Latvia and Lithuania).

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is considered from a risk perspective even if the collateral cannot be recognised for capital adequacy purposes. The collateral, its value and risk mitigating effect are considered throughout the credit process.

The term collateral covers pledges and guarantees. The most common types of pledges are real estate, apartments, floating charge, and financial instruments. Netting agreements or covenants are not considered as collateral.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Main types of guarantors and counterparties in credit derivatives and their creditworthiness are described later in this chapter under Counterparty credit risk.

Credits without collateral are mainly granted for small loans to private customers or loans to large companies with very solid repayment capacity. For the latter, special loan covenants are commonly created which entitle Swedbank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates, or if the covenants are otherwise breached.

Collateral valuation

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part in the credit risk assessment of the borrower. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed within periodic credit reviews of the borrower and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become a problem loan.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. For financial collateral, such as debt securities, equities and collective investment undertakings (CIUs), valuation is normally monitored on a daily basis.

Concentrations within mitigation instruments

Approximately 56% of Swedbank's total loans have private housing mortgages as collateral indicating a high concentration risk. However, the composition of the portfolio, with a large number of customers in all four home markets and a variation between customers in larger city areas and countryside as well as relatively small amounts on each borrower, mitigates the risks. Another 22% of the loans have other real estate as collateral. This portfolio is spread over a large number of customers, several geographies and different property segments.

Table 3.16: Credit risk mitigation techniques – overview (EU CR3), 31 December 2019

SEKm	Exposures unsecured: Carrying amount	Exposures secured: Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	225 043	1 413 575	1 348 430	65 144	
Total debt securities	152 771				
Other	216 835	1	1		
Total all exposures	**594 649**	**1 413 576**	**1 348 431**	**65 144**	
- of which defaulted	5 921	2 955	2 444	511	

The amount of unsecured exposures decreased compared to June 2019 due to decreased placements in central banks. Otherwise there are no major changes in the composition of exposures by CRM techniques.

Measurement of credit risk

Swedbank uses three methods to calculate capital requirements for credit risk: the advanced IRB approach, the foundation IRB approach, and the standardised approach. The IRB approach is applied for a vast majority, 96%, of Swedbank's credit risk exposures.

For the retail exposure class in Sweden and the Baltic countries, Swedbank has approval to use the IRB approach. For corporate exposures in Sweden and Norway, Swedbank has approval to use the advanced IRB approach. For other IRB-approved exposure classes (corporate exposures outside the advanced IRB scope, institutions, and sovereign exposures) in the Nordic countries and in the Baltic countries, Swedbank uses the foundation IRB approach, and hence calculates its own PD estimates, but uses prescribed levels for the parameters LGD and credit conversion factor (CCF) in calculating capital requirements.

For non-IRB approved parts of Swedbank's credit portfolio, and also where an exception has been granted by the regulatory supervisory college, Swedbank uses the standardised approach to calculate capital requirements for credit risks.

Table 3.17: Exposure by capital adequacy approach, 31 December 2019

	Advanced IRB approach			Foundation IRB approach			Standardised approach		
SEKm	EAD	RWA	Portfolios	EAD	RWA	Portfolios	EAD	RWA	Portfolios
Swedish Banking	1 230 779	95 585	Retail and corporate exposures	33 404	6 441	Institutions and sovereign exposures	30 311	31 016	EnterCard and smaller portfolios
Baltic Banking	116 131	28 045	Retail exposures	80 010	45 399	Corp., Inst. and sovereign exposures	11 584	6 531	Smaller portfolios
Large Corporate & Institutions	294 548	70 783	Corporate exposures	60 244	13 878	Institutions and sovereign exposures	30 373	4 890	Smaller portfolios
Group Functions	364	17	Retail exposures	341 466	9 337	Institutions and sovereign exposures	7 243	2 737	Smaller portfolios
Swedbank CS	**1 641 822**	**194 430**		**515 124**	**75 055**		**79 511**	**45 174**	

Table 3.18: Share of exposure and RWA by exposure class and capital adequacy approach, 31 December 2019

	Exposure			RWA		
%	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB
Central governments or central banks	0.0	16.2		0.0	1.6	
Regional governments or local authorities	0.1			0.1		
Public sector entities	0.1			0.1		
Multilateral development banks	0.1			3.4		
International organisations	0.0			0.0		
Institutions	1.3	2.4		0.2	3.1	
Corporates	0.2	3.9	20.5	1.6	16.5	37.3
of which Specialised lending		0.0			0.2	
of which SME	0.1	0.4	7.1	0.4	1.9	13.7
of which Non-SME		3.5	13.4		14.4	23.6
Retail	0.9		53.0	4.5		24.5
Secured by real estate property			47.9			15.6
SME			4.6			2.2
Non-SME			43.3			13.4
Qualifying revolving						
Other retail			5.1			8.9
SME			1.8			4.6
Non-SME			3.3			4.4
Secured by mortgages on immovable property	0.3			0.7		
of which SME	0.0			0.8		
Equity	0.4			6.1		
Exposures in default	0.0			0.2		
Items associated with particularly high risk						
Covered bonds	0.0			0.0		
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)	0.0			0.0		
Other exposures	0.1	0.6		0.8	2.6	
Total	**3.0**	**20.8**	**76.1**	**13.3**	**22.2**	**64.5**

External ratings used in the standardised approach

In the standardised approach, fixed risk weights are applied to each exposure class split into credit quality steps, based on ratings assigned by external credit rating agencies. Swedbank uses ratings assigned by Standard & Poor's, and in the Baltic subsidiaries also ratings assigned by Moody's and Fitch. These ratings are used in the calculation of risk weights for central governments and central banks, regional governments and local authorities, institutions, and corporate exposure classes.

Each exposure is assigned to a credit quality step, and then based on exposure class, a risk weight associated with the credit quality step. The risk weights are in some cases also affected by maturity. When an external credit rating is not available, a default treatment is applied.

Table 3.19: Credit quality steps and external credit ratings

	External credit ratings		
Credit quality step	S&P	Moody's	Fitch
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC+ and below

Table 3.20: Credit quality steps and risk weights

	Exposure classes		
Credit quality step	Corporates	Central governments and central banks	Regional and local authorities, Institutions
Step 1	20%	0%	20%
Step 2	50%	20%	50%
Step 3	100%	50%	100%
Step 4	150%	100%	100%
Step 5	150%	100%	100%
Step 6	150%	150%	150%
Unrated	100%	100%	100%

Internal risk classification system used in the IRB approach

Swedbank's internal risk classification system is a central component in the credit process. It comprises several different systems, working methods and decision-making processes for lending operations, credit monitoring, and quantification of credit risk. The system aims to measure the risk that a customer or a contract will default and, in that case, what the losses would be for Swedbank.

Swedbank's internal risk classification system is a proprietary system that is approved by the regulatory supervisory college. The system, and the results it produces, are based on Swedbank's experience and expertise in assessing and managing credit risks. Swedbank's internal risk classification system serves as a basis for:

- risk assessments and credit decisions (automated and in committees)
- calculating risk-adjusted return (including RAROC)
- credit impairment provisions
- monitoring and managing credit risk (including migrations)
- reporting credit risks to Swedbank's Board of Directors, CEO and senior management
- developing credit strategies and associated risk management activities
- calculating capital requirements and capital allocation

Figure 3.3: Risk classification systems in Sweden

Portfolio	Definition	PD dimension		LGD dimension	CF dimension
		Application	Portfolio		
Credit institutions	All	Rating System for Countries, Bank Systems and Banks		–	–
Sovereigns	All	Rating System for Central Governments and Central Banks, Regional Governments and Local Authorities*		–	–
Insurance Companies	All	Rating System for Insurance Companies		–	–
Large corporates	Asset > 1 bn SEK or Revenue > 0.5 bn SEK	Corporate Rating System		Corporate LGD Models	Corporate CF Models
Medium-sized companies (SMEs)	Exposure >1 m SEK	SME Application and Portfolio Scoring System			
Small-sized companies (SSEs)	Exposure < 1 m SEK	SSE Application Scoring System	SSE Portfolio Scoring System	Retail LGD Models	Retail CF Models
Private persons	All	Application Scoring System for Private Persons	Portfolio Scoring System for Private Persons		

System relying on expert models
System relying on statistical models

Figure 3.4: Risk classification systems in Baltic countries

Portfolio	Definition	PD dimension		LGD dimension	CF dimension
		Application	Portfolio		
Credit institutions	All	Rating System for Countries, Bank Systems and Banks		–	–
Sovereigns	All	Rating System for Central Governments and Central Banks		–	–
Large corporates	Exposure > € 0.8 m	Corporate Rating System		–	–
Medium-sized companies (SMEs)	Exposure > € 0.2 m and <= € 0.8 m	SME Application Scoring System*	SME Portfolio Scoring System	–	–
Small-sized companies (SSEs)	Exposure <= € 0.2 m	SSE Application Scoring System	SSE Portfolio Scoring System	Retail LGD Models	Retail CF Models
Private persons	All	Application Scoring System for Private Persons	Portfolio Scoring System for Private Persons		

System relying on expert models
System relying on statistical models
* SME PD Models are not pure statistical models, but also incorporate expert judgement

Rating systems

A rating system derives a risk rating for counterparty with the help of an expert-based system, in which values for selected criteria are weighted and converted into a risk grade. Rating systems are mainly used for large exposures where a thorough understanding of the risks is needed to ensure sound credit decisions. In these cases, Swedbank always conduct an extensive individual analysis before granting credits and update the ratings at least annually.

Swedbank's rating systems can be described as follows:

- **Sovereigns:** The rating is based on an assessment of a number of parameters that, combined, describe the level of development, stability, and financial strength of the sovereign (government) in question.
- **Credit Institutions:** The rating is based on a total appraisal of the sovereign's (government's) rating and the level of risk in the banking system and the specific bank. The level of risk in the banking system is determined by weighing a number of parameters that reflect the development, stability, and financial strength of the banking system. The level of risk of the specific bank is calculated by weighing the financial strength, strategy, and risk level of its operations.
- **Large corporates:** The rating is based on a total appraisal of a quantitative component that assesses the company's financial strength, and a qualitative component that assesses the position of the industry, as well as the company's market position and strategy.
- **Insurance companies:** Insurance companies are rated by business-independent analysts. The risk classification is an expert based assessment of variables such as financial key ratios, management of and access to capital, market position, country risk and regulatory compliance risk. The assessment is done for life and non-life insurance companies.

Scoring systems

In a scoring system, the risk grade of the counterparty (or contract) is based on the statistical relation between a number of selected variables and defaults. Scoring systems are mainly used in portfolios with large numbers of smaller exposures where statistical relationships between different variables and default help to identify potential high-risk customers. When granting loans to counterparties in this type of portfolio, a credit process with a highly automated risk evaluation process is applied.

Swedbank's scoring systems are organised as follows:

- **Medium-sized companies:** represents a combination of a number of different scoring models and an expert system. In the statistical component, the risk assessment is based on information regarding the borrower's financial status and behaviour. Market conditions and the borrower's strategy are assessed in the model's expert component.

- **Retail exposures** (private individuals and small companies): comprises a number of different statistical scoring models where each model is designed to provide an effective instrument in its particular area. The risk assessment is based on information regarding the borrower's financial status and behaviour.

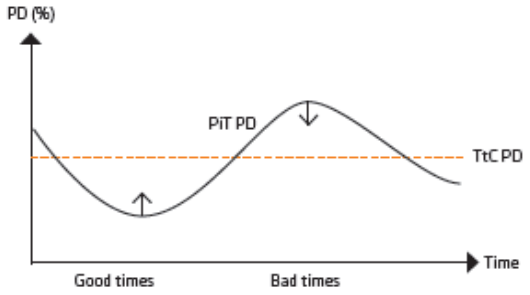
Credit risk estimation

When calculating capital requirements and expected loss using the IRB approach, the concepts Probability of default, Loss given default, and Credit conversion factor are central.

Probability of default (PD) estimates the risk that a counterparty or contract will default within a 12-month period. PD is measured through Swedbank's different rating and scoring systems. In order to use the most relevant information for assessment of PD, Swedbank has developed a number of different methods ranging from individual expert assessments (rating) to quantitative methods and models based on statistical analysis of large numbers of customers and related customer information (scoring).

When calculating capital requirements, Swedbank generally takes a through-the-cycle (TtC) perspective, aiming at producing PD values that indicate the average 12-month default frequency across a full business cycle. PD values also include a safety margin to account for the statistical uncertainty in the estimates. Thus, TtC-adjusted PD figures should remain stable across a business cycle at the portfolio level, while reflecting underlying long-term trends in the risk profile of the portfolio and taking a conservative view in estimated level of defaults.

Figure 3.5: PD over economic cycles



Swedbank uses a scale of 23 grades to classify the risk that a customer defaults, where grade 21 represents the lowest risk of default and grade 0 represents the highest risk. In addition, there is a default grade. Based on the PD estimate calculated using the TtC method, Swedbank assigns the customer, or exposure, a value on this risk scale. Using this risk scale, customers or exposures are ranked from those with the highest risk, to those with the lowest. The risk is also quantified.

Table 3.21: Risk scale in IRB approach

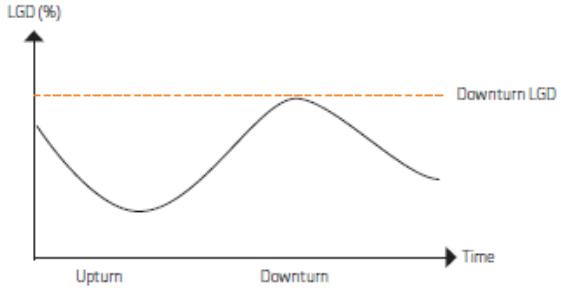
Internal	PD,%	Indicative rating Standard & Poor's
Default	100	D
0 to 5	>5.7	C to B
6 to 8	2.0 - 5.7	B+ to BB-
9 to 12	0.5-2.0	BB to BB+
13 to 21	<0.5	BBB- to AAA

Loss given default (LGD) measures what proportion of the exposure amount would be lost in case of default. Swedbank uses its own LGD estimates for retail exposures. Swedbank has an approval to apply its own LGD estimates to corporate exposures in Sweden and Norway. These estimates are in turn based on internal historical data on extent of loss. The extent of loss depends on factors such as the counterparty's financial status, the value of the collateral, and on assumptions of amounts recovered through the sale of any collateral based on historical outcomes and other factors.

For corporate exposures not covered by the advanced IRB approval as well as for institutions and sovereign exposures, prescribed LGD values are used.

Capital requirements are based on LGD estimates which are representative for a severe economic downturn. This means that they correspond to a degree of loss incurred under economic stress and cannot be directly compared to the current affirmed loss levels. The LGD values also include a safety margin that takes into account the statistical uncertainty in the estimates.

Figure 3.6: LGD over economic cycles



Credit conversion factor (CCF) is used when calculating capital requirement for off-balance exposures and typically estimates the percentage of some type of credit limit that is utilised by the time an obligor goes into default.

Internal models for CCF are applied on all portfolios with an advanced IRB permit (similar to LGD) whereas all other portfolios use prescribed CCF values. Safety margins and downturn adjustments are managed similarly to LGD and the measure should be conservative enough to capture a severe economic downturn.

Governance and control of risk classification systems

Swedbank defines its risk classification system in its governing documents. The overarching rules are established by the Board of Directors, with more detailed regulations issued by the CEO, CRO, or Chief Credit Officer, respectively. These regulations contain rules as to how models should be structured and validated and stipulate regular quality controls.

Swedbank performs regular (at least yearly) quantitative and qualitative validations of the system. The validation of the models is prepared by the unit Model Risk and Validation within Group Risk. All validation reports shall be approved by CRO. The outcome of the annual validation shall be reported by the CRO to Swedbank's senior management and Board of Directors. The validation tests conducted to date have shown that the models are on an overall level functional. Where shortcomings have been identified, applications for model updates are submitted for supervisory approval or are included in the modelling plan of prioritised improvements.

All new risk models, and changes to existing risk models, are approved by the CRO with an independent review made by Model Risk and Validation prior to approval.

Group Internal Audit performs independent audits on the risk classification system (acting as the third line of defence) at least on an annual basis and in specific cases related to model updates and applications.

The European Banking Authority (EBA) has clarified significant parts in CRR by issuing additional regulation, such as new guidelines for PD and LGD estimation, including margin of conservatism (MoC). As a result, Swedbank's IRB-models will be updated to reflect the new regulatory requirements.

Upcoming regulatory changes

On 7 December 2017, the Basel Committee published the final Basel III regulatory framework also known as Basel IV. Revisions have been made to the standardised approach for credit risk and the use of the IRB approaches has been constrained. These revisions should apply from 1 January 2022, however, since Basel frameworks are not binding rules, they need to be transposed into EU regulation in order to be binding.

One of the Committee's aims with the revisions to the standardised approach for credit risk is to enhance the regulatory framework by improving its granularity and risk sensitivity. For example, the Basel II standardised approach assigns a flat risk weight to all residential mortgages. In the revised standardised approach mortgage risk weights depend on the LTV ratio of the mortgage. Another key revision is that a more granular approach has been developed for unrated exposures to banks and corporates and for rated exposures in jurisdictions where the use of credit ratings is permitted. The Committee has also reduced the mechanistic reliance on credit ratings, by requiring banks to conduct sufficient due diligence.

The Committee removed the option to use the advanced IRB (A-IRB) approach for large and mid-sized corporates belonging to a group with total consolidated annual revenues greater than EUR 500m and exposures to banks and other financial institutions. Banks may instead use the foundation IRB (F-IRB) approach for these exposures. The revised IRB framework also introduces minimum "floor" values for bank-estimated IRB parameters that are used as inputs to the calculation of RWA. These include PD floors for both the F-IRB and A-IRB approaches, and LGD and EAD floors for the A-IRB approach. The Committee also provides greater specification of parameter estimation practices to reduce RWA variability.

EBA's ongoing work on limiting undue RWA variability by introducing a common taxonomy and by limiting the degrees of freedom in credit risk modelling is expected to be finalised in 2020. Several guidelines, regulatory technical standards, and implementation technical standards have been or is about to be adopted for this purpose. Introduction of a common taxonomy is best illustrated by the definition of default which has been clarified, including what constitutes a material amount past due. The EBA Guideline on PD estimation, LGD estimation, and treatment of defaulted assets provides a clearer view on modelling compared to CRR and limits how models can be constructed. It is expected that most banks in EU will have to adjust their IRB models in accordance with the new definition of default.

Credit risk exposures in the standardised approach

Table 3.22: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2019

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes, SEKm	On-balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWAs	RWA density
Central governments or central banks	64		64			0.00%
Regional government or local authorities	2 475	152	2 505	50	366	14.32%
Public sector entities	834	1 092	834	533	162	11.85%
Multilateral development banks	1 306	89	1 308	18	3	0.23%
International organisations						
Institutions	476	15	476	15	101	20.57%
Corporates	1 918	3 742	1 809	1 401	2 949	91.87%
Retail	19 679	22 195	19 355	220	14 101	72.04%
Secured by mortgages on immovable property	5 717	891	5 717	891	2 312	34.99%
Exposures in default	736		736		749	101.77%
Higher-risk categories						
Covered bonds	565		565		57	10.09%
Institutions and corporates with a short term credit assessment						
Collective investment undertakings	6		6		6	100.00%
Equity	9 237		9 237		19 293	208.87%
Other items	3 230		3 230		2 365	73.22%
Total	**46 243**	**28 176**	**45 842**	**3 128**	**42 464**	**86.71%**

The exposure in the standardised approach is a minor part of Swedbank CS credit risk exposure. The total exposure in standardised approach is almost unchanged since June 2019, where the increase in Equity is counteracted by the decrease in Multilateral development banks.

Table 3.23: Standardised approach – Exposures by exposure class and risk weights (EU CR5), 31 December 2019

Exposure classes, SEKm	Risk Weight																	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which Unrated
Central governments or central banks	64																**64**	
Regional government or local authorities	728				1 827												**2 555**	
Public sector entities	728				526		113										**1 367**	
Multilateral development banks	1 309				17												**1 326**	
International organisations																		
Institutions	15				456		20										**491**	
Corporates										3 211							**3 211**	
Retail									19 575								**19 575**	
Secured by mortgages on immovable property						6 608											**6 608**	
Exposures in default										710	26						**736**	
Higher-risk categories																		
Covered bonds				564													**564**	
Institutions and corporates with a short term credit assessment																		
Collective investment undertakings										6							**6**	
Equity exposures										2 554		6 680		3			**9 237**	
Other items	713				190					2 327							**3 230**	
Total	**3 557**			**564**	**3 016**	**6 608**	**133**		**19 575**	**8 808**	**26**	**6 680**		**3**			**48 970**	

The exposure in the standardised approach is a minor part of Swedbank CS credit risk exposure. The largest changes are seen in risk weight 0%, mainly explained by decreased exposures in Multilateral development banks and International organisations exposure classes; in risk weight 20% driven by increased exposures in Regional governments and Institutions; and by risk weight 250%, driven by increased Equity exposures.

Credit risk exposures in the IRB approach

Table 3.24: IRB approach – Credit risk exposures by exposure class and PD range (EU CR6), 31 December 2019

SEKm	PD scale	Original on-balance sheet gross exposure	Off- balance sheet exposures pre CCF	Average CCF, %	EAD post CRM and post- CCF	Average PD, %	Number of obligors	Average LGD, %	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
Exposure classes													
AIRB													
Corporates													
	0.00 to <0.15	40 879	70 055	42.8	73 423	0.09	237	21.8	2.7	10 013	13.64%	14	27
	0.15 to <0.25	71 109	37 306	46.5	90 834	0.19	401	18.0	2.6	15 780	17.37%	30	81
	0.25 to <0.50	118 736	36 076	45.0	136 294	0.34	1 519	16.8	2.8	30 767	22.57%	79	166
	0.50 to <0.75	34 972	8 258	50.4	38 224	0.60	1 158	19.1	3.4	12 997	34.00%	44	84
	0.75 to <2.50	79 126	11 888	55.4	79 722	1.31	2 787	18.2	3.1	30 318	38.03%	191	444
	2.50 to <10.00	14 302	1 633	68.6	12 255	4.81	906	18.3	3.1	6 523	53.23%	114	201
	10.00 to <100.00	2 873	356	46.2	2 668	18.31	112	26.3	2.1	3 456	129.54%	128	535
	100.00 (Default)	9 830	1 099	86.0	10 715	100.00	59	27.1	2.4	2 880	26.88%	4 045	4 057
Corporates - Sub total		**371 827**	**166 671**	**45.8**	**444 135**	**3.10**	**7 179**	**18.7**	**2.8**	**112 734**	**25.38%**	**4 645**	**5 595**
of which SME													

0.00 to <0.15	7 067	303	71.6	7 077	0.08	72	12.3	3.5	557	7.87%	1	3
0.15 to <0.25	6 950	242	66.6	6 838	0.09	98	15.5	3.9	751	10.98%	1	3
0.25 to <0.50	16 474	3 035	75.0	18 654	0.20	266	15.6	3.2	2 873	15.40%	6	2
0.50 to <0.75	38 622	3 179	69.0	41 040	0.36	1 352	15.0	3.3	7 935	19.33%	22	6
0.75 to <2.50	24 025	1 942	67.6	24 300	0.60	1 065	16.6	3.4	6 415	26.40%	24	13
2.50 to <10.00	56 908	5 639	65.3	54 332	1.36	2 683	16.2	3.3	17 534	32.27%	122	137
10.00 to <100.00	12 448	1 276	70.1	10 242	4.49	891	17.1	3.4	4 818	47.04%	81	98
100.00 (Default)	862	85	75.0	797	19.61	107	23.0	3.5	817	102.51%	34	34
of which SME - Sub total	**157 413**	**15 426**	**69.1**	**157 342**	**1.80**	**6 505**	**16.0**	**3.3**	**42 733**	**27.16%**	**579**	**583**
Retail												
0.00 to <0.15	859 619	48 720	43.0	880 136	0.05	1 992 740	10.3		13 963	1.59%	52	23
0.15 to <0.25	69 313	9 110	49.7	73 652	0.17	295 299	17.4		4 712	6.40%	23	14
0.25 to <0.50	65 909	7 685	60.7	70 240	0.36	303 466	18.6		7 857	11.19%	48	24
0.50 to <0.75	29 961	3 335	63.0	31 874	0.60	153 191	20.1		5 280	16.57%	39	17
0.75 to <2.50	87 434	8 866	72.9	93 213	1.38	541 416	21.6		25 349	27.19%	285	168
2.50 to <10.00	25 045	2 288	70.3	26 048	5.09	357 497	24.0		12 608	48.40%	316	188
10.00 to <100.00	6 609	374	60.7	6 785	24.37	45 012	21.6		5 277	77.77%	354	145
100.00 (Default)	2 270	28	94.2	2 284	100.00	12 635	25.3		2 010	88.00%	560	561
Retail - Sub total	**1 146 160**	**80 406**	**50.2**	**1 184 232**	**0.64**	**3 701 256**	**12.8**		**77 056**	**6.51%**	**1 677**	**1 140**
Secured by real estate property												
0.00 to <0.15	845 025	1 435	97.7	846 012	0.05	1 482 925	9.6		12 388	1.46%	47	17
0.15 to <0.25	61 029	1 059	76.3	61 699	0.17	102 457	13.8		3 060	4.96%	15	4
0.25 to <0.50	55 435	710	71.0	55 699	0.35	86 710	14.3		4 886	8.77%	29	10
0.50 to <0.75	22 787	261	79.1	22 879	0.60	34 456	15.5		3 153	13.78%	22	9
0.75 to <2.50	62 636	1 024	80.5	63 255	1.32	97 487	15.0		14 220	22.48%	124	108
2.50 to <10.00	14 656	393	66.5	14 906	5.09	24 120	14.8		7 245	48.60%	111	94
10.00 to <100.00	4 310	102	52.7	4 364	24.95	9 671	13.9		3 505	80.32%	153	74
100.00 (Default)	1 465		74.8	1 465	100.00	3 339	14.9		639	43.62%	293	293
Secured by real estate property - Sub total	**1 067 343**	**4 984**	**80.2**	**1 070 279**	**0.47**	**1 841 165**	**10.7**		**49 096**	**4.59%**	**794**	**609**
SME												
0.00 to <0.15	73 250			72 836	0.07	15 444	18.2		1 991	2.73%	10	2
0.15 to <0.25	8 784			8 645	0.18	2 155	23.1		601	6.95%	4	
0.25 to <0.50	8 998	1	72.4	8 759	0.37	3 018	21.5		962	10.98%	7	2
0.50 to <0.75	3 550			3 435	0.60	1 019	23.2		570	16.59%	5	2
0.75 to <2.50	6 672	7	68.5	6 533	1.33	3 633	21.6		1 690	25.87%	18	18
2.50 to <10.00	1 858	12	65.9	1 855	4.69	1 251	20.5		971	52.35%	18	14
10.00 to <100.00	154	2	67.8	155	19.30	214	19.8		137	88.39%	6	4
100.00 (Default)	92			92	100.00	49	26.7		129	140.22%	17	17
SME - Sub total	**103 358**	**22**	**67.3**	**102 310**	**0.41**	**26 783**	**19.3**		**7 051**	**6.89%**	**85**	**59**

Non-SME												
	0.00 to <0.15	771 775	1 435	97.7	773 176	0.05	1 467 481	8.8		10 397	1.34%	37	15
	0.15 to <0.25	52 245	1 059	76.3	53 054	0.17	100 302	12.3		2 459	4.63%	11	4
	0.25 to <0.50	46 437	709	71.0	46 940	0.35	83 692	13.0		3 924	8.36%	22	8
	0.50 to <0.75	19 237	261	79.1	19 444	0.60	33 437	14.2		2 583	13.28%	17	7
	0.75 to <2.50	55 964	1 017	80.6	56 722	1.32	93 854	14.2		12 530	22.09%	106	90
	2.50 to <10.00	12 798	381	66.5	13 051	5.15	22 869	14.0		6 274	48.07%	93	80
	10.00 to <100.00	4 156	100	52.4	4 209	25.16	9 457	13.7		3 368	80.02%	147	70
	100.00 (Default)	1 373		74.8	1 373	100.00	3 290	14.1		510	37.14%	276	276
Non-SME - Sub total		**963 985**	**4 962**	**80.2**	**967 969**	**0.48**	**1 814 382**	**9.7**		**42 045**	**4.34%**	**709**	**550**
Other Retail												
	0.00 to <0.15	14 594	47 285	41.3	34 124	0.06	509 815	25.7		1 575	4.62%	5	6
	0.15 to <0.25	8 284	8 051	46.2	11 953	0.18	192 842	36.1		1 652	13.82%	8	10
	0.25 to <0.50	10 474	6 975	59.7	14 541	0.38	216 756	35.1		2 971	20.43%	19	14
	0.50 to <0.75	7 174	3 074	61.6	8 995	0.60	118 735	31.7		2 127	23.65%	17	8
	0.75 to <2.50	24 798	7 842	71.9	29 958	1.51	443 929	35.7		11 129	37.15%	161	60
	2.50 to <10.00	10 389	1 895	71.1	11 142	5.08	333 377	36.3		5 363	48.13%	205	94
	10.00 to <100.00	2 299	272	63.7	2 421	23.31	35 341	35.6		1 772	73.19%	201	71
	100.00 (Default)	805	28	94.4	819	100.00	9 296	44.0		1 371	167.40%	267	268
Other Retail - Sub total		**78 817**	**75 422**	**48.4**	**113 953**	**2.24**	**1 860 091**	**32.5**		**27 960**	**24.54%**	**883**	**531**
Total all exposures AIRB		**1 517 988**	**247 076**	**47.2**	**1 628 366**	**1.31**	**3 708 435**	**14.4**	**2.8**	**189 788**	**11.66%**	**6 323**	**6 735**
Exposure classes FIRB												
Central governments or central banks												
	0.00 to <0.15	333 807	25 045	67.6	359 514	0.00	271	45.0	1.2	4 904	1.36%	4	1
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	2.50 to <10.00	96		75.0	96	3.09	14	45.0	2.5	15	15.63%		
	10.00 to <100.00												
	100.00 (Default)												
Central governments or central banks - Sub total		**333 903**	**25 045**	**67.6**	**359 610**	**0.00**	**285**	**45.0**	**1.2**	**4 919**	**1.37%**	**4**	**1**
Institutions												
	0.00 to <0.15	29 251	8 603	66.3	35 185	0.04	198	24.2	2.5	4 415	12.55%	4	2
	0.15 to <0.25												
	0.25 to <0.50	268	427	34.8	462	0.30	42	45.0	2.5	291	62.99%	1	4
	0.50 to <0.75	7	87	20.0	25	0.60	12	45.0	2.5	21	84.00%		
	0.75 to <2.50	3			3	1.00	2	45.0	2.5	4	133.33%		
	2.50 to <10.00	2	10	20.0	4	4.80	12	45.0	2.5	7	175.00%		
	10.00 to <100.00												
	100.00 (Default)	29 251	8 603	66.3	35 185	0.04	198	24.2	2.5	4 415	12.55%	4	2
Institutions - Sub total		**29 531**	**9 127**	**64.3**	**35 679**	**0.04**	**266**	**24.5**	**2.5**	**4 738**	**13.28%**	**5**	**6**

Corporates												
	0.00 to <0.15	16 883	8 899	28.3	18 639	0.08	166	44.7	2.5	4 823	25.88%	7	1
	0.15 to <0.25	20 998	6 990	29.6	22 974	0.21	294	44.7	2.5	9 967	43.38%	21	2
	0.25 to <0.50	14 388	10 339	52.0	19 771	0.40	457	44.3	2.5	11 804	59.70%	35	3
	0.50 to <0.75	1 674	3 305	21.3	2 235	0.60	194	41.2	2.5	1 453	65.01%	6	9
	0.75 to <2.50	12 216	3 767	43.1	13 124	1.10	1 382	44.2	2.5	10 745	81.87%	64	28
	2.50 to <10.00	6 129	2 570	43.1	7 036	5.31	600	44.2	2.5	9 852	140.02%	165	35
	10.00 to <100.00	1 149	155	45.6	1 149	24.80	103	44.6	2.5	2 376	206.79%	127	31
	100.00 (Default)	714	23	29.6	717	100.00	28	44.4	2.5	8	1.12%	319	340
Corporates - Sub total		**74 151**	**36 048**	**37.4**	**85 645**	**1.96**	**3 224**	**44.4**	**2.5**	**51 028**	**59.58%**	**744**	**449**
of which SME													
	0.00 to <0.15	246	17	38.3	147	0.09	14	37.8	2.5	23	15.65%		
	0.15 to <0.25	694	131	24.5	656	0.20	49	42.3	2.5	200	30.49%	1	
	0.25 to <0.50	1 129	242	33.6	1 208	0.38	166	41.5	2.5	475	39.32%	2	
	0.50 to <0.75	1 373	223	32.5	1 352	0.60	156	38.8	2.5	695	51.41%	3	1
	0.75 to <2.50	3 823	679	37.2	3 492	1.29	993	42.8	2.5	2 445	70.02%	19	22
	2.50 to <10.00	1 439	254	47.3	1 471	5.28	405	44.0	2.5	1 586	107.82%	34	8
	10.00 to <100.00	270	45	49.2	270	24.99	78	44.3	2.5	483	178.89%	30	4
	100.00 (Default)	24	7	33.4	26	100.00	9	45.0	2.5	8	30.77%	12	3
of which SME - Sub total		**8 998**	**1 598**	**36.9**	**8 622**	**2.67**	**1 870**	**42.1**	**2.5**	**5 915**	**68.60%**	**101**	**38**
Total all exposures FIRB		**437 585**	**70 220**	**51.8**	**480 934**	**0.35**	**3 775**	**43.4**	**1.5**	**60 685**	**12.62%**	**753**	**456**
Exposure classes Total													
Central governments or central banks													
	0.00 to <0.15	333 807	25 045	67.6	359 514	0.00	271	45.0	1.2	4 904	1.36%	4	1
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	2.50 to <10.00	96		75.0	96	3.09	14	45.0	2.5	15	15.63%		
	10.00 to <100.00												
	100.00 (Default)												
Central governments or central banks - Sub total		**333 903**	**25 045**	**67.6**	**359 610**	**0.00**	**285**	**45.0**	**1.2**	**4 919**	**1.37%**	**4**	**1**
Institutions													
	0.00 to <0.15	29 251	8 603	66.3	35 185	0.04	198	24.2	2.5	4 415	12.55%	4	2
	0.15 to <0.25												
	0.25 to <0.50	268	427	34.8	462	0.30	42	45.0	2.5	291	62.99%	1	4
	0.50 to <0.75	7	87	20.0	25	0.60	12	45.0	2.5	21	84.00%		
	0.75 to <2.50	3			3	1.00	2	45.0	2.5	4	133.33%		
	2.50 to <10.00	2	10	20.0	4	4.80	12	45.0	2.5	7	175.00%		
	10.00 to <100.00												
	100.00 (Default)												
Institutions - Sub total		**29 531**	**9 127**	**64.3**	**35 679**	**0.04**	**266**	**24.5**	**2.5**	**4 738**	**13.28%**	**5**	**6**

Corporates												
0.00 to <0.15	57 762	78 954	41.2	92 062	0.09	388	26.4	2.7	14 836	16.12%	21	28
0.15 to <0.25	92 107	44 296	43.9	113 808	0.19	670	23.4	2.6	25 747	22.62%	51	83
0.25 to <0.50	133 125	46 555	46.6	156 065	0.35	1 944	20.3	2.8	42 571	27.28%	115	169
0.50 to <0.75	36 646	11 563	42.0	40 459	0.60	1 326	20.3	3.4	14 450	35.72%	50	93
0.75 to <2.50	91 342	15 655	52.2	92 846	1.28	4 102	21.9	3.0	41 063	44.23%	255	472
2.50 to <10.00	20 431	4 203	51.5	19 291	4.99	1 495	27.7	2.9	16 375	84.88%	279	236
10.00 to <100.00	4 022	511	46.0	3 817	20.26	214	31.8	2.2	5 832	152.79%	255	566
100.00 (Default)	10 544	1 122	84.8	11 432	100.00	83	28.2	2.4	2 888	25.26%	4 364	4 397
Corporates - Sub total	**445 979**	**202 859**	**44.3**	**529 780**	**2.92**	**10 222**	**22.8**	**2.8**	**163 762**	**30.91%**	**5 390**	**6 044**
of which SME												
0.00 to <0.15	7 196	259	64.6	6 985	0.09	112	16.0	3.9	774	11.08%	1	3
0.15 to <0.25	17 168	3 166	73.0	19 310	0.20	306	16.5	3.2	3 073	15.91%	7	2
0.25 to <0.50	39 751	3 421	66.8	42 248	0.36	1 507	15.8	3.3	8 410	19.91%	24	6
0.50 to <0.75	25 398	2 165	63.6	25 652	0.60	1 204	17.8	3.3	7 110	27.72%	27	14
0.75 to <2.50	60 731	6 318	61.6	57 824	1.36	3 629	17.8	3.2	19 979	34.55%	141	159
2.50 to <10.00	13 887	1 530	65.1	11 713	4.59	1 286	20.4	3.3	6 404	54.67%	115	106
10.00 to <100.00	1 132	130	64.9	1 067	20.97	184	28.4	3.3	1 300	121.84%	64	38
100.00 (Default)	1 148	35	69.0	1 165	100.00	50	27.3	3.3	1 598	137.17%	301	293
of which SME - Sub total	**166 411**	**17 024**	**65.8**	**165 964**	**1.84**	**8 278**	**17.4**	**3.3**	**48 648**	**29.31%**	**680**	**621**
Retail												
0.00 to <0.15	859 619	48 720	43.0	880 136	0.05	1 992 740	10.3		13 963	1.59%	52	23
0.15 to <0.25	69 313	9 110	49.7	73 652	0.17	295 299	17.4		4 712	6.40%	23	14
0.25 to <0.50	65 909	7 685	60.7	70 240	0.36	303 466	18.6		7 857	11.19%	48	24
0.50 to <0.75	29 961	3 335	63.0	31 874	0.60	153 191	20.1		5 280	16.57%	39	17
0.75 to <2.50	87 434	8 866	72.9	93 213	1.38	541 416	21.6		25 349	27.19%	285	168
2.50 to <10.00	25 045	2 288	70.3	26 048	5.09	357 497	24.0		12 608	48.40%	316	188
10.00 to <100.00	6 609	374	60.7	6 785	24.37	45 012	21.6		5 277	77.77%	354	145
100.00 (Default)	2 270	28	94.2	2 284	100.00	12 635	25.3		2 010	88.00%	560	561
Retail - Sub total	**1 146 160**	**80 406**	**50.2**	**1 184 232**	**0.64**	**3 701 256**	**12.8**		**77 056**	**6.51%**	**1 677**	**1 140**
Secured by real estate property												
0.00 to <0.15	845 025	1 435	97.7	846 012	0.05	1 482 925	9.6		12 388	1.46%	47	17
0.15 to <0.25	61 029	1 059	76.3	61 699	0.17	102 457	13.8		3 060	4.96%	15	4
0.25 to <0.50	55 435	710	71.0	55 699	0.35	86 710	14.3		4 886	8.77%	29	10
0.50 to <0.75	22 787	261	79.1	22 879	0.60	34 456	15.5		3 153	13.78%	22	9
0.75 to <2.50	62 636	1 024	80.5	63 255	1.32	97 487	15.0		14 220	22.48%	124	108
2.50 to <10.00	14 656	393	66.5	14 906	5.09	24 120	14.8		7 245	48.60%	111	94
10.00 to <100.00	4 310	102	52.7	4 364	24.95	9 671	13.9		3 505	80.32%	153	74
100.00 (Default)	1 465		74.8	1 465	100.00	3 339	14.9		639	43.62%	293	293
Secured by real estate property - Sub total	**1 067 343**	**4 984**	**80.2**	**1 070 279**	**0.47**	**1 841 165**	**10.7**		**49 096**	**4.59%**	**794**	**609**

SME												
	0.00 to <0.15	73 250			72 836	0.07	15 444	18.2		1 991	2.73%	10	2
	0.15 to <0.25	8 784			8 645	0.18	2 155	23.1		601	6.95%	4	
	0.25 to <0.50	8 998	1	72.4	8 759	0.37	3 018	21.5		962	10.98%	7	2
	0.50 to <0.75	3 550			3 435	0.60	1 019	23.2		570	16.59%	5	2
	0.75 to <2.50	6 672	7	68.5	6 533	1.33	3 633	21.6		1 690	25.87%	18	18
	2.50 to <10.00	1 858	12	65.9	1 855	4.69	1 251	20.5		971	52.35%	18	14
	10.00 to <100.00	154	2	67.8	155	19.30	214	19.8		137	88.39%	6	4
	100.00 (Default)	92			92	100.00	49	26.7		129	140.22%	17	17
SME - Sub total		**103 358**	**22**	**67.3**	**102 310**	**0.41**	**26 783**	**19.3**		**7 051**	**6.89%**	**85**	**59**
Non-SME													
	0.00 to <0.15	771 775	1 435	97.7	773 176	0.05	1 467 481	8.8		10 397	1.34%	37	15
	0.15 to <0.25	52 245	1 059	76.3	53 054	0.17	100 302	12.3		2 459	4.63%	11	4
	0.25 to <0.50	46 437	709	71.0	46 940	0.35	83 692	13.0		3 924	8.36%	22	8
	0.50 to <0.75	19 237	261	79.1	19 444	0.60	33 437	14.2		2 583	13.28%	17	7
	0.75 to <2.50	55 964	1 017	80.6	56 722	1.32	93 854	14.2		12 530	22.09%	106	90
	2.50 to <10.00	12 798	381	66.5	13 051	5.15	22 869	14.0		6 274	48.07%	93	80
	10.00 to <100.00	4 156	100	52.4	4 209	25.16	9 457	13.7		3 368	80.02%	147	70
	100.00 (Default)	1 373		74.8	1 373	100.00	3 290	14.1		510	37.14%	276	276
Non-SME - Sub total		**963 985**	**4 962**	**80.2**	**967 969**	**0.48**	**1 814 382**	**9.7**		**42 045**	**4.34%**	**709**	**550**
Other Retail													
	0.00 to <0.15	14 594	47 285	41.3	34 124	0.06	509 815	25.7		1 575	4.62%	5	6
	0.15 to <0.25	8 284	8 051	46.2	11 953	0.18	192 842	36.1		1 652	13.82%	8	10
	0.25 to <0.50	10 474	6 975	59.7	14 541	0.38	216 756	35.1		2 971	20.43%	19	14
	0.50 to <0.75	7 174	3 074	61.6	8 995	0.60	118 735	31.7		2 127	23.65%	17	8
	0.75 to <2.50	24 798	7 842	71.9	29 958	1.51	443 929	35.7		11 129	37.15%	161	60
	2.50 to <10.00	10 389	1 895	71.1	11 142	5.08	333 377	36.3		5 363	48.13%	205	94
	10.00 to <100.00	2 299	272	63.7	2 421	23.31	35 341	35.6		1 772	73.19%	201	71
	100.00 (Default)	805	28	94.4	819	100.00	9 296	44.0		1 371	167.40%	267	268
Other Retail - Sub total		**78 817**	**75 422**	**48.4**	**113 953**	**2.24**	**1 860 091**	**32.5**		**27 960**	**24.54%**	**883**	**531**
Total all exposures		**1 955 573**	**317 437**	**48.3**	**2 109 301**	**1.09**	**3 712 029**	**21.0**	**2.2**	**250 475**	**11.87%**	**7 076**	**7 191**

Changes are only effects of normal business activity with lending growth, outflow and inflow of customers. In addition, the PD migrations have been normal and mainly in small steps.

Table 3.25: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (EU CR7)

Credit derivatives are not used as CRM techniques in the capital requirement reporting of Swedbank. Hence, no table is presented.

Table 3.26: RWA flow statements of credit risk exposures under IRB (EU CR8)

SEKm	RWA amounts	Capital requirements
RWA as at end of previous reporting period	**261 703**	**20 936**
Asset size	1 124	90
Asset quality	-34	-3
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-2 975	-238
Other	-1 063	-88
RWA as at end of reporting period	**258 755**	**20 697**

In the fourth quarter 2019, RWA for credit risk reported under IRB decreased by SEK 2.9bn, reaching SEK 259bn at year-end. The main changes were:

(1) Asset size increased RWA by SEK 1.1bn, driven by increased lending within Baltic Banking and relatively higher risk-weights on new lending within LC&I, mitigated by decreased corporate lending within Swedish Banking.

(2) Foreign exchange movements decreased RWA by SEK 3.0bn, mainly driven by appreciation of SEK towards EUR.

(3) The RWA decrease in Other by SEK 1.1bn is mainly explained by shorter maturities for corporates within business area LC&I.

Table 3.27: IRB approach – Backtesting of PD per exposure class (EU CR9), 31 December 2019

Exposure class	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors: End of previous	Number of obligors: End of the year	Defaulted obligors in the year	of which new defaulted obligors in the year	Average historical annual default rate
Foundation IRB									
Sovereigns	>5.7	C to B			0	0	0	0	
	2-5.7	B+ to BB-	3.09	3.14	1	1	0	0	0.0% *
	0.5-2	BB to BB+			0	0	0	0	
	<0.5	BBB- to AAA	0.00	0.00	384	436	0	0	0.0% *
Institutions	>5.7	C to B	6.79	6.79	2	2	0	0	0.0%
	2-5.7	B+ to BB-	2.45	3.74	19	21	0	0	0.8%
	0.5-2	BB to BB+	0.85	0.92	13	14	0	0	0.0%
	<0.5	BBB- to AAA	0.05	0.10	351	357	0	0	0.0%
Corporate	>5.7	C to B	12.93	13.12	330	347	7	0	6.0%
	2-5.7	B+ to BB-	3.92	3.73	757	799	1	0	1.4%
	0.5-2	BB to BB+	1.02	1.06	1 691	1 766	4	0	0.3%
	<0.5	BBB- to AAA	0.23	0.25	1 149	1 168	0	0	0.2%
- of which SME	>5.7	C to B	11.65	13.07	189	204	3	0	7.7%
	2-5.7	B+ to BB-	3.58	3.51	491	524	1	0	1.9%
	0.5-2	BB to BB+	1.09	1.08	920	968	0	0	0.3%
	<0.5	BBB- to AAA	0.31	0.32	144	149	0	0	0.2%
- of which specialised lending	>5.7	C to B			12	12	0	0	1.9%
	2-5.7	B+ to BB-			9	9	0	0	1.1%
	0.5-2	BB to BB+			23	23	0	0	0.0%
	<0.5	BBB- to AAA			4	4	0	0	0.0%
Advanced IRB									
Corporate	>5.7	C to B	12.14	13.72	464	506	43	1	10.8%
	2-5.7	B+ to BB-	3.26	3.21	1 753	2 223	31	2	1.8%
	0.5-2	BB to BB+	0.92	1.00	5 138	5 865	31	0	1.0%
	<0.5	BBB- to AAA	0.23	0.25	3 020	3 255	4	0	0.3%
- of which SME	>5.7	C to B	13.22	12.52	399	438	37	1	6.7%
	2-5.7	B+ to BB-	3.29	3.24	1 562	1 982	26	2	1.9%
	0.5-2	BB to BB+	0.10	1.05	4 678	5 321	25	0	0.6%
	<0.5	BBB- to AAA	0.31	0.33	2 148	2 299	3	0	0.2%
- of which specialised lending	>5.7	C to B							
	2-5.7	B+ to BB-							
	0.5-2	BB to BB+							
	<0.5	BBB- to AAA							
Retail - Mortgage	>5.7	C to B	16.08	17.39	19 042	23 148	1 026	13	8.0%
	2-5.7	B+ to BB-	3.22	3.22	31 749	38 403	257	6	1.8%
	0.5-2	BB to BB+	1.01	1.01	118 389	130 320	192	9	0.4%
	<0.5	BBB- to AAA	0.08	0.08	1 654 044	1 825 857	455	26	0.0%

- of which SME	>5.7	C to B	12.77	13.15	1 152	1 402	39	0	7.5%
	2-5.7	B+ to BB-	3.27	3.35	4 253	4 720	8	0	1.4%
	0.5-2	BB to BB+	0.94	1.11	14 121	15 742	1	1	0.5%
	<0.5	BBB- to AAA	0.11	0.13	21 095	22 642	5	0	0.1%
Retail - Other	>5.7	C to B	14.71	15.93	80 054	117 152	6 607	284	9.5%
	2-5.7	B+ to BB-	3.23	3.37	195 854	278 271	1 728	20	1.9%
	0.5-2	BB to BB+	1.05	1.01	458 033	547 625	1 421	18	0.5%
	<0.5	BBB- to AAA	0.16	0.16	970 594	1 092 148	973	19	0.1%

Table 3.28: Backtesting of EL., PD., LGD. and CCF. per business area, 31 December 2019

	EL. in %		PD. in %		LGD. in %			CCF. in %*****	
	Estimated	Realised	Estimated	Realised***	Estimated on total portfolio	Estimated on the defaults	Realised****	Estimated	Realised
Swedbank CS									
Retail - mortgages	0.04	0.00	0.35	0.10	10.60	9.60	4.95	87.88	0.00
Retail - other	0.50	0.08	1.54	0.72	32.60	44.33	10.51	71.87	32.14
Corporate**	0.19	0.32	0.82	1.02	23.27	24.55	30.66	54.42	28.03
Institutions	0.02	n.a	0.06	0.00	32.20	n.a	n.a.	n.a	n.a
Sovereign	0.00	n.a	0.00	0.00	45.00	n.a	n.a.	n.a	n.a
Swedish Banking									
Retail - mortgages	0.02	0.00	0.23	0.08	10.30	7.26	3.09	n.a	n.a
Retail - other	0.31	0.07	0.99	0.68	31.60	44.92	9.67	n.a	n.a
Corporate**	0.22	0.04	1.18	0.63	18.75	23.06	6.58	70.33	38.74
Institutions	0.03	n.a	0.07	0.00	45.00	n.a.	n.a.	n.a	n.a.
Sovereign	0.00	n.a	0.01	0.00	44.80	n.a.	n.a.	n.a	n.a.
Baltic Banking									
Retail - mortgages	0.28	0.04	1.92	0.34	14.50	16.70	10.58	71.25	0.00
Retail - other	1.15	0.21	3.26	0.86	35.20	34.60	24.24	58.62	32.14
Corporate	0.48	0.04	1.07	0.20	44.50	42.51	19.69	n.a	n.a
Institutions	0.04	n.a	0.09	0.00	43.00	n.a	n.a.	n.a	n.a.
Sovereign	0.01	n.a	0.02	0.00	44.90	n.a	n.a.	n.a	n.a.
LC&I									
Retail - mortgages	0.03	n.a	0.16	0.00	19.10	n.a.	n.a.	n.a	n.a
Retail - other	1.04	0.00	2.30	0.00	45.40	38.30	0.00	n.a	n.a
Corporate**	0.12	0.53	0.55	1.43	21.11	24.37	37.40	49.65	27.77
Institutions	0.04	n.a	0.09	0.00	45.00	n.a.	n.a.	n.a	n.a.
Sovereign	0.01	n.a	0.02	0.00	45.00	n.a.	n.a.	n.a	n.a.
Group Functions									
Retail - mortgages	0.04	n.a	0.26	0.00	15.20	n.a.	n.a.	n.a.	n.a.
Retail - other	0.42	n.a	2.62	0.00	16.00	n.a.	n.a.	n.a.	n.a.
Corporate	0.65	n.a	1.83	0.00	35.53	n.a.	n.a.	n.a.	n.a.
Institutions	0.00	n.a	0.03	0.00	14.90	n.a.	n.a.	n.a.	n.a.
Sovereign	0.00	n.a	0.00	0.00	45.00	n.a.	n.a.	n.a.	n.a.

* For previous four years. please visit www.swedbank.com.

** Swedbank applies own estimates for most of the corporate exposures in Swedish Banking and Large Corporates & Institutions. For the business areas Baltic Banking and Group Functions and the institution exposure class. Swedbank applies prescribed LGD and CCF values.

*** In Swedbank Group, a credit exposure is regarded to be in default if any of the following criteria are fulfilled:
a. There has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or
b. The counterpart is past due more than 90 days on any material credit obligation to Swedbank and Swedbank will have to claim collateral or take other similar action.

**** LGD is defined as the portion exposure amount that is lost in the event of default. Realised LGD is based on all available data as of 31 December for defaulted counterparties/accounts. For defaults that still have an ongoing workout process, provisioning amount is used instead of established loss. The outcome for these will be adjusted as additional information becomes available

***** For CCF. only internal estimates are presented. This differs from the approach used for LGD, where prescribed values are presented in order to support the EL estimates.

In 2019 the strained situation for some segments of the oil-related sector continued. Some large exposures defaulted in 2019, resulting in a higher than normal share of defaults in the corporate exposure class. Thus, the realised Expected loss (EL), and all underlying parameters, are below the estimates at the start of the year. The figures in the table do not take into account the Article 3 add-on for the Large Corporate segment which would, should it be taken into account, increase the average PD level substantially.

For all other exposure classes, the level of realised losses in 2019 were below the EL for Swedbank CS as well as for the separate business areas due to conservatism in models and in rating and due to regulatory buffers.

The stable economic development in the Baltic countries continued in 2019 with low numbers of new defaults. This resulted in realised losses on low levels compared to the expected loss levels. The average PD's are recalibrated and mapped to historical observed default frequencies. With each additional year of normalised loss data, the difference between the realised loss level and the estimated level is reduced, which can be seen in decreasing estimated EL in the graph for corporate exposures below.

Since the estimates in each risk dimension are adjusted to the business cycle and include safety margins. PD, LGD, and EL estimates will normally be more conservative than actual outcome. In the graphs below the regulatory values are used for estimates made at 1 January 2019. The graph shows the calculated loss according to the capital requirement framework as EL-ratio = PD * LGD with FSA regulatory add-ons and downturn adjustments. Realised LGD is based on all available data as of 31 December 2019 for defaulted counterparties/accounts. For defaults that still have an ongoing workout process, provisioning amount is used instead of established loss.

Figure 3.7: Estimated loss versus realised loss (Retail mortgage, Retail other and Corporate)

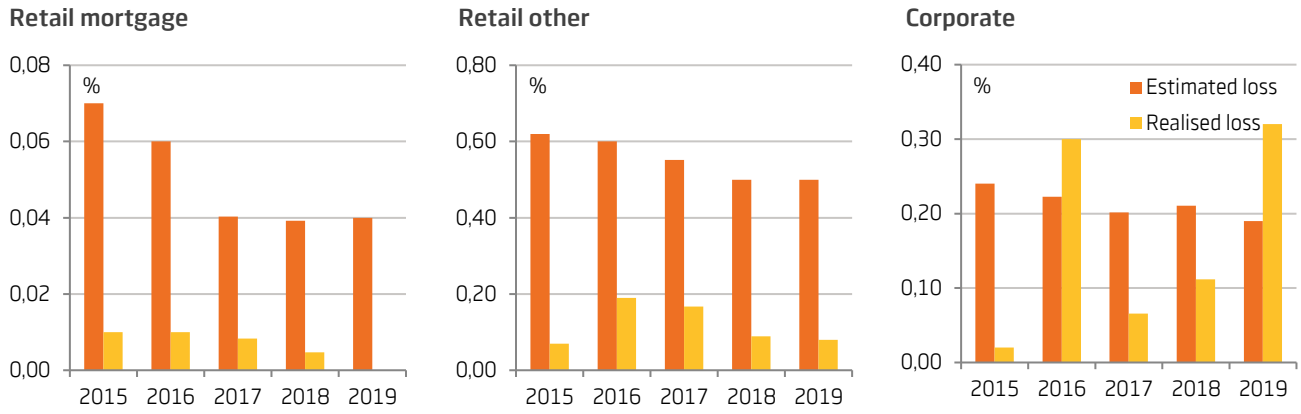


Table 3.29: IRB (specialised lending and equities) (EU CR10), 31 December 2019

		Specialised lending					
Regulatory categories, SEKm	**Remaining maturity**	**On- balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
Category 1	Less than 2.5 years	1	58	50%	30	15	0
	Equal to or more than 2.5 years	20	0	70%	20	14	0
Category 2	Less than 2.5 years	0	108	70%	76	53	0
	Equal to or more than 2.5 years	208	0	90%	208	187	2
Category 3	Less than 2.5 years	0	83	115%	58	68	4
	Equal to or more than 2.5 years	78	0	115%	83	94	0
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	115	0	250%	116	289	9
Category 5	Less than 2.5 years	0	0	-	0	0	0
	Equal to or more than 2.5 years	2	0	-	18	0	
Total	**Less than 2.5 years**	**1**	**249**		**164**	**136**	**4**
	Equal to or more than 2.5 years	**423**	**0**		**445**	**584**	**20**
Equities under the simple risk-weighted approach							
Private equity exposures				190%			
Exchange-traded equity exposures				290%			
Other equity exposures				370%			
Total							

The total exposure in specialised lending decreased somewhat compared to 30 June 2019.

Counterparty credit risk (CCR)

Counterparty credit risk is the risk related to a counterparty defaulting before the final settlement of a transaction's cash flows. The majority of Swedbank's counterparty credit risk arises in the trading operations in Sweden and emanates primarily from two units: Group Treasury and Large Corporates & Institutions. Counterparty credit exposure arises mainly as a result of hedging of own positions in market risk in foreign exchange, interest rate and equity risk and from customer-related trading activities. As for products, most counterparty credit risk derives from interest rate swaps, basis swaps, and currency forwards. In nominal terms, forward rate agreements comprise a large share of the derivatives trading. However, since these contracts to a large extent are centrally cleared and have short maturities, the counterparty credit risk inherent in these derivatives is low.

Measurement of counterparty credit risk

Measuring the risk arising from instruments such as loans and interest bearing securities is straightforward as the exposure is known for any point in the future. Derivatives and securities financing transactions, on the other hand, require a more advanced approach, as future exposure is unknown, fluctuates over time and therefore needs to be estimated. The exposure value is equal to the net present value of the contract plus an add-on to reflect future potential positive market value changes. Positive derivative values generate counterparty credit risk for Swedbank and consequently the claim towards the counterparty increases when/if the positive derivative market value increase. Based on conservative estimation, an add-on factor is attached to the market value of the derivative to reflect future potential positive market value changes. For capital adequacy purposes, Swedbank uses the mark-to-market method to calculate the exposure for counterparty risk.

Counterparty credit risk limits

Limits for counterparty credit exposures are assessed and allocated in the regular credit process using the calculated estimates of maximum potential future exposure after recognition of netting agreements and collateral as appropriate. In the process of setting and approving counterparty's risk exposure limits, a number of factors have to be taken into account; included but not limited to guidance from the core credit policies, procedures and standards, and judgement and experience of credit risk professionals, the credit quality and rationale for the trading activity. Limits are also established for exposure in specific countries and/or areas and for FX settlement risk in trading operations. Moreover, relevant credit risk limits that include counterparty credit risk are allocated to certain customer segments. Limits are reviewed at least annually.

Risk measurement and evaluation

Risk measurement and evaluation is an ongoing process and Swedbank makes regular assessments, for example by specifying detailed internal add-ons for different risk types and their maturities. The internal risk add-on factors are reviewed at least annually and more often if deemed necessary. The add-on factors are based on simulations of various asset price volatilities. The follow-up and measurement of counterparty credit risk exposure against approved limits is performed in a system specific to the task, and factors such as legal agreements as well as collateral held are also taken into consideration.

Swedbank maintains an independent control on Group level with responsibility to identify, quantify, follow-up, analyse and report the counterparty credit risk inherent in the business. This unit also proposes preventive actions, implements policies, works with early warning indicators, and addresses relevant mitigating actions. New products and processes are reviewed in the New Product Approval Process (NPAP) before becoming operational.

Stress tests

In addition to the standard measurements, Swedbank conducts stress tests to estimate the effects of tail events. The portfolio of stress tests being carried out includes a monthly stress test of extreme exchange rate and interest rate movements as well as a stress test on downgrades on deals covered by agreements with rating triggers. On quarterly basis a deeper qualitative analysis of monthly stress test results is performed, where Swedbank examines the scenarios with significant losses and outlines results development. Swedbank also conducts various ad-hoc stress tests pertaining to political, market or other macro events. Effects on counterparty exposures, credit losses, RWA, collateral flows and market values are considered.

Foreign exchange settlement risk

For foreign exchange (FX) settlement risk, the amount at risk is equal to the nominal transfer amount. All decision-making bodies within Swedbank that decide on counterparty limits need to establish limits for bilateral FX Settlement risk in addition to credit limits for CCR for each legal counterparty.

Wrong Way Risk

Wrong way risk (WWR) is divided into specific and general WWR. Existence of Specific WWR is detected by monitoring CCR generating trades to capture any trade where there is a legal connection between the counterparty and the underlying Issuer. General WWR is typically measured via a range of stress test scenarios. For Swedbank, it makes sense to examine sectors and/or counterparties individually to detect relationships and significant correlation between exposures and counterparties' probabilities of default.

New regulations

In March 2014, the Basel Committee finalised the standardised approach for measuring counterparty credit risk exposures (SA-CCR), it proposed new non-modelled approach for measuring counterparty credit risk for capital adequacy purposes. A draft EU proposal to implement the SA-CCR, based on the Basel Committee's methodology, was released in November 2016 as a part of an extensive package of proposed amendments to the current capital requirements regulation. The revised regulation was finalised during 2019 and the SA-CCR will apply from end of June 2021.

The approach will replace both the mark-to-market method (the approach currently employed by Swedbank) and the

standardised method in the currently applicable regulatory framework.

Another regulatory initiative concerning counterparty credit risk is the Basel Committee's proposal on a new framework for Credit Value Adjustment (CVA) Risk. CVA is an adjustment to the fair value of derivative contracts to account for counterparty credit risk, and has been subject to regulatory capital requirements since January 2014. The proposed framework is closely aligned with the market risk framework 'Minimum Capital Requirements for Market Risk (commonly referred to as the 'Fundamental Review of the Trading Book' (FRTB) framework). It aims to capture CVA risks more effectively than the current framework and introduces better recognition of CVA exposure hedges. The proposal, which was revised during 2016, is divided into two parts. The first being the 'FRTB-CVA framework', which will be available to banks that satisfy a number of specified conditions related to the calculation and risk management of their CVA. The second part of the proposal, the 'Basic-CVA framework', is available to banks that do not meet the aforementioned eligibility criteria. This is essentially an enhanced version of the current framework's standardised method which Swedbank currently uses. A consultation on revisions to the new Basel CVA framework is currently under way, and the framework is expected to be implemented in the EU in the next set of revisions of the capital requirements regulation as part of the final Basel III reforms.

Mitigating counterparty credit risks

Swedbank uses a variety of methods to mitigate counterparty credit risk of which the most important is close-out netting agreements and collateral management as outlined below. Other actions include steering exposure and risks to clearing houses, which is standard procedure and mandatory for a range of products, to reduce bilateral counterparty credit risk. Risk can also be closed out through various portfolio compression activities.

Swedbank conducts credit derivative transactions primarily in connection with counterparty credit risk and mainly trades with counterparties where an ISDA CSA agreement has been established. Rather than using credit derivatives to mitigate counterparty credit risk in its trading operations. Swedbank prefers to make use of collateral arrangements.

Swedbank mitigates settlement risk through Delivery-vs-Payment (DVP) or Payment-vs-Payment (PVP) arrangements when possible. One such settlement vehicle is the global FX clearing that is conducted through CLS Group (originally Continuous Linked Settlement), where Swedbank is a member. They eliminate settlement risk in FX transactions with counterparties that are eligible for CLS clearing.

Derivative netting and collateral arrangements

Swedbank actively mitigates its counterparty credit risk mainly by establishing close-out netting agreements whereby derivatives with the same counterparties can be offset. All netting agreements need to be legally documented accordingly with the Group policy. Swedbank strives to have ISDA Master Agreements with CSA agreements in place with all financial counterparties concerned to ensure a well-functioning netting and collateral management process. As part of the credit process, the credit memos provided to credit committees specify what collateral is accepted for each individual counterparty. The vast majority of the current received and pledged collateral is cash. Financial collateral is subject to daily monitoring and an independent valuation.

Swedbank has a limited number of netting and collateral agreements with rating triggers. In the event of a credit rating downgrade, the rating triggers require various actions such as additional collateral posting, procurement of a third counterparty to step in between Swedbank and the original counterparty, or early termination of derivatives at market value. Rating triggers may apply to the ratings of one or both parties in the agreement.

The effects of a potential rating downgrade do not pose a threat to Swedbank's balance sheet. A three-notch downgrade by Standard & Poor's of Swedbank AB's long-term credit rating to 'A-' would lead to SEK 915m in collateral being posted. A three-notch downgrade by Moody's of Swedbank AB's long-term credit rating to 'A2' would cause the posting of SEK 1.772m in collateral. In a limited number of cases, terminations could occur in the event of a two-notch downgrade by Standard & Poor's of Swedbank AB's long-term credit rating to 'A'.

Table 3.30: Credit derivative exposures (EU CCR6), 31 December 2019

	Credit derivative hedges		Other credit derivatives
SEKm	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps			
Index credit default swaps	522		
Total return swaps			
Credit options			
Other credit derivatives			
Total notionals	522		
Fair values			
Positive fair value (asset)			
Negative fair value (liability)	13		

Table 3.31 Impact of netting and collateral held on exposure values (EU CCR5-A), 31 December 2019

SEKm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	92 552	72 363	20 189	12 420	7 769
SFTs	148 842	0	148 842	145 475	3 367
Cross-product netting					
Total	**241 394**	**72 363**	**169 031**	**157 895**	**11 136**

Figure 3.8: Netting and collateral effects for derivatives, 31 December 2019

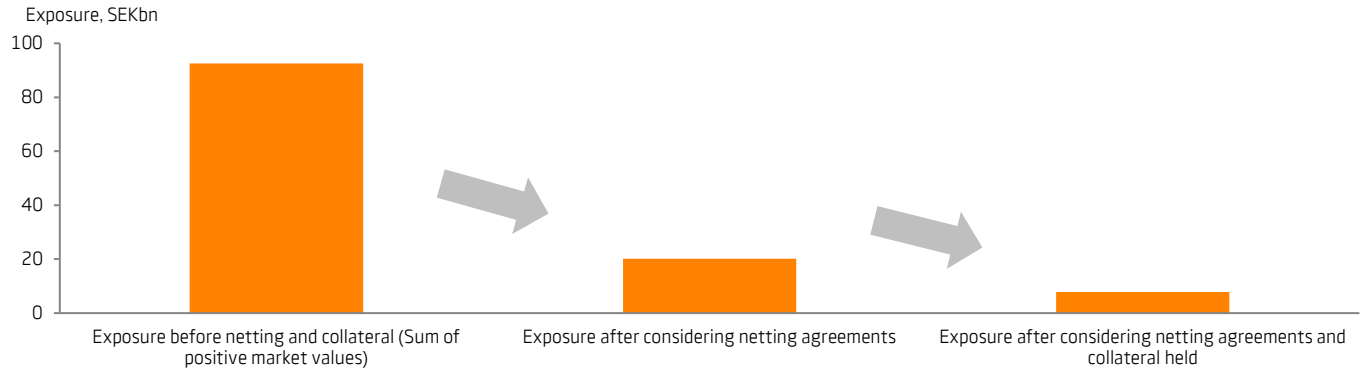


Table 3.32: Composition of collateral for exposures to CCR (EU CCR5-B), 31 December 2019

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
SEKm	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
IM cleared house deals cash				1 642		
IM cleared house deals non-cash			1 846			
IM cleared client deals cash	3 140			3 455		
IM cleared client deals non-cash			3 710			
IM not cleared derivatives cash						
IM not cleared derivatives non-cash						
VM cleared house deals cash		2 763		5 222		
VM cleared house deals non-cash						
VM cleared client deals cash		1 484		39		
VM cleared client deals non-cash						
VM not cleared derivatives cash		8 180		9 225		
VM not cleared derivatives non-cash		12		518		
SFT collaterals						
Total	**3 140**	**12 439**	**5 556**	**20 101**		

Table 3.33: Analysis of CCR exposure by approach (EU CCR1), 31 December 2019

SEKm	Notional	Replacement cost/ Current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market		18 643	22 311			34 417	11 221
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
of which securities financing transactions							
of which derivatives and long settlement transactions							
of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						3 014	1 659
VaR for SFTs							
Total							**12 880**

Table 3.34: CVA capital charge (EU CCR2), 31 December 2019

SEKm	Exposure value	RWAs
Total portfolios subject to the advanced method		
(i) VaR component (including the 3× multiplier)		
(ii) SVaR component (including the 3× multiplier)		
All portfolios subject to the standardised method	19 004	4 730
Based on the original exposure method		
Total subject to the CVA capital charge	**19 004**	**4 730**

Table 3.35: Exposures to CCPs (EU CCR8), 31 December 2019

SEKm	EAD post CRM	RWAs
Exposures to QCCPs (total)		551
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	25 334	507
(i) OTC derivatives	24 984	500
(ii) Exchange-traded derivatives		
(iii) SFTs	350	7
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	5 556	
Non-segregated initial margin	5 096	102
Prefunded default fund contributions	653	584
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

Table 3.36: Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR3), 31 December 2019

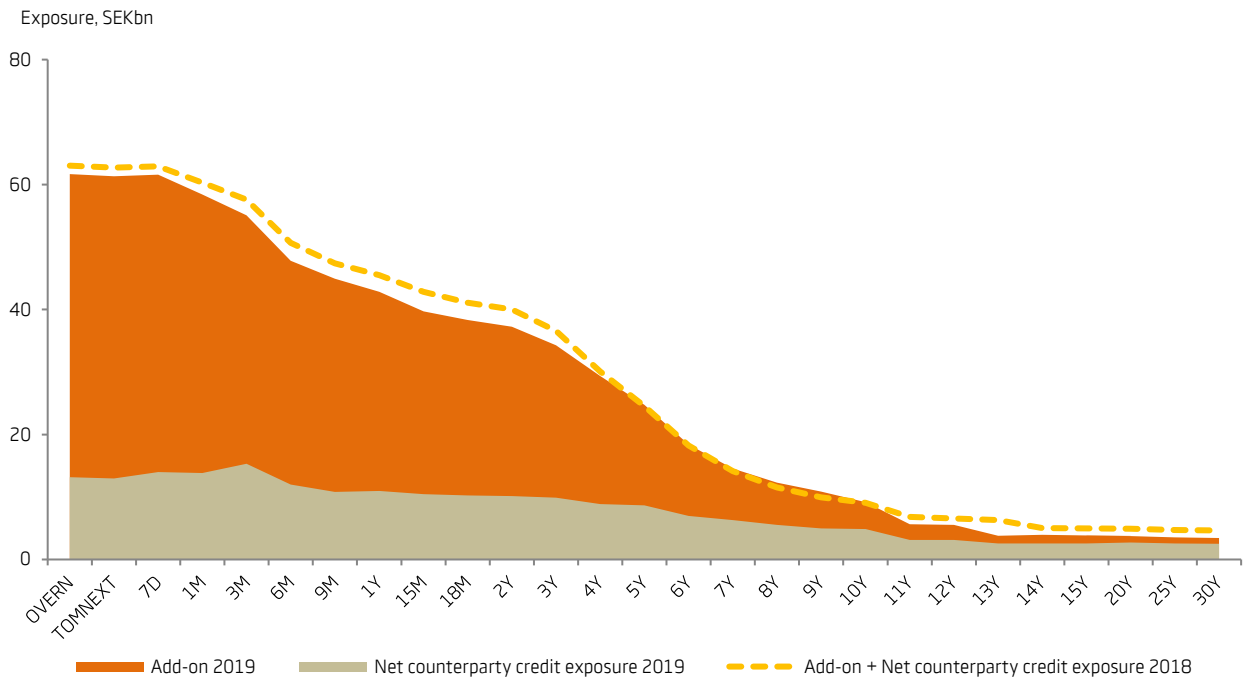
Exposure classes, SEKm	Risk Weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
Central governments or central banks													
Regional government or local authorities					28							28	
Public sector entities	32											32	
Multilateral development banks	735											735	
International organisations													
Institutions		27 568			32		0					27 600	
Corporates									2 146			2 146	
Retail													
Institutions and corporates with a short-term credit assessment													
Other items													
Total	**767**	**27 568**			**60**		**0**		**2 146**			**30 541**	

Table 3.37: IRB approach – CCR exposures by portfolio and PD scale (EU CCR4), 31 December 2019

Exposure classes IRB, SEKm	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Central governments or central banks							
0.00 to <0.15	2 733	0.00	# 53	45.00	1.9	85	3.11%
0.15 to <0.25	38	0.19	# 1	45.00	2.5	17	44.74%
0.25 to <0.50							
0.50 to <0.75							
0.75 to <2.50							
2.50 to <10.00							
10.00 to <100.00							
100.00 (Default)							
Central governments or central banks - Sub total	**2 771**	**0.01**	**# 54**	**45.00**	**1.9**	**102**	**3.68%**
Institutions							
0.00 to <0.15	17 617	0.05	# 155	44.52	2.5	4 995	28.35%
0.15 to <0.25							
0.25 to <0.50	165	0.30	# 19	45.00	2.5	115	69.70%
0.50 to <0.75	1	0.60	# 1	0.41		1	100.00%
0.75 to <2.50		1.70	# 1	45.00	2.5		
2.50 to <10.00	4	4.22	# 2	26.48	1.5	6	150.00%
10.00 to <100.00							
100.00 (Default)							
Institutions - Sub total	**17 787**	**0.06**	**# 178**	**44.52**	**2.5**	**5 117**	**28.77%**
Corporates							
0.00 to <0.15	4 385	0.07	# 126	27.98	3.4	873	19.91%
0.15 to <0.25	4 303	0.17	# 119	27.24	2.5	1 105	25.68%
0.25 to <0.50	4 203	0.38	# 159	26.76	4.0	2 087	49.66%
0.50 to <0.75	303	0.60	# 44	27.88	1.8	135	44.55%
0.75 to <2.50	309	1.31	# 126	27.06	2.3	234	75.73%
2.50 to <10.00	103	4.57	# 31	14.12	1.3	133	129.13%
10.00 to <100.00	7	22.24	# 2	30.62	1.2	11	157.14%
100.00 (Default)	78	100.00	# 2	27.26	2.1	266	341.03%
Corporates - Sub total	**13 691**	**0.85**	**# 609**	**27.24**	**3.2**	**4 844**	**35.38%**
of which: SME							
0.00 to <0.15	135	0.08	# 10	36.01	4.4	34	25.19%
0.15 to <0.25	477	0.16	# 30	29.84	1.6	87	18.24%
0.25 to <0.50	245	0.34	# 65	36.27	3.7	111	45.31%
0.50 to <0.75	31	0.60	# 20	28.01	1.9	17	54.84%
0.75 to <2.50	107	1.32	# 77	35.64	3.0	86	80.37%
2.50 to <10.00	29	5.19	# 16	34.65	3.7	30	103.45%
10.00 to <100.00	3	13.58	# 1	36.55	1.5	4	133.33%
100.00 (Default)		100.00	# 1	42.83	1.0		
of which: SME - Sub total	**1 027**	**0.51**	**# 220**	**32.90**	**2.7**	**369**	**35.93%**
Retail							
0.00 to <0.15							
0.15 to <0.25	2	0.21	# 4	45.00			0.00%
0.25 to <0.50		0.39	# 11	45.00			
0.50 to <0.75		0.60	# 3	45.00			
0.75 to <2.50	16	1.82	# 138	18.94		5	31.25%
2.50 to <10.00	190	4.85	# 551	44.90		102	53.68%
10.00 to <100.00		17.99	# 34	35.42			
100.00 (Default)							
Retail - Sub total	**208**	**4.57**	**# 741**	**42.91**		**107**	**51.44%**
Other Retail							
0.00 to <0.15							
0.15 to <0.25	2		# 4				0.00%
0.25 to <0.50			# 11				
0.50 to <0.75			# 3				
0.75 to <2.50	16		# 138			5	31.25%
2.50 to <10.00	190		# 551			102	53.68%
10.00 to <100.00			# 34				
100.00 (Default)							
Other Retail - Sub total	**208**		**# 741**			**107**	**51.44%**
Total all exposures	**34 457**	**0.40**	**# 1 582**	**37.69**	**2.7**	**10 170**	**29.52%**

Changes are only effects of normal business activity, no significant changes.

Figure 3.9: Maturity profile for derivative exposures, 31 December 2019



Note: Add-on + net credit exposure is the exposure according to the internal model. Net credit exposure is the largest of the market values after netting and collateral and threshold plus minimum transfer amount for transfer of collateral.

Total exposure according to internal model has slightly decreased 2019 compared with 2018, both for internal add-on and net counterparty credit exposure.

4. Market risk

Swedbank's market risks were kept at low levels during 2019. Despite recession worries and unpredictable trade talks between the United States and China, 2019 was characterised by calmer markets with rising equity prices and falling volatility. Interest rates declined but stabilised on low levels. The low-risk profile was achieved through a pro-active yet cautious management of Swedbank's portfolios carrying market risk.

Market risk
The risk to value, earnings, or capital arising from movements of risk factors in financial markets. This risk includes Interest rate risk, Currency risk, Equity risk, Commodity risk and risks from changes in volatilities or correlations.

Highlights 2019

While markets 2018 were characterised by increased uncertainties regarding macro environment and geopolitical trends, 2019 was characterised by calmer markets, rising equity prices and lower interest rates. Notably, Federal Reserve lowered their key interest rate for the first time since 2008 with three cuts, due to slowing growth and muted inflation.

VaR for the Group by the end of the year was SEK 64m, compared to SEK 46m by the end of 2018.

Management of market risks

The majority of Swedbank's market risk is structural or strategic in nature and emerges within Group Treasury. Market risk also arises in the daily market-making and client-facilitation activities of the trading book. Swedbank's trading operations are managed within the business area LC&I primarily to fulfil the clients' transaction requirements in the financial markets.

Swedbank has established strategies and processes for the overall management of the market risks that emerge within the trading and banking book, with the ERM Policy as the starting point. The policy is reviewed and adopted at least annually by Swedbank's Board of Directors and applies to Swedbank as a Group. The Market Risk Instructions, which originates from the ERM-policy is reviewed and adopted at least annually by the CEO. All internal regulations and processes are reviewed on a regular basis by the risk organisation, internal and external auditors, and supervisors.

Swedbank's market risk-taking is limited via the risk appetite established by Swedbank's Board of Directors. Using the risk appetites as starting points, a market risk limit structure has been adopted on both CEO and CRO level in order to prevent Swedbank from unintentional losses. To enhance the management of market risks even further, limits have also been established on a business level. Only risk-taking units, i.e. units that have been granted permission by Swedbank's CEO, are allowed to carry market risk.

Group Treasury, as well as LC&I, monitor and manage their market risks within the given mandates and have the possibility to use different types of derivative contracts, mainly interest rate and currency interest rate swaps, foreign exchange forwards & swaps as well as forward rate agreements, to mitigate currency and interest rate risks. In those cases where hedge accounting is applied, the effectiveness of the hedge is continuously monitored by evaluating the changes in fair values or cash flows of the hedged item compared with the changes in fair values or cash flows of the hedging instrument.

New products have to be pre-approved in the NPAP process, where some of the key stakeholders besides the business are the risk, compliance, and finance organisations. The process is a way of ensuring, for example, that all positions in the trading book are tradable or can be hedged.

The risk organisation performs daily limit monitoring, in-depth analysis, frequent stress testing, and reporting of Swedbank's market risks to ensure that the risks are properly managed. Internal reporting of market risk exposure and follow-up on limit usage is performed on a daily basis and delivered to various stakeholders, such as the risk-taking units and the senior management of Swedbank. The risk organisation has established sound escalation principles for limit breaches in which the market risk-takers, as well as Swedbank's senior management, are informed of the incident as well as how it has been mitigated.

Measurement of market risk

Swedbank uses a variety of risk measures, both statistical and non-statistical, that guide its day-to-day operations as well as address important regulatory requirements. Statistical measures such as Value-at-Risk (VaR) and Stressed VaR (SVaR) have become mainstays of the risk measurement process and are also used for calculating regulatory capital. Non-statistical measures such as sensitivity analyses and stress tests are important complementary measures that provide a better understanding of specific market risk factors or possible tail scenarios. Materiality is considered when analysing and measuring the risks, paying extra attention to the largest exposures. New products have to be pre-approved by the risk organisation in the NPAP process to ensure that all risk factors associated with the new product are identified and can be managed in the risk measurement. The use of products that contain fundamentally new market risk characteristics, such as new asset classes, requires explicit approval by the CEO. The risk system is subject to a continuous maintenance process and a yearly validation process to ensure that a relevant set of risk factors is being used as the nature and volume of trades may vary over time.

VaR and Stressed VaR

Swedbank's VaR model (using Monte Carlo simulations and a 99% confidence level over a one-day time horizon) is a useful tool for comparing risk levels across different asset classes such as interest rate, credit spread, foreign exchange or equity; and thus gives insight into each asset class as well as into their relative risk levels. VaR does not include strategic currency risk, since a VaR measure on a one-day time horizon is not relevant for positions which are meant to be held strategically for longer periods of time. VaR does, however, include positions that are designated as "Held to maturity" or are in a hedging relationship ("Hedge accounting") and therefore have no direct impact on Swedbank's net gains and losses on financial items at fair value.

The estimations of the parameters included in the VaR model are updated on a daily basis. Both absolute and relative returns are used when simulating potential movements in risk factors. The valuation approach of both VaR and SVaR is full revaluation, with a few exceptions such as structured equity products and interest rate products in the Baltic subsidiaries, for which the valuation is based on approximations. Since VaR is premised on model assumptions, Swedbank conducts daily backtesting to assess the accuracy and relevance of the model. Swedbank has an approval to partially use an Internal Models Approach (IMA) when calculating regulatory capital requirements regarding market risk for Swedbank Consolidated Situation and Swedbank AB. The approval is based on VaR and SVaR models. For both Swedbank CS and Swedbank AB, the approval covers general interest rate risk, general equity risk, specific equity risk and currency risk in the trading book for the Swedish operations. For Swedbank CS, the approval also covers general interest rate risk and currency risk in the trading book for the Baltic subsidiaries. The IMA VaR and SVaR models differ from the VaR and SVaR models used for internal risk management purposes as they do not include credit spread risk. The SVaR model uses market data from the one-year period covering early 2008 to 2009, a period deemed to be of significant stress. The VaR model uses market data from one year back, with unweighted returns. The 10-day VaR is determined by multiplying one-day VaR by the square root of 10. The same methodology applies when calculating the 10-day SVaR.

In addition to the Monte Carlo-based VaR and SVaR models, Swedbank also runs Historical VaR, and other variants such as Exponential VaR and Expected Shortfall, for further complementary monitoring and analysis.

Sensitivity analysis

Swedbank uses various sensitivity measures in order to grasp each portfolio's sensitivity to changes in one or more market risk factors. For example, measures used for interest rate sensitivities may include the one basis point shift along various parts of the curve to capture basis risk or the 100 basis point parallel shift which attempts to capture convexity effects. Another example is FX matrix risk which shows each foreign currency's sensitivity to changes in both price and volatility. Together, these sensitivity measures provide important information to risk analysts who monitor changes, trends and anomalies. These measures also form the building blocks of important risk limits that guide Swedbank's trading activities and banking operations.

Stress tests

Several stress tests are performed and reported to various stakeholders on a daily basis. The various statistical and sensitivity measures described above have known shortfalls and limitations. For example, the VaR model inputs are based on market data from the past year which might not include stressed market conditions, i.e. VaR figures may not capture hypothetical extreme market movements. Moreover, the VaR model does not accurately capture correlation breakdown during extreme financial market stress. Additionally, sensitivity measures only show general sensitivity to small and large movements but provide no historical context for the figures. To address these limitations, Swedbank has a comprehensive set of stress tests which are broadly categorized into scenarios: (i) historical, (ii) hypothetical, and (iii) method and model. The stress tests (and the scenarios on which they are based) are meant to cover significant movements in market risk factors and to highlight mismatches in open positions that might cause large-scale losses.

Historical stress tests attempt to capture various effects on the current portfolio using past market data from periods of particular stress. In effect, these tests present the possible losses to the current portfolio if history were to repeat itself. The set of historical scenarios and relevant market data goes as far back as 25 years. It covers financial events (such as the 1992 Swedish banking crisis or the 2008 subprime mortgage meltdown) and non-financial events (such as the September 2001 terror attacks or the 2011 Japan earthquake).

Hypothetical stress tests attempt to quantify the change in portfolio value that would result from hypothetical and extreme shifts in risk factors. These tests include standardised

single or cross-asset tests with large but possible shifts that are historically informed. Other forward-looking tests can include more customized tests which may be run on an ad-hoc basis, such as the 2018 European Banking Authority (EBA) stress test. Some customized tests may be more routinely established, such as the bi-annual reverse stress test.

Method and model stress tests measure how statistical measures (such as VaR and Expected Shortfall) respond to changes in assumptions, parameters and market conditions. The purpose is partly to capture the uncertainty in reported risk figures due to assumptions and parameter estimations, and partly to capture how dependent the reported risk figures are on current market conditions (such as interest rate levels and risk factor covariance).

Capital requirements for market risks

Capital requirements for market risk may be based either on a standardised model or on an internal VaR model (IMA).

As of Q4 2019, Swedbank's capital requirement for market risk, based on calculations according to the standardized approach, was SEK 287m (Q2 2019 SEK 271m). The majority of the total increase (SEK 16m) was due to increased capital requirements for specific interest rate risk in trading book (SEK 11m), which was mainly driven by increased positions in Swedish institutions long term debt instruments. Capital requirements for FX risk in banking book increased by SEK 5m.

At the end of the year, the capital requirement for Swedbank's market risk, based on calculations according to the IMA, was SEK 1 021m (Q2 2019: SEK 901m). The increase was mainly attributable to increased general interest rate risk exposure. The total capital requirement for Swedbank's market risk was SEK 1 308m (Q2 2019: SEK 1 172m).

Table 4.1: Market risk under the standardised approach (EU MR1), 31 December 2019

SEKm	RWA	Capital requirements Total
Outright products		
Interest rate risk (general and specific)	3 375	270
Equity risk (general and specific)	13	1
Foreign exchange risk	200	16
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Total	**3 588**	**287**

Table 4.2: Market risk under the IMA (EU MR2-A), 31 December 2019

SEKm	RWA	Capital requirements Total
VaR (higher of values a and b)	2 665	213
Previous day's VaR (Article 365(1) (VaRt-1))		70
Average of the daily VaR (Article 365(1)) of the CRF on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR		213
SVaR (higher of values a and b)	10 097	808
Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		245
Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)		808
IRC (higher of values a and b)		
Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)		
Average of the IRC number over the preceding 12 weeks		
Comprehensive risk measure (higher of values a, b and c)		
Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)		
Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		
8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338(4) of the CRR)		
Other		
Total	**12 762**	**1 021**

Table 4.3: IMA values for trading portfolios (EU MR3), 31 December 2019

SEKm	
VaR (10 day 99%)	
Maximum value	97
Average value	64
Minimum value	49
Period end	70
Stressed VaR (10 day 99%)	
Maximum value	311
Average value	256
Minimum value	216
Period end	245
Incremental Risk Charge (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	
Comprehensive Risk capital charge (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

Fundamental Review of the Trading Book (FRTB)

The Basel Committee has finalised the FRTB, a comprehensive revision of the global capital adequacy standard for market risk. The final standard "Minimum capital requirements for market risk" was presented in January 2019 and implies substantial revisions to both the standardised approach and the Internal Models Approach.

The Committee's objective is that the new standard will address weaknesses that have been identified in risk measurement under the existing framework. The changes include a strengthened relationship between the standardised and the model-based approaches, encompassing mandatory calculation and public disclosure of standardised capital charges on a desk-by-desk basis. The measure of risk has also been shifted from VaR to Expected Shortfall, to better capture tail risk. Further, the proposal includes a revised boundary between the trading book and the banking book.

Swedbank's work on implementing the upcoming standard has been initiated to ensure compliance with the new framework when it enters into force. As a first step the standardised approach is introduced as a reporting requirement during 2021. The timeline for the full implementation of the new standard in national legislation is still uncertain, but according to the timeline, the Commission will present a proposal to the European Parliament on how to implement FRTB for market risk capital requirements in June 2020.

Although quantitative impact studies performed so far indicate an increase in market risk capital requirements, it is still too early to draw firm conclusions regarding the conclusive levels and when the full impact will be seen. The uncertainty in terms of quantitative impact lies within the final calibration of the new framework, and timing-wise within the EU's application and gradual phasing-in of the internationally agreed capital floor linked to the standardised approach.

Table 4.4: RWA flow statements of market risk exposures under the IMA (EU MR2-B), 31 December 2019

SEKm	VaR Total	SVaR total	IRC	Comprehensive risk measure	Other	Total RWA	Total capital requirements
RWA at previous quarter-end	**2 296**	**9 769**				**12 065**	**965**
Regulatory adjustment	1 501	6 441				7 942	635
RWAs at the previous quarter-end (end of the day)	795	3 328				4 122	330
Movement in risk levels	87	-265				-179	-14
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other							
RWAs at the end of the reporting period (end of the day)	881	3 062				3 943	315
Regulatory adjustment	1 784	7 035				8 819	706
RWAs at the end of the reporting period	**2 665**	**10 098**				**12 762**	**1 021**

Market risk exposures

Value-at-Risk (Total)

The market volatility generally decreased during 2019, although shorter periods of higher volatility occurred in times of market concerns.

VaR generally increased during 2019, mainly due to structural changes to the positions and the underlying interest rate risk.

Table 4.5: VaR allocated by risk category

	Jan - Dec 2019 (2018)				
SEKm	Max	Min	Average	31 Dec 2019	31 Dec 2018
Interest rate risk	83 (78)	36 (33)	57 (53)	58	44
Currency rate risk	20 (22)	2 (3)	7 (10)	11	5
Share price risk	7 (10)	1 (1)	3 (4)	5	3
Diversification			-8 (-15)	-10	-6
Total	**93 (78)**	**38 (37)**	**59 (52)**	**64**	**46**

Note: The VaR figures above are generated from the VaR model used for internal risk management purposes and are different from the figures generated from the VaR model used for capital requirement calculation. Interest rate risk includes credit spread risk.

Interest rate risk

The majority of the interest rate risk at Swedbank arises in the banking book. The structural interest rate risk arises from mismatches in interest-fixing periods between the assets and liabilities (including derivatives). The interest rate risk from fixed rate assets (primarily customer loans), is for the most part hedged through fixed rate funding or through interest rate swap contracts. An increase in all market interest rates of one percentage point as of 31 December 2019 would have reduced the value of Swedbank's interest-bearing assets and liabilities, including derivatives, by SEK -365m (2018: SEK -137m). The effect on positions in SEK would have been a reduction of SEK -1 277m (2018: SEK -1 368m), while positions in foreign currency would have increased in value by SEK 912m (2018: SEK 1 232m), see table 4.7.

Currency risk

Structural currency risks primarily arise in the banking book when assets and liabilities are denominated in different currencies. The trading book also generates currency risk. Additionally, Swedbank has a strategic currency position in EUR through goodwill in the Baltic subsidiaries. This position is financed in SEK and is not hedged since it does not affect either profit or the capital base.

A general shift in exchange rates of foreign currencies against the Swedish krona of both positive and negative 5% would entail effects on Swedbank's net gains and losses on financial

items at a fair value of SEK 73m (2018: SEK -39m) and SEK 21m (2018: SEK 70m).

Credit spread risk

Credit spread risk within Swedbank arises when issuer-specific spreads change on interest-bearing assets and credit derivatives. Credit spread risk is present in the trading book and in the banking book through Group Treasury's liquidity portfolio. An increase of all issuer-specific spreads as of 31 December 2019 by one basis point would have reduced the value of Swedbank's interest-bearing assets, including derivatives, by SEK 11m (2018: SEK 10m).

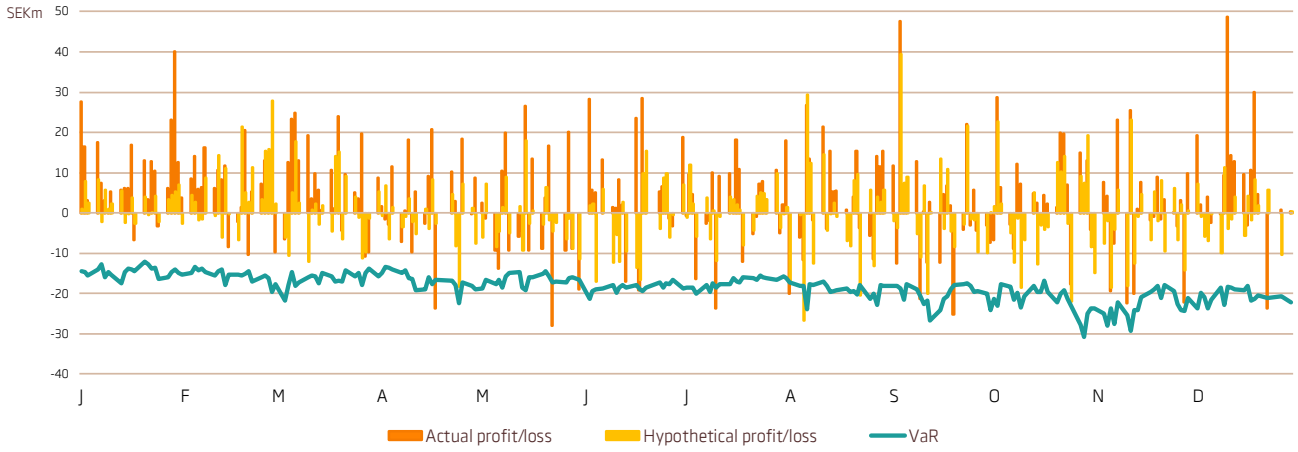
Share price risk

Share price risk occurs only in the trading book and originates from exposure to equities and equity-related derivatives. Swedbank's equity trading book is primarily customer-driven with the purpose of providing liquidity to Swedbank's customer base. Swedbank measures and limits share price risk through a risk matrix that maps the outcome of 81 different scenarios where share prices are changed by a maximum of +/– 20% and volatilities by a maximum of +/– 30%. A limit is in place for the worst-case outcome from this matrix. At year-end 2019, the worst-case outcome would have entailed a decline in the value of the trading operation's positions by SEK -27m (2018: SEK -18m).

Commodity risk

Exposure to commodity prices arises only as a part of client-related business, and only in exceptional cases. As a rule, Swedbank hedges any positions with commodity exposure with a third party, leaving Swedbank with no commodity risk.

Figure 4.1: Comparison of VaR estimates with gains/losses (EU MR4), Jan-Dec 2019



Backtesting

Swedbank conducts both actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results, cleaned from commissions and fees and excluding monthly value adjustments (such as CVA reservations). The hypothetical backtesting uses close-of-business positions and revalues the portfolio with the latest market data to obtain a hypothetical result. The actual, as well as the hypothetical result, is then compared with VaR to ensure the validity of the IMA VaR model. If actual or hypothetical losses exceed the calculated value at risk estimated losses, it is considered an "exception". Backtesting exceptions against hypothetical P&L impact the IMA RWA estimate while exceptions against actual P&L do not. Given the confidence level of 99%, we would statistically expect an exception about 2-3 times per year. Swedbank has had two exceptions in the hypothetical backtesting in 2019 as shown in Figure 4-1.

The first exception occurred on the 6th of August. The hypothetical loss was SEK 26.7m and VaR was SEK 18.2m. The backtesting exception was mainly caused by drops in EUR and USD interest rates and increases in USD swaption volatilities.

The second exception occurred on the 23th of August. The hypothetical loss was SEK 20.5m and VaR was SEK 17.9m. The backtesting exception was mainly caused by a decrease in long term SEK interbank interest rates, as well as an increase in USD swaption volatilities.

Value-at-Risk (Trading Book)

Swedbank's market risk exposure, as measured by VaR, was on average slightly higher in 2019 than in 2018. The total trading book VaR in 2019 averaged at SEK 21m, compared to SEK 18m in 2018. The increase was mainly related to fixed income trading.

Table 4.6: Trading book, VaR by business area

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

Note: The VaR figures above are generated from the VaR model used for internal risk management purposes and are different from the figures generated from the VaR model used for capital requirement calculation.

Net interest income sensitivity

In addition to interest rate sensitivities, other measures such as net interest income (NII) sensitivity in the banking book are

calculated and monitored regularly. NII sensitivity is a result of any mismatch between the interest rate fixing periods for assets and liabilities of which the structural risk in the bank's demand deposits is an important part. Swedbank measures its NII sensitivity over a one-year time period using a variety of different interest rate scenarios. The calculations take into account internal assumptions of the relation between market rates and customer rates and also include scenarios to measure the NII impact of different pass-through assumptions.

Table 4.7: Change in value of assets and liabilities measured at fair value, including derivatives, if market interest rate rises 1 percentage point, 31 December 2019

SEKm	< 3 mths.	3-6 mths.	6-12 mths.	1-2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	> 10 yrs.	Total
SEK	-152	-110	-222	-750	143	1 073	249	-1 308	-200	-1 277
Foreign currency	302	956	-41	196	-410	110	-1 082	1 095	-214	912
Total	**150**	**846**	**-263**	**-554**	**-267**	**1 183**	**-833**	**-213**	**-414**	**-365**
Of which financial instruments measured at fair value through profit and loss:										
SEK	-107	-9	-72	46	-132	-552	-382	1 109	-61	-160
Foreign currency	192	909	-118	223	-313	155	-875	1 117	-78	1 212
Total	**85**	**900**	**-190**	**269**	**-445**	**-397**	**-1 257**	**2 226**	**-139**	**1 052**

5. Liquidity risk

Swedbank's liquidity position remained strong, supported by investors who are confident in Swedbank's overall business strategy, solid profitability, robust capitalisation, and low-risk position.

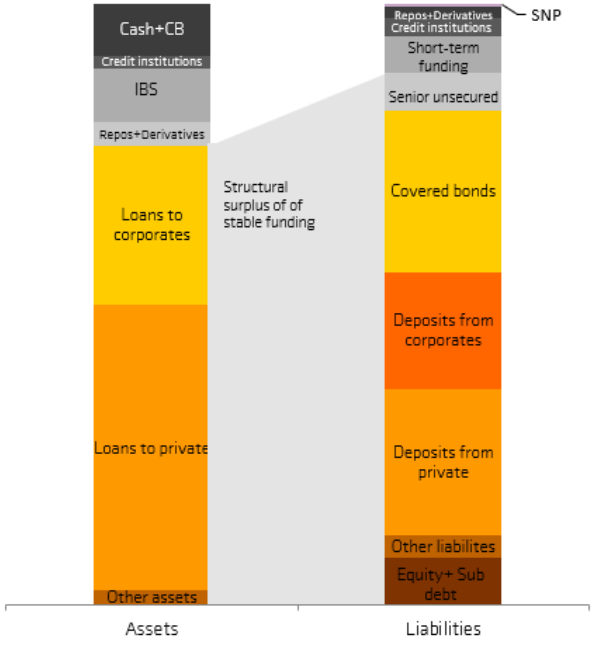
Liquidity risk
The risk of not being able to meet payment obligations at maturity or when they fall due.

Highlights 2019

In 2019, Swedbank issued SEK 143bn (SEK 117bn) of long-term debt, including senior non-preferred bonds. This was in part to meet long-term debt maturities of SEK 68bn. Covered bond issuances accounted for a major proportion of the long-term funding at SEK 131bn. SEK 10.9bn of senior non-preferred bonds were issued to meet MREL requirement by January 2022.

In 2020, Swedbank plans to issue approximately SEK 145bn of long-term debt, of which around SEK 87bn are covered bonds and SEK 38bn are senior non-preferred bonds.

Figure 5.1: Simplified liquidity risk related balance sheet, 31 December 2019



Funding and liquidity strategy

Strategy

Swedbank's funding strategy reflects its asset composition. More than half of the lending consists of Swedish mortgages, primarily financed through covered bonds. Deposits, covered bonds and shareholder equity make up the main part of Swedbank's total funding requirements. This means that Swedbank has a limited structural need for senior unsecured funding.

The share of unsecured funding is determined by Swedbank's aim to maintain a conservative stable funding profile using a diversified set of funding sources as well as its need to meet the regulatory MREL requirements.

To secure a stable funding profile for Swedbank, Group Treasury is continuously monitoring and analysing relevant positions and markets, e.g. the deposit base and the wholesale debt market.

Funding

Swedbank has a number of different funding programs for its short- and long-term funding, including commercial paper programs, certificates of deposit, covered bonds, and senior unsecured debt (see tables 5.1 to 5.3 and figure 5.2 and 5.3). During 2019, Swedbank also began issuing senior non-preferred bonds to be MREL compliant by 2022.

Swedbank also complements its public funding activities with long-term investor-targeted private placements. In addition, Swedbank continuously evaluates various markets and currencies with the intent to further diversify the investor base.

In 2019, the global credit market was affected by dovish central banks globally as well as an unprecedented lowering of bond yields and swap rates.

Table 5.1: Outstanding debt securities in issue

SEKm	2019	2018
Commercial papers	128 772	131 434
Covered bonds	589 627	497 936
Senior unsecured bonds	128 445	164 243
Structured retail bonds	8 910	10 747
Total	**855 754**	**804 360**

Table 5.2: Outstanding short-term funding volumes

SEKm	2019	2018
European CP/CD	49 550	14 499
USCP/Yankee CD	78 225	116 935
of which initial maturity > 1 year	9 546	15 642
Domestic CP	1 000	
Total	**128 775**	**131 434**

Table 5.3: Issued long-term debt, including SNP

SEKm	2019	2018
Covered bonds	131 039	87 907
Senior unsecured bonds		26 664
Structured retail bonds	1 036	2 166
Senior non-preferred	10 946	
Total	**143 021**	**116 737**

Figure 5.2: Long-term funding by maturity, 31 Dec 2019

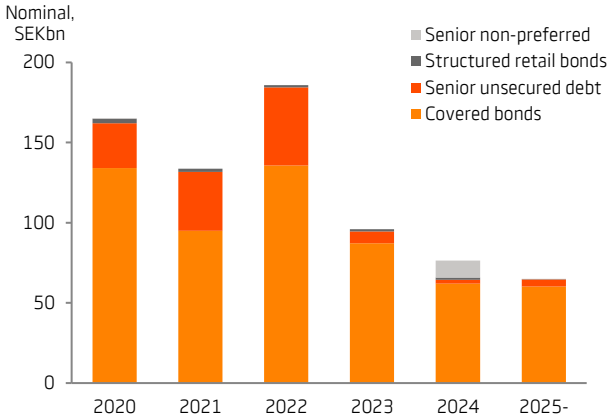


Figure 5.3: Long-term funding by currency, 31 Dec 2019

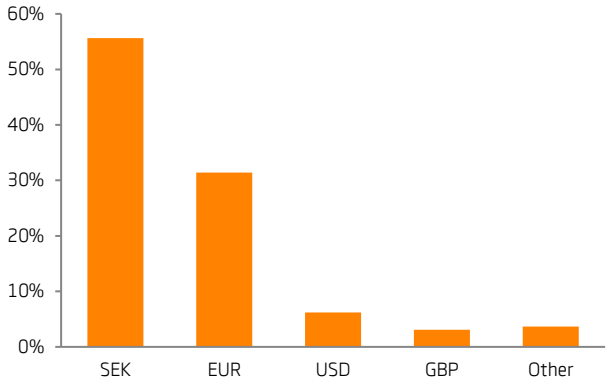


Table 5.4: Liquidity Reserve, Swedbank, 31 December 2019[1)]

		Currency distribution			
SEKm	Total	SEK	EUR	USD	Other
Level 1 assets	**373 729**	**198 704**	**143 352**	**23 669**	**8 004**
Cash and holdings in central banks[2)]	195 284	31 673	141 495	18 895	3 221
- Securities issued or guaranteed by sovereigns, central banks, MDBs and intl. org.	132 647	127 107	706	4 774	60
- Securities issued by municipalities and PSEs	4 081	3 933	2		146
- Extremely high-quality covered bonds	41 717	35 991	1 149		4 577
Level 2 assets	**5 972**	**4 622**	**126**	**0**	**1 224**
Level 2A assets	5 967	4 622	121		1 224
- Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs					
- High-quality covered bonds	5 967	4 622	121		1 224
- Corporate debt securities (lowest rating AA-)					
Level 2B assets	5		5		
- Asset-backed securities					
- High-quality covered bonds					
- Corporate debt securities (rated A+ to BBB-)	5		5		
- Shares (major stock index)					
Total Liquid Assets	**379 701**	**203 326**	**143 478**	**23 669**	**9 228**

1) Unadjusted Liquid Assets classified in accordance with Commission Delegated Regulation (EU 2015/61).
2) Minimum reserve requirements held in Central Banks of Estonia, Latvia, Lithuania and Bank of Finland are excluded from Liquid Assets.

Liquidity reserve

Swedbank maintains a liquidity reserve to manage its liquidity risks. When future refinancing needs arise, the liquidity reserve is increased to meet these maturities. Various types of stressed scenarios such as partly or fully closed markets for new issuance are also considered. At the end of 2019, the liquidity reserve amounted to SEK 380bn (SEK 317bn), see table 5.4. Swedbank's liquidity reserve includes high-quality liquid assets and other liquid assets under control of the treasury department according to the SFSA and FFFS 2010:7, to be able to withstand liquidity disruptions. Assets included in the reserve fulfil regulatory requirements, see description below table 5.4.

Rating

Swedbank is rated by S&P Global, Moody's and Fitch. All ratings remained unchanged during 2019, however the agencies changed their outlook's for Swedbank due to the discussions about shortcomings in the bank's AML processes.

On 1 April S&P Global affirmed Swedbank's AA- rating but changed its outlook from Stable to Rating Watch Negative. On 2 April Moody's affirmed Swedbank's Aa2 rating but changed its outlook from Stable to Outlook Negative. On 2 April Fitch also affirmed Swedbank's AA- rating but changed its outlook from Stable to Rating Watch Negative.

On September 27 S&P Global revised its outlook to Outlook Negative because the SFSA delayed the completion of its investigation of Swedbank to early 2020.

Asset encumbrance

The types of assets and funding instruments that are being utilised to encumber the balance sheet of a bank determine the nature of the asset encumbrance. In Swedbank's opinion, secured funding in the form of covered bonds, which has a direct link to the underlying business line of mortgage lending, is of higher quality than secured funding in the form of repos, where several different types of assets are used.

Encumbered mortgages, used as covered bond collateral, are the main source of Asset Encumbrance. Apart from these loans, smaller encumbrance volumes also come from derivatives and repos, with most of such encumbrance stemming from Swedbank AB. Unencumbered assets under "other assets" include assets not eligible for pledging in central banks such as intangible assets. See table 5.6 illustrating Swedbank's current and potential level of asset encumbrance. See also table 5.9 for information on the overcollateralisation level.

Table 5.5: Swedbank's ratings, 31 December 2019

		Swedbank AB		Swedbank Mortgage AB		Covered bonds	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Standard & Poor's	Short-term	A-1+	N	A-1+	N		
	Long-term	AA-	N	AA-	N	AAA	S
Moody's	Short-term	P-1		P-1			
	Long-term	Aa2	N	Aa2	N	Aaa	-*
Fitch	Short-term	F1+	WN				
	Long-term	AA-	WN				

* Based on Moody's rating methodology for covered bonds, no outlook is assigned Asset encumbrance.

Table 5.6: Asset encumbrance, 31 December 2019

Type of assets (Balance Sheet items), SEKm	Encumbered assets		Unencumbered assets, additional assets available for secured funding	
	Carry Amount	Fair Value	Carry Amount	Fair Value
Assets of the reporting institution	**607 028**		**1 673 692**	
Loans on demand			226 459	
Equity instruments			5 517	5 517
Debt securities	23 504	23 651	180 364	181 126
Loans and advances other than loans on demand	581 941		1 150 439	
of which mortgage loans	566 492		698 826	
Other assets			85 646	

Purpose for encumbrance (On- and off-balance sheet items), SEKm	Encumbered Assets			
	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Carrying amount of selected financial liabilities	608 929	583 733	554 191	554 191
of which Derivatives	18 109	15 672	14 188	14 188
of which Deposits	45 040	45 405	44 165	44 165
of which Debt securities issued	547 133	525 053	495 838	495 838
Other sources of encumbrance	20 943	21 182	21 464	21 631
Total	**629 873**	**604 958**	**575 822**	**575 822**

Unencumbered assets - available for pledging in Central Bank (including repos), SEKm	31 Dec 2019	31 Dec 2018
Government debt securities	12 523	17 922
Central banks and supranational debt instruments	121 803	82 400
Covered bonds	54 086	42 397
Debt instruments issued by corporate and other issuers	967	563
Securities issued by corporate issuers	824	954
ABS		
Mortgage loans	411 085	470 624
Total	**601 288**	**614 860**

Management of liquidity risk

Structure and organisation of liquidity risk management

The level of risk acceptable for achieving the strategic goals of Swedbank ("Risk appetite") is decided by Swedbank's Board of Directors, while the CEO is responsible for the implementation of the risk policy and risk appetite established by the Board. The CEO has established a Group Treasury function with the overall responsibility to manage Swedbank's liquidity. Group Treasury is the first line of defence in identifying, measuring, analysing, monitoring, and managing liquidity risks. To avoid a conflict of interest, the unit responsible for analysing the liquidity risks is separate from the position-taking units.

Group Risk constitutes the second line risk management function and is responsible for ensuring that liquidity risks are identified and properly managed by Group Treasury, and for this purpose has the responsibility to develop, maintain and provide internally developed Group-wide methods, measurements and a limit framework. Group Risk is also responsible for Group governance and strategies within the area of liquidity risk control, and for monitoring the regulatory environment related to liquidity risk control. Group Risk also provides assurance regarding compliance with the applicable rules and regulations in the countries where liquidity risk arises.

Management and control issues related to liquidity are assessed by the CEO, the CFO and the CRO of Swedbank who are assisted by the GAAC and the GRCC. Management and control of the liquidity in the Baltic subsidiaries are reported to the management of the Baltic subsidiaries (the management board, the CFO and/or the Heads of Risk of the local subsidiaries, respectively).

Liquidity management

Managing liquidity risk is an integral part of Swedbank's business operations. Group Treasury aims to proactively manage liquidity risk by managing liquidity and funding centralised on the Group level. Swedbank's funding strategy and liquidity reserve are key components in liquidity management.

Liquidity risk is forecasted and analysed continuously, using different time horizons to ensure that Swedbank has adequate cash or cash equivalents to meet its obligations in a timely manner. The inherent liquidity risk position is determined by the structure of Swedbank's balance sheet. Maturity structure and maturity mismatches in SEK and foreign currencies are also taken into account. The analysis of Swedbank's expected future cash flows provides important information for managing liquidity risk and for planning of Swedbank's funding.

Liquidity risk management is deemed to be a critically important process. Liquidity risk is monitored and managed daily. Internal data systems are used as a support to the liquidity risk measurement, monitoring and reporting both in a single currency setting as with currencies combined.

Intraday liquidity management

Intraday liquidity management constitutes the process of meeting intraday payment and settlement obligations in a timely manner. Swedbank's methodologies and systems ensure that obligations are fulfilled under normal and stressed conditions during the day. The management of intraday liquidity comprises the following elements:

- measurement of daily liquidity inflows and outflows
- monitoring of intraday liquidity positions
- funding of intraday liquidity needs
- management of timing of liquidity outflows
- capacity to deal with unexpected disruptions in intraday liquidity flows

Centralised liquidity management

Swedbank manages liquidity risk centrally, which means that individual subsidiaries or legal entities have very limited mandates to take on liquidity risk. If it is deemed necessary to provide additional liquidity to a subsidiary or branch from the parent company, a loan facility can be set up to establish a clear responsibility for the parent company to provide liquidity in times of crisis.

Funds Transfer Pricing

The purpose of the Funds Transfer Pricing (FTP) methodology is to assign each business transaction a price that reflects the cost of funding and liquidity risk, ensure the correct allocation to the business areas, and to incentivise prudent management of liquidity risks.

Business continuity plans and Key Risk Indicators

Swedbank has special contingency plans to manage any serious disruption of the liquidity situation and uses several forward-looking risk indicators to detect and act on increased liquidity risks as early as possible. These indicators show different kinds of market information, such as volatility in market prices and price discrepancies between various financial instruments. The indicators can signal increased stress and risk aversion on the financial markets and hence increased liquidity risks.

Measurement of liquidity risk

Swedbank uses a range of risk measures to capture different aspects of the liquidity risk profile. Several liquidity risk measures are used to assess intraday risk, short-term liquidity risks, and long-term structural liquidity risks. These assessments are done using both normal and stressed scenario assumptions. Both the cash flow projections and the liquidity ratios are used to estimate different aspects of the liquidity risk profile. The liquidity metrics are either defined internally or developed based on the external regulatory requirements.

Liquidity risk limit framework

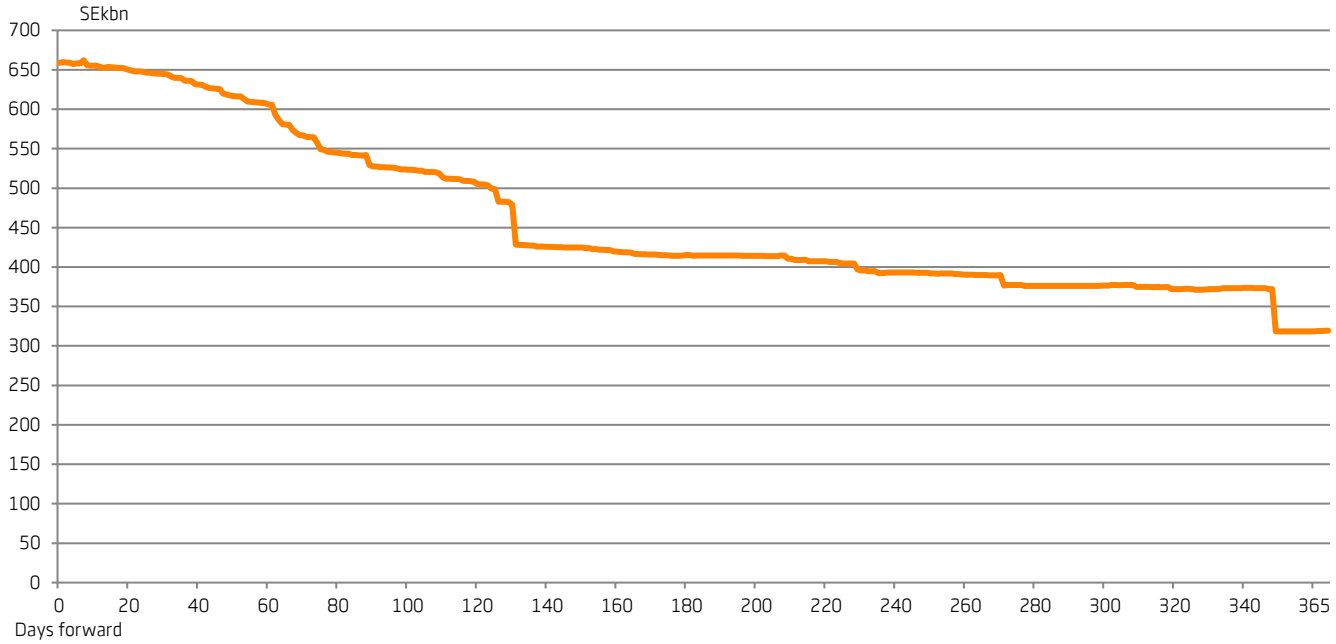
With the decision on Swedbank's overall liquidity risk appetite, the Board of Directors has defined limits on the minimum Survival Horizon and the minimum required overcollateralisation (OC) level. Furthermore, a liquidity risk limit framework has been established in order to safeguard business performance within the risk appetite and to avoid unwanted risk concentrations. The limits are established for Swedbank, its relevant legal entities, for branches, and for currencies.

Survival Horizon

The Survival Horizon measure is the main internal liquidity risk metric used within Swedbank and forms the basis for the liquidity risk limit framework. The guiding principle of the measure is the capture of all relevant future daily cash flows. Combined with the liquidity reserve of highly liquid assets, the metric illustrates Swedbank's projected liquidity position through time.

The Survival Horizon represents the number of days with positive cumulative net cash flows, taking future cash flows into account. The model is conservative to the extent that it assumes no access to wholesale funding markets and considerable withdrawals of client deposits over a stressed period. At year-end 2019, Swedbank would survive far longer than 12 months with the capital markets completely shut down (see figure 5.4).

Figure 5.4: Survival Horizon, 31 December 2019



The survival horizon represents the number of days with positive cumulative net cash flows taking into consideration Swedbank's future cash flows. No access to wholesale funding markets is assumed, as well as a considerable deposit run. Lending to private and corporate customers is rolled over. The Survival horizon is hence considered as a base stress scenario from a going concern perspective.

The principles below are used in the calculation:

- Central bank holdings and highly liquid securities (i.e. interest-bearing securities that are pledgeable at central banks) are assumed to generate liquidity day 1, and it is assumed that the liquidity generating capacity of the highly liquid securities is intact.
- The highly liquid securities are marked-to-market and reduced in accordance with the haircuts set by central banks.
- Highly liquid securities are available from the day they are registered on an account with a Swedbank clearer.
- Non-pledgeable securities are assumed to generate cash flow at coupon payment days and at maturity.
- Holdings of securities issued by entities within Swedbank are not part of the stock of highly liquid securities.
- Cash flows from debt security funding transactions are assumed to occur according to contractual terms and are not rolled over.
- Deposits from financial customers are assumed to occur according to contractual terms and are not rolled over.
- Deposits from private and non-financial customers are considered to gradually be withdrawn and cash outflows occur from these deposits.
- Undrawn committed and non-committed customer credit and/or liquidity facilities are not utilised.

Exceptions and clarifications: - The survival horizon considers management actions to create liquidity and include the effect from these in the curve. As an example, consideration is taken to facilities for issuing and pledging covered bonds.

Exceptions and clarifications - liquid assets: - The liquidity effect of repo/reversed repo transactions, with highly liquid securities as collateral, is assumed to be zero.

- The liquidity effect of repo/reversed repo transactions with non-pledgeable securities occur on the start day and end day of the repo transaction. The cash flows from the securities in a reversed repo transaction are modelled to generate contractual cash flows at coupon payment days and at maturity day from the day it is registered on account with a Swedbank clearer.
- The liquidity effect of repo/reversed repo transactions with securities issued by Swedbank is confined to the cash leg's cash flows, since such securities are not part of highly liquid securities.

Liquidity ratios

Swedbank also monitors liquidity risks through additional measures including regulatory defined liquidity measures such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), see table 5.7. The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets to meet its liquidity needs for a 30-day horizon under the assumption of a severe liquidity stress scenario. Thus, the LCR metric focuses on a bank's short-term liquidity.

Swedbank measures the LCR according to the Delegated Regulation (EU) 2015/61. By end of year 2019, the LCR was

182%, compared to 144% for 2018. Throughout 2019, the LCR was maintained well above the regulatory requirement (see table 5.8). The LCR fluctuates over time depending on factors such as the maturity structure of Swedbank's issued securities.

In the LCR, hypothetical stressed cash outflows are calculated by applying various assumptions, with driving factors such as deposit and funding run-offs, utilisation of credit facilities and movements in derivatives and collateral positions.

Collateralization of derivative exposure plays an important part in credit risk reduction and liquidity enhancement. In the LCR measurement, the Historical Look-back Approach is used to cover and manage possible derivative transactions related losses in the stressed scenario. With this method, outflows related to derivative exposures and collateral calls remained at the same level as at year end 2018.

The NSFR shows a bank's ability to manage structural liquidity risk over a one-year horizon. It ensures that a bank's long-term illiquid assets are funded with a minimum amount of stable long-term funding. Thus, the NSFR metric focuses on a bank's long-term structural liquidity exposure. An NSFR of above 100% means that the long-term illiquid assets are adequately funded with stable funding.

As of 31 December 2019, Swedbank had an NSFR of 120% (year-end 2018: 119%). As per year end of 2019, Swedbank discloses the NSFR according to the amended Capital Requirements Regulation (EU) 2019/876 ("CRR2"). For a comparison with the previously disclosed Basel III NSFR see Table 5.7 below.

Table 5.7: Liquidity coverage ratios and other liquidity and funding ratios

Liquidity coverage ratios[1)]	31 Dec 2019	31 Dec 2018
High Quality Liquid Assets (HQLA), SEKbn		
High quality liquid assets, Level 1	371	301
High quality liquid assets, Level 2	5	9
Total HQLA	**376**	**310**
Cash Outflows, SEKbn		
Retail deposits and deposits from small business customers	43	42
Unsecured wholesale funding	152	142
Secured wholesale funding	4	7
Additional requirements	53	49
Other cash outflows	9	15
Total Cash Outflows	**261**	**256**
Cash Inflows, SEKbn		
Secured lending	14	5
Inflows from fully performing exposures	19	16
Other cash inflows	23	19
Total Cash Inflows	**54**	**40**
Liquidity Coverage Ratio, Total, %	**182**	**144**
Liquidity coverage ratio (LCR), EUR, %	**379**	**282**
Liquidity coverage ratio (LCR), USD, %	**157**	**228**
Liquidity coverage ratio (LCR), SEK[2)], %	**111**	**68**
Liquidity and funding ratios	**31 Dec 2019**	**31 Dec 2018**
Net stable funding ratio (NSFR) according to CRR2[3)], %	**120**	**119**
Available stable funding (ASF), SEKbn	1 550	1 533
Required stable funding (RSF), SEKbn	1 295	1 293
Net stable funding ratio (NSFR) according to BCBS recommendation[4)], %	**111**	**111**
Available stable funding (ASF), SEKbn	1 550	1 537
Required stable funding (RSF), SEKbn	1 398	1 378
Liquid assets in relation to maturing funding during next 3, 6 and 12 months[5)], %		
liquidity reserve 3 months	295	223
liquidity reserve 6 months	162	162
liquidity reserve 12 months	112	136

[1)] LCR - calculated in accordance with Commission Delegated Regulation (EU 2015/61) of 10 October 2014.

[2)] As of 01 October 2019, there is a Swedish regulatory requirement of 75% for LCR SEK.

[3)] NSFR according to the amended Capital Requirements Regulation (EU) 2019/876 ("CRR2").

[4)] NSFR according to Swedbank's best understanding of BCBS's consultative document on new NSFR recommendation (BCBS295).

[5)] Liquidity ratios: liquid assets in relation to maturing wholesale funding during next 3, 6 and 12 months:

Liquidity reserve according to definition of the Swedish Bankers' Association.

Maturing funding during 3, 6 and 12 months: All wholesale funding maturing within 3, 6 and 12 months, including short-term CP/CDs, and net of lending and borrowing to/from credit institutions (net Interbank).

Table 5.8: Quantitative information on the LCR - EBA/GL/2017/01 (EU LIQ1)

Scope of consolidation: consolidated. SEKm	Total unweighted value				Total weighted value			
Quarter ending on:	**31-Dec-2019**	**30-Sep-2019**	**30-Jun-2019**	**31-Mar-2019**	**31-Dec-2019**	**30-Sep-2019**	**30-Jun-2019**	**31-Mar-2019**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
Total high-quality liquid assets (HQLA)					**442 718**	**439 776**	**469 220**	**505 031**
Cash-outflows								
Retail deposits and deposits from small business customers, of which:	**644 061**	**637 658**	**625 268**	**611 638**	**33 618**	**32 614**	**31 721**	**31 061**
Stable deposits	482 169	477 385	468 291	457 411	24 108	23 869	23 415	22 871
Less stable deposits	161 892	160 273	156 977	154 228	9 509	8 745	8 306	8 190
Unsecured wholesale funding	**436 050**	**439 277**	**456 314**	**484 075**	**245 086**	**248 894**	**261 363**	**283 111**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	158 655	168 705	189 186	212 728	39 082	41 591	46 712	52 604
Non-operational deposits (all counterparties)	225 119	209 325	190 218	177 953	153 728	146 057	137 741	137 112
Unsecured debt	52 276	61 247	76 910	93 394	52 276	61 247	76 910	93 394
Secured wholesale funding					**8 008**	**7 557**	**5 961**	**4 563**
Additional requirements	**308 927**	**306 458**	**305 253**	**301 516**	**36 903**	**36 609**	**36 830**	**36 942**
Outflows related to derivative exposures and other collateral requirements	23 274	23 359	23 123	22 657	7 860	7 944	8 230	8 547
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	285 653	283 099	282 130	278 859	29 043	28 665	28 600	28 395
Other contractual funding obligations	**27 808**	**26 877**	**27 296**	**27 147**	**27 808**	**26 877**	**27 296**	**27 147**
Other contingent funding obligations	**51 135**	**50 266**	**49 638**	**49 238**				
Total cash outflows					**351 422**	**352 552**	**363 172**	**382 823**
Cash-inflows								
Secured lending (e.g. reverse repos)	**59 032**	**57 025**	**53 697**	**45 961**	**59 030**	**57 022**	**53 693**	**45 956**
Inflows from fully performing exposures	**40 658**	**35 637**	**31 654**	**28 679**	**29 532**	**25 043**	**21 749**	**20 084**
Other cash inflows	**37 439**	**37 869**	**38 170**	**39 050**	**37 439**	**37 869**	**38 170**	**39 050**
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
Total cash inflows	**137 128**	**130 531**	**123 521**	**113 690**	**126 001**	**119 934**	**113 612**	**105 090**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	**137 128**	**130 531**	**123 521**	**113 690**	**126 001**	**119 934**	**113 612**	**105 090**
					Total adjusted value	**Total adjusted value**	**Total adjusted value**	**Total adjusted value**
Liquidity reserve					**442 718**	**439 776**	**469 220**	**505 031**
Total net cash outflows					**294 267**	**303 217**	**319 949**	**342 540**
Liquidity coverage ratio (%)					**150%**	**145%**	**147%**	**147%**

Table 5.8 is in line with EBA's Guidelines on LCR disclosure and the values represent 12 months averages for each reported quarter-ending.

Swedbank's cover pool

Another important structural liquidity measure is the overcollateralisation level of the cover pool. The volume of covered bonds that can be issued is determined by the size of Swedbank's cover pool. A certain overcollateralisation is needed to meet the minimum requirement defined by law, but it might also be needed to maintain the triple-A rating with rating agencies. As stipulated in the ERM Policy, Swedbank's cover pool shall be overcollateralized to such a level that the highest rating from at least one rating agency shall be maintained and that compliance with legal requirements shall be met even under a scenario with a real estate price drop of 20%. This level is meant to ensure that enough collateral is available to protect covered bond investors – even in the event of a large housing price fall.

At year-end 2019, the OC level was 76.9%, which is well above the minimum legal requirement (minimum 2%) and the levels required by the rating agencies.

A sensitivity analysis of a possible house price drop affecting the cover pool is run regularly as part of the internal liquidity stress tests. The impact on the OC level is described in table 5-9. The loan-to-value (LTV) structure of Swedbank's cover pool demonstrates strong resilience when experiencing a fall in house prices.

Table 5.9: Cover pool sensitivity analysis, 31 December 2019

House price decline, SEKbn	Current	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%
Total assets in the cover pool	989.8	984.5	975.1	961.6	944.2	922.8	897	866.4	830
Total outstanding covered bonds	559.5	559.5	559.5	559.5	559.5	559.5	559.5	559.5	559.5
Overcollateralisation level, %	76.9%	76.0%	74.3%	71.9%	68.8%	64.9%	60.3%	54.8%	48.3%

Stress tests

In addition to daily measurement of the Survival Horizon and other liquidity risk metrics, Swedbank performs regular stress tests and sensitivity analyses of relevant risk drivers. The purpose of those activities is to, with respect to liquidity risk, understand the balance sheet dynamics under severe circumstances, and to assess Swedbank's resilience to liquidity disturbances.

The annual internal liquidity adequacy assessment process (ILAAP) relies on the results of a designated liquidity risk stress test. The ILAAP stress test aims to assess the strength of the liquidity and funding risk profile of Swedbank, as well as for significant legal entities. The ILAAP scenario incorporate both idiosyncratic and market-related issues. The adverse scenario is unlikely but plausible and trigger a range of risk drivers, which to a large extent are calibrated to the historical events of the post-Lehman liquidity crisis.

The most important risk drivers considered are:

- client withdrawals of deposits
- limited access to the capital markets
- increased utilisation of customer credit lines
- higher collateral requirements due rating downgrade
- general price fall in the liquidity portfolio and associated lower level of market liquidity

The results of the 2019 ILAAP stress test indicate a strong resilience towards an extreme liquidity environment.

6. Operational and compliance risk

We aim for market leading cost efficiency, security and availability as a full-service bank, and to earn the trust of all stakeholders, all of which ineffective processes and systems can put at risk.

Operational risk
The risk of losses, business process disruptions and negative reputational impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition of operational risk includes information security risk. Operational risk is further broken down into the following sub-risk categories: personnel risk, process risk, information risk (including technology risk), and external risk.

Information security risk is the risk of violation of confidentiality, integrity and availability of information. Information risk includes Cyber risk as a subset which addresses information security risk within the scope of digital information.

Compliance risk
The risks that exist of failure by the Group to fulfil its obligations pursuant to laws, statutes and other regulations applicable to the operations subject to authorization.

Highlights 2019

In 2019 Swedbank saw an increase in incidents and losses compared to 2018. Availability and accessibility as a full-service bank in our four home markets remains a key priority for Swedbank. Our ability to uphold the service promise to customers is dependent on the ability to achieve and maintain an effective, stable and resilient IT-environment, including outsourced services. Risks that have risen in importance during 2019 include (but are not limited to) cyber risks, outsourcing and third-party risks and technology risks that affect availability. Several initiatives to mitigate risks and to improve processes and controls are under way, both short and medium term.

As described in Chapter 1, there has been identified shortcomings regarding routines and processes for AML/CTF. Internal monitoring activities have also highlighted risks in the area of customer protection that needs focus and actions.

Reducing the risks of money laundering and terrorist financing

During 2019 Swedbank established the Anti-Financial Crime unit (AFC) with the purpose of concentrating the technological and investigative resources and competences connected to the prevention of financial crime. The Anti-Financial Crime unit will focus on anti-money laundering (AML), counter-terrorist financing (CTF), fraud prevention, cyber security, information security, and physical security. The unit has the overall responsibility for the Bank's AML processes including framework and processes for know your customer (KYC), risk classification, transaction monitoring and reporting to authorities.

To support the Bank's efforts to achieve a complete oversight of the AML program, the Bank has appointed external advisors including the international law firm Clifford Chance, which is conducting an in-depth investigation of historical shortcomings in controls as well as exposure to money laundering and breach of sanctions. The investigation encompasses Swedbank AB, its global network of branches and relevant wholly-owned subsidiaries. A Special Task Force unit was formed in December to support the ongoing Clifford Chance investigation as well as the investigations by U.S. authorities. In addition, Swedbank has expanded its legal advisory group to include also the US law firm Quinn Emanuel. The Anti-Financial Crime unit continues to be responsible for implementation of the Bank's forward-looking programme.

To ensure that the Bank is taking the appropriate actions the Board of Directors has also decided to appoint attorney Biörn Riese as an external legal advisor to support the Board of Directors in the ongoing investigations and the work going forward. In addition to above-mentioned organisational changes Swedbank is also investing heavily in new systems regarding know your customer (KYC), risk classification and additional system support. Swedbank has also initiated a project to update existing AML/CTF governance systems and frameworks. The new AML/CTF framework will include a centralized approach to AML/CTF to raise the effectiveness and to facilitate the oversight of the level of compliance within the Bank. The aim is to ensure clear responsibilities, mandates and reporting lines throughout the Bank. Swedbank is also strengthening the capacity of the Bank by increasing the resources applied to these issues as well as investing in new competencies to meet the rapidly changing needs.

Operational Risk Losses

Figure 6.1: Operational risk – total annual losses

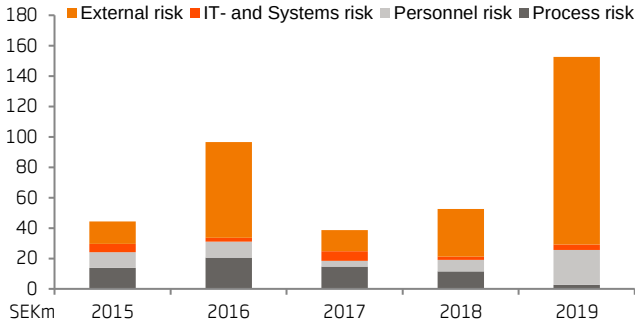


Figure 6.2: Annual loss – by Basel Event Type

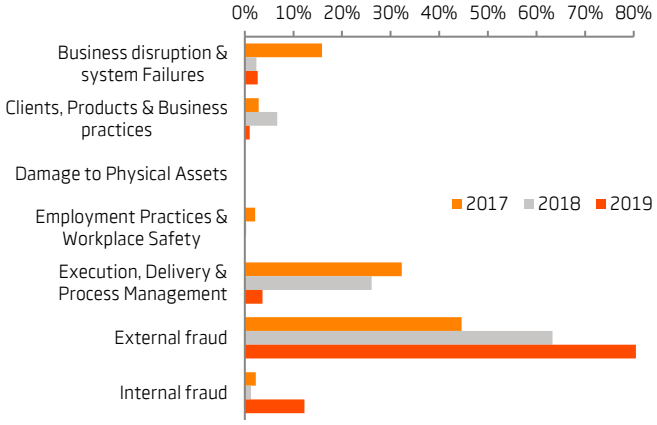
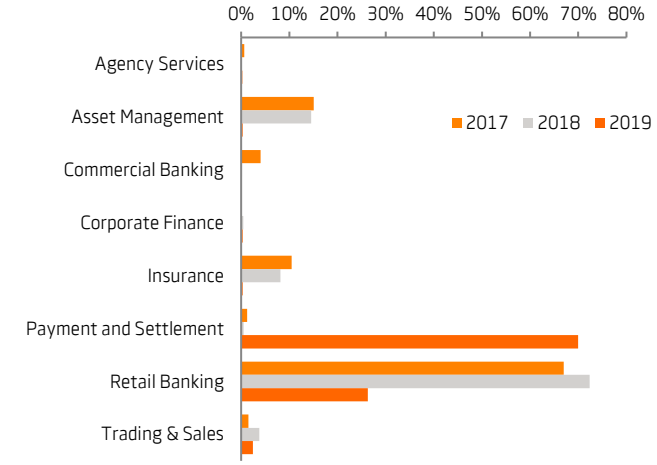


Figure 6.3: Annual loss – by Basel Business Line



Management of operational risk

Operational risks are inherent in Swedbank's business activities and are present in any financial institution. It is not cost-efficient to attempt to eliminate all operational risks, nor is it possible to do so. Swedbank seeks to maintain the lowest possible level of operational risks, taking into account market sentiment and regulations, as well as Swedbank's strategy, rating ambition and capacity to absorb operational risk losses.

Larger losses of material significance are rare, Swedbank aims to reduce the likelihood of such losses through relevant operational risk control, continuity management, and compliance to maintain readiness for events that could cause financial losses or reputational damage, or could impact the availability of our services.

Risk-based planning

The risk-based planning process serves to make sure that an overarching operational risk view is communicated and relevant risk management and risk control activities are planned. The process should also ensure that there are adequate resources to complete said risk related activities. It also helps to improve coordination and information-sharing between Group Risk, Compliance and Internal Audit towards aligned assurance. The risk-based planning process is an integrated part of Swedbank's annual activity planning.

Risk Assessment

All business areas apply the same methods to self-assess operational risks e.g. Risk Assessment (RA). This method is used on a regular basis to cover all key processes within Swedbank and includes risk identification, action planning and monitoring to manage any risk that may arise.

New Product Approval Process

Swedbank has a Group-wide process for New Product Approval (NPAP) covering all new and/or revised products, services, activities, processes and/or systems as well as major operational and/or organisational changes. The purpose is to ensure that Swedbank does not enter into activities which entail unintended risks or risks that are not immediately managed and controlled as part of the process.

The process is designed to emphasise the responsibility and accountability of the business areas for continuous overview of initiated NPAPs and continuous risk identification, analysis and mitigation. Group Risk and Swedbank Compliance contributes with an expert evaluation of the risk analysis process and the residual risks, and has the mandate to halt changes where the risks exceed the risk appetite and the underlying limits.

Business Continuity Management

Swedbank's principles for Business Continuity Management (BCM) are defined in a Group-level framework. Crisis Management teams are available both on a Group and on a local level to coordinate and communicate internally and externally. In addition, business continuity plans are in place for all critical processes, for IT-systems supporting these processes, and for services that are critical for society in the countries where Swedbank operates. The plans are implemented on a Group and on a local level, and describe how Swedbank shall operate in the event of a severe business disruption or potential crisis situation. Swedbank's Business Continuity and Crisis Management models are derived from the international standard ISO/IEC ISO 22301:2012 Societal security - Business continuity management systems.

Processes and controls

Swedbank has established a framework for process and internal control which is common to all types of processes and controls. Specific frameworks for internal control over financial reporting (ICFR) are applied for the processes concerned. A process universe is established and integrated into Swedbank's governance model. The purpose of Swedbank's process universe is to clarify the responsibility of

the significant processes, as well as for controls in the processes. To create a process-based method for risk management, the process universe is used as a basis for all risk management and risk control within Swedbank.

Incident management

Swedbank has established procedures and system support to facilitate reporting and following-up on incidents. Group Risk supports business areas in reporting, analysing, and drafting action plans to ensure that underlying causes are identified, and suitable actions are taken. Incidents and operational risk losses are reported in a central database for further analysis.

Risk Management Maturity Assessment (RMMA)

RMMA is a scorecard used to assess the risk management maturity level through following up the implementation of risk management processes. A high risk-management maturity level within the business indicates a strong risk awareness – which in turn reduces the threat of unforeseen losses and keeps business assets secure. The RMMA tool has proven to be very efficient in clarifying expectations and steering as well as evolving the risk management forward for improvement. The RMMA score is also used for adjusting capital allocation to further encourage the business to improve their operational risk management as it impacts the capital related profitability measures.

Recovery planning

Swedbank has established a Group-level recovery plan in accordance with the Bank Recovery and Resolution Directive (BRRD) regulatory framework. The plan has been complemented by the guidelines and technical standards issued by the European Banking Authority. The recovery plan describes a set of measures that can be applied in distress in order to restore the sound financial position of Swedbank, and to ensure the continuity of critical financial services provided by Swedbank in all its home markets. The plan also describes a wide range of recovery indicators along with trigger levels that can be easily monitored to capture potential stress in a timely manner. Further, in Swedbank's corporate governance structure, the rules for escalation and decision-making to be used under stressful conditions are described.

Information security risk

Swedbank has a structured approach to continuously manage information security risk and establish sound protection of confidentiality, integrity, and availability of Swedbank's information assets. In order to ensure comprehensive governance and monitoring of related risk exposure, Swedbank has established information security risk appetite, risk tolerance limits and risk metrics. Continuous work is ongoing to further improve in maturity and keep in pace with the challenges of ongoing digital transformation, increasing complexity of external threat landscape, technological developments and increased regulatory expectations.

Conduct risk

Swedbank continuously addresses risks related to the conduct of the bank and its employees by emphasising the importance of sound ethics and identifying and mitigating conflicts of interest. Swedbank has established a Group-level policy for Code of Conduct and Conflicts of Interest.

Legal

The CEO has established a Group Legal function with the overall responsibility for governing, controlling and supporting proper management of legal matters. Swedbank has lawyers in all major business areas specialised in core areas of Swedbank's operations. The lawyers provide legal services by supporting, understanding, and acting upon the need of the concerned business. There are also internal rules on escalation, information-sharing, and reporting of legal risks and lawsuits. Regular reviews are carried out to identify and follow-up on actual and/or potential legal risks, so that practices can be modified to ensure compliance with local regulatory requirements.

Insurance policies

Swedbank has insurance protection for significant parts of its operations and maintains several insurance programs to mitigate operational risks (and other types of risks). These insurance programs consist of external insurance solutions, internal captive solutions, and externally reinsured captive solutions. The external programs include Crime, Professional Liability, Directors' and Officers' Liability, Property insurance, and Cyber Insurance.

Management of compliance risk

Regulatory Watch Process

The Regulatory Watch process is an assurance process, established by Swedbank Compliance as a control function. The primary purpose of the Regulatory Watch process is to provide assurance to the Board, the CEO, Heads of Business Area/Product Area/Group Functions and other competent decision-making bodies of Licensed Subsidiaries that Legislative Acts are implemented adequately and on time.

Conflicts of interest management

Conflicts of interest management processes set a common structure in the Group in order to identify, document and mitigate different conflicts of interest related to our organisation, executives, and key position holders.

Process for internal alerts

The process sets the overall requirements on how the Group handles internal alerts process which allows employees to report and raise concerns of potential or actual failures to comply with external and internal rules or regulations, concerns of breaches of internal standards, irregularities, criminal offences, including, but not limited to, corruption, fraud, other financial crimes and sexual harassment.

Risk-based planning

The risk-based planning process serves to make sure that an overarching compliance risk profile is communicated, and relevant assurance activities are planned according to the risk-based approach. It also helps to improve coordination and information-sharing between Group Risk, Compliance and Internal Audit towards aligned assurance.

Compliance monitoring

The monitoring process is a standardised process where Swedbank Compliance in a risk based approach assesses how the Group complies with external regulations within scope and relevant internal regulations.

Advice & support

The advisory process for Swedbank Compliance is a key activity for the function that enables sound and sustainable business in line with the regulatory expectations put on the Group. The New Product Approval Process is an example of function's proactive involvement in order to secure the compliance with applicable rules and regulations, in addition to participation in the control process owned by Group Risk.

Training

Training processes allow sharing and spreading the knowledge and help to inform the employees of relevant rules and regulations as well as ethical standards and the values that the Group ascribes to.

Capital requirements for operational risk

Pillar 1 capital

Operational risk capital requirements are calculated under the standardised approach which assigns multipliers determined by the capital adequacy rules (beta factors) expressing the capital requirement in relation to gross income for each business line. The new Standardised Measurement Approach (SMA), due for implementation on 1 January 2022.

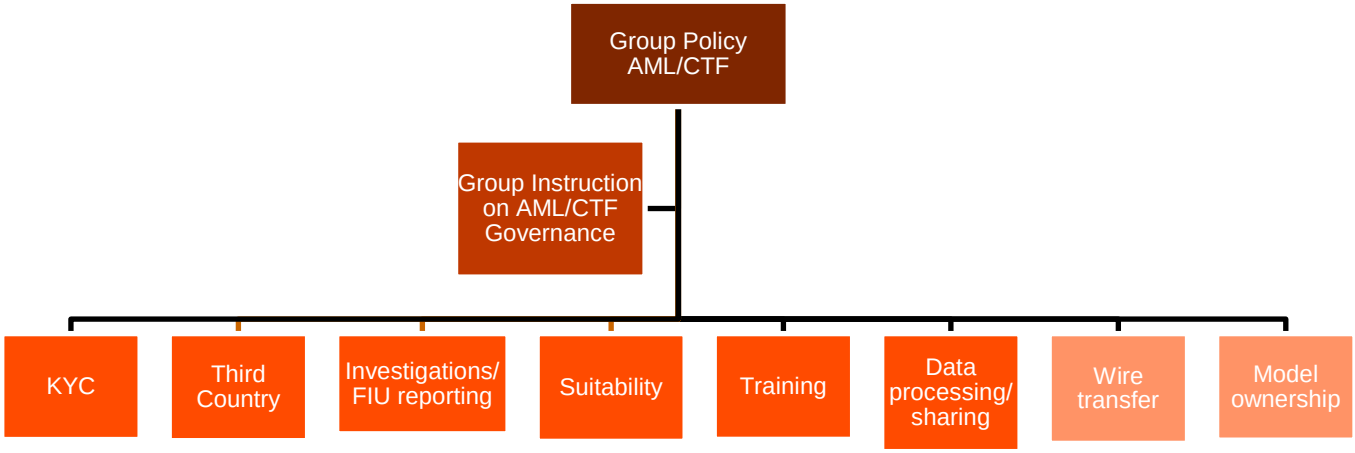
Table 6.1: Capital requirement for operational risk, by Basel Business Line

	2019		Capital requirement		
SEKm	Income Indicator	Beta (%) *	2019	2018	2017
Basic indicator approach	0	15	0	0	91
Standardised approach	41 664	13	5 481	5 182	4 987
Corporate finance	142	18	26	29	39
Trading and sales	1 787	18	322	232	210
Retail banking	26 123	12	3 135	3 006	2 993
Commercial banking	7 759	15	1 164	1 094	1 038
Payment and settlement	2 068	18	372	366	258
Agency services	297	15	44	44	42
Asset Management	3 482	12	418	411	405
Retail brokerage	5	12	1	1	2
Total	**41 664**	**13**	**5 481**	**5 182**	**5 079**

*The capital requirement for each business line is derived by multiplying the business line's beta factor by its gross income. The total capital requirement for an entity or a group of undertakings is obtained by adding the respective capital requirement of all eight business lines.

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

Figure 6.4: Group AML/CTF Framework



Risk of money laundering and terrorist financing

Swedbank is a full-service retail bank offering a wide range of products and services to a large number of private and corporate customers. This makes the Group vulnerable and exposed to many predicate crimes in relation to Money Laundering (ML) as well as many different types of Money Laundering/Terrorist Financing (ML/TF) schemes. The ML/TF risks are inherent to Swedbank's business activities. Swedbank has a responsibility to its customers, shareholders, and regulators to prevent the Group from being used for ML/TF. Therefore, Swedbank will apply robust and consistent AML/CTF processes and procedures to prevent use of the services, products or channels for purposes of ML/TF in the jurisdictions in which it operates.

Governance and Group AML/CTF Framework

To strengthen the overall Group AML/CTF approach, a new and updated Group AML/CTF Framework has been rolled out in Swedbank during the second half of 2019. The establishment of the new Group AML/CTF Framework aims to ensure robustness and consistency in the AML/CTF work that takes place across the Group. Apart from outlining the minimum requirements in the Group, it is employed to ensure a centralised approach to AML/CTF, which will work to both

achieve a higher degree of effectiveness and to facilitate oversight of the level of compliance within the Group. Coupled with a stronger and more coherent Framework governance and AML/CTF organisation, it ultimately aims to improve the possibilities of an effective overall AML/CTF risk management.

Thus far the following frameworks have been adopted; Group AML/CTF Policy, Group Instruction on AML/CTF Governance, Group Directive on KYC, Group Directive on Investigations and Financial Investigative Unit (FIU) reporting, Group Directive on Suitability Assessment, Group Directive on Training, and Group Directive on the processing and sharing of data for AML/CTF purposes. In March 2020, a Group Directive on Wire Transfer and a Group Directive on Model Ownership are planned to be adopted.

The Group Instruction on AML/CTF Governance outlines the AML/CTF governance with respect to the first line of defence in the Group, including accountabilities and responsibilities, the Group AML/CTF organisation, the AML/CTF reporting procedures and the governance concerning the Group AML/CTF Framework. The appointed Group Specially Appointed Executive (the Group SAE) is accountable for the development and maintenance of the Group AML/CTF Framework and the Group AML/CTF organisation (the Anti-Financial Crime unit). The Group SAE is chairing the group-wide risk committee – Group Financial Crime Committee (GFCC) – which has been established to ensure adequate and effective management of ML/TF risks in the Group.

In line with the established governance, each Subsidiary shall similarly ensure that a Subsidiary SAE be appointed (unless restricted by local legal requirements). The Subsidiary SAE shall report directly to the Subsidiary Board and Subsidiary CEO and functionally to the Group SAE and the relevant BA/PA/GF Head on AML/CTF matters. The BA/PA/GF Head is accountable for the implementation of AML/CTF processes and procedures in its respective BA/PA/GF.

Group Risk Assessment

The Group Directive on Group Risk Assessment Methodology (the GRAM Directive) outlines a uniform approach to the overall Group Risk Assessment Process and the mandatory risk assessments that all legal entities within the Group are obliged to perform.

In accordance with the risk-based approach, the identified and assessed inherent risks shall set the foundation for all AML/CTF routines and processes (measures) in the bank. This is to ensure that measures taken are commensurate with the ML/TF risks that Swedbank is exposed to (i.e. resources are to be dedicated to the areas where risks are higher).

Know your customer

The Group Directive on KYC outlines the minimum requirements as regards the performance of risk-based KYC measures on customers, the customers' Beneficial Owners and Authorised Representatives. The Directive is designed to allow for the application of a risk-based approach, as well as adaption to the nature and scale of the business activities and services etc. Each BA/SUB is accountable for interpreting and implementing the requirements in its business processes to manage the ML/TF risks to which it is exposed.

Transaction monitoring and FIU reporting

To detect suspicious activities, behaviours or transactions which could be related to possible offences, ML or TF, Swedbank performs risk-based monitoring of its customer relationships. This includes scrutiny of transactions undertaken throughout the course of the business relationship as well as occasional transactions. The performance of transaction monitoring in the Group falls under the responsibility of the Group Function Group AML Investigations within AFC (i.e. the Group SAE).

The Group Officer for Controlling and Reporting (Group OCR who is responsible for FIU reporting according to Swedish regulations) has delegated the operational responsibility for establishing and implementing a Group Framework as regards the operational handling of the investigation and reporting to the local FIUs to the Group SAE. The OCR has also delegated the submission of SAR/STRs (or equivalent) and the handling of requests from local FIUs to the appointed Money Laundering Reporting Officers (MLROs). The appointed MLROs for each legal entity in the Group are responsible for the FIU-reporting. The monitoring responsibilities of the OCR are delegated to the Compliance function.

The Compliance function monitors and controls the adherence to regulatory requirements, internal regulations, adherence to stated risk appetite, and efficiency of processes both as processes for AML/CTF and especially Transaction monitoring and reporting to FIUs.

Financial sanctions

The Group Policy on Financial Sanctions, adopted by the Board of Directors, lays out the overarching views on how the Bank achieves adherence to various relevant sanction programmes, i.e. financial sanctions enacted by the EU, the UN and the US. In addition, the Group takes a programmatic and risk-based approach to sanctions screening, in line with the Wolfsberg Guidance on Sanctions Screening. This means, inter alia, that the Bank's sanctions programme is applied in conjunction with other anti-financial crime processes, such as policies and procedures, risk assessment and internal controls.

The Bank performs Group-wide daily screening of all International Payments, Trade Finance messages and the registers of new and existing customers, to ensure that Swedbank is not assisting with any transactions or retaining any business engagements that are subject to EU, UN or relevant US sanctions. Furthermore, there are multiple processes in place to stop those who try to use Swedbank to evade sanctions. Should a customer's business model or transactions indicate a sanctions risk that surpasses the Bank's risk appetite, an off-boarding procedure will be initiated.

Currently, the Group is drafting an updated Policy and Directive, in line with the new approach on Group AML/CTF Framework and Governance, and in order to meet new challenges.

7. Stress tests and Economic Capital

Stress testing exercises conducted in 2019 demonstrated Swedbank's strong resilience to severe shocks due to its low-risk profile and adequate capitalization that would allow Swedbank to withstand downturns in every home market.

Stress tests
Swedbank uses stress tests for the purpose of forecasting its solvency and capital needs.

Economic Capital
Economic Capital (EC) models are used to provide an objective internal view regarding risks affecting Swedbank.

EC models and internal stress tests are important tools used by Swedbank to assess and maintain, on an ongoing basis, the capital level needed with respect to Swedbank's adopted risk profile. In addition, Swedbank continously considers the outcome of external assessments such as the SREP. The primary purpose of the SREP is to make sure that Swedbank has adequate capital and liquidity levels. All this ensures a sound management of the risks to which Swedbank is or might be exposed to, including those revealed in stress tests and risks that Swedbank may pose to the financial system.

Highlights 2019

Swedbank continues to demonstrate its strong position by showing solid results in both internally and externally performed stress tests. The main comprehensive stress tests carried out in 2019 were the ICAAP adverse scenario simulation and the stress test designed by the SFSA to assess the size of capital planning buffer. The stress test performed in the ICAAP is designed to reflect identified systemic risks that may have an adverse impact on Swedbank's capital position. Swedbank withstands a severe recession scenario expected to occur approximately once in 25 years with a fully loaded CET 1 capital ratio of 15.2% in the lowest point, which is approximately 50 basis points above estimated regulatory requirement. Thus, the result demonstrates Swedbank's strong resilience to adverse circumstances.

The stress test designed by the SFSA to assess the size of the capital planning buffer is carried out annually as part of SREP. The outcome of the SFSA assessment, presented in the SREP, states that the size of Swedbank´s capital planning buffer is less than 2.5% of RWA (i.e. less than the capital conservation buffer), and thereby will not add to the total capital requirement of Swedbank.

Economic Capital (EC)

EC models are used to provide an objective internal view of the capital requirement for significant risks affecting Swedbank. In contrast to the capital assessment within Pillar 1, the estimation of Swedbank's EC is not limited by assumptions applied in the Basel framework. Consequently, the EC generates a more accurate assessment of the risk to which Swedbank is exposed.

Within the EC framework, credit risk, market risk, operational risk and post-employment risk are considered, while insurance risk and business risk are evaluated separately. The business risk is assessed through stress tests performed in the ICAAP. If the stress test outcome indicates additional capital need, the EC could be increased accordingly. The insurance companies within Swedbank Group perform an annual Own Risk and Solvency Assessment (ORSA). The ORSA process assesses the risks and solvency positions by projecting the risk metrics under the base and adverse scenarios. Similar to business risk, if the outcome of the ORSA reveals a solvency need for the insurance companies, the EC could be increased accordingly.

In general, VaR based models with a confidence level of 99.9% are used to calculate the EC for the different risk types. The confidence level, which corresponds to the confidence level used in the Basel IRB framework calibration, uses a one-year horizon.

EC models by risk type

Swedbank's EC model for credit risk is based on the similar theoretical foundation as the Basel IRB framework, but while the IRB framework is limited to a one-factor model, Swedbank's EC framework applies a multi-factor model. Accordingly, the actual portfolio setup can be used, and both concentration and diversification effects are taken into account.

The operational loss model is a simulation approach based on historical operational losses. The model has been developed primarily using internal and external data and is complemented with scenario information to capture areas where additional input is required beyond loss data. Since Swedbank is heavily dependent on solid IT-solutions, the main driver for operational risk is rather low frequent and high impact losses related to information and technology risk or clients, products and business practices – a trend also evident in the external loss data.

The EC for market risk is primarily driven by interest rate risk in the banking book (IRRBB), where an economic value methodology is used. For risk stemming from the trading operations, Swedbank's internal assessment is in line with the view of market risk within Pillar 1. The main difference is that Swedbank uses a standardised approach to calculate specific interest rate risk in Pillar 1, while an internal model is applied within the EC framework. In addition to market risk in the banking and trading books, the EC assessment also accounts for CVA risk.

Post-employment benefit risk is the final risk type captured within the EC framework. The methodology for calculating post-employment benefit risk is based on the current post-employment benefit plan, where the underlying market risk factors are stressed to evaluate the capital requirement for post-employment benefit risks under stressed conditions.

Table 7.1: Economic Capital by risk type

Risk type, SEKbn	2019	2018
Credit risk	25.5	25.2
Market risk	4.7	3.4
Operational risk	4.3	4.2
Risks in post-employment benefits	0.2	0.0
Total	**34.7**	**32.7**

At year-end 2019, Swedbank's total EC amounted to SEK 34.7bn, which is 6% more than in 2018 (32.7bn). All of the significant risk types moved in a consistent manner demonstrating a positive growth rate. Credit risk, being the major contributor to the total EC, added SEK 0.3bn (1%). For market risk, the EC increased by 40% to SEK 4.7bn in 2019 vs. 2018 mainly on the back of the banking book component. Higher interest rate risk sensitivity towards decreasing rates played a prominent role in these dynamics. The EC for operational risk amounted to SEK 4.3bn, which is 3% higher than a year ago (4.2bn). The operational risk charge mirrors the development of the Pillar 1 capital requirement, although the two approaches are driven by different underlying factors. Post-employment benefit risks result in EC of SEK 0.2bn. The EC is a crucial component for and serves as primary input to the ICAAP.

Internal Capital Adequacy Assessment Process (ICAAP) – Pillar 2

In the ICAAP under Pillar 2, Swedbank's solvency and capital need is determined by applying the EC methodology and stress tests. Swedbank calculates the Pillar 2 capital for all relevant risk types. Strategic and reputational risks are managed indirectly within the capital adequacy assessment, as the capital buffer implicitly protects against such risks, and they are carefully monitored and managed. Liquidity constraints may arise as a result of an imbalance between risk and capital. The ICAAP is designed to ensure that such imbalances do not arise, and consequently, a conservative view of liquidity risk is important to the process.

Table 7.2: Risk types according to the ICAAP process

Risk type	Pillar 1 Capital is allocated?	Pillar 2 Contributes to calculated capital need?
Credit risk	Yes	Yes
Concentration risk	No	Yes
Market risk	Yes	Yes
Market risk: Interest rate risk in banking book	No	Yes
Operational risk	Yes	Yes
Insurance risk	Yes[1]	Yes[2]
Risks in post-employment benefits	No	Yes

Risk type No specific capital is allocated	Pillar 1	Pillar 2 Identified and mitigated?
Reputational risk	No	Yes
Liquidity risk	No	ILAAP[3]
Strategic risk: Decision risk, Business plans, Projects and acquisitions	No	Yes[4]

[1] Holdings in insurance companies are risk weighted at 250%.
[2] The insurance companies in Swedbank Group perform an Own Risk and Solvency Assessment (ORSA). The aim of this process is to assess risks (both qualitatively and quantitatively) and the solvency position over a business planning period of three years. The calculations are performed by projecting the risk metrics under the base and adverse scenarios.
[3] For information regarding liquidity risk in ILAAP and other stress tests and sensitivity analysis for liquidity risk, please see Chapter 5.
[4] Economic Capital and adverse Scenario Simulation calculations can be adjusted to reflect forward looking perspective

Stress tests

Swedbank uses macroeconomic scenario-based stress tests in the ICAAP for the purpose of forecasting its solvency and capital needs. The stress tests are an important means of analysing how Swedbank's portfolios are affected by severe macroeconomic developments, including the effects of negative events on Swedbank's total capital and risk profile.

The Group-wide stress test methodology takes its starting point in the identification of systemic risks that may have an adverse impact on Swedbank's capital. The identified systemic risks are transformed into quantitative effects on key macroeconomic variables to build macroeconomic scenarios. The scenarios include variables for Swedbank's four home markets and can thereby be used both on a Group level and for the subsidiaries. When stressing credit risk, Swedbank uses statistical models that transform the adverse macroeconomic scenarios into loss levels for relevant balance-sheet items. Profit and Loss items such as net interest income and fees and commissions are also stressed in the scenario. After REA changes are accounted for, a total impact on capital adequacy

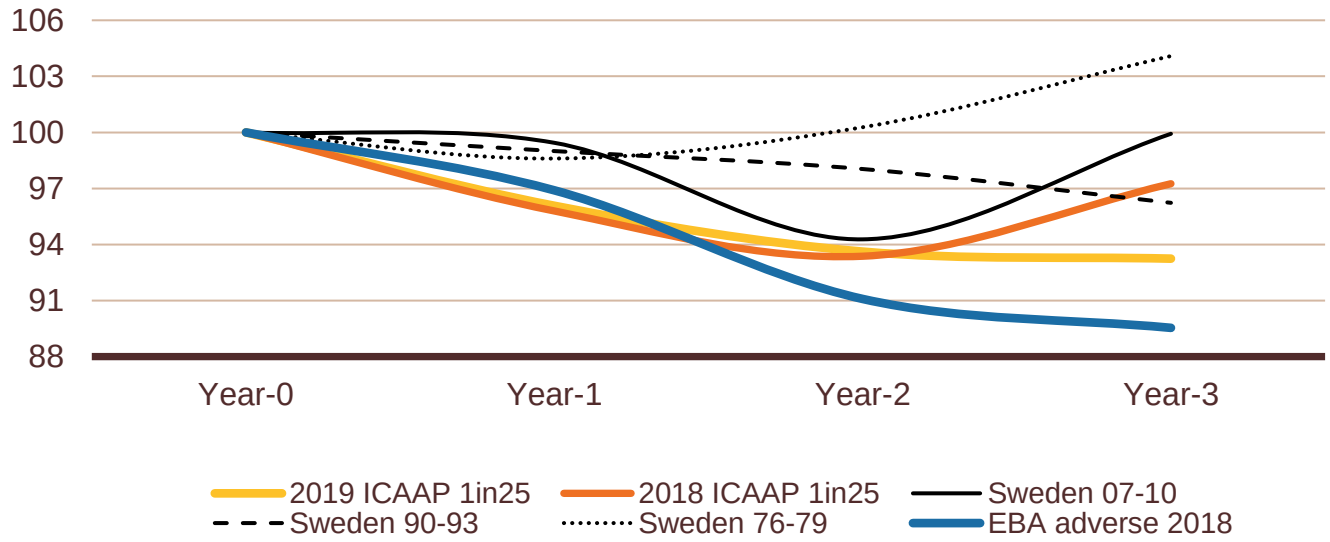
can be reliably estimated. Finally, the stress test outcomes and the methodology are evaluated and discussed by Swedbank's experts and by management, to ensure consistency and reliability. The scenarios are presented to the Board of Directors for approval along with an assessment of the effects on the main risk types.

The adverse ICAAP scenarios

For ICAAP purposes, Swedbank develops a single narrative describing adverse macroeconomic scenario and calibrates it to two different severity levels, both with a three-year time horizon. One is a mild recession scenario reflecting a possible macroeconomic development expected to occur once in seven years, and the other is a severe recession scenario reflecting a possible but improbable course of events occurring no more than once in 25 years.

The 1-in-7-years scenario is used to assess Swedbank's capacity to withstand expected recessions maintaining a comfortable capital adequacy level. If a scenario analysis indicates that Swedbank could slip below the regulatory requirement threshold, a remedial action would be considered. Currently, no such need has been identified. Swedbank uses the 1–in-25-years scenario to determine whether the capital level is aligned with the risk appetite. If the risk appetite for capital is exceeded, relevant measures are taken to restore a sufficient capital level.

Figure 7.1: Swedish historical downturns compared to the stress test scenarios for the ICAAP



Sources: Swedbank, Statistics Sweden and the Swedish central bank.
Note: Indexed real GDP with 100 representing the real GDP level at the start of the scenario (year 0).

The 1-in-25-year scenario is designed to reflect the identified systemic risks that may have an adverse impact on Swedbank's capitalisation. The scenario developed for the ICAAP 2019 assumes that the recently much-debated barriers to international trade are implemented in their most extreme form, which sets in motion a set of policy events and exaggeratory bilateral responses. It is further assumed that the trade obstacles become permanent and are perceived as such by markets. Thus, the scenario takes as a starting point a massive drop in trade as global exports plummet for all countries in the scenario. The contraction of trade is accompanied by an initial increase in consumer prices as tariffs are transferred on to consumers. Later on in the scenario, the initial inflation is transformed into stagnant and then negative price growth as the economic activity slows down. Furthermore, the tariffs trigger geopolitical tensions, which add to the burden of falling world trade and growth, particularly because consumer sentiment (affecting consumption) and corporate investments plummet.

Table 7.3: Stress test ICAAP scenario parameters

	Severity level 1-in-25 years			
	2018[1)]	2019f	2020f	2021f
Sweden				
Real GDP growth, % yoy	2.5	-3.9	-2.6	-0.4
Unemployment, %	5.9	8.9	11.4	10.7
Inflation, % yoy	2.1	1.8	-0.3	-0.4
Residential real estate price index	100.0	85.7	73.2	65.1
Estonia				
Real GDP growth, % yoy	3.9	-2.9	-3.0	0.0
Unemployment, %	6.5	9.4	12.1	10.7
Inflation, % yoy	3.7	3.3	-0.5	-1.2
Residential real estate price index	100.0	88.0	76.4	70.2
Latvia				
Real GDP growth, % yoy	5.0	-2.9	-2.6	0.0
Unemployment, %	8.0	10.6	11.3	10.7
Inflation, % yoy	3.2	2.7	-0.7	-0.8
Residential real estate price index	100.0	84.4	70.4	62.1
Lithuania				
Real GDP growth, % yoy	3.8	-3.5	-3.6	-0.2
Unemployment, %	7.3	10.4	11.7	11.0
Inflation, % yoy	2.4	2.9	-0.6	-1.1
Residential real estate price index	100.0	86.4	71.0	60.1
Interest rates				
3m Government rate SEK, %	-0.73	-0.73	-0.73	-0.73
3m Government rate EUR, %	-0.66	-0.66	-0.66	-0.66
FX				
USD/SEK	8.90	9.12	9.23	9.35
EUR/SEK	10.19	10.57	10.65	10.74

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

Impact on Swedbank – simulation results

In the ICAAP, Swedbank factors in known changes in regulatory and accounting practices which will take effect during the simulation period and that can be analysed with a high degree of certainty. These changes are integrated in the calculations according to their expected implementation schedule. The adjustments include, amongst others, IRB model revisions and effects associated with IFRS 16.

Table 7.4: Income statement under the ICAAP scenario

Income statement under ICAAP scenario [1)], SEKbn	Severity level 1-in-25 years			
	2018[1)]	2019f	2020f	2021f
Total net interest income	26.7	26.2	25.3	25.0
Total income	44.6	41.2	40.7	40.5
Total expenses	**17.5**	**18.0**	**17.8**	**17.8**
Profit before impairments	**27.1**	**23.2**	**22.9**	**22.7**
Credit impairments	0.8	13.0	15.5	7.8
Operating profit	**26.3**	**10.2**	**7.4**	**14.9**
Tax expense	5.4	2.1	1.5	3.1
Non-controlling interests	0.0	0.0	0.0	0.0
Profit for the period attributable to: [2)] Shareholders of Swedbank AB	**20.8**	**8.1**	**5.9**	**11.8**

[1)] The ICAAP is based on Swedbank CS which does not include insurance companies.

[2)] The Board of Directors has set the dividend policy to 75% of profit for the year. This policy is applied in the ICAAP stress test.

Net interest income

In the simulated scenario the net interest income drops by SEK 1.7bn compared to the starting position. The main drivers underlying this development are widened funding spreads and increased volumes of non-performing, revenue non-generating loans in the portfolio.

Expenses

In the scenario, the development of expenses is primarily inflation-driven. As inflation rate is positive in the first year, both staff and administrative costs go up slightly but are cautiously kept constant in the coming deflationary years. Note also that an exceptional loss of SEK 257m related to a hypothetical operational risk incident is included in the expenses for 2019.

Credit impairments

New credit impairments amount to SEK 36.3bn with total provisions increasing six times driven by an eightfold increase in Stage 3 provisioning as per IFRS 9 designation and material additions to Stage 2 induced by rating migrations. Losses are tilted to the first two years of the scenario and only recede in the third year, although the absolute level still dwarfs the pre-crisis impairments. The Large Corporates and Institutions (LC&I) business area proves to be the most vulnerable to the simulated shock and accounts for 46% of total losses. The Swedish Banking credit portfolio generates 43% of accumulated losses, while the Baltic Banking business area – the remaining 11%. Sectors that are most heavily affected by the crisis as gauged by cumulative loss ratios are shipping and offshore, retail and construction.

Table 7.5: Credit impairments under the ICAAP scenario

Credit impairment by business area, SEKbn	EAD 2018	Severity level 1-in-25 years 2019	2020	2021	Accumulated 2019 - 2021 ratio, %
Swedish banking	1 285.5	4.2	6.4	5.1	1.2
Large Corporates & Institutions	348.9	6.8	8.2	1.7	4.8
Estonia	87.0	0.6	0.3	0.4	1.5
Latvia	40.9	0.6	0.2	0.2	2.5
Lithuania	63.4	0.8	0.4	0.4	2.5
Other	290.1	0.0	0.0	0.0	0.0
Total	**2 115.8**	**13.0**	**15.5**	**7.8**	**1.7**

Impact on Swedbank – RWA and capital

Common Equity Tier 1 capital improves in nominal terms compared to the starting value at 2018-end due to the profit generation and positive contribution of SEK 2.5bn to other comprehensive income in the first year associated with the post-employment benefit plan (IAS 19) liabilities. This is illustrative of Swedbank's resilience as it happens against the backdrop of soaring credit losses and dwindling revenues.

However, significantly increasing REA driven by credit portfolio migrations, currency effects and other factors negatively impacts the CET1 ratio, which drops by 108 basis points at the trough. Nevertheless, Swedbank is not expected to breach forecasted regulatory capital requirements at any point of the scenario. Thus, the scenario simulation result demonstrates Swedbank's strong resilience to severe circumstances and prudent level of capitalisation.

Table 7.6: Swedbank Consolidated Situation capital assessment results

Capital assessment SEKbn	Severity level 1-in-25 years 2018	2019f	2020f	2021f
Total RWA	637.9	713.2	710.3	713.4
Common Equity Tier 1	103.8	108.4	108.9	111.5
Common Equity Tier 1 ratio, %	16.3	15.2	15.3	15.6

Appendix A: Consolidated Situation

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Swedbank's legal entity structure and business activities

Swedbank Consolidated Situation

The consolidated situation for Swedbank as of 31 December 2019 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group is included through the proportionate consolidation method. The difference between Swedbank Group and Swedbank Consolidated Situation (CS) is shown more in detail below, where "•" means 100% consolidation and "–" means not consolidated. Where percentages are shown, the company is included using the equity method unless otherwise stated. Any changes in legal entity structure are reflected on www.swedbank.com.

Legal entity name	Business activity	Country	Swedbank Group	Swedbank CS	Swedbank Estonia Group	Swedbank Estonia CS	Swedbank Latvia Group	Swedbank Latvia CS	Swedbank Lithuania Group	Swedbank Lithuania CS
Swedbank AB	Banking operations	SE	•	•						
Swedbank Mortgage AB	Mortgage	SE	•	•						
Swedbank Robur AB	Holding company	SE	•	•						
Swedbank Robur Fonder AB	Fund management	SE	•	•						
Swedbank Investeerimisfondid AS	Investment management	EE	•	•						
Swedbank Ieguldijumu Parvaldes Sabierdiba AS	Investment management	LV	•	•						
Swedbank investiciju valdymas UAB	Investment management	LT	•	•						
Cerdo Bankpartner AB	IT	SE	•	•						
SwedLux S.A.	Banking operations	LU	•	•						
Sparfrämjandet AB	Inactive	SE	•	•						
Sparia Group Insurance Company Ltd	Insurance company	SE	•	–						
Swedbank Fastighetsbyrå AB	Holding Company	SE	•	•						
Fastighetsbyran The Real Estate Agency S.L.	Estate Agent	ES	•	•						
Svensk Mäklarstatistik AB	Real Estate Statistics	SE	25%	25%						
Bankernas Kontantkort CASH Sverige AB	Inactive	SE	•	•						
Swedbank PayEx Holding AB	Holding Company	SE	•	•						
PayEx Norge AS	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	NO	•	•						
PayEx Danmark AS	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	DK	•	•						
Swedbank PayEx Collection AB	Inactive	SE	•	•						
PayEx Sverige AB	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	SE	•	•						
PayEx Solutions OY	Inactive	FI	•	•						
PayEx Suomi OY	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	FI	•	•						
PayEx Invest AB	Real estate	SE	•	•						
Faktab B1 AB	Real estate	SE	•	•						
Faktab V1 AB	Real estate	SE	•	•						
Faktab S1 AB	Real estate	SE	•	•						
Ektornet AB	Real estate	SE	•	•						
Swedbank Försäkring AB	Insurance company	SE	•	–						
ATM Holding AB	Holding company	SE	70%	70%						
Bankomat AB	ATM operations	SE	20%	20%						
FR&R Invest AB	Financial reconstruction & recovery	SE	•	•						
Swedbank Newco AB	Inactive	SE	•	•						
Swedbank Securities US LLC	Securities company	US	•	•						
First Securities AS	Inactive	NO	•	•						
Swedbank Management Company SA (ManCo)	Holding company	LU	•	•						
Swedbank AS (Estonia)	Banking operations	EE	•	•	•	•				
Swedbank Liising AS	Leasing, factoring	EE	•	•	•	•				
Swedbank Life Insurance SE	Life insurance	EE	•	–	•	–				
Swedbank P&C Insurance AS	Insurance	EE	•	–	•	–				
Swedbank Support OÜ	IT, property management	EE	•	•	•	•				
SK ID Solutions AS	Certification services	EE	25%	25%	25%	25%				
Swedbank AS (Latvia)	Banking operations	LV	•	•			•	•		
Swedbank Lizings SIA	Leasing, factoring	LV	•	•			•	•		
Swedbank Atklatais Pensiju Fonds AS	Investment management	LV	•	•			•	•		
Swedbank AB (Lithuania)	Banking operations	LT	•	•					•	•
Swedbank Lizingas UAB	Leasing, factoring	LT	•	•					•	•
Swedbank valda UAB	Real estate management	LT	•	•					•	•
EnterCard Group AB	Credit card transactions	SE	50%	50%						
Sparbanken Sjuhärad AB	Banking operations	SE	48%	48%						
Sparbanken Rekarne AB	Banking operations	SE	50%	50%						
Sparbanken Skåne AB	Banking operations	SE	22%	22%						
Vimmerby Sparbank AB	Banking operations	SE	40%	40%						
Ölands Bank AB	Banking operations	SE	49%	49%						
Finansiell ID-Teknik BID AB	Computer services	SE	28%	28%						
BGC Holding AB	Giro transactions	SE	29%	29%						
Getswish AB	Mobile transactions	SE	20%	20%						
VISA Sweden, ek för	Association for the benefit of card transaction companies	SE	39%	39%						
USE Intressenter AB	Holding company related to UC	SE	20%	20%						
P27 Nordic Payments Platform AB	Payment solutions	SE	17%	17%						
Nordic KYC Utility AB	KYC (Know Your Customer) service	SE	17%	17%						

Terminology and abbreviations

"AC"	Audit Committee
"A-IRB"	Advanced Internal Ratings-Based Approach
"ALM"	Asset Liability Management
"AMA"	Advanced Measurement Approach
"AML"	Anti-Money Laundering
"AT1"	Additional Tier 1 capital
"AVA"	Additional Valuation Adjustment
"BARCC"	Business Area Risk and Compliance Committee
"BCBS"	Basel Committee on Banking Supervision
"Board"	Board of Directors of Swedbank AB
"BRRD"	Bank Recovery and Resolution Directive 2014/59/EU
"CCF"	Credit Conversion Factor
"CCoB"	Capital Conservation Buffer
"CCP"	Central Counterparty
"CCyB"	Countercyclical Capital Buffer
"CET1"	Common Equity Tier 1
"CIU"	Collective Investment Undertaking
"CPC"	Credit Process Control
"CRO"	Chief Risk Officer of Swedbank AB
"CRD IV"	Capital Requirements Directive 2013/36/EU
"CRR"	Capital Requirements Regulation (EU) No 575/2013
"CS"	Consolidated Situation
"CSA"	Credit Support Annex
"CVA"	Credit Value Adjustment
"DVA"	Debit Valuation Adjustment
"DVP"	Delivery-vs-Payment
"EAD"	Exposure at Default
"EBA"	European Banking Authority
"EC"	Economic Capital
"ECB"	European Central Bank
"EL"	Expected Loss
"ERM (Policy)"	Enterprise Risk Management (Policy)
"F-IRB"	Foundation Internal Ratings Based Approach
"FR&R"	Financial Restructuring & Recovery
"FRTB"	Fundamental Review of the Trading Book (review by the BCBS)
"FSA"	Financial Supervisory Authority
"FSB"	Financial Stability Board
"FTP"	Funds Transfer Pricing
"GAAC"	Group Asset Allocation Committee
"GF"	Group Functions
"GRCC"	Group Risk and Compliance Committee
"Group"	Swedbank Group (see definition below)
"G-SIB"	Global Systemically Important Bank
"G-SII"	Global Systemically Important Institution
"ICAAP"	Internal Capital Adequacy Assessment Process
"ICFR"	Internal Control over Financial Reporting
"IFRS"	International Financial Reporting Standards
"ILAAP"	Internal Liquidity Adequacy Assessment Process
"IRB"	Internal Ratings Based Approach
"IRRBB"	Interest Rate Risk in the Banking Book
"ISDA"	International Swaps and Derivatives Association
"LC&I"	Large Corporate & Institutions
"LCR"	Liquidity Coverage Ratio
"LGD"	Loss Given Default
"LTV"	Loan-To-Value
"MDB"	Multilateral Development Bank
"MREL"	Minimum level of own funds and eligible liabilities
"NII"	Net Interest Income
"NPAP"	New Product Approval Process
"NSFR"	Net Stable Funding Ratio
"OC"	Overcollateralisation
"O-SII buffer"	Other Systemically Important Institution buffer
"OTC"	Over-the-Counter
"ORSA"	Own Risk and Solvency Assessment
"Own funds"	The sum of Tier 1 and Tier 2 capital
"Parent Company"	Swedbank AB (publ)
"PD"	Probability of Default
"PFE"	Potential Future Exposure
"PSE"	Public Sector Entity
"PVP"	Payment-vs-Payment
"RAROC"	Risk Adjusted Return On Capital
"RC"	Remuneration Committee
"RCC"	Risk and Capital Committee
"Riksbank"	Sweden's Central Bank
"RMMA"	Risk Management Maturity Assessment
"RTS"	Regulatory Technical Standards
"RWA"	Risk Weighted Assets (same as REA, Risk Exposure Amount)
"SA"	Standardised Approach
"SA-CCR"	Standardised Approach for Measuring Counterparty Credit Risk Exposures
"SFSA" or "Swedish FSA"	Swedish Financial Supervisory Authority
"SFT"	Securities Financing Transaction
"SMA"	Standardised Measurement Approach
"SME"	Small and Medium-Sized Enterprises
"SNDO"	Swedish National Debt Office (Swedish: Riksgälden)
"SPK"	Sparinstitutens PensionsKassa Försäkringsförening (pension fund)
"SREP"	Supervisory Review and Evaluation Process
"SRB"	Single Resolution Board
"SRM"	Single Resolution Mechanism
"SSE"	Small-sized companies
"SSM"	Single Supervisory Mechanism
"SVaR"	Stressed Value-at-Risk
"Swedbank"	Swedbank Consolidated Situation
"Swedbank Baltic"	Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania)
"Swedbank Group"	Swedbank AB (publ) and all its underlying legal entities (regardless of percentages of holding)
"TCFD"	Task Force on Climate-Related Financial Disclosures
"T2"	Tier 2 capital
"TLAC"	Total Loss-Absorbing Capacity
"TLTRO"	Targeted Long-Term Refinancing Operations
"TOA"	Tenant Owner Association
"TOR"	Tenant Owner Right
"TtC"	Through-the-Cycle
"VaR"	Value-at-Risk
"VAT"	Value-Added Tax
"WWR"	Wrong Way Risk

Swedbank CS: Own funds disclosure, 31 December 2019

Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves, SEKm		(a) Amounts at disclosure date	(b) (EU) No 575/2013 article reference
1	Capital instruments and the related share premium accounts	38 110	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	59 189	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	22 712	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	9 537	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**129 548**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-454	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-17 231	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-108	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-5	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-90	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-1 587	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-19 475**	
29	**Common Equity Tier 1 (CET1) capital**	**110 073**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	16 203	51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**16 203**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-50	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-50**	
44	**Additional Tier 1 (AT1) capital**	**16 153**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**126 226**	

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	15 409	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments	88	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**15 497**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-50	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross-holdings with the institutions designed to artificially inflate the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-120	66 (d), 69, 79, 477 (4)
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-170**	
58	**Tier 2 (T2) capital**	**15 327**	
59	**Total capital (TC = T1 + T2)**	**141 554**	
60	**Total risk-weighted assets**	**649 237**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.95%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	19.44%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	21.80%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) [1)]	12.02%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	2.02%	
67	of which: systemic risk buffer requirement	3.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2)]	12.45%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1 632	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6 678	36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	53	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	88	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1 617	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

Note: 'N/A' if the question is not applicable

[1)] The CET1 capital requirement including buffer requirements.

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

Swedbank CS: Capital instruments' main features, 31 December 2019

Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

Capital instruments' main features template				
1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	SE0000242455	XS1190655776	XS1535953134
3	Governing law(s) of the instrument	Swedish	English/Swedish	English/Swedish
Regulatory treatment				
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28	Additional Tier 1 as published in Regulation (EU) No 575/2013 art 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 art 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 24 904m	SEK 6 983m	SEK 4 663m
9	Nominal amount of instrument	SEK 24 904m	USD 750m	USD 500m
9a	Issue price	N/A	100 per cent	100 per cent
9b	Redemption price	N/A	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	N/A	19.Feb.15	16.Dec.16
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	17-Mar-20 100 per cent of Nominal amount In addition Tax/Regulatory call	17-Mar-22 100 per cent of Nominal amount In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	Any Reset Date after first call date	Any Reset Date after first call date
Coupons / dividends				
17	Fixed or floating dividend/coupon	N/A	Fixed	Fixed
18	Coupon rate and any related index	N/A	Fixed 5.5 per cent per annum to call date (equiv to USD Swap Rate +3.767 per cent per annum), thereafter reset Fixed rate equiv to USD Swap Rate +3.767 per cent per annum	Fixed 6.0 per cent per annum to call date (equiv to USD Swap Rate +4.106 per cent per annum), thereafter reset Fixed rate equiv to USD Swap Rate +4.106 per cent per annum
19	Existence of a dividend stopper	N/A	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Noncumulative or cumulative	N/A	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	Convertible	Convertible
24	If convertible, conversion trigger (s)	N/A	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level
25	If convertible, fully or partially	N/A	Fully	Fully
26	If convertible, conversion rate	N/A	The greater of the current market price of an Ordinary Share, the Quota value of an Ordinary Share and the Floor Price, all as of the Conversion Date. Floor price means USD 15.70 (subject to limited anti-dilution adjustments)	The greater of the current market price of an Ordinary Share, the Quota value of an Ordinary Share and the Floor Price, all as of the Conversion Date. Floor price means USD 15.70 (subject to limited anti-dilution adjustments)
27	If convertible, mandatory or optional conversion	N/A	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary Share	Ordinary Share
29	If convertible, specify issuer of instrument it converts into	N/A	Swedbank AB (publ)	Swedbank AB (publ)
30	Write-down features	N/A	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Note: 'N/A' if the question is not applicable

Capital instruments' main features template					
1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	XS2046625765	XS1617859464	XS1796813589	XS1807179277
3	Governing law(s) of the instrument	English/Swedish	English/Swedish	English/Swedish	English/Swedish
Regulatory treatment					
4	Transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 art 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 4 558m	SEK 6 849m	SEK 433m	SEK 685m
9	Nominal amount of instrument	USD 500m	EUR 650m	JPY 5 000m	JPY 8 000m
9a	Issue price	100 per cent	99.475 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.Aug.19	22.May.17	28.Mar.18	12.Apr.18
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	22.Nov.27	28.Mar.33	12.Apr.28
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	17-SEP-24 100 per cent of Nominal amount In addition Tax/Regulatory call	22-NOV-22 100 per cent of Nominal amount In addition Tax/Regulatory call	28-MAR-28 100 per cent of Nominal amount In addition Tax/Regulatory call	12-APR-23 100 per cent of Nominal amount In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	Any Reset Date after first call date	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.625 per cent per annum to call date (equiv to USD Swap Rate +4.224 per cent per annum), thereafter reset Fixed rate equiv to USD Swap Rate +4.224 per cent per annum	Fixed 1 per cent per annum to call date (equivalent to Euro Swap Rate +0.82 per cent per annum), thereafter reset Fixed rate equivalent to Euro Swap Rate +0.82 per cent per annum	Fixed 0,9 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.6425 per cent per annum	Fixed 0,75 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.64625 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level	N/A	N/A	N/A
25	If convertible, fully or partially	Fully	N/A	N/A	N/A
26	If convertible, conversion rate	The greater of the current market price of an Ordinary Share, the Quota value of an Ordinary Share and the Floor Price, all as of the Conversion Date. Floor price means USD 8.75 (subject to limited anti-dilution adjustments)	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	Mandatory	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	Ordinary Share	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	Swedbank AB (publ)	N/A	N/A	N/A
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Note: 'N/A' if the question is not applicable

Capital instruments' main features template				
1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	XS1816641937	XS1848755358	XS1880928459
3	Governing law(s) of the instrument	English/Swedish	English/Swedish	English/Swedish
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 1 210m	SEK 941m	SEK 5 290m
9	Nominal amount of instrument	SEK 1 200m	JPY 11 000m	EUR 500m
9a	Issue price	100 per cent	100 per cent	99.523 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	08.May.18	29.Jun.18	18.Sep.18
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	08.May.28	29.Jun.28	18.Sep.28
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	08-MAY-23 100 per cent of Nominal amount In addition Tax/Regulatory call	29-JUN-23 100 per cent of Nominal amount In addition Tax/Regulatory call	18-SEP-23 100 per cent of Nominal amount In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Fixed 1,55875 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Floating rate 3-month STIBOR +1,03 per cent per annum	Fixed 0,95 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.85125 per cent per annum	Fixed 1 per cent per annum to call date (equivalent to Euro Swap Rate +0.82 per cent per annum), thereafter reset Fixed rate equivalent to Euro Swap Rate +1.28 per cent per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Note: 'N/A' if the question is not applicable

Appendix B: Large Subsidiaries

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Appendix: Swedbank Estonia Consolidated Situation (CS)

Introduction

Swedbank's Risk Management and Capital Adequacy Report 2019 (Pillar 3 report) provides information on Swedbank's capital adequacy and risk management. The report is based on regulatory disclosure requirements set out in Regulation (EU) No 575/2013. In accordance with Article 13 in the same regulation, certain information shall be provided for large subsidiaries. Information regarding Swedbank Estonia Consolidated Situation (CS) is provided in this Appendix and pertains to conditions as of 31 December 2019. Information on the organisational and legal structure of Swedbank Estonia Consolidated Situation is provided in Appendix A of this Pillar 3 report. Information regarding Swedbank's corporate governance structure and measures undertaken to manage operations in Swedbank Consolidated Situation is presented in Swedbank's Corporate Governance Report. Information regarding risk implications of the remuneration process (and aggregate as well as granular quantitative information on remuneration) for Swedbank Estonia Consolidated Situation is disclosed in the document "Information regarding remuneration in Swedbank". Swedbank's Group-wide framework includes instructions for management of credit risk, including instructions for granting and prolonging credits, for collateral valuation, for determining impairment and for credit risk adjustments. Information regarding management of credit risk is provided in Chapter 3 of this Pillar 3 report. The Group-wide framework also includes instructions describing the approach used to assess the adequacy of internal capital to support current and future activities. This information is provided in Chapter 7 of the same report. All documents mentioned are available on www.swedbank.com. All figures are denominated in EUR thousands unless otherwise stated.

Capital requirements

Under the CRR/CRD IV framework, a bank's total capital must be equivalent to at least the sum of the capital requirements for credit- market- and operational risks, including combined capital buffers, Pillar 2 requirement (P2R) and Pillar 2 guidance (P2G). The capital requirement for Swedbank Estonia CS in Pillar 1, as a percentage of RWA, amounted to 10% of the CET1 capital, and 13.5% of the total capital as of year-end. Combined capital buffer requirements comprise 5.5% and consist of systemic risk buffer (1%), buffer requirement of 2% for other systemically important institutions (O-SII) and capital conservation buffer of 2.5%. The capitalisation of Swedbank Estonia CS must also comply with the capital requirements in Pillar 2. According to the 2019 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) slightly increased to 2.0% from 1.5% in the previous year. Pillar 2 guidance (P2G) remained unchanged since last year at 1%. Banks are expected to treat a failure to meet the P2G as an early warning signal. The P2G does not stipulate any limitation on the Maximum Distributable Amount. Considering the above, the CET 1 capital ratio requirement of Swedbank Estonia CS amounted to 13.0% and the total capital ratio requirement was 16.5% as of year-end 2019.

Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)[1], 31 December 2019

Pillar 1		CET1	AT1	T2	Total capital
	Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
	Systemic risk buffer (P1) [2]	1.0%			1.0%
	Capital conservation buffer (CCoB)	2.5%			2.5%
	Countercyclical capital buffer (CCyB)	0.0%			0.0%
	O-SII buffer	2.0%			2.0%
		10.0%	**1.5%**	**2.0%**	**13.5%**
Pillar 2[3]					
	Pillar 2 requirement (P2R)	2.0%			2.0%
	Pillar 2 capital guidance (P2G)	1.0%			1.0%
		3.0%			**3.0%**
Capital requirements		**13.0%**			**16.5%**
Actual capital ratios as of 31 December 2019		**40.6%**			**40.6%**

[1)] Swedbank's estimate based on the Estonian FSA's announced capital requirements. All table values above rounded to one decimal place.
[2)] Starting from 2016, the systemic risk buffer has decreased from 2% to 1% and an O-SII buffer of 2% has been introduced.
[3)] P2R and P2G determined by 2019 SREP.

On 31 December 2019, Swedbank Estonia CS's Common Equity Tier 1 and Total Capital ratio both amounted to 40.6% (end-2018: 42.0%). The capitalisation of Swedbank Estonia CS is well above the capital requirements presented in the table above. Swedbank Estonia CS's leverage ratio was 13.36% at end 2019 (end-2018: 13.90%), with the decrease mainly due to a growing loan portfolio. In the 2019 Supervisory Review and Evaluation Process (SREP), the capitalisation of Swedbank Estonia CS was assessed as adequate for both the current and forward-looking perspective of regulatory capital requirements.

According to Swedbank's procedures, the capital planning process is performed on a quarterly basis for the Baltic subsidiaries, which includes an assessment of the overall capitalisation versus the above-mentioned capital requirements and risk of excessive leverage. In case of a potential capital shortfall, capital injections or measures to reduce the risk exposure amount may be performed. In addition to the injection of equity capital, the total capital in a subsidiary may also be strengthened through subordinated loans from the parent company (Swedbank AB). In case of changes in the leverage ratio, which might implicate managing the risk of excessive leverage, other business steering or asset-and-liability management tools may also be considered, and accessed if needed, to affect the total exposure measure.

The Bank Recovery and Resolution Directive (BRRD), which allows the authorities to deal with banks in distress, was established in the EU in 2014 and transposed to Estonian national laws on 29 March 2015. The directive includes a requirement on banks to hold a minimum level of own funds and eligible liabilities (MREL). In December 2017, MREL requirement was formally decided on a consolidated level (Swedbank CS) by the SNDO (The Swedish National Debt Office). An individual MREL requirement for Swedbank Estonia CS was introduced by the Single Resolution Board (SRB) in 2019 and came into force as of end-of-year 2019.

Estonia 2: Total capital
Disclosure according to Article 2 in Commission Implementing Regulation (EU) No 1423/2013

EURt	31.12.2019	30.09.2019
Shareholders' equity according to the Group balance sheet	1 540 858	1 540 858
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies	26 050	26 050
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges		
Additional value adjustments	-844	-725
Goodwill		
Deferred tax assets		
Intangible assets	-863	-813
Net provisions for reported IRB credit exposures	-26 903	-24 609
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Total CET1 capital	**1 538 298**	**1 540 761**
Additional Tier 1 capital		
Total Tier 1 capital	**1 538 298**	**1 540 761**
Tier 2 capital		
Total capital	**1 538 298**	**1 540 761**

The corresponding information for Swedbank CS is enclosed in Swedbank's Fact Book.

Estonia 3: Own funds disclosure, 31 December 2019
Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves, EURt		(a) Amounts at disclosure date	(b) (EU) No 575/2013 article reference
1	Capital instruments and the related share premium accounts	115 982	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	1 408 801	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	20 284	26 (1)
3a	Funds for general banking risk	21 841	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 566 908**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-844	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-863	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-26 903	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-28 610**	
29	**Common Equity Tier 1 (CET1) capital**	**1 538 298**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1 538 298**	

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**		
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross-holdings with the institutions designed to artificially inflate the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**1 538 298**	
60	**Total risk-weighted assets**	**3 793 347**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	40.6%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	40.6%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	40.6%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) [1]	10.0%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.0%	
67	of which: systemic risk buffer requirement	1.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	32.6%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

[1] The CET1 capital requirement including buffer requirements.

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

Estonia 4a: Amount of institution-specific countercyclical capital buffer

EURt	31.12.2019
Total risk exposure amount	3 793 347
Institution-specific countercyclical buffer rate	0.00%
Institution-specific countercyclical buffer requirement	**100**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Estonia 4b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2019

	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements					
EURt	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Sweden	27	1 975					35			35	0.01%	2.5%
Estonia	647 658	8 093 186	652				254 226	85		254 311	98.64%	
Latvia	5	22 462					1 153			1 153	0.45%	
Lithuania	378	63	60				32	5		37	0.01%	1.0%
Norway		1 977					35			35	0.01%	2.5%
Finland		19 028	6				392	1		393	0.15%	
Denmark		453					4			4	0.00%	1.0%
USA		1 631					20			20	0.01%	
Great Britain		3 664					81			81	0.03%	1.0%
Other countries	14 891	38 861	5				1 752	0		1 751	0.68%	
Total	**662 959**	**8 183 300**	**723**				**257 730**	**91**		**257 820**	**100.00%**	**0.0%**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Estonia 5: Capital instruments' main features, 31 December 2019
Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

	Capital instruments' main features template	
1	Issuer	Swedbank AS, Estonia
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	EE0000001063
3	Governing law(s) of the instrument	Estonian
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 85m
9	Nominal amount of instrument	EUR 85m
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Note: 'N/A' if the question is not applicable

Estonia 6: Overview of RWAs (EU OV1), 31 December 2019

	RWA		Minimum capital requirements
EURt	31.12.2019	30.09.2019	31.12.2019
Credit risk (excluding Counterparty credit risk (CCR))	**3 007 611**	**2 953 376**	**240 609**
- of which the standardised approach (SA)	323 684	333 812	25 895
- of which the foundation IRB (FIRB) approach	1 748 075	1 704 253	139 846
- of which the advanced IRB (AIRB) approach	935 852	915 311	74 868
- of which equity IRB under the simple risk- weighted approach or the IMA			
Counterparty credit risk	**15 760**	**13 614**	**1 261**
- of which mark to market	13 351	12 366	1 068
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which risk exposure amount for contributions to the default fund of a CCP			
- of which CVA	2 409	1 248	193
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
- of which IRB approach			
- of which IRB supervisory formula approach (SFA)			
- of which internal assessment approach (IAA)			
- of which standardised approach			
Market risk	**2 003**	**2 409**	**160**
- of which the standardised approach	2 003	2 409	160
- of which IMA			
Large exposures			
Operational risk	**486 096**	**486 096**	**38 888**
- of which basic indicator approach			
- of which standardised approach	486 096	486 096	38 888
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	**281 877**	**281 877**	**22 550**
Floor adjustment			
Other risk exposure amount			
Total	**3 793 347**	**3 737 372**	**303 468**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

During the last quarter of 2019 the RWA of Swedbank Estonia increased by EUR 56m. Credit risk RWA increased by EUR 54m mainly due to volume growth in both corporate and retail portfolios. Counterparty credit risk RWA increased by EUR 2m due to increased exposures.

Estonia 7: IRB specialised lending and equities (EU CR10), 31 December 2019

		Specialised lending					
Regulatory categories, EURt	Remaining maturity	On- balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	10	5	50%	14	7	0
	Equal to or more than 2.5 years	68	14	70%	78	55	0
Category 2	Less than 2.5 years	0	8 483	70%	6 363	4 454	26
	Equal to or more than 2.5 years	3 180	0	90%	3 180	2 862	25
Category 3	Less than 2.5 years	0	7 931	115%	5 950	6 842	167
	Equal to or more than 2.5 years	7 513	0	115%	7 519	8 646	211
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	8 624	0	250%	8 641	21 604	691
Category 5	Less than 2.5 years	0	0	-	0	0	0
	Equal to or more than 2.5 years	0	0	-	0	0	0
Total	**Less than 2.5 years**	**10**	**16 419**		**12 327**	**11 303**	**193**
	Equal to or more than 2.5 years	**19 385**	**14**		**19 418**	**33 167**	**927**
Equities under the simple risk-weighted approach							
Private equity exposures							
Exchange-traded equity exposures							
Other equity exposures							
Total							

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The exposures in Category 3, 4 and 5 have been reduced compared to end-2018 due to work out of some exposures in default or with higher risk.

Estonia 8: Total and average net amount of exposures (EU CRB-B), 31 December 2019

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	0	0
Institutions	74 332	79 550
Corporates	3 454 001	3 457 235
- of which Specialised Lending	35 828	34 030
- of which SME	247 481	240 742
Retail	5 122 095	5 021 309
- Secured by real estate property	3 651 242	3 561 289
---SME	94 532	90 470
---Non-SME	3 556 710	3 470 819
- Qualifying revolving	0	0
- Other Retail	1 470 853	1 460 020
--- SME	597 008	570 820
--- Non-SME	873 845	832 592
Equity	0	0
Other exposures	179 569	167 575
Total IRB approach	**8 829 997**	**8 725 669**
Central governments or central banks	2 339 796	2 186 080
Regional governments or local authorities	177 777	152 683
Public sector entities	42 121	42 365
Multilateral Development Banks	0	1 606
International Organisations	0	0
Institutions	128 887	228 220
Corporates	101 445	93 008
- of which SME	18 688	18 430
Retail	292 218	290 118
- of which SME	292 218	290 111
Secured by mortgages on immovable property	0	0
- of which SME	0	0
Exposures in default	1	1
Items associated with particularly high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings (CIU)	610	701
Equity exposures	114 159	114 160
Other exposures	154 281	158 359
Total SA approach	**3 351 295**	**3 267 302**
Total	**12 181 292**	**11 992 971**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Total exposure has increased by EUR 0.4bn compared to year-end 2018. The main drivers are increased Private mortgage loans and loans to SME corporates in the Retail exposure class.

Estonia 9: Geographical breakdown of exposures (EU CRB-C), 31 December 2019

	Net carrying values												
EURt	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Lithuania	Latvia	Rest of the world	USA	Other geographical areas	Total
Central governments or central banks													
Institutions	4 900	640	2 158	1 991	111	20	20			69 412	342	69 070	74 332
Corporates	1 995				1 995	3 425 446	3 403 352	22 094		26 560		26 560	3 454 001
Retail	21 707	1 969	2 015	485	17 238	5 082 239	5 081 801	380	58	18 149	1 655	16 494	5 122 095
Equity													0
Other exposures	260	36	35		189	179 190	179 182	2	6	119	5	114	179 569
Total IRB approach	**28 862**	**2 645**	**4 208**	**2 476**	**19 533**	**8 686 895**	**8 664 355**	**22 476**	**64**	**114 240**	**2 002**	**112 238**	**8 829 997**
Central governments or central banks	1		1			2 339 795	2 284 451	4 508	50 836				2 339 796
Regional governments or local authorities						177 777	177 777						177 777
Public sector entities										42 121		42 121	42 121
Multilateral Development Banks													0
International Organisations													0
Institutions	127 877	121 275	6 602			1 010	29	29	952				128 887
Corporates						87 227	87 181	1	45	14 218		14 218	101 445
Retail						292 218	292 218						292 218
Secured by mortgages on immovable property													0
Exposures in default						1	1						1
Items associated with particularly high risk													0
Covered bonds													0
Claims on institutions and corporates with a short-term credit assessment													0
Collective investments undertakings (CIU)										610		610	610
Equity exposures						114 097	114 097			62		62	114 159
Other exposures	27	27				154 254	153 916	4	334				154 281
Total SA approach	**127 905**	**121 302**	**6 603**	**0**	**0**	**3 166 379**	**3 109 670**	**4 542**	**52 167**	**57 011**	**0**	**57 011**	**3 351 295**
Total	**156 767**	**123 947**	**10 811**	**2 476**	**19 533**	**11 853 274**	**11 774 025**	**27 018**	**52 231**	**171 251**	**2 002**	**169 249**	**12 181 292**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increased exposures stem from Estonia, as 97% of the total exposure does. The remaining exposures are towards clients with a relation to Estonia. Exposures in the standardised approach to institutions have decreased by EUR 0.1bn and is explained by increased exposures to the parent company Swedbank AB.

Estonia 10: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2019

EURt	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial	Industrial and Warehouse	Other property management	Professional services	Other corporate lending	Credit institutions	Other exposures	Total
Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	74 327	0	74 332
Corporates	0	0	314	191 361	566 066	313 071	200 664	230 725	285 848	0	179 600	15 770	81 120	1 182 475	21 552	727 415	178 065	255 443	202 873	4 114	0	0	3 454 001
Retail	3 562 658	0	890 502	73 600	98 000	18 095	87 149	116 924	70 553	0	19 374	16 469	3 409	83 381	4 220	24 089	11 286	43 786	75 893	6 088	0	0	5 122 095
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other exposures	0	0	88 076	3 781	10 127	3 036	15 491	21 580	8 186	0	1 523	4 121	678	3 892	139	638	315	2 800	18 150	908	20	0	179 569
Total IRB approach	**3 562 658**	**0**	**978 892**	**268 742**	**674 193**	**334 202**	**303 304**	**369 229**	**364 587**	**0**	**200 497**	**36 360**	**85 212**	**1 269 748**	**25 911**	**752 142**	**189 666**	**302 029**	**296 916**	**11 110**	**74 347**	**0**	**8 829 997**
Central governments or central banks	0	0	0	0	0	72 854	0	0	0	0	0	15	0	43 569	0	0	0	43 569	6	117	2 215 908	7 327	2 339 796
Regional governments or local authorities	0	0	0	0	0	176 061	0	0	440	0	0	0	0	920	0	0	0	920	281	75	0	0	177 777
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	42 121	0	0	0	0	0	0	0	0	0	42 121
Multilateral Development Banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0	0	1 709	0	0	0	0	0	0	0	127 036	142	128 887
Corporates	0	0	0	0	0	43	0	34 788	0	0	0	0	46 018	18 868	0	18 868	0	0	1 086	642	0	0	101 445
Retail	1	0	0	72	0	3 296	0	0	0	10	4	29	0	283 765	13 149	774	0	269 843	3 016	2 019	6	0	292 218
Secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	1
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short- term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings (CIU)	0	0	0	0	0	0	0	0	0	0	0	0	610	0	0	0	0	0	0	0	0	0	610
Equity exposures	0	0	0	0	0	0	0	0	0	0	0	1 346	112 751	0	0	0	0	0	62	0	0	0	114 159
Other exposures	0	0	0	0	0	4 107	0	0	5	0	0	9	68 091	4	0	0	0	4	242	18 645	0	63 178	154 281
Total SA approach	**1**	**0**	**0**	**71**	**0**	**256 361**	**0**	**34 788**	**445**	**10**	**4**	**1 399**	**271 300**	**347 128**	**13 149**	**19 642**	**0**	**314 337**	**4 693**	**21 498**	**2 342 950**	**70 647**	**3 351 295**
Total	**3 562 659**	**0**	**978 892**	**268 813**	**674 193**	**590 563**	**303 304**	**404 017**	**365 032**	**10**	**200 501**	**37 759**	**356 512**	**1 616 876**	**39 060**	**771 784**	**189 666**	**616 366**	**301 609**	**32 608**	**2 417 297**	**70 647**	**12 181 292**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increased exposures are mainly in Private mortgage loans (EUR 0.3bn). Increased corporate exposures, EUR 0.1bn, are spread over several sectors with highest nominal increases in Manufacturing and Hotels and restaurants.

Estonia 11: Maturity of exposures (EU CRB-E), 31 December 2019

	Net exposure value					
EURt	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	0	0	0	0	0	0
Institutions	0	1 571	59 382	0	8 782	69 735
Corporates	138 948	181 084	2 082 264	386 987	26 562	2 815 845
Retail	19 728	70 489	1 015 533	3 638 008	52	4 743 810
Equity	0	0	0	0	0	0
Other exposures	0	11 776	142 380	25 413	0	179 569
Total IRB approach	**158 676**	**264 920**	**3 299 559**	**4 050 408**	**35 396**	**7 808 959**
Central governments or central banks	0	2 283 823	7 233	43 841	0	2 334 897
Regional governments or local authorities	0	2 807	48 271	115 110	0	166 188
Public sector entities	0	0	42 121	0	0	42 121
Multilateral Development Banks	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0
Institutions	0	89 068	3	0	39 601	128 672
Corporates	91	779	14 907	18 879	0	34 656
Retail	350	718	30 743	251 803	0	283 614
Secured by mortgages on immovable property	0	0	0	0	0	0
Exposures in default	0	1	0	0	0	1
Items associated with particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Claims on institutions and corporates with a short- term credit assessment	0	0	0	0	0	0
Collective investments undertakings (CIU)	0	0	0	0	610	610
Equity exposures	0	0	0	0	114 159	114 159
Other exposures	68 081	45 971	4 031	415	35 783	154 281
Total SA approach	**68 522**	**2 423 167**	**147 309**	**430 048**	**190 153**	**3 259 199**
Total	**227 198**	**2 688 087**	**3 446 868**	**4 480 456**	**225 549**	**11 068 158**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

For corporate exposures the maturity structure has changed with a decrease of EUR 0.4bn in exposures with maturity less than one year and with a corresponding increase for maturities 1 to 5 years and more than 5 years. For rest of the exposure classes the overall structure of maturity is unchanged compared to 2018.

Credit quality of exposures

Past due loans

Past due loans refer to overdrawn accounts and loans where amounts due for payment have not been paid in accordance with the terms of the loan agreements.

Credit impaired loans

Impaired loans are loans for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. A loan is considered credit-impaired when there is objective proof that an event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows. A loan in default is also always considered as an impaired loan, and vice versa.

Events on an individual level arise, implying an impairment test, e.g., when:

- A borrower incurs significant financial difficulties.
- It is likely that the borrower will enter into bankruptcy, liquidation or financial restructuring.
- Or there is a breach of contract, such as materially delayed or non–payment of interest or principal.

Exposures that are overdue by more than 90 days, or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties, are considered as credit-impaired and as being in default. Impaired loans are moved to stage 3 according to the accounting framework IFRS 9. The provisioning level in stage 3 can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee according to the bank's established principles.

Provisions

All loans, performing as well as non-performing, will carry a loss allowance (provision). It is not necessary for a loss event to occur before an impairment loss is recognized. This can also be described as the expected credit loss approach, i.e. all exposures in the Group's accounts will have an expected credit loss recognized directly after their origination, which is in line with the accounting standards IFRS 9.

All loans are subject to stage allocation and will carry a provision based on that allocation at each reporting date. The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage a loan is allocated to, the provisions will be calculated according to Swedbank's models. For some large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is considered from a risk perspective even if the collateral cannot be recognised for capital adequacy purposes. The collateral, its value and risk mitigating effect are considered throughout the credit process.

The term collateral covers pledges and guarantees. The most common types of pledges are real estate, apartments and floating charge. Netting agreements or covenants are not considered as collateral.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Main types of guarantors and counterparties in credit derivatives and their creditworthiness are described in the main document under Counterparty credit risk.

Credits without collateral are mainly granted for small loans to private customers or loans to large companies with very solid repayment capacity. For the latter, special loan covenants are commonly created which entitle Swedbank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates, or if the covenants are otherwise breached.

Collateral valuation

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part in the credit risk assessment of the borrower. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed within periodic credit reviews of the borrower and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become a problem loan.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. For financial collateral, such as debt securities, equities and collective investment undertakings (CIUs), valuation is normally monitored on a daily basis.

Concentrations within mitigation instruments

Approximately 42% of the loans have private housing mortgages as collateral implicating a high concentration risk. However, the composition of the portfolio, with a large number of customers and relatively small amounts on each borrower, mitigates the risks. Another 23% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Estonia 12: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2019

EURt	Gross carrying values of which		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks							
Institutions		74 336	4			3	74 332
Corporates	21 988	3 444 010	11 997		13 210	982	3 454 001
- of which Specialised Lending	0	35 853	25		25	-9	35 828
- of which SME	960	247 057	536		31	104	247 481
Retail	21 441	5 108 078	7 424		12 839	-425	5 122 095
- Secured by real estate property	13 217	3 641 107	3 082		11 101	-452	3 651 242
--- SME	1 002	94 170	640		2 713	-171	94 532
--- Non-SME	12 215	3 546 937	2 442		8 388	-281	3 556 710
- Qualifying revolving							
- Other Retail	8 224	1 466 971	4 342		1 738	27	1 470 853
--- SME	6 807	592 619	2 418		334	-24	597 008
--- Non-SME	1 417	874 352	1 924		1 404	50	873 845
Equity							
Other exposures		179 569					179 569
Total IRB approach	**43 429**	**8 805 993**	**19 425**		**26 049**	**560**	**8 829 997**
Central governments or central banks		2 339 801	5				2 339 796
Regional governments or local authorities		177 781	4				177 777
Public sector entities		42 121					42 121
Multilateral development banks							
International organisations							
Institutions		128 887				-6	128 887
Corporates:		101 462	17		4 286	-40	101 445
- of which SME		18 692	4		3 304		18 688
Retail		292 381	163		5 034	5	292 218
- of which SME		292 381	163		10	5	292 218
Secured by mortgages on immovable							
- of which SME							
Exposures in default	1						1
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short- term credit assessment							
Collective investments undertakings (CIU)		610					610
Equity exposures		114 159					114 159
Other exposures		154 290	9				154 281
Total SA approach	**1**	**3 351 492**	**198**		**9 320**	**-41**	**3 351 295**
Total	**43 430**	**12 157 485**	**19 623**		**35 369**	**519**	**12 181 292**
- of which Loans	42 150	10 777 928	19 415		35 369	598	10 800 663
- of which Debt Securities		268 132				0	268 132
- of which Off-balance sheet exposures	1 280	1 111 425	208			-79	1 112 497

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

During 2019 the volumes of defaulted corporates decreased by EUR 10m, mainly driven by some larger customers no longer considered to be in default.

Estonia 13: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2019

EURt	Gross carrying values of which: Defaulted exposures	Gross carrying values of which: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Private mortgage	12 215	3 552 890	2 446		10 832	-295	3 562 659
Tenant owner associations	0	0	0		0	0	0
Private other	1 868	979 033	2 009		6 344	59	978 892
Agriculture, forestry, fishing	5 403	265 796	2 386		133	1 087	268 813
Manufacturing	14 252	665 313	5 372		305	562	674 193
Public sector and utilities	96	590 644	177		0	69	590 563
Construction	1 591	302 231	518		628	-9	303 304
Retail	1 890	402 927	800		15 917	-127	404 017
Transportation	847	364 515	330		270	48	365 032
Shipping and offshore	0	10	0			0	10
Hotels and restaurants	288	200 307	94		67	-121	200 501
Information and communication	43	37 757	41		0	-3	37 759
Finance and insurance	10	356 548	46			-67	356 512
Property management	2 234	1 615 684	1 042		420	-148	1 616 876
- Residential properties	0	39 074	14			-6	39 060
- Commercial	0	771 861	77		172	-4	771 784
- Industrial and Warehouse	0	189 674	8		21	-16	189 666
- Other property management	2 234	615 075	943		227	-122	616 366
Professional services	2 642	303 284	4 317		122	-530	301 609
Other corporate lending	51	32 585	28		12	0	32 608
Credit institutions	0	2 417 305	8			-6	2 417 297
Other exposures	0	70 656	9		319	0	70 647
Total	**43 430**	**12 157 485**	**19 623**		**35 369**	**519**	**12 181 292**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The largest changes in reduced volume of defaulted exposures are seen in Professional services and Property Management, while there is a minor increase in Manufacturing.

Estonia 14: Credit quality of exposures by geography (EU CR1-C), 31 December 2019

EURt	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Significant area: Nordic	**387**	**156 479**	**99**		**112**	**-9**	**156 767**
- Sweden	3	123 955	11		0	1	123 947
- Norway	0	10 813	2			-1	10 811
- Denmark	0	2 477	1			0	2 476
- Finland	384	19 234	85		112	-9	19 533
Significant area: Baltic	**43 033**	**11 829 726**	**19 485**		**35 230**	**565**	**11 853 274**
- Estonia	43 032	11 750 475	19 482		35 225	569	11 774 025
- Latvia	1	27 019	2		5	-3	27 018
- Lithuania	0	52 232	1			-1	52 231
Rest of the world	**10**	**171 280**	**39**		**27**	**-37**	**171 251**
- USA	0	2 003	1			0	2 002
- Other geographical areas	10	169 277	38		27	-37	169 249
Total	**43 430**	**12 157 485**	**19 623**		**35 369**	**519**	**12 181 292**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The reduced volumes of defaulted exposures stemmed from Estonia.

Estonia 15: Performing and non-performing exposures and related provisions, 31 December 2019

EURt	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**10 656 197**	**9 889 175**	**767 022**	**49 702**	**5 900**	**43 791**	**6 356**	**923**	**5 433**	**13 059**	**62**	**12 997**	**0**	**6 012 522**	**30 903**
Central banks	2 215 912	2 215 912					4	4							
General governments	233 927	233 903	24				6	6						47 393	
Credit institutions	142 049	141 279	770				1		1						
Other financial corporations	105 089	93 004	12 085	31		30	14	5	9	20		20		43 291	
Non-financial corporations	3 401 546	3 170 288	231 258	30 163	1 690	28 473	4 257	485	3 772	10 546	20	10 526		2 392 188	15 774
Of which SMEs	825 894	731 066	94 828	10 433	1 690	8 742	1 026	325	701	2 444	20	2 424		437 714	5 193
Households	4 557 674	4 034 789	522 885	19 508	4 210	15 288	2 074	423	1 651	2 493	42	2 451		3 529 650	15 129
Debt securities	**154 357**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks															
General governments	97 465														
Credit institutions	56 892														
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**1 111 250**	**1 033 690**	**77 560**	**1 347**	**1**	**1 346**	**181**	**91**	**90**	**27**	**0**	**27**		**0**	**355**
Central banks															
General governments	16 488	16 488													
Credit institutions	4 789	4 069	720				3		3						
Other financial corporations	47 201	19 305	27 896				12		12						
Non-financial corporations	763 347	729 957	33 390	1 341		1 341	110	65	45	27		27			355
Households	279 425	263 871	15 554	6	1	5	56	26	30						
Total	**11 921 804**	**10 922 865**	**844 582**	**51 049**	**5 901**	**45 137**	**6 537**	**1 014**	**5 523**	**13 086**	**62**	**13 024**	**0**	**6 012 522**	**31 258**

The performance of Swedbank's portfolio remains on a high stable level with less than 1% of non-performing exposures. Most of the defaults (stage 3) are within non-financial corporations in sectors Manufacturing and in Private mortgage. Stage 2 (significantly increased credit risk) exposures remain on a low level of 7%, where Private customers under households contribute the most.

Estonia 16: Credit quality of performing and non-performing exposures by past due days, 31 December 2019

EURt	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**10 656 197**	**10 649 210**	**6 987**	**49 702**	**34 527**	**7 734**	**1 665**	**1 596**	**2 455**	**901**	**824**	**42 020**
Central banks	2 215 912	2 215 912										
General governments	233 927	233 927										
Credit institutions	142 049	142 049										
Other financial corporations	105 089	105 089		31	21		10					20
Non-financial corporations	3 401 546	3 400 355	1 191	30 163	19 053	5 701	1 051	1 339	2 004	699	316	28 150
Of which SMEs	825 894	824 703	1 191	10 433	4 925	1 608	1 051	593	1 241	699	316	8 419
Households	4 557 674	4 551 878	5 796	19 508	15 453	2 033	604	257	451	202	508	13 850
Debt securities	**154 357**	**154 357**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks												
General governments	97 465	97 465										
Credit institutions	56 892	56 892										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	**1 111 250**			**1 347**								**1 275**
Central banks												
General governments	16 488											
Credit institutions	4 789											
Other financial corporations	47 201											
Non-financial corporations	763 347			1 341								1 275
Households	279 425			6								
Total	**11 921 804**	**10 803 567**	**6 987**	**51 049**	**34 527**	**7 734**	**1 665**	**1 596**	**2 455**	**901**	**824**	**43 295**

The total exposures that are past due is low. Less than 1% of total exposures are past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Estonia 17: Credit quality of forborne exposures, 31 December 2019

EURt	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**58 651**	**28 756**	**22 741**	**23 393**	**1 268**	**7 791**	**70 621**	**18 971**
Central banks								
General governments	24						24	
Credit institutions								
Other financial corporations								
Non-financial corporations	47 107	14 460	12 749	12 775	1 211	6 285	51 384	6 900
Households	11 520	14 296	9 992	10 618	57	1 506	19 213	12 071
Debt Securities								
Loan commitments given	211						210	
Total	**58 862**	**28 756**	**22 741**	**23 393**	**1 268**	**7 791**	**70 831**	**18 971**

Estonia 18: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2019

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	**18 922**	
Increases due to amounts set aside for estimated loan losses during the period	1 489	
Decreases due to amounts reversed for estimated loan losses during the period	-490	
Decreases due to amounts taken against accumulated credit risk adjustments	-303	
Transfers between credit risk adjustments	0	
Impact of exchange rate differences	-2	
Business combinations, including acquisitions and disposals of subsidiaries	0	
Other adjustments	7	
Closing balance	**19 623**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	2 783	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	2 087	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase of specific credit risk adjustments is mainly explained by initial provisions related to the increased loan volumes.

Estonia 19: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2019

EURt	Gross carrying value defaulted exposures
Opening balance	**35 092**
Loans and debt securities that have defaulted or impaired since the last reporting period	15 394
Returned to non-defaulted status	-6 239
Amounts written off	-1 860
Other changes	685
Closing balance	**43 071**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Compared to end-June 2019 impaired loans has increased by EUR 8m, mainly due to some larger customers that defaulted during the period.

Estonia 20: Collateral obtained by taking possession and execution processes, 31 December 2019

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	**341**	**-56**
Residential immovable property		
Commercial Immovable property		
Movable property (auto, shipping, etc.)	341	-56
Equity and debt instruments		
Other		
Total	**341**	**-56**

Estonia 21: Credit risk mitigation techniques – overview (EU CR3), 31 December 2019

EURt	Exposures unsecured: Carrying amount	Exposures secured: Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	1 064 972	7 357 234	6 203 850	1 153 384	
Total Debt securities	154 357				
Other	2 491 595				
Total all exposures	**3 710 924**	**7 357 234**	**6 203 850**	**1 153 384**	
- of which defaulted	2 337	27 235	21 935	5 300	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

A vast majority of the increased exposures are collateralised with mortgage deeds.

Estonia 22: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2019

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes, EURt	On-balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
Central governments or central banks	2 334 897	4 899	2 408 176	1 102	11 069	0.46%
Regional government or local authorities	166 188	11 589	166 605	4 489	34 219	20.00%
Public sector entities	42 121		42 121			0.00%
Multilateral development banks						
International organisations						
Institutions	128 672	215	128 672	200	25 774	20.00%
Corporates	34 656	66 789	33 214	1 024	30 237	88.31%
Retail	283 614	8 604	256 347	3 785	148 720	57.17%
Secured by mortgages on immovable property						
Exposures in default	1		1		2	200.00%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short term credit assessment						
collective investment undertakings	610		610		610	100.00%
Equity	114 159		114 159		283 285	248.15%
Other items	154 281		154 281		71 646	46.44%
Total	**3 259 199**	**92 096**	**3 304 186**	**10 600**	**605 562**	**18.27%**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Estonia 23: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2019

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	**2 619 564**	**209 565**
Asset size	61 487	4 919
Asset quality	473	38
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-267	-21
Other	2 670	214
RWA as at end of reporting period	**2 683 927**	**214 714**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

RWA reported under IRB increased by EUR 63m in the quarter from increased exposures, mainly in the Retail Real Estate exposure class.

Leverage ratio disclosure

Swedbank takes the risk of excessive leverage into account in the forward-looking capital planning process which is performed at least on a quarterly basis. Other business steering or asset-and-liability management tools are also considered as means to affect the total exposure measure and may be accessed should such a need arise.

The leverage ratio has decreased slightly from 13.6% to 13.4% during Q4 2019 due to a slight decrease in Tier 1 capital, and a slight increase in total leverage ratio exposures.

Estonia 24: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2019

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	11 080 197
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
Adjustments for derivative financial instruments	15 130
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	445 799
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-28 610
Total leverage ratio exposure	**11 512 516**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Estonia 25: Leverage ratio common disclosure (LRCom), 31 December 2019

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	11 070 935
(Asset amounts deducted in determining Tier 1 capital)	-28 610
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**11 042 325**
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7 824
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	16 568
Exposure determined under Original Exposure Method	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
(Exempted CCP leg of client-cleared trade exposures)	
Adjusted effective notional amount of written credit derivatives	
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
Total derivative exposures (sum of lines 4 to 10)	**24 392**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
(Netted amounts of cash payables and cash receivables of gross SFT assets)	
Counterparty credit risk exposure for SFT assets	
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
Agent transaction exposures	
(Exempted CCP leg of client-cleared SFT exposure)	
Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	1 113 342
(Adjustments for conversion to credit equivalent amounts)	-667 543
Other off-balance sheet exposures (sum of lines 17 to 18)	**445 799**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures	
Tier 1 capital	1 538 298
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**11 512 516**
Leverage ratio	
Leverage ratio	**13.36%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Appendix: Swedbank Latvia Consolidated Situation (CS)

Introduction

Swedbank's Risk Management and Capital Adequacy Report 2019 (Pillar 3 report) provides information on Swedbank's capital adequacy and risk management. The report is based on regulatory disclosure requirements set out in Regulation (EU) No 575/2013. In accordance with Article 13 in the same regulation, certain information shall be provided for large subsidiaries. Information regarding Swedbank Latvia Consolidated Situation (CS) is provided in this Appendix and pertains to conditions as of 31 December 2019. Information on the organisational and legal structure of Swedbank Latvia Consolidated Situation is provided in Appendix A of this Pillar 3 report. Information regarding Swedbank's corporate governance structure and measures undertaken to manage operations in Swedbank Consolidated Situation is presented in Swedbank's Corporate Governance Report. Information regarding risk implications of the remuneration process (and aggregate as well as granular quantitative information on remuneration) for Swedbank Latvia Consolidated Situation is disclosed in the document "Information regarding remuneration in Swedbank". Swedbank's Group-wide framework includes instructions for management of credit risk, including instructions for granting and prolonging credits, for collateral valuation, for determining impairment and for credit risk adjustments. Information regarding management of credit risk is provided in Chapter 3 of this Pillar 3 report. The Group-wide framework also includes instructions describing the approach used to assess the adequacy of internal capital to support current and future activities. This information is provided in Chapter 7 of the same report. All documents mentioned are available on www.swedbank.com. All figures are denominated in EUR thousands unless otherwise stated.

Capital requirements

Under the CRR/CRD IV framework, a bank's total capital must be equivalent to at least the sum of the capital requirements for credit- market- and operational risks, including combined capital buffers, Pillar 2 requirement (P2R) and Pillar 2 guidance (P2G). The capital requirement for Swedbank Latvia CS in Pillar 1, as a percentage of RWA, amounted to 9.0% of the CET1 capital, and 12.5% of the total capital as of year-end. Combined capital buffer requirements comprise 4.5% and consist of 2% for other systemically important institutions buffer (O-SII) and capital conservation buffer of 2.5%. The capitalisation of Swedbank Latvia CS must also comply with the capital requirements in Pillar 2. According to the 2019 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) slightly increased to 1.7% from 1.4 % previous year. Pillar 2 guidance (P2G) remained unchanged since last year at 1%. Banks are expected to treat a failure to meet the P2G as an early warning signal. The P2G does not stipulate any limitation on the Maximum Distributable Amount. Considering the above, the CET 1 capital ratio requirement of Swedbank Latvia CS amounted to 11.7% and the total capital ratio requirement was 15.2% as of year-end 2019.

Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)[1], 31 December 2019

Pillar 1		CET1	AT1	T2	Total capital
	Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
	Systemic risk buffer (P1)	0.0%			0.0%
	Capital conservation buffer (CCoB)	2.5%			2.5%
	Countercyclical capital buffer (CCyB)	0.0%			0.0%
	O-SII buffer[2]	2.0%			2.0%
		9.0%	**1.5%**	**2.0%**	**12.5%**
Pillar 2[3]					
	Pillar 2 requirement (P2R)	1.7%			1.7%
	Pillar 2 capital guidance (P2G)	1.0%			1.0%
		2.7%			**2.7%**
Capital requirements		**11.7%**			**15.2%**
Actual capital ratios as of 31 December 2019		**29.4%**			**29.4%**

[1)] Swedbank's estimate based on the Latvian FSA's announced capital requirements. All table values above rounded to one decimal place.
[2)] O-SII buffer of 2%, has been applicable since 2018.
[3)] P2R and P2G add-on determined by 2019 SREP

On 31 December 2019, Swedbank Latvia CS's Common Equity Tier 1 and Total Capital ratio both amounted to 29.36% (end-2018: 27.55%). The capitalisation of Swedbank Latvia CS is well above the capital requirements presented in the table above. Swedbank Latvia CS's leverage ratio was 11.93% at end 2019 (end-2018: 10.86%). In the 2019 Supervisory Review and Evaluation Process (SREP), the capitalisation of Swedbank Latvia CS was assessed as adequate for both the current and forward-looking perspective of regulatory capital requirements.

According to Swedbank's procedures, the capital planning process is performed on a quarterly basis for the Baltic subsidiaries, which includes the assessment of the overall capitalisation versus the above mentioned capital requirements and risk of excessive leverage. In case of a potential capital shortfall, capital injections or measures to reduce the risk exposure amount may be performed. In addition to injection of equity capital, the total capital in a subsidiary may also be strengthened through subordinated loans from the parent company (Swedbank AB). In case of changes in the leverage ratio, which might implicate managing the risk of excessive leverage, other business steering or asset-and-liability management tools may also be considered, and accessed if needed, as a means to affect the total exposure measure.

The Bank Recovery and Resolution Directive (BRRD), which allows the authorities to deal with banks in distress, was established in the EU in 2014 and transposed to Latvian national laws on 16 July 2015. The directive includes a requirement on banks to hold a minimum level of own funds and eligible liabilities (MREL). In December 2017, MREL requirement was formally decided on a consolidated level (Swedbank CS) by the SNDO (The Swedish National Debt Office). An individual MREL requirement for Swedbank Latvia CS was introduced by the Single Resolution Board (SRB) in 2019 and will come into force on 30 September 2020.

Latvia 2: Total capital
Disclosure according to Article 2 in Commission Implementing Regulation (EU) No 1423/2013

EURt	31.12.2019	30.09.2019
Shareholders' equity according to the Group balance sheet	754 564	754 565
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies		
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges		
Additional value adjustments	-376	-400
Goodwill		
Deferred tax assets		
Intangible assets	-4 531	-4 671
Net provisions for reported IRB credit exposures	-26 003	-25 708
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Total CET1 capital	**723 654**	**723 786**
Additional Tier 1 capital		
Total Tier 1 capital	**723 654**	**723 786**
Tier 2 capital		
Total capital	**723 654**	**723 786**

The corresponding information for Swedbank CS is enclosed in Swedbank's Fact Book.

Latvia 3: Own funds disclosure, 31 December 2019
Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves, EURt		(a) Amounts at disclosure date	(b) (EU) No 575/2013 article reference
1	Capital instruments and the related share premium accounts	575 000	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	179 085	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	479	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**754 564**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-376	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-4 531	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-26 003	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-30 910**	
29	**Common Equity Tier 1 (CET1) capital**	**723 654**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**723 654**	

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**		
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross-holdings with the institutions designed to artificially inflate the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**723 654**	
60	**Total risk-weighted assets**	**2 464 955**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	29.36%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	29.36%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	29.36%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) [1]	9.02%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.02%	
67	of which: systemic risk buffer requirement	0.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	24.86%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

[1] The CET1 capital requirement including buffer requirements.

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

Latvia 4a: Amount of institution-specific countercyclical capital buffer

EURt	31.12.2019
Total risk exposure amount	2 464 955
Institution-specific countercyclical buffer rate	0.02%
Institution-specific countercyclical buffer requirement	**373**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Latvia 4b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2019

	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements					
EURt	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Sweden	220	596					43			43	0.03%	2.50%
Estonia	2	1 052	689				27	7		34	0.02%	
Latvia	116 858	3 808 040	22				164 914			164 914	97.98%	
Lithuania	38	6 566					329			329	0.20%	1.00%
Norway	112	203					20			20	0.01%	2.50%
Finland	10	76					4			4	0.00%	
Denmark	37	43 244					1 660			1 660	0.99%	1.00%
USA	125	246					14			14	0.01%	
Great Britain	1 396	2 152					164			164	0.10%	1.00%
Other countries	818	21 619					1 124			1 124	0.67%	0.00%
Total	**119 616**	**3 883 794**	**711**				**168 299**	**7**		**168 306**	**100.00%**	**0.02%**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Latvia 5: Capital instruments' main features, 31 December 2019
Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

	Capital instruments' main features template	
1	Issuer	Swedbank AS, Latvia
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LV40003074764
3	Governing law(s) of the instrument	Latvian Commercial Law
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 575m
9	Nominal amount of instrument	EUR 575m
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Note: 'N/A' if the question is not applicable

Latvia 6: Overview of RWAs (EU OV1), 31 December 2019

EURt	RWA 31.12.2019	RWA 30.09.2019	Minimum capital requirements 31.12.2019
Credit risk (excluding Counterparty credit risk (CCR))	**2 126 854**	**2 144 986**	**170 148**
- of which the standardised approach (SA)	66 212	76 689	5 297
- of which the foundation IRB (FIRB) approach	1 144 433	1 161 846	91 555
- of which the advanced IRB (AIRB) approach	916 209	906 451	73 297
- of which equity IRB under the simple risk- weighted approach or the IMA			
Counterparty credit risk	**9 178**	**9 164**	**734**
- of which mark to market	8 801	8 876	704
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which risk exposure amount for contributions to the default fund of a CCP			
- of which CVA	377	288	30
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
- of which IRB approach			
- of which IRB supervisory formula approach (SFA)			
- of which internal assessment approach (IAA)			
- of which standardised approach			
Market risk	**8 545**	**4 887**	**684**
- of which the standardised approach	8 545	4 887	684
- of which IMA			
Large exposures			
Operational risk	**320 378**	**320 378**	**25 630**
- of which basic indicator approach			
- of which standardised approach	320 378	320 378	25 630
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Other risk exposure amount			
Total	**2 464 955**	**2 479 415**	**197 196**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

During the last quarter of 2019 the RWA of Swedbank Latvia decreased by EUR 14m. The development is mainly due to a decrease in credit risk RWA by EUR 18m, which was driven by volume decrease in the corporate portfolio. This effect was partly offset by an increase in market risk RWA by EUR 4m due to prolonged duration in the portfolio.

Latvia 7: IRB specialised lending and equities (EU CR10), 31 December 2019

		Specialised lending					
Regulatory categories, EURt	**Remaining maturity**	**On- balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
Category 1	Less than 2.5 years	14	31	50%	45	22	
	Equal to or more than 2.5 years	5		70%	5	4	
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years	12 406		90%	12 406	11 166	99
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	2 391		250%	2 447	6 117	196
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years	193		-	1 753		876
Total	**Less than 2.5 years**	**14**	**31**		**45**	**22**	
	Equal to or more than 2.5 years	**14 995**			**16 611**	**17 287**	**1 171**
Equities under the simple risk-weighted approach							
Private equity exposures				190%			
Exchange-traded equity exposures				290%			
Other equity exposures				370%			
Total				-			

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Total exposure decreased by EUR 5m compared to end-June 2019 due to reduced limits and repaid contracts.

Latvia 8: Total and average net amount of exposures (EU CRB-B), 31 December 2019

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks		
Institutions	13 666	13 446
Corporates	1 665 470	1 713 080
- of which Specialised Lending	15 040	20 261
- of which SME	100 616	105 392
Retail	2 363 749	2 319 200
- Secured by real estate property	1 534 255	1 489 593
---SME	15 428	15 931
---Non-SME	1 518 827	1 473 662
- Qualifying Revolving		
- Other Retail	829 494	829 607
--- SME	363 650	371 623
--- Non-SME	465 844	457 984
Equity		
Other exposures	179 248	152 327
Total IRB approach	**4 222 133**	**4 198 053**
Central governments or central banks	2 067 356	1 951 961
Regional governments or local authorities	2 300	2 442
Public sector entities	18 411	19 745
Multilateral Development Banks		
International Organisations		
Institutions	55 125	81 486
Corporates	26 306	28 434
- of which SME	1 595	2 311
Retail	34 416	34 359
- of which SME	25 709	25 104
Secured by mortgages on immovable property	52 721	55 431
- of which SME		2
Exposures in default	1 377	1 679
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)		
Equity exposures	300	300
Other exposures	496	700
Total SA approach	**2 258 808**	**2 176 537**
Total	**6 480 941**	**6 374 590**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Total exposures decreased by EUR 0.2bn, as a result of decreased placements in central governments in the standardised approach. In the IRB approach exposures to Private mortgages increased by EUR 0.1bn, which was counteracted by a decrease in corporate exposures.

Latvia 9: Geographical breakdown of exposures (EU CRB-C), 31 December 2019

	Net carrying values												
EURt	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	Total
Central governments or central banks													
Institutions	1 277		80	1 047	150	1 525		45	1 480	10 865	4 118	6 747	13 667
Corporates	63 756			63 756		1 590 733		1 584 860	5 873	10 980		10 980	1 665 469
Retail	1 275	601	205	391	78	2 349 011	1 051	2 347 259	701	13 463	251	13 212	2 363 749
Equity													
Other exposures						179 248		179 248					179 248
Total IRB approach	**66 308**	**601**	**285**	**65 194**	**228**	**4 120 517**	**1 051**	**4 111 412**	**8 054**	**35 308**	**4 369**	**30 939**	**4 222 133**
Central governments or central banks						2 067 356		2 067 356					2 067 356
Regional governments or local authorities						2 300		2 300					2 300
Public sector entities						18 411		18 411					18 411
Multilateral Development Banks													
International Organisations													
Institutions	53 552	53 332	220			1 573	1 410	2	161				55 125
Corporates						26 222		26 222		84		84	26 306
Retail	23		23			34 265		34 265		128		128	34 416
Secured by mortgages on immovable property	180	45	88	37	10	50 688		50 656	32	1 853	125	1 728	52 721
Exposures in default						1 102		1 102		275		275	1 377
Items associated with particularly high risk													
Covered bonds													
Claims on institutions and corporates with a short-term credit assessment													
Collective investments undertakings (CIU)													
Equity exposures						300		300					300
Other exposures	175	175				321	2	313	6				496
Total SA approach	**53 930**	**53 552**	**331**	**37**	**10**	**2 202 538**	**1 412**	**2 200 927**	**199**	**2 340**	**125**	**2 215**	**2 258 808**
Total	**120 238**	**54 153**	**616**	**65 231**	**238**	**6 323 055**	**2 463**	**6 312 339**	**8 253**	**37 648**	**4 494**	**33 154**	**6 480 941**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The decreased exposures stem from Latvia, as 98% of the total exposure does.

Latvia 10: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2019

EURt	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial	Industrial and Warehouse	Other property management	Professional services	Other corporate lending	Credit institutions	Other exposures	Total
Central governments or central banks																					13 666		13 666
Institutions																							
Corporates			2 632	127 736	251 867	157 477	99 752	186 702	124 792		117 522	39 806	10 162	454 182	15 026	346 987	75 429	16 740	88 586	4 253			1 665 469
Retail	1 518 550		468 090	88 124	48 246	9 955	25 620	85 564	43 857		4 927	6 425	904	26 089	1 025	10 156	914	13 994	35 222	2 177			2 363 750
Equity																							
Other exposures																						179 248	179 248
Total IRB approach	**1 518 550**		**470 722**	**215 860**	**300 113**	**167 432**	**125 372**	**272 266**	**168 649**		**122 449**	**46 231**	**11 066**	**480 271**	**16 051**	**357 143**	**76 343**	**30 734**	**123 808**	**6 430**	**13 666**	**179 248**	**4 222 133**
Central governments or central banks						156 122															1 902 082	9 152	2 067 356
Regional governments or local authorities						2 300																	2 300
Public sector entities						11 706			6 702										3				18 411
Multilateral Development Banks																							
International Organisations																							
Institutions																					55 125		55 125
Corporates					335			606	641				15 013	953				953	8 542	216			26 306
Retail	4 943		3 763	26	984	536	3	30						14 907	493			14 414	9 178	46			34 416
Secured by mortgages on immovable property	52 721																						52 721
Exposures in default	1 279		98																				1 377
Items associated with particularly high risk																							
Covered bonds																							
Claims on institutions and corporates with a short- term credit assessment																							
Collective investments undertakings (CIU)																							
Equity exposures																						300	300
Other exposures																						496	496
Total SA approach	**58 943**		**3 861**	**26**	**1 319**	**170 664**	**3**	**636**	**7 343**				**15 013**	**15 860**	**493**			**15 367**	**17 723**	**262**	**1 957 207**	**9 948**	**2 258 808**
Total	**1 577 493**		**474 583**	**215 886**	**301 432**	**338 096**	**125 375**	**272 902**	**175 992**		**122 449**	**46 231**	**26 079**	**496 131**	**16 544**	**357 143**	**76 343**	**46 101**	**141 531**	**6 692**	**1 970 873**	**189 196**	**6 480 941**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The decreased exposures stem mainly from the increase in placements in central banks reported in Credit institutions in the table. Increased private mortgages are in the retail exposure class under the IRB approach. The decreased corporate exposures are spread over several sectors.

Latvia 11: Maturity of exposures (EU CRB-E), 31 December 2019

	Net exposure value					
EURt	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks						
Institutions	6 988	3 894				10 882
Corporates	9 744	202 709	936 527	200 915		1 349 895
Retail	1 604	45 529	486 235	1 575 812	65	2 109 245
Equity						
Other exposures	91 568	52 853			34 827	179 248
Total IRB approach	**109 904**	**304 985**	**1 422 762**	**1 776 727**	**34 892**	**3 649 270**
Central governments or central banks	1 902 082	65 240	2			1 967 324
Regional governments or local authorities		8	73	2 213		2 294
Public sector entities		5 216	12 275	38		17 529
Multilateral Development Banks						
International Organisations						
Institutions	9 538	45 151				54 689
Corporates		43	859	9 411		10 313
Retail	12	136	4 467	27 458	1	32 074
Secured by mortgages on immovable property		61	3 462	49 190		52 713
Exposures in default		805	187	385		1 377
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short- term credit assessment						
Collective investments undertakings (CIU)						
Equity exposures					300	300
Other exposures		496				496
Total SA approach	**1 911 632**	**117 156**	**21 325**	**88 695**	**301**	**2 139 109**
Total	**2 021 536**	**422 141**	**1 444 087**	**1 865 422**	**35 193**	**5 788 379**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Decreased placements in central banks were on demand, reducing these volumes. For corporate exposures the maturity structure has changed with a decrease of EUR 0.2bn in exposures with maturity less than one year with a corresponding increase for maturities 1 to 5 years and more than 5 years. For rest of the exposure classes the overall structure of maturity is unchanged compared to 2018.

Credit quality of exposures

Past due loans

Past due loans refer to overdrawn accounts and loans where amounts due for payment have not been paid in accordance with the terms of the loan agreements.

Credit impaired loans

Impaired loans are loans for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. A loan is considered credit-impaired when there is objective proof that an event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows. A loan in default is also always considered as an impaired loan, and vice versa.

Events on an individual level arise, implying an impairment test, e.g., when:

- A borrower incurs significant financial difficulties.
- It is likely that the borrower will enter into bankruptcy, liquidation or financial restructuring.
- Or there is a breach of contract, such as materially delayed or non–payment of interest or principal.

Exposures that are overdue by more than 90 days, or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties, are considered as credit-impaired and as being in default. Impaired loans are moved to stage 3 according to the accounting framework IFRS 9. The provisioning level in stage 3 can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee according to the bank's established principles.

Provisions

All loans, performing as well as non-performing, will carry a loss allowance (provision). It is not necessary for a loss event to occur before an impairment loss is recognized. This can also be described as the expected credit loss approach, i.e. all exposures in the Group's accounts will have an expected credit loss recognized directly after their origination, which is in line with the accounting standards IFRS 9.

All loans are subject to stage allocation and will carry a provision based on that allocation at each reporting date. The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage a loan is allocated to, the provisions will be calculated according to Swedbank's models. For some large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is considered from a risk perspective even if the collateral cannot be recognised for capital adequacy purposes. The collateral, its value and risk mitigating effect are considered throughout the credit process.

The term collateral covers pledges and guarantees. The most common types of pledges are real estate, apartments and floating charge. Netting agreements or covenants are not considered as collateral.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Main types of guarantors and counterparties in credit derivatives and their creditworthiness are described in the main document under Counterparty credit risk.

Credits without collateral are mainly granted for small loans to private customers or loans to large companies with very solid repayment capacity. For the latter, special loan covenants are commonly created which entitle Swedbank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates, or if the covenants are otherwise breached.

Collateral valuation

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part in the credit risk assessment of the borrower. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed within periodic credit reviews of the borrower and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become a problem loan.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. For financial collateral, such as debt securities, equities and collective investment undertakings (CIUs), valuation is normally monitored on a daily basis.

Concentrations within mitigation instruments

Approximately 41% of the loans have private housing mortgages as collateral implicating a high concentration risk. However, the composition of the portfolio, with a large number of customers and relatively small amounts on each borrower, mitigates the risks. Another 23% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Latvia 12: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2019

EURt	Gross carrying values of which		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks							
Institutions		13 689	23			-5	13 666
Corporates	4 171	1 664 929	3 630		96 199	692	1 665 470
- of which Specialised Lending	1 798	14 858	1 616		22 967	-20	15 040
- of which SME		100 793	177		46 989	-107	100 616
Retail	26 179	2 352 900	15 330		201 022	-2 005	2 363 749
- Secured by real estate property	20 621	1 524 558	10 925		166 189	-1 280	1 534 254
--- SME	534	15 074	181		6 599	-120	15 427
--- Non-SME	20 087	1 509 484	10 744		159 590	-1 160	1 518 827
- Qualifying revolving							
- Other Retail	5 558	828 342	4 405		34 833	-725	829 495
--- SME	2 386	362 760	1 496		12 910	-469	363 650
--- Non-SME	3 172	465 582	2 909		21 923	-256	465 845
Equity							
Other exposures		179 248					179 248
Total IRB approach	**30 350**	**4 210 766**	**18 983**		**297 221**	**-1 318**	**4 222 133**
Central governments or central banks		2 067 378	22				2 067 356
Regional governments or local authorities		2 300				-35	2 300
Public sector entities		18 414	3			-1	18 411
Multilateral development banks							
International organisations							
Institutions		55 125					55 125
Corporates:		26 313	7		8	-2	26 306
- of which SME			1				-1
Retail		34 919	504		372	-23	34 415
- of which SME			95			-9	-95
Secured by mortgages on immovable		52 721			14	-224	52 721
- of which SME							
Exposures in default	1 700		322		2 892	-86	1 378
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short- term credit assessment							
Collective investments undertakings (CIU)							
Equity exposures		300					300
Other exposures		496					496
Total SA approach	**1 700**	**2 257 966**	**858**		**3 286**	**-371**	**2 258 808**
Total	**32 050**	**6 468 732**	**19 841**		**300 507**	**-1 689**	**6 480 941**
- of which Loans	31 963	5 719 954	19 625		300 507	-1 573	5 732 292
- of which Debt Securities		56 088					56 088
- of which Off-balance sheet exposures	87	692 690	216			-116	692 561

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Defaulted exposures decreased by EUR 6m, evenly distributed between private individuals and corporates.

Latvia 13: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2019

EURt	Gross carrying values of which: Defaulted exposures	Gross carrying values of which: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Private mortgage	21 587	1 567 297	11 391		166 046	-1 466	1 577 493
Tenant owner associations							
Private other	4 894	473 022	3 333		32 791	-285	474 583
Agriculture, forestry, fishing	408	215 888	410		2 638	-207	215 886
Manufacturing	319	301 405	292		12 980	-149	301 432
Public sector and utilities	1	338 130	35		790	-50	338 096
Construction	314	125 235	174		11 076	-52	125 375
Retail	1 908	271 634	640		15 180	82	272 902
Transportation	170	175 941	119		10 130	-139	175 992
Shipping and offshore							
Hotels and restaurants	153	123 364	1 068		13 099	952	122 449
Information and communication	42	46 235	46		294	-25	46 231
Finance and insurance		26 081	2		33	-6	26 079
Property management	1 810	496 295	1 974		23 435	-326	496 131
- Residential properties	1 753	16 411	1 620		14 491	-28	16 544
- Commercial	46	357 324	227		7 171	-235	357 143
- Industrial and Warehouse		76 349	6			-8	76 343
- Other property management	11	46 211	121		1 773	-55	46 101
Professional services	441	141 374	284		7 217	-14	141 531
Other corporate lending	3	6 719	30		4798	-4	6 692
Credit institutions		1 970 916	43				1 970 873
Other exposures		189 196					189 196
Total	**32 050**	**6 468 732**	**19 841**		**300 507**	**-1 689**	**6 480 941**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

In addition to reduced defaulted private mortgage loans the corporate sectors with largest decrease was Property management while there were increases in Agriculture, Forestry and Fishing and Retail.

Latvia 14: Credit quality of exposures by geography (EU CR1-C), 31 December 2019

EURt	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Significant area: Nordic	**3**	**120 248**	**13**		**364**	**0**	**120 238**
- Sweden		54 157	4		364	-3	54 153
- Norway		621	5			3	616
- Denmark		65 233	2			-2	65 231
- Finland	3	237	2			2	238
Significant area: Baltic	**31 590**	**6 311 091**	**19 626**		**296 757**	**-1 710**	**6 323 055**
- Estonia		2 468	5		27	1	2 463
- Latvia	31 589	6 300 346	19 596		296 704	-1 703	6 312 339
- Lithuania	1	8 277	25		26	-8	8 253
Rest of the world	**457**	**37 393**	**202**		**3 386**	**21**	**37 648**
- USA		4 498	4		102	-2	4 494
- Other geographical areas	457	32 895	198		3 284	23	33 154
Total	**32 050**	**6 468 732**	**19 841**		**300 507**	**-1 689**	**6 480 941**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

As for total exposures the vast majority of the defaulted exposures are in Latvia, where also the reduction was seen.

Latvia 15: Performing and non-performing exposures and related provisions, 31 December 2019

EURt	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**5 562 853**	**4 968 513**	**594 340**	**49 704**	**14 322**	**35 347**	**8 576**	**1 326**	**7 250**	**11 049**	**226**	**10 823**		**2 698 098**	**34 315**
Central banks	1 902 102	1 902 102					21	21							
General governments	21 046	15 802	5 244				3	3						3 387	
Credit institutions	65 925	65 450	474												
Other financial corporations	60 650	60 598	52	1		1	1	1		1		1		5 642	
Non-financial corporations	1 635 244	1 466 294	168 950	14 392	8 765	5 627	2 211	355	1 856	2 713	72	2 641		1 160 037	8 941
Of which SMEs	383 034	327 260	55 773	6 492	3 474	3 017	814	286	528	974	38	936		177 286	5 011
Households	1 877 885	1 458 266	419 619	35 311	5 557	29 719	6 340	947	5 394	8 335	154	8 181		1 529 032	25 374
Debt securities	**56 087**														
Central banks															
General governments	56 087														
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**692 578**	**634 480**	**58 098**	**199**	**25**	**89**	**213**	**79**	**135**	**2**		**2**			**33**
Central banks															
General governments	100 923	100 913	10				2	2							
Credit institutions	3 491	1 658	1 832				23		23						
Other financial corporations	15 274	15 123	151												
Non-financial corporations	382 064	346 980	35 084	178	22	71	32	18	15						22
Households	190 827	169 806	21 021	21	3	18	156	59	97	2		2			11
Total	**6 311 518**	**5 602 994**	**652 437**	**49 903**	**14 347**	**35 436**	**8 789**	**1 405**	**7 385**	**11 051**	**226**	**10 825**		**2 698 098**	**34 348**

The performance of Swedbank's portfolio remains on a high stable level with less than 1% of non-performing exposures. Most of the defaults (stage 3) are within mortgages in households. Stage 2 (significantly increased credit risk) exposures remain on a low level of 10%, where mortgages in households contribute the most.

Latvia 16: Credit quality of performing and non-performing exposures by past due days, 31 December 2019

EURt	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**5 562 853**	**5 558 795**	**4 057**	**49 704**	**28 827**	**4 269**	**4 257**	**4 102**	**4 777**	**792**	**2 680**	**31 738**
Central banks	1 902 102	1 902 102										
General governments	21 046	21 046										
Credit institutions	65 925	65 925										
Other financial corporations	60 650	60 650		1	1							
Non-financial corporations	1 635 244	1 634 229	1 015	14 392	10 481	459	242	761	2 120	16	312	5 498
Of which SMEs	383 034	382 019	1 015	6 492	4 333	459	242	761	368	16	312	2 888
Households	1 877 885	1 874 843	3 042	35 311	18 345	3 810	4 015	3 341	2 657	776	2 368	26 240
Debt securities	**56 087**	**56 087**										
Central banks												
General governments	56 087	56 087										
Credit institutions												
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	**692 578**			**199**								**109**
Central banks												
General governments	100 923											
Credit institutions	3 491											
Other financial corporations	15 274											
Non-financial corporations	382 064			178								109
Households	190 827			21								
Total	**6 311 518**	**5 614 882**	**4 057**	**49 903**	**28 827**	**4 269**	**4 257**	**4 102**	**4 777**	**792**	**2 680**	**31 847**

The total exposures that are past due is low. Less than 1% of total exposures are past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Latvia 17: Credit quality of forborne exposures, 31 December 2019

EURt	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**42 823**	**34 480**	**19 049**	**20 949**	**513**	**6 755**	**64 325**	**25 352**
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	26 979	11 932	3 282	3 282	198	2 109	33 338	8 072
Households	15 844	22 548	15 767	17 667	315	4 646	30 987	17 280
Debt Securities								
Loan commitments given	**306**	**81**		**13**		**2**	**327**	**33**
Total	**43 129**	**34 561**	**19 049**	**20 962**	**513**	**6 757**	**64 652**	**25 385**

Latvia 18: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2019

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	**21 419**	
Increases due to amounts set aside for estimated loan losses during the period	992	
Decreases due to amounts reversed for estimated loan losses during the period	-910	
Decreases due to amounts taken against accumulated credit risk adjustments	-1 213	
Transfers between credit risk adjustments		
Impact of exchange rate differences	4	
Business combinations, including acquisitions and disposals of subsidiaries	43	
Other adjustments	-494	
Closing balance	**19 841**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	3 570	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	-2 876	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The decrease in specific credit risk adjustment compared to end-June 2019 is mainly explained by transfers between stages and changes in IFRS 9 models. Otherwise there were normal amounts of new provisions and reduced provisions from re-aged defaults.

Latvia 19: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2019

EURt	Gross carrying value defaulted exposures
Opening balance	**35 779**
Loans and debt securities that have defaulted or impaired since the last reporting period	6 595
Returned to non-defaulted status	-2 314
Amounts written off	-3 304
Other changes	-4 706
Closing balance	**32 050**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The inflow of new defaults was low, and net there was a decrease by EUR 4m, which is explained by reduced volumes of defaulted private mortgage loans and by work-out of one Large Corporate customer from property management industry.

Latvia 20: Collateral obtained by taking possession and execution processes, 31 December 2019

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	**4 621**	**-1 851**
Residential immovable property	1 440	-86
Commercial Immovable property	2 469	-1 671
Movable property (auto, shipping, etc.)	565	-89
Equity and debt instruments		
Other	147	-5
Total	**4 621**	**-1 851**

The volumes of obtained collateral were reduced in 2019 mainly explained by work-out of one Large Corporate customer from the Property management industry.

Latvia 21: Credit risk mitigation techniques – overview (EU CR3), 31 December 2019

EURt	Exposures unsecured: Carrying amount	Exposures secured: Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	2 007 434	1 633 578	1 587 789	45 789	
Total Debt securities	56 088				
Other	2 091 279				
Total all exposures	**4 154 801**	**1 633 578**	**1 587 789**	**45 789**	
- of which defaulted	5 366	16 570	16 567	3	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase in exposures secured by collateral is explained by new mortgage loans. The decrease in unsecured exposures is explained by decreased placements in central banks.

Latvia 22: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2019

Exposure classes, EURt	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
Central governments or central banks	1 967 324	100 033	2 005 032	51 695	11 218	0.55%
Regional government or local authorities	2 294	6	4 049	6	811	20.00%
Public sector entities	17 529	882	17 529	457	3 146	17.49%
Multilateral development banks			184			0.00%
International organisations						
Institutions	54 689	436	54 689	225	10 985	20.00%
Corporates	10 312	15 993	1 330	121	1 306	90.01%
Retail	32 074	2 342	28 226	643	18 089	62.66%
Secured by mortgages on immovable property	52 713	8	52 713	4	18 450	35.00%
Exposures in default	1 377		1 377		1 415	102.76%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short term credit assessment						
collective investment undertakings						
Equity	300		300		300	100.00%
Other items	496		496		492	99.19%
Total	**2 139 108**	**119 700**	**2 165 925**	**53 151**	**66 212**	**2.98%**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Latvia 23: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2019

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	**2 068 296**	**160 056**
Asset size	4 712	-1 232
Asset quality	-13 990	-1 119
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-984	-79
Other	2 608	219
RWA as at end of reporting period	**2 060 642**	**157 845**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

RWA reported under IRB decreased by EUR 8m in Q4. The main driver of RWA change in the quarter was positive PD migrations for corporate exposures and reduced LGD in retail mortgages from improved collateral.

Leverage ratio disclosure

Swedbank takes the risk of excessive leverage into account in the forward-looking capital planning process which is performed at least on a quarterly basis. Other business steering or asset-and-liability management tools are also considered as means to affect the total exposure measure and may be accessed should such a need arise.

The leverage ratio has decreased slightly from 12.2% to 11.9% during Q4 2019 driven by an increase in total leverage ratio exposures.

Latvia 24: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2019

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	5 823 379
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
Adjustments for derivative financial instruments	10 987
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	260 436
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-30 911
Total leverage ratio exposure	**6 063 891**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Latvia 25: Leverage ratio common disclosure (LRCom), 31 December 2019

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	5 816 942
(Asset amounts deducted in determining Tier 1 capital)	-30 911
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**5 786 031**
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6 438
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	10 987
Exposure determined under Original Exposure Method	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
(Exempted CCP leg of client-cleared trade exposures)	
Adjusted effective notional amount of written credit derivatives	
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
Total derivative exposures (sum of lines 4 to 10)	**17 425**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
(Netted amounts of cash payables and cash receivables of gross SFT assets)	
Counterparty credit risk exposure for SFT assets	
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
Agent transaction exposures	
(Exempted CCP leg of client-cleared SFT exposure)	
Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	692 777
(Adjustments for conversion to credit equivalent amounts)	-432 342
Other off-balance sheet exposures (sum of lines 17 to 18)	260 435
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures	
Tier 1 capital	**723 654**
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**6 063 891**
Leverage ratio	
Leverage ratio	**11,93%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Appendix: Swedbank Lithuania Consolidated Situation (CS)

Introduction

Swedbank's Risk Management and Capital Adequacy Report 2019 (Pillar 3 report) provides information on Swedbank's capital adequacy and risk management. The report is based on regulatory disclosure requirements set out in Regulation (EU) No 575/2013. In accordance with Article 13 in the same regulation, certain information shall be provided for large subsidiaries. Information regarding Swedbank Lithuania Consolidated Situation (CS) is provided in this Appendix and pertains to conditions as of 31 December 2019. Information on the organisational and legal structure of Swedbank Lithuania Consolidated Situation is provided in Appendix A of this Pillar 3 report. Information regarding Swedbank's corporate governance structure and measures undertaken to manage operations in Swedbank Consolidated Situation is presented in Swedbank's Corporate Governance Report. Information regarding risk implications of the remuneration process (and aggregate as well as granular quantitative information on remuneration) for Swedbank Lithuania Consolidated Situation is disclosed in the document "Information regarding remuneration in Swedbank". Swedbank's Group-wide framework includes instructions for management of credit risk, including instructions for granting and prolonging credits, for collateral valuation, for determining impairment and for credit risk adjustments. Information regarding management of credit risk is provided in Chapter 3 of this Pillar 3 report. The Group-wide framework also includes instructions describing the approach used to assess the adequacy of internal capital to support current and future activities. This information is provided in Chapter 7 of the same report. All documents mentioned are available on www.swedbank.com. All figures are denominated in EUR thousands unless otherwise stated.

Capital requirements

Under the CRR/CRD IV framework, a bank's total capital must be equivalent to at least the sum of the capital requirements for credit- market- and operational risks, including combined capital buffers, Pillar 2 requirement (P2R) and Pillar 2 guidance (P2G). The capital requirement for Swedbank Lithuania CS in Pillar 1, as a percentage of RWA, amounted to 10% of the CET1 capital, and 13.5% of the total capital as of year-end. Combined capital buffer requirements comprise 5.5% and consist of buffer requirement of 2% for other systemically important institutions (O-SII), capital conservation buffer of 2.5% and counter-cyclical buffer of 1%. In 2018, the Board of the Bank of Lithuania decided to increase counter-cyclical buffer from 0.5% to 1%, however applicable to a full extent only from 30 June 2019. The capitalisation of Swedbank Lithuania CS must also comply with the capital requirements in Pillar 2. According to the 2019 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) increased to 1.8% (2018: 1.5%) and Pillar 2 guidance (P2G) remained unchanged at 1%. Banks are expected to treat a failure to meet the P2G as an early warning signal. The P2G does not stipulate any limitation on the Maximum Distributable Amount. Considering the above, the forward-looking CET 1 capital ratio requirement of Swedbank Lithuania CS amounted to 12.8% (incl. CCyB of 1.0%) and the total capital ratio requirement was 16.3% (incl. CCyB 1.0%) as of year-end 2019.

Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)[1], 31 December 2019

Pillar 1		CET1	AT1	T2	Total capital
	Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
	Systemic risk buffer (P1)	0.0%			0.0%
	Capital conservation buffer (CCoB)	2.5%			2.5%
	Countercyclical capital buffer (CCyB)	1.0%			1.0%
	O-SII buffer [2]	2.0%			2.0%
		10.0%	**1.5%**	**2.0%**	**13.5%**
Pillar 2[3]					
	Pillar 2 requirement (P2R)	1.8%			1.8%
	Pillar 2 capital guidance (P2G)	1.0%			1.0%
		2.8%			**2.8%**
Capital requirements		**12.8%**			**16.3%**
Actual capital ratios as of 31 December 2019		**22.5%**			**22.5%**

[1)] Swedbank's estimate based on the Lithuanian FSA's announced capital requirements. All table values above rounded to one decimal place.

[2)] The increased countercyclical buffer (CCyB) of 1% is applicable from 30 June 2019.

[3)] P2R and P2G determined by 2019 SREP

On 31 December 2019, Swedbank Lithuania CS's Common Equity Tier 1 and Total Capital ratio both amounted to 22.47% (end-2018: 20.9%). The capitalisation of Swedbank Lithuania CS is well above the capital requirements presented in the table above. Swedbank Lithuania CS's leverage ratio was 6.49% at end 2019 (end-2018: 6.54%). In the 2019 Supervisory Review and Evaluation Process (SREP), the capitalisation of Swedbank Lithuania CS was assessed as adequate for both the current and forward-looking perspective of regulatory capital requirements.

According to Swedbank's procedures, the capital planning process is performed on a quarterly basis for the Baltic subsidiaries, which includes the assessment of the overall capitalisation versus the above-mentioned capital requirements and risk of excessive leverage. In case of a potential capital shortfall, capital injections or measures to reduce the risk exposure amount may be performed. In addition to the injection of equity capital, the total capital in a subsidiary may also be strengthened through subordinated loans from the parent company (Swedbank AB). In case of changes in the leverage ratio, which might implicate managing the risk of excessive leverage, other business steering or asset-and-liability management tools may also be considered, and accessed if needed, to affect the total exposure measure.

The Bank Recovery and Resolution Directive (BRRD), which allows the authorities to deal with banks in distress, was established in the EU in 2014 and transposed to Lithuanian national laws on 3 December 2015. The directive includes a requirement on banks to hold a minimum level of own funds and eligible liabilities (MREL). In December 2017, MREL requirement was formally decided on a consolidated level (Swedbank CS) by the SNDO (The Swedish National Debt Office). An individual MREL requirement for Swedbank Lithuania CS was introduced by the Single Resolution Board (SRB) in 2019 and will come into force on 30 September 2020.

Lithuania 2: Total capital
Disclosure according to Article 2 in Commission Implementing Regulation (EU) No 1423/2013

EURt	31.12.2019	30.09.2019
Shareholders' equity according to the Group balance sheet	743 897	720 831
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies		
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges		
Additional value adjustments	-701	-832
Goodwill		
Deferred tax assets	-10 166	-9 631
Intangible assets	-112	-111
Net provisions for reported IRB credit exposures	-19 037	-17 539
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Total CET1 capital	**713 881**	**692 718**
Additional Tier 1 capital		
Total Tier 1 capital	**713 881**	**692 718**
Tier 2 capital		
Total capital	**713 881**	**692 718**

The corresponding information for Swedbank CS is enclosed in Swedbank's Fact Book.

Lithuania 3: Own funds disclosure, 31 December 2019
Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves, EURt		(a) Amounts at disclosure date	(b) (EU) No 575/2013 article reference
1	Capital instruments and the related share premium accounts	502 258	26 (1), 27, 28, 29
	of which: Instrument type 1	475 623	EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3	26 635	EBA list 26 (3)
2	Retained earnings	114 233	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	127 406	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**743 897**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-701	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-112	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-10 166	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-19 037	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-30 016**	
29	**Common Equity Tier 1 (CET1) capital**	**713 881**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**713 881**	

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**		
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross-holdings with the institutions designed to artificially inflate the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477(4)
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**713 881**	
60	**Total risk-weighted assets**	**3 177 226**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.47%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	22.47%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	22.47%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) [1]	9.99%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.99%	
67	of which: systemic risk buffer requirement	0.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	12.48%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

[1] The CET1 capital requirement including buffer requirements.

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

Lithuania 4a: Amount of institution-specific countercyclical capital buffer

EURt	31.12.2019
Total risk exposure amount	3 177 226
Institution-specific countercyclical buffer rate	0.99%
Institution-specific countercyclical buffer requirement	**31 446**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Lithuania 4b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2019

	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements					
EURt	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Sweden	389	39 638					2 176			2 176	1.13%	2.50%
Estonia	1 767	882	402				140	48		188	0.10%	0.00%
Latvia	1 064	29 017					1 871			1 871	0.97%	0.00%
Lithuania	614 988	5 728 601	8 157				183 191	131		183 322	95.51%	1.00%
Norway	253	1 187					40			40	0.02%	2.50%
Finland	0	220					7			7	0.00%	0.00%
Denmark	163	8 826					477			477	0.25%	1.00%
USA	120	1 715					37			37	0.02%	0.00%
Great Britain	1 286	5 492					211			211	0.11%	1.00%
Other countries	1 182	67 870					3 608			3 607	1.89%	0.00%
Total	**621 212**	**5 883 448**	**8 559**	**0**	**0**	**0**	**191 758**	**179**	**0**	**191 936**	**100.00%**	**0.99%**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Lithuania 5: Capital instruments' main features, 31 December 2019
Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

	Capital instruments' main features template	
1	Issuer	Swedbank AB, Lithuania
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LT0000100620
3	Governing law(s) of the instrument	Lithuanian
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 475.6m
9	Nominal amount of instrument	EUR 475.6m
9a	Issue price	Nominal price of share 2.9 EUR
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Note: 'N/A' if the question is not applicable

Lithuania 6: Overview of RWAs (EU OV1), 31 December 2019

	RWA		Minimum capital requirements
EURt	31.12.2019	30.09.2019	31.12.2019
Credit risk (excluding Counterparty credit risk (CCR))	**2 488 092**	**2 431 438**	**199 047**
- of which the standardised approach (SA)	379 267	387 864	30 341
- of which the foundation IRB (FIRB) approach	1 272 657	1 236 044	101 813
- of which the advanced IRB (AIRB) approach	836 168	807 530	66 893
- of which equity IRB under the simple risk- weighted approach or the IMA			
Counterparty credit risk	**27 209**	**25 052**	**2 177**
- of which mark to market	22 346	21 252	1 788
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which risk exposure amount for contributions to the default fund of a CCP	4 863	3 800	389
- of which CVA			
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
- of which IRB approach			
- of which IRB supervisory formula approach (SFA)			
- of which internal assessment approach (IAA)			
- of which standardised approach			
Market risk	**12 941**	**13 788**	**1 035**
- of which the standardised approach	12 941	13 788	1 035
- of which IMA			
Large exposures			
Operational risk	**386 984**	**354 682**	**30 959**
- of which basic indicator approach			
- of which standardised approach	386 984	354 682	30 959
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Other risk exposure amount	262 000	342 000	20 960
Total	**3 177 226**	**3 166 960**	**254 178**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

During the last quarter of 2019 the RWA of Swedbank Lithuania increased by EUR 10m. The increase in total RWA was mainly driven by an increase in credit risk RWA and operational risk RWA together with a decrease in other risk weighted amount. The increase in credit risk RWA of EUR 57m was mainly due to volume growth in both retail and corporate portfolios. The increase in operational risk RWA by EUR 32m is due to increased revenues, which drives the calculation of RWA under the applicable regulatory framework. The decrease of other risk weighted assets by EUR 80m is driven by the calculation of amounts held under Article 3 in relation to corporate PD models. The Article 3 amount is recalculated on a quarterly basis and this prompted a decrease for Swedbank Lithuania during the fourth quarter.

Lithuania 7: IRB specialised lending and equities (EU CR10), 31 December 2019

		Specialised lending					
Regulatory categories, EURt	Remaining maturity	On- balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	27	5 561	50%	2 808	1 403	0
	Equal to or more than 2.5 years	1 872	1	70%	1 873	1 311	7
Category 2	Less than 2.5 years	35	1 795	70%	932	653	4
	Equal to or more than 2.5 years	4 334	0	90%	4 335	3 901	35
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	0	0	115%	0	0	0
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	0	0	250%	0	0	0
Category 5	Less than 2.5 years	0	0	-	0	0	0
	Equal to or more than 2.5 years	0	0	-	0	0	0
Total	**Less than 2.5 years**	**62**	**7 356**		**3 740**	**2 056**	**4**
	Equal to or more than 2.5 years	**6 206**	**1**		**6 208**	**5 212**	**42**
Equities under the simple risk-weighted approach							
Private equity exposures				190%			
Exchange-traded equity exposures				290%			
Other equity exposures				370%			
Total				-			

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Total exposures in specialised lending increased by EUR 3m compared to end-June 2019 due to normal business activities.

Lithuania 8: Total and average net amount of exposures (EU CRB-B), 31 December 2019

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks		
Institutions	19 755	17 105
Corporates	2 510 161	2 548 700
- of which Specialised Lending	13 625	13 436
- of which SME	156 217	153 235
Retail	4 149 780	3 936 432
- Secured by real estate property	3 184 969	2 995 817
---SME	10 053	9 856
---Non-SME	3 174 916	2 985 961
- Qualifying Revolving		
- Other Retail	964 811	940 615
--- SME	342 254	339 254
--- Non-SME	622 557	601 361
Equity		
Other exposures		
Total IRB approach	**6 679 696**	**6 502 237**
Central governments or central banks	4 113 994	3 470 351
Regional governments or local authorities	3 505	3 876
Public sector entities	5 130	4 951
Multilateral Development Banks		
International Organisations		2 336
Institutions	92 003	82 332
Corporates	86 854	77 940
- of which SME	8 997	7 913
Retail	31 396	30 997
- of which SME	24 377	22 603
Secured by mortgages on immovable property	235 733	242 672
- of which SME	276	224
Exposures in default	5 424	6 020
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)		
Equity exposures	300	326
Other exposures	260 626	256 322
Total SA approach	**4 834 965**	**4 178 123**
Total	**11 514 661**	**10 680 360**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The total exposures increased by EUR 1.1bn in 2019, of which EUR 0.5bn is explained by increased placements in central banks. In the IRB approach the exposure increase is from Private mortgage loans.

Lithuania 9: Geographical breakdown of exposures (EU CRB-C), 31 December 2019

	Net carrying values												
EURt	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	Total
Central governments or central banks	0					0				0			0
Institutions	3 185		14	3 171		0				16 570	4 020	12 550	19 755
Corporates	69 780	61 290		8 490		2 375 916	873	28 343	2 346 700	64 465		64 465	2 510 161
Retail	2 262	468	1 207	366	221	4 133 891	26	733	4 133 132	13 627	1 737	11 890	4 149 780
Equity	0					0				0			0
Other exposures	0					0				0			0
Total IRB approach	**75 227**	**61 758**	**1 221**	**12 027**	**221**	**6 509 807**	**899**	**29 076**	**6 479 832**	**94 662**	**5 757**	**88 905**	**6 679 696**
Central governments or central banks	0					4 113 994			4 113 994	0			4 113 994
Regional governments or local authorities	0					3 505			3 505	0			3 505
Public sector entities	0					5 130			5 130	0			5 130
Multilateral Development Banks	0					0				0			0
International Organisations	0					0				0			0
Institutions	90 397	89 520	877	0		1 606	1 238	368		0			92 003
Corporates	0					86 854	1 322	348	85 184	0			86 854
Retail	22		22			31 245	445	715	30 085	129	18	111	31 396
Secured by mortgages on immovable property	781	388	230	163		232 532			232 532	2 420	102	2 318	235 733
Exposures in default	0					5 385			5 385	39		39	5 424
Items associated with particularly high risk	0					0				0			0
Covered bonds	0					0				0			0
Claims on institutions and corporates with a short-term credit assessment	0					0				0			0
Collective investments undertakings (CIU)	0					0				0			0
Equity exposures	0					300			300	0			300
Other exposures	0					260 626			260 626	0			260 626
Total SA approach	**91 200**	**89 908**	**1 129**	**163**	**0**	**4 741 177**	**3 005**	**1 431**	**4 736 741**	**2 588**	**120**	**2 468**	**4 834 965**
Total	**166 427**	**151 666**	**2 350**	**12 190**	**221**	**11 250 984**	**3 904**	**30 507**	**11 216 573**	**97 250**	**5 877**	**91 373**	**11 514 661**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increased exposures stem from Lithuania, as 97% of the total exposure does.

Lithuania 10: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2019

EURt	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial	Industrial and Warehouse	Other property management	Professional services	Other corporate lending	Credit institutions	Other exposures	Total
Central governments or central banks														0									0
Institutions														0							19 755		19 755
Corporates			9 127	36 436	520 283	385 362	48 808	460 198	163 784		114 229	99 326	26 195	608 034	13 625	507 801	47 037	39 571	35 235	3144			2 510 161
Retail	3 179 008		673 768	14 489	43 171	8 703	26 424	96 180	37 681		5 571	8 292	1 354	20 569	838	9 514	4 853	5 364	32 350	2220			4 149 780
Equity														0									0
Other exposures														0									0
Total IRB approach	**3 179 008**	**0**	**682 895**	**50 925**	**563 454**	**394 065**	**75 232**	**556 378**	**201 465**	**0**	**119 800**	**107 618**	**27 549**	**628 603**	**14 463**	**517 315**	**51 890**	**44 935**	**67 585**	**5 364**	**19 755**	**0**	**6 679 696**
Central governments or central banks						147 190								0							3 966 804		4 113 994
Regional governments or local authorities						3 505								0									3 505
Public sector entities						4 967	16							0					121	26			5 130
Multilateral Development Banks														0									0
International Organisations														0									0
Institutions														0							92 003		92 003
Corporates				4 368	34 846	237	1 225	35 859	775			7 137	690	39		39			1 663	15			86 854
Retail	4 392		2 814	1 231	10 045	573	2 307	7 453	551			672		49		49			1 210	99			31 396
Secured by mortgages on immovable property	235 629												104	0									235 733
Exposures in default	5 333		80				11							0									5 424
Items associated with particularly high risk														0									0
Covered bonds														0									0
Claims on institutions and corporates with a short- term credit assessment														0									0
Collective investments undertakings (CIU)														0									0
Equity exposures						300								0									300
Other exposures														0								260 626	260 626
Total SA approach	**245 354**	**0**	**2 894**	**5 599**	**44 891**	**156 772**	**3 559**	**43 312**	**1 326**	**0**	**0**	**7 809**	**794**	**88**	**0**	**88**	**0**	**0**	**2 994**	**140**	**4 058 807**	**260 626**	**4 834 965**
Total	**3 424 362**	**0**	**685 789**	**56 524**	**608 345**	**550 837**	**78 791**	**599 690**	**202 791**	**0**	**119 800**	**115 427**	**28 343**	**628 691**	**14 463**	**517 403**	**51 890**	**44 935**	**70 579**	**5 504**	**4 078 562**	**260 626**	**11 514 661**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Main increase is in Private mortgage loans. In the corporate portfolio there are normal fluctuations in outstanding exposure, with the largest increase in Property Management by EUR 100m.

Lithuania 11: Maturity of exposures (EU CRB-E), 31 December 2019

	Net exposure value					
EURt	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks						0
Institutions	8 837	10 723				19 560
Corporates	146 498	176 708	1 475 208	72 463	25 915	1 896 792
Retail	11 859	60 329	460 306	3 234 923	82	3 767 499
Equity						0
Other exposures						0
Total IRB approach	**167 194**	**247 760**	**1 935 514**	**3 307 386**	**25 997**	**5 683 851**
Central governments or central banks	3 966 804	85 674	61 515			4 113 993
Regional governments or local authorities		16	1 788	1 668		3 472
Public sector entities		506	2 500	819		3 825
Multilateral Development Banks						0
International Organisations						0
Institutions	35 127	56 345				91 472
Corporates		7 814	59 755	67		67 636
Retail		1 168	11 707	5 762	1	18 638
Secured by mortgages on immovable property		48	3 159	232 526		235 733
Exposures in default		1 112	880	3 432		5 424
Items associated with particularly high risk						0
Covered bonds						0
Claims on institutions and corporates with a short- term credit assessment						0
Collective investments undertakings (CIU)						0
Equity exposures					300	300
Other exposures	172 826	13 265	72		74 463	260 626
Total SA approach	**4 174 757**	**165 948**	**141 376**	**244 274**	**74 764**	**4 801 119**
Total	**4 341 951**	**413 708**	**2 076 890**	**3 551 660**	**100 761**	**10 484 970**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The maturity for the majority of the placements in central banks is now classified as on demand. The increased private mortgage loans have maturity more than five years. For the corporate exposures there is a decrease in short maturities, less than one year, of EUR 200m which instead increased in the bucket for 1 to 5 years maturity.

Credit quality of exposures

Past due loans

Past due loans refer to overdrawn accounts and loans where amounts due for payment have not been paid in accordance with the terms of the loan agreements.

Credit impaired loans

Impaired loans are loans for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. A loan is considered credit-impaired when there is objective proof that an event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows. A loan in default is also always considered as an impaired loan, and vice versa.

Events on an individual level arise, implying an impairment test, e.g., when:

- A borrower incurs significant financial difficulties.
- It is likely that the borrower will enter into bankruptcy, liquidation or financial restructuring.
- Or there is a breach of contract, such as materially delayed or non–payment of interest or principal.

Exposures that are overdue by more than 90 days, or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties, are considered as credit-impaired and as being in default. Impaired loans are moved to stage 3 according to the accounting framework IFRS 9. The provisioning level in stage 3 can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee according to the bank's established principles.

Provisions

All loans, performing as well as non-performing, will carry a loss allowance (provision). It is not necessary for a loss event to occur before an impairment loss is recognized. This can also be described as the expected credit loss approach, i.e. all exposures in the Group's accounts will have an expected credit loss recognized directly after their origination, which is in line with the accounting standards IFRS 9.

All loans are subject to stage allocation and will carry a provision based on that allocation at each reporting date. The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage a loan is allocated to, the provisions will be calculated according to Swedbank's models. For some large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is considered from a risk perspective even if the collateral cannot be recognised for capital adequacy purposes. The collateral, its value and risk mitigating effect are considered throughout the credit process.

The term collateral covers pledges and guarantees. The most common types of pledges are real estate, apartments, movable assets and inventories. Netting agreements or covenants are not considered as collateral.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Main types of guarantors and counterparties in credit derivatives and their creditworthiness are described in the main document under Counterparty credit risk.

Credits without collateral are mainly granted for small loans to private customers or loans to large companies with very solid repayment capacity. For the latter, special loan covenants are commonly created which entitle Swedbank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates, or if the covenants are otherwise breached.

Collateral valuation

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part in the credit risk assessment of the borrower. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed within periodic credit reviews of the borrower and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become a problem loan.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. For financial collateral, such as debt securities, equities and collective investment undertakings (CIUs), valuation is normally monitored on a daily basis.

Concentrations within mitigation instruments

Approximately 55% of the loans have private housing mortgages as collateral implicating a high concentration risk. However, the composition of the portfolio, with a large number of customers and relatively small amounts on each borrower, mitigates the risks. Another 17% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Lithuania 12: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2019

EURt	Gross carrying values of which: Defaulted exposures	Gross carrying values of which: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments or central banks							0
Institutions		19 755					19 755
Corporates	17 170	2 499 279	6 288		12 233	191	2 510 161
- of which Specialised Lending		13 626	1			1	13 625
- of which SME		156 403	186		9 663	43	156 217
Retail	41 615	4 122 504	14 339		53 844	538	4 149 780
- Secured by real estate property	34 040	3 160 055	9 126		20 408	326	3 184 969
--- SME	1 505	9 078	530		619	147	10 053
--- Non-SME	32 535	3 150 977	8 596		19 789	179	3 174 916
- Qualifying revolving							0
- Other Retail	7 575	962 449	5 213		33 436	212	964 811
--- SME	4 638	339 773	2 157		2 277	492	342 254
--- Non-SME	2 937	622 676	3 056		31 159	-280	622 557
Equity							0
Other exposures							0
Total IRB approach	**58 785**	**6 641 538**	**20 627**		**66 077**	**729**	**6 679 696**
Central governments or central banks		4 114 001	7				4 113 994
Regional governments or local authorities		3 505					3 505
Public sector entities		5 130					5 130
Multilateral development banks							0
International organisations							0
Institutions		92 003					92 003
Corporates:		86 873	19			-1	86 854
- of which SME		8 997				-1	8 997
Retail		32 022	626			-32	31 396
- of which SME		24 388	11			6	24 377
Secured by mortgages on immovable		235 733				-65	235 733
- of which SME		276					276
Exposures in default	5 927		503		2 310	125	5 424
Items associated with particularly high risk							0
Covered bonds							0
Claims on institutions and corporates with a short- term credit assessment							0
Collective investments undertakings (CIU)							0
Equity exposures		300					300
Other exposures		260 633	7				260 626
Total SA approach	**5 927**	**4 830 200**	**1 162**		**2 310**	**27**	**4 834 965**
Total	64 712	11 471 738	21 789		68 387	756	11 514 661
- of which Loans	64 693	6 065 728	21 522		68 387	710	6 108 899
- of which Debt Securities		146 476					146 476
- of which Off-balance sheet exposures	18	1 029 926	253			46	1 029 691

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Defaulted exposures have decreased by EUR 6m compared to end-June 2019 driven by decreased private exposure.

Lithuania 13: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2019

EURt	Gross carrying values of which: Defaulted exposures	Gross carrying values of which: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Private mortgage	38 814	3 395 366	9 818		23 385	-202	3 424 362
Tenant owner associations							0
Private other	3 863	685 382	3 456		4 667	412	685 789
Agriculture, forestry, fishing	107	56 595	178		821	-1	56 524
Manufacturing	8 494	604 548	4 697		4 070	36	608 345
Public sector and utilities		550 860	23		251	-1	550 837
Construction	797	78 373	379		2 576	44	78 791
Retail	1 184	599 242	736		12 026	11	599 690
Transportation	360	202 678	247		10 032	-31	202 791
Shipping and offshore							0
Hotels and restaurants	6 081	114 199	480		355	319	119 800
Information and communication	4	115 468	45		93	13	115 427
Finance and insurance		28 351	8		59	-7	28 343
Property management	4 746	625 430	1 485		7 133	123	628 691
- Residential properties	966	13 848	351		3 644	-55	14 463
- Commercial	3 780	514 617	994		184	111	517 403
- Industrial and Warehouse		51 954	64		2 107	80	51 890
- Other property management		45 011	76		1 198	-13	44 935
Professional services	262	70 496	179		1 100	9	70 579
Other corporate lending		5548	44		1819	31	5 504
Credit institutions		4 078 569	7				4 078 562
Other exposures		260 633	7				260 626
Total	**64 712**	**11 471 738**	**21 789**		**68 387**	**756**	**11 514 661**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The reduced defaults are mainly from private mortgage EUR 10m, but also from Private other EUR 2m.

Lithuania 14: Credit quality of exposures by geography (EU CR1-C), 31 December 2019

EURt	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Significant area: Nordic	**32**	**166 423**	**28**		**1**	**-2**	**166 427**
- Sweden	30	151 647	11		1	4	151 666
- Norway	1	2 361	12			-7	2 350
- Denmark	1	12 193	4				12 190
- Finland		222	1			1	221
Significant area: Baltic	**63 890**	**11 208 703**	**21 609**		**68 171**	**787**	**11 250 984**
- Estonia		3 904	0		0	0	3 904
- Latvia	124	30 398	15		0	-8	30 507
- Lithuania	63 766	11 174 401	21 594		68 171	795	11 216 573
Rest of the world	**790**	**96 612**	**152**		**215**	**-29**	**97 250**
- USA		5 882	5		36	-1	5 877
- Other geographical areas	790	90 730	147		179	-28	91 373
Total	**64 712**	**11 471 738**	**21 789**		**68 387**	**756**	**11 514 661**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The reduced defaults were on counterparties in Lithuania.

Lithuania 15: Performing and non-performing exposures and related provisions, 31 December 2019

EURt	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**10 041 942**	**9 264 505**	**777 437**	**84 241**	**10 061**	**73 848**	**6 568**	**1 163**	**5 405**	**14 966**	**129**	**14 837**	**0**	**4 745 376**	**66 953**
Central banks	3 966 811	3 966 811					7	7							
General governments	7 301	7 301												155	
Credit institutions	111 042	110 633	409												
Other financial corporations	98 701	63 920	34 781	103		103	28	1	27					38 624	103
Non-financial corporations	2 091 166	1 883 249	207 917	25 493	3 501	21 992	1 226	357	868	6 963	4	6 959		1 364 056	17 707
Of which SMEs	353 298	281 634	71 664	4 903	81	4 822	661	191	470	1 502	1	1 501		169 562	2 578
Households	3 766 921	3 232 591	534 330	58 645	6 560	51 753	5 307	798	4 510	8 003	125	7 878		3 342 541	49 143
Debt securities	**146 476**	**146 476**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks															
General governments	146 476	146 476													
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**1 021 900**	**948 902**	**72 998**	**8 044**	**3 911**	**25**	**249**	**144**	**105**	**4**	**2**	**2**	**0**	**0**	**3 909**
Central banks															
General governments	1 338	1 338													
Credit institutions	726	707	19												
Other financial corporations	4 005	1 063	2 942				1		1						
Non-financial corporations	696 511	638 838	57 673	8 019	3 906	5	88	54	34	2	2				3 909
Households	319 320	306 956	12 364	25	5	20	160	90	70	2	0	2			
Total	**11 210 318**	**10 359 883**	**850 435**	**92 285**	**13 972**	**73 873**	**6 817**	**1 307**	**5 510**	**14 970**	**131**	**14 839**	**0**	**4 745 376**	**70 862**

The performance of Swedbank's portfolio remains on a high stable level with less than 1% of non-performing exposures. Most of the defaults (stage 3) are within mortgages under households. Stage 2 (significantly increased credit risk) exposures remain on a low level of 8%, where customers in the sectors Retail and Manufacturing in non-financial corporations and mortgages in households contribute the most.

Lithuania 16: Credit quality of performing and non-performing exposures by past due days, 31 December 2019

EURt	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**10 041 942**	**10 027 693**	**14 249**	**84 241**	**33 381**	**6 967**	**6 237**	**6 073**	**17 044**	**7 661**	**6 878**	**63 416**
Central banks	3 966 811	3 966 811										
General governments	7 301	7 301										
Credit institutions	111 042	111 042										
Other financial corporations	98 701	98 701		103	103							
Non-financial corporations	2 091 166	2 089 873	1 293	25 493	4 127	260	389	1 620	11 710	6 244	1 143	21 656
Of which SMEs	353 298	352 005	1 293	4 903	707	260	389	1 620	585	199	1 143	4 487
Households	3 766 921	3 753 965	12 956	58 645	29 151	6 707	5 848	4 453	5 334	1 417	5 735	41 760
Debt securities	**146 476**	**146 476**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks												
General governments	146 476	146 476										
Credit institutions												
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	**1 021 900**	**0**	**0**	**8 044**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
Central banks												
General governments	1 338											
Credit institutions	726											
Other financial corporations	4 005											
Non-financial corporations	696 511			8 019								5
Households	319 320			25								
Total	**11 210 318**	**10 174 169**	**14 249**	**92 285**	**33 381**	**6 967**	**6 237**	**6 073**	**17 044**	**7 661**	**6 878**	**63 421**

The total exposures that are past due is low. Less than 1% of total exposures are past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Lithuania 17: Credit quality of forborne exposures, 31 December 2019

EURt	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**14 083**	**40 596**	**30 411**	**31 846**	**127**	**8 651**	**44 176**	**31 254**
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	8	0	0	0	0	0	8	0
Non-financial corporations	4 623	11 513	8 012	8 012	49	4 342	11 707	7 137
Households	9 452	29 083	22 399	23 834	78	4 309	32 461	24 117
Debt Securities								
Loan commitments given	**20**	**8 014**	**0**	**0**	**0**	**2**	**3 904**	**3 904**
Total	**14 103**	**48 610**	**30 411**	**31 846**	**127**	**8 653**	**48 080**	**35 158**

Lithuania 18: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2019

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	**21 534**	
Increases due to amounts set aside for estimated loan losses during the period	-710	
Decreases due to amounts reversed for estimated loan losses during the period	645	
Decreases due to amounts taken against accumulated credit risk adjustments	818	
Transfers between credit risk adjustments	-744	
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-16	
Closing balance	**21 527**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-1 708	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	1 612	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

No major changes in specific credit risk adjustments during the year. There were normal amounts of new provisions, but also reduced provisions from re-aged defaults.

Lithuania 19: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2019

EURt	Gross carrying value defaulted exposures
Opening balance	**81 129**
Loans and debt securities that have defaulted or impaired since the last reporting period	4 247
Returned to non-defaulted status	-15 180
Amounts written off	-3 526
Other changes	-3 193
Closing balance	**63 477**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The majority of the loans that returned to non-default status is private mortgage loans.

Lithuania 20: Collateral obtained by taking possession and execution processes, 31 December 2019

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	**9 206**	**-2 788**
Residential immovable property	0	0
Commercial Immovable property	7 208	-2 347
Movable property (auto, shipping, etc.)	1 998	-441
Equity and debt instruments	0	0
Other	0	0
Total	**9 206**	**-2 788**

Lithuania 21: Credit risk mitigation techniques – overview (EU CR3), 31 December 2019

EURt	Exposures unsecured: Carrying amount	Exposures secured: Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	2 399 820	3 709 079	3 422 460	286 619	
Total Debt securities	146 476				
Other	4 229 595				
Total all exposures	**6 775 891**	**3 709 079**	**3 422 460**	**286 619**	
- of which defaulted	22 041	28 700	27 922	778	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase in mortgage loans has increased the total exposures secured by collateral. The increase in placements in central banks increased unsecured exposures.

Lithuania 22: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2019

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes, EURt	On-balance sheet amount	Off-balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
Central governments or central banks	4 113 993	1	4 174 803	2 499	21 847	0.52%
Regional government or local authorities	3 472	33	4 259	246	0	0.00%
Public sector entities	3 825	1 305	3 825	676	2 250	50.00%
Multilateral development banks						0.00%
International organisations						0.00%
Institutions	91 472	531	313 136	66 652	76 695	20.19%
Corporates	67 636	19 218	67 636	550	67 912	99.60%
Retail	18 638	12 758	18 635	407	12 722	66.81%
Secured by mortgages on immovable property	235 733		235 733		82 484	34.99%
Exposures in default	5 424		5 424		5 657	104.30%
Higher-risk categories						0.00%
Covered bonds						0.00%
Institutions and corporates with a short term credit assessment						0.00%
collective investment undertakings						0.00%
Equity	300		300		3 750	1250.00%
Other items	260 626		260 626		105 950	40.65%
Total	**4 801 119**	**33 846**	**5 084 377**	**71 030**	**379 267**	**7.36%**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The major driver of the increase in the standardised approach is exposures to central governments.

Lithuania 23: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2019

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	**2 043 573**	**163 486**
Asset size	22 351	1 788
Asset quality	42 251	3 380
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-56	-4
Other	700	56
RWA as at end of reporting period	**2 108 819**	**168 706**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

RWA reported under IRB increased by EUR 65m as compared to Q3 2019, due to asset size increase from new private mortgage loans and for asset quality PD migration increased RWA by EUR 50m, while improved LGD's decreased RWA by EUR 7m.

Leverage ratio disclosure

Swedbank takes the risk of excessive leverage into account in the forward-looking capital planning process which is performed at least on a quarterly basis. Other business steering or asset-and-liability management tools are also considered as means to affect the total exposure measure and may be accessed should such a need arise.

The leverage ratio has decreased from 7.0% to 6.5% during Q4 2019, driven by an increase in total leverage ratio exposures.

Lithuania 24: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2019

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	10 536 781
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
Adjustments for derivative financial instruments	31 554
Adjustments for securities financing transactions "SFTs"	-782
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	470 499
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-30 016
Total leverage ratio exposure	**11 008 036**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Lithuania 25: Leverage ratio common disclosure (LRCom), 31 December 2019

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	10 521 630
(Asset amounts deducted in determining Tier 1 capital)	-30 016
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**10 491 614**
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	14 369
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	31 554
Exposure determined under Original Exposure Method	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
(Exempted CCP leg of client-cleared trade exposures)	
Adjusted effective notional amount of written credit derivatives	
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
Total derivative exposures (sum of lines 4 to 10)	**45 923**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	782
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-782
Counterparty credit risk exposure for SFT assets	
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
Agent transaction exposures	
(Exempted CCP leg of client-cleared SFT exposure)	
Total securities financing transaction exposures (sum of lines 12 to 15a)	**0**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	1 029 944
(Adjustments for conversion to credit equivalent amounts)	-559 445
Other off-balance sheet exposures (sum of lines 17 to 18)	470 499
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures	
Tier 1 capital	**713 881**
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**11 008 036**
Leverage ratio	
Leverage ratio	**6.49%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Appendix: Swedbank Mortgage AB Consolidated Situation (CS)

Introduction

Swedbank's Risk Management and Capital Adequacy Report 2019 (Pillar 3 report) provides information on Swedbank's capital adequacy and risk management. The report is based on regulatory disclosure requirements set out in Regulation (EU) No 575/2013. In accordance with Article 13 in the same regulation, certain information shall be provided for large subsidiaries. Information regarding Swedbank Mortgage AB Consolidated Situation (CS) is provided in this Appendix and pertains to conditions as of 31 December 2019. Information on the organisational and legal structure of Swedbank Mortgage AB Consolidated Situation is provided in Appendix A of this Pillar 3 report. Information regarding Swedbank's corporate governance structure and measures undertaken to manage operations in Swedbank Consolidated Situation is presented in Swedbank's Corporate Governance Report. Information regarding risk implications of the remuneration process (and aggregate as well as granular quantitative information on remuneration) for Swedbank Mortgage AB Consolidated Situation is disclosed in the document "Information regarding remuneration in Swedbank". Swedbank's Group-wide framework includes instructions for management of credit risk, including instructions for granting and prolonging credits, for collateral valuation, for determining impairment and for credit risk adjustments. Information regarding management of credit risk is provided in Chapter 3 of this Pillar 3 report. The Group-wide framework also includes instructions describing the approach used to assess the adequacy of internal capital to support current and future activities. This information is provided in Chapter 7 of the same report. All documents mentioned are available on www.swedbank.com. All figures are denominated in SEK million unless otherwise stated.

Capital requirements

Swedbank Mortgage's legal capital requirement is explained by the framework CRR/CRD IV. From 31 December 2018, the SFSA applies the 25 per cent risk weight mortgage floor in Pillar 1 instead of Pillar 2. From 19 September 2019, the SFSA raised the countercyclical buffer rate from 2.0 per cent to 2.5 per cent on Swedish exposures. The reason for the hike is the elevated risk in the financial system due to higher household and non-financial company debt. On 31 December 2019, Swedbank Mortgage's Common Equity Tier 1 and Total Capital ratio were 16.8% (17.3%) and 16.8% (17.3%), respectively. The actual total capital at end-2019 exceeding the capital requirement was SEK 8.9 billion (SEK 10.7 billion). Hence, the capitalisation of Swedbank Mortgage is maintained above the capital requirements according to CRR/CRDIV. Swedbank Mortgage's leverage ratio was 4.5% at end-2019 (2018: 4.6%). In the 2019 Supervisory Review and Evaluation Process (SREP), Swedbank Mortgage was assessed to be adequately capitalised and able to comply with regulatory capital requirements (including Pillar 2 risks) going forward. The Bank's Recovery and Resolution Directive (BRRD), which allows the authorities to deal with banks in distress, was established in the EU in 2014. The directive includes a requirement on banks to hold a minimum level of own funds and eligible liabilities (MREL). During 2017, the SNDO announced the MREL requirement for Swedish banks where the MREL requirement was given on a single point of entry level. Swedbank Group has an MREL requirement and since 1 April 2019, Swedbank Mortgage is subject to an individual MREL requirement corresponding to 4.9% of total liabilities and own funds (TLOF). In December 2019, the individual MREL requirement for Swedbank Mortgage in 2020 was communicated as 4.39% of TLOF, which applies as of 1 January 2020.

Capital requirements (Actual, incl. fully implemented buffers and Pillar 2 requirements), 31 December 2019

Pillar 1		CET1	AT1	T2	Total capital
	Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
	Systemic risk buffer (P1)	0.0%			0.0%
	Capital conservation buffer (CCoB)	2.5%			2.5%
	Countercyclical capital buffer (CCyB)	2.5%			2.5%
	O-SII buffer	0.0%			0.0%
		9.5%	**1.5%**	**2.0%**	**13.0%**
Pillar 2					
	Systemic risk charge	0.0%			0.0%
	Individual pillar 2 charge	0.4%	0.1%	0.1%	0.6%
		0.4%	**0.1%**	**0.1%**	**0.6%**
Capital requirements		**9.9%**	**1.6%**	**2.1%**	**13.6%**
Actual capital ratios as of 31 December 2019		**16.8%**		**0.0%**	**16.8%**

Mortgage AB 2: Total capital
Disclosure according to Article 2 in Commission Implementing Regulation (EU) No 1423/2013

SEKm	31.12.2019	30.09.2019
Shareholders' equity according to the Group balance sheet	46 169	46 181
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies		
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges	- 34	- 44
Additional value adjustments		3
Goodwill		
Deferred tax assets		
Intangible assets		
Untaxed revenue		
Net provisions for reported IRB credit exposures		
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Total CET1 capital	**46 135**	**46 140**
Additional Tier 1 capital		
Total Tier 1 capital	**46 135**	**46 140**
Tier 2 capital	80	66
Total capital	**46 215**	**46 206**

The corresponding information for Swedbank CS is enclosed in Swedbank's Fact Book.

Mortgage AB 3: Own funds disclosure, 31 December 2019
Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013

Common Equity Tier 1 capital: instruments and reserves, SEKm		(a) Amounts at disclosure date	(b) (EU) No 575/2013 article reference
1	Capital instruments and the related share premium accounts	11 500	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	25 192	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	-476	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	9 953	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**46 169**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-5	34, 105
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-34	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)		36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-34**	
29	**Common Equity Tier 1 (CET1) capital**	**46 135**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**46 135**	

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments	80	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**80**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross-holdings with the institutions designed to artificially inflate the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477(4)
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**80**	
59	**Total capital (TC = T1 + T2)**	**46 215**	
60	**Total risk-weighted assets**	**274 444**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.81%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	16.81%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	16.84%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) [1]	9.50%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	2.50%	
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	8.81%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	80	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	252	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

[1] The CET1 capital requirement including buffer requirements.

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

Mortgage AB 4a: Amount of institution-specific countercyclical capital buffer

SEKm	31.12.2019
Total risk exposure amount	274 444
Institution-specific countercyclical buffer rate	2.50%
Institution-specific countercyclical buffer requirement	**6 859**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Mortgage AB 4b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2019

	General credit exposures		Trading book exposure		Securitisation exposures	Own funds requirements					
SEKm	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Sweden		1 027 654					20 432			20 432	99.93%	2.50%
Estonia												
Latvia		6									0.00%	
Lithuania												1.00%
Norway		409					5			5	0.02%	2.50%
Finland		16					1			1	0.01%	
Denmark		336					8			8	0.04%	1.00%
USA		9									0.00%	
Great Britain		29									0.00%	1.00%
Other countries		190					1			1	0.01%	0.00%
Total		**1 028 649**					**20 447**			**20 447**	**100.00%**	**2.50%**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Mortgage AB 5: Capital instruments' main features, 31 December 2019
Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

	Capital instruments' main features template	
1	Issuer	Swedbank Hypotek AB (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0004270023
3	Governing law(s) of the instrument	Swedish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 11 500m
9	Nominal amount of instrument	SEK 11 500m
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Note: 'N/A' if the question is not applicable

Mortgage AB 6: Overview of RWAs (EU OV1), 31 December 2019

	RWA		Minimum capital requirements
SEKm	31.12.2019	30.09.2019	31.12.2019
Credit risk (excluding Counterparty credit risk (CCR))	**41 677**	**42 999**	**3 334**
- of which the standardised approach (SA)			
- of which the foundation IRB (FIRB) approach	1 806	2 215	144
- of which the advanced IRB (AIRB) approach	39 871	40 784	3 190
- of which equity IRB under the simple risk- weighted approach or the IMA			
Counterparty credit risk			
- of which mark to market			
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which risk exposure amount for contributions to the default fund of a CCP			
- of which CVA			
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
- of which IRB approach			
- of which IRB supervisory formula approach (SFA)			
- of which internal assessment approach (IAA)			
- of which standardised approach			
Market risk			
- of which the standardised approach			
- of which IMA			
Large exposures			
Operational risk	**18 656**	**18 656**	**1 492**
- of which basic indicator approach			
- of which standardised approach	18 656	18 656	1 492
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	324	289	26
Floor adjustment			
Other risk exposure amount	213 787	212 653	17 103
Total	**274 444**	**274 597**	**21 956**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

During the last quarter of 2019 the RWA of Swedbank Mortgage AB decreased marginally by SEK 0.2bn. RWA in credit risk decreased by SEK 1.3bn, mainly due to improved asset quality. The decrease was partly off-set by an increase in other risk weighted assets by SEK 1.1bn. The risk-weight floor for Swedish mortgages which is reported under this line item increased during the quarter mainly due to re-classification of mortgage offers.

Mortgage AB 7: IRB specialised lending and equities (EU CR10), 31 December 2019

Swedbank Mortgage AB does not have specialised lending. The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Mortgage AB 8: Total and average net amount of exposures (EU CRB-B), 31 December 2019

SEKm	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	518	556
Institutions		
Corporates	54 648	54 124
- of which Specialised Lending		
- of which SME	48 758	49 160
Retail	978 064	976 727
- Secured by real estate property	973 859	971 149
---SME	102 069	103 684
---Non-SME	871 790	867 465
- Qualifying Revolving		
- Other Retail	4 205	5 578
--- SME	1	2
--- Non-SME	4 204	5 576
Equity		
Other exposures	185	405
Total IRB approach	**1 033 415**	**1 031 812**
Central governments or central banks		
Regional governments or local authorities		
Public sector entities		
Multilateral Development Banks		
International Organisations		
Institutions	89 159	47 354
Corporates		
- of which SME		
Retail		
- of which SME		
Secured by mortgages on immovable property		
- of which SME		
Exposures in default		
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)		
Equity exposures		
Other exposures		
Total SA approach	**89 159**	**47 354**
Total	**1 122 574**	**1 079 166**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase in exposures is driven by the Retail exposure class and exposures secured by real estate, mainly to private individuals. In addition, exposures to institutions increased, due to increased balances towards the parent company Swedbank AB.

The increase in IRB approach of SEK 1.6bn in net exposures per year end compared to average annual net exposures, is mainly explained by volume growth in mortgages within exposure class Retail.

Mortgage AB 9: Geographical breakdown of exposures (EU CRB-C), 31 December 2019

	Net carrying values										
SEKm	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Latvia	Rest of the world	USA	Other geographical areas	Total
Central governments or central banks	518	518									518
Institutions											
Corporates	54 631	54 559	6	54	12			17		17	54 648
Retail	977 847	977 165	399	279	4	6	6	211	9	202	978 064
Equity											
Other exposures	185	185									185
Total IRB approach	**1 033 181**	**1 032 427**	**405**	**333**	**16**	**6**	**6**	**228**	**9**	**219**	**1 033 415**
Central governments or central banks											
Regional governments or local authorities											
Public sector entities											
Multilateral Development Banks											
International Organisations											
Institutions	89 159	89 159									89 159
Corporates											
Retail											
Secured by mortgages on immovable property											
Exposures in default											
Items associated with particularly high risk											
Covered bonds											
Claims on institutions and corporates with a short-term credit assessment											
Collective investments undertakings (CIU)											
Equity exposures											
Other exposures											
Total SA approach	**89 159**	**89 159**									**89 159**
Total	**1 122 340**	**1 121 586**	**405**	**333**	**16**	**6**	**6**	**228**	**9**	**219**	**1 122 574**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase in exposures of SEK 85.6bn compared to year-end 2018 was mainly due to increase in Institutions and Retail within Sweden.

Mortgage AB 10: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2019

SEKm	Private mortgage	Tenant owner associations	Private other	Agriculture, forestry, fishing	Manufacturing	Public sector and utilities	Construction	Retail	Transportation	Shipping and offshore	Hotels and restaurants	Information and communication	Finance and insurance	Property management	Residential properties	Commercial	Industrial and Warehouse	Other property management	Professional services	Other corporate lending	Credit institutions	Other exposures	Total
Central governments or central banks						517																	517
Institutions																							
Corporates	723	228		3 377	50	878	297	284	97		402	71	700	45 833	36 324	7 113	698	1 698	648	1 061			54 649
Retail	812 082	92 861	4 205	46 129	698	655	2 767	912	299	4	399	149	107	13 655	7 996	2 142	179	3 338	1 777	1 364			978 063
Equity																							
Other exposures																						186	186
Total IRB approach	**812 805**	**93 089**	**4 205**	**49 506**	**748**	**2 050**	**3 064**	**1 196**	**396**	**4**	**801**	**220**	**807**	**59 488**	**44 320**	**9 255**	**877**	**5 036**	**2 425**	**2 425**		**186**	**1 033 415**
Central governments or central banks																							
Regional governments or local authorities																							
Public sector entities																							
Multilateral Development Banks																							
International Organisations																							
Institutions																					89 159		89 159
Corporates																							
Retail																							
Secured by mortgages on immovable property																							
Exposures in default																							
Items associated with particularly high risk																							
Covered bonds																							
Claims on institutions and corporates with a short- term credit assessment																							
Collective investments undertakings (CIU)																							
Equity exposures																							
Other exposures																							
Total SA approach																					**89 159**		**89 159**
Total	**812 805**	**93 089**	**4 205**	**49 506**	**748**	**2 050**	**3 064**	**1 196**	**396**	**4**	**801**	**220**	**807**	**59 488**	**44 320**	**9 255**	**877**	**5 036**	**2 425**	**2 425**	**89 159**	**186**	**1 122 574**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Growth in net carrying values compared to year-end 2018 was mainly in Private mortgage and Credit institutions.

Mortgage AB 11: Maturity of exposures (EU CRB-E), 31 December 2019

	Net exposure value					
SEKm	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
Central governments or central banks			18	499		517
Institutions						
Corporates				54 648		54 648
Retail				973 864		973 864
Equity						
Other exposures					181	181
Total IRB approach			**18**	**1 029 011**	**181**	**1 029 210**
Central governments or central banks						
Regional governments or local authorities						
Public sector entities						
Multilateral Development						
Banks						
International Organisations						
Institutions					89 159	89 159
Corporates						
Retail						
Secured by mortgages on immovable property						
Exposures in default						
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short- term credit assessment						
Collective investments undertakings (CIU)						
Equity exposures						
Other exposures						
Total SA approach					**89 159**	**89 159**
Total			**18**	**1 029 011**	**89 340**	**1 118 369**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Maturity is the remaining contractual maturity as of 31 December 2019 and is more than five years for the vast majority of the loans. The balances with the parent company have no stated maturity.

Credit quality of exposures

Past due loans

Past due loans refer to overdrawn accounts and loans where amounts due for payment have not been paid in accordance with the terms of the loan agreements.

Credit impaired loans

Impaired loans are loans for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. A loan is considered credit-impaired when there is objective proof that an event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows. A loan in default is also always considered as an impaired loan, and vice versa.

Events on an individual level arise, implying an impairment test, e.g., when:

- A borrower incurs significant financial difficulties.
- It is likely that the borrower will enter into bankruptcy, liquidation or financial restructuring.
- Or there is a breach of contract, such as materially delayed or non–payment of interest or principal.

Exposures that are overdue by more than 90 days, or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties, are considered as credit-impaired and as being in default. Impaired loans are moved to stage 3 according to the accounting framework IFRS 9. The provisioning level in stage 3 can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee according to the bank's established principles.

Provisions

All loans, performing as well as non-performing, will carry a loss allowance (provision). It is not necessary for a loss event to occur before an impairment loss is recognized. This can also be described as the expected credit loss approach, i.e. all exposures in the Group's accounts will have an expected credit loss recognized directly after their origination, which is in line with the accounting standards IFRS 9.

All loans are subject to stage allocation and will carry a provision based on that allocation at each reporting date. The exposures are allocated to one of three stages:

- Stage 1 - Performing exposures where the credit risk has not increased significantly since initial recognition.
- Stage 2 - Performing exposures where the risk of default has increased significantly since initial recognition, but the asset is still not classified as credit-impaired.
- Stage 3 - Credit-impaired exposures.

Regardless of which stage a loan is allocated to, the provisions will be calculated according to Swedbank's models. For some large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is considered from a risk perspective even if the collateral cannot be recognised for capital adequacy purposes. The collateral, its value and risk mitigating effect are considered throughout the credit process.

The term collateral covers pledges and guarantees. The most common types of pledges are real estate and apartments. Netting agreements or covenants are not considered as collateral.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Main types of guarantors and counterparties in credit derivatives and their creditworthiness are described in the main document under Counterparty credit risk.

Credits without collateral are mainly granted for small loans to private customers or loans to large companies with very solid repayment capacity. For the latter, special loan covenants are commonly created which entitle Swedbank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates, or if the covenants are otherwise breached.

Collateral valuation

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part in the credit risk assessment of the borrower. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed within periodic credit reviews of the borrower and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become a problem loan.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. For financial collateral, such as debt securities, equities and collective investment undertakings (CIUs), valuation is normally monitored on a daily basis.

Concentrations within mitigation instruments

Approximately 79% of Swedbank Mortgage AB's loans have private housing mortgages as collateral implicating a high concentration risk. However, the composition of the portfolio, with a large number of customers and a variation between customers in larger city areas and countryside as well as relatively small amounts on each borrower, mitigates the risks. Another 20% of the loans have other real estate collateral. This portfolio is also spread over a large number of customers and several geographies.

Mortgage AB 12: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2019

SEKm	Gross carrying values of which		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks		518					518
Institutions							
Corporates	71	54 755	178		49	16	54 648
- of which Specialised Lending							
- of which SME	71	48 817	130			-6	48 758
Retail	706	977 707	349		336	-43	978 064
- Secured by real estate property	706	973 502	349		336	-43	973 859
--- SME	61	102 053	45			-9	102 069
--- Non-SME	645	871 449	304		336	-34	871 790
- Qualifying revolving							
- Other Retail		4 205					4 205
--- SME		1					1
--- Non-SME		4 204					4 204
Equity							
Other exposures		185					185
Total IRB approach	**777**	**1 033 165**	**527**		**385**	**-27**	**1 033 415**
Central governments or central banks							
Regional governments or local authorities							
Public sector entities							
Multilateral development banks							
International organisations							
Institutions		89 159					89 159
Corporates:							
- of which SME							
Retail							
- of which SME							
Secured by mortgages on immovable							
- of which SME							
Exposures in default							
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short- term credit assessment							
Collective investments undertakings (CIU)							
Equity exposures							
Other exposures							
Total SA approach		**89 159**					**89 159**
Total	**777**	**1 122 324**	**527**		**385**	**-27**	**1 122 574**
- of which Loans	777	1 117 915	527		385	-27	1 118 165
- of which Debt Securities							
- of which Off-balance sheet exposures		4 205					4 205

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Net values increased by SEK 56bn as compared to end-June 2019. Intra group balances presented under institutions in the Standardised approach increased by SEK 55bn. Net values under IRB approach increased by SEK 1bn as compared to Q2 2019.

Mortgage AB 13: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2019

SEKm	Gross carrying values of which		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Private mortgage	564	812 448	207		336	-17	812 805
Tenant owner associations	49	93 057	17			-5	93 089
Private other		4 205	0				4 205
Agriculture, forestry, fishing	63	49 523	80		45	-14	49 506
Manufacturing	1	748	1			-1	748
Public sector and utilities		2 058	8			-4	2 050
Construction	36	3 043	15			8	3 064
Retail		1 199	3				1 196
Transportation		398	2				396
Shipping and offshore		4	0				4
Hotels and restaurants		805	4			1	801
Information and communication		221	1				220
Finance and insurance		809	2			1	807
Property management	45	59 600	157		4	20	59 488
- Residential properties		44 418	98			-4	44 320
- Commercial	40	9 243	28			15	9 255
- Industrial and Warehouse		896	19			4	877
- Other property management	5	5 043	12		4	5	5 036
Professional services	4	2 430	9			-2	2 425
Other corporate lending	15	2 431	21		0	-14	2 425
Credit institutions		89 159					89 159
Other exposures	0	186	0				186
Total	**777**	**1 122 324**	**527**		**385**	**-27**	**1 122 574**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Net values increased by SEK 56bn as compared to Q2 2019. Intra group balances presented under Credit institution increased by SEK 55bn, whereas net values in private mortgage grew by SEK 7bn. However, the increase was partly off-set by net values in Private other which decreased by SEK 3bn.

Mortgage AB 14: Credit quality of exposures by geography (EU CR1-C), 31 December 2019

SEKm	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Significant area: Nordic	**776**	**1 122 091**	**527**		**382**	**-27**	**1 122 340**
- Sweden	771	1 121 335	520		365	-27	1 121 586
- Norway	1	408	4		4		405
- Denmark	4	332	3		12		333
- Finland		16	0		1		16
Significant area: Baltic		**6**	**0**				**6**
- Latvia		6	0				6
Rest of the world	**1**	**227**	**0**		**3**		**228**
- USA		9	0				9
- Other geographical areas	1	218	0		3		219
Total	**777**	**1 122 324**	**527**		**385**	**-27**	**1 122 574**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The decrease in net values as compared to Q2 2019 is driven by increased intra group balances towards Swedbank AB of SEK 55bn.

Mortgage AB 15: Performing and non-performing exposures and related provisions, 31 December 2019

SEKm	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**1 117 766**	**1 075 053**	**42 713**	**926**		**926**	**373**	**43**	**330**	**154**		**154**		**1 026 598**	**773**
Central banks															
General governments	883	883					1	1							
Credit institutions	89 159	89 159													
Other financial corporations	42	42												14	
Non-financial corporations	148 898	139 752	9 146	119		119	180	21	159	17		17		148 657	103
Of which SMEs	133 272	126 896	6 375	119		119	104	16	88	17		17		133 054	103
Households	878 784	845 217	33 567	807		807	192	21	171	137		137		877 927	670
Debt securities															
Central banks															
General governments															
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**6 988**	**6 988**													
Central banks															
General governments															
Credit institutions															
Other financial corporations															
Non-financial corporations	659	659													
Households	6 329	6 329													
Total	**1 124 754**	**1 082 041**	**42 713**	**926**		**926**	**373**	**43**	**330**	**154**	**0**	**154**		**1 026 598**	**773**

The performance of Swedbank's portfolio remains on a high stable level with less than 0.1% of non-performing exposures. Most of the defaults (stage 3) are within mortgage loans under households. Stage 2 (significantly increased credit risk) exposures remain on a low level of 4%, where real estate companies in non-financial corporations and mortgages in households contribute the most.

Mortgage AB 16: Credit quality of performing and non-performing exposures by past due days, 31 December 2019

SEKm	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**1 117 766**	**1 117 522**	**244**	**926**	**633**	**148**	**65**	**60**	**18**	**0**		**926**
Central banks												
General governments	883	883										
Credit institutions	89 159	89 159										
Other financial corporations	42	42										
Non-financial corporations	148 898	148 892	6	119	47	59	3	10				119
Of which SMEs	133 272	133 266	6	119	47	59	3	10				119
Households	878 784	878 546	238	807	586	89	62	50	18	0		807
Debt securities												
Central banks												
General governments												
Credit institutions												
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	**6 988**											
Central banks												
General governments												
Credit institutions												
Other financial corporations												
Non-financial corporations	659											
Households	6 329											
Total	**1 124 754**	**1 117 522**	**244**	**926**	**633**	**148**	**65**	**60**	**18**	**0**	**0**	**926**

The total exposures that are past due is low. Less than 0.1% of total exposures are past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Mortgage AB 17: Credit quality of forborne exposures, 31 December 2019

SEKm	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**87**	**8**	**2**	**2**	**1**	**1**	**93**	**8**
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	3	5					8	5
Households	84	3	2	2	1	1	85	3
Debt Securities								
Loan commitments given								
Total	**87**	**8**	**2**	**2**	**1**	**1**	**93**	**8**

Mortgage AB 18: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2019

SEKm	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	**553**	
Increases due to amounts set aside for estimated loan losses during the period	119	
Decreases due to amounts reversed for estimated loan losses during the period	-93	
Decreases due to amounts taken against accumulated credit risk adjustments	-11	
Transfers between credit risk adjustments		
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-41	
Closing balance	**527**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-3	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	6	

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Mortgage AB 19: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2019

SEKm	Gross carrying value defaulted exposures
Opening balance	**768**
Loans and debt securities that have defaulted or impaired since the last reporting period	264
Returned to non-defaulted status	-147
Amounts written off	-17
Other changes	-91
Closing balance	**777**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Mortgage AB 20: Collateral obtained by taking possession and execution processes, 31 December 2019

Swedbank Mortgage AB do not have any instruments that have been cancelled in exchange for the collateral obtained by taking possession. Hence, no table is presented.

Mortgage AB 21: Credit risk mitigation techniques – overview (EU CR3), 31 December 2019

SEKm	Exposures unsecured: Carrying amount	Exposures secured: Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	94 193	1 023 972	1 018 760	5 212	
Total Debt securities					
Other	204				
Total all exposures	**94 397**	**1 023 972**	**1 018 760**	**5 212**	
- of which defaulted	4	624	624		

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

Unsecured exposures increased compared to Q2 2019 mainly due to intra group balances. Secured exposure increased mainly due to growth in mortgage lending.

Mortgage AB 22: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2019

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes, SEKm	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments or central banks						
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	89 159		89 171			0.00%
Corporates						
Retail						
Secured by mortgages on immovable property						
Exposures in default						
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short term credit assessment						
collective investment undertakings						
Equity						
Other items						
Total	**89 159**		**89 171**			**0.00%**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

The increase in on-balance sheet exposures compared to Q2 2019 is driven by increased intra group balances towards Swedbank AB of SEK 55bn.

Mortgage AB 23: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2019

SEKm	RWA amounts	Capital requirements
RWA as at end of previous reporting period	**42 999**	**3 440**
Asset size	-104	-8
Asset quality	-1 095	-88
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements		
Other	-123	-10
RWA as at end of reporting period	**41 677**	**3 334**

The corresponding information for Swedbank CS can be found in the Credit risk chapter of this Pillar 3 report.

RWA reported under IRB decreased by SEK 1.3bn as compared to Q3 2019, due to the following:

(1) RWA due to asset size decreased by SEK 0.1bn primarily driven by volume growth for Retail Mortgage and Retail Other by SEK 0.2bn offset by decrease in Other non-credit obligations.

(2) Improved asset quality decreased REA by SEK 1.1bn, mainly due to PD and LGD changes for retail mortgage and corporates.

Leverage ratio disclosure

Swedbank Mortgage AB monitors and discloses its leverage ratio according to the requirements and will in the future eventually have to meet a minimum leverage ratio requirement of 3%. The leverage ratio has increased from 4.4% to 4.5% during Q4 2019, driven by a slight decrease in Tier 1 capital versus Q3 2019, whilst the total leverage ratio exposure also somewhat decreased.

Mortgage AB 24: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2019

Summary reconciliation of accounting assets and leverage ratio exposures, SEKm	Applicable Amounts
Total assets as per published financial statements	1 145 830
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
Adjustments for derivative financial instruments	13 266
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4 205
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-129 886
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-39
Total leverage ratio exposure	**1 033 376**

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Mortgage AB 25: Leverage ratio common disclosure (LRCom), 31 December 2019

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1 118 368
(Asset amounts deducted in determining Tier 1 capital)	-39
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**1 118 329**
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	27 461
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	13 266
Exposure determined under Original Exposure Method	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
(Exempted CCP leg of client-cleared trade exposures)	
Adjusted effective notional amount of written credit derivatives	
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
Total derivative exposures (sum of lines 4 to 10)	**40 727**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
(Netted amounts of cash payables and cash receivables of gross SFT assets)	
Counterparty credit risk exposure for SFT assets	
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
Agent transaction exposures	
(Exempted CCP leg of client-cleared SFT exposure)	
Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	4 205
(Adjustments for conversion to credit equivalent amounts)	
Other off-balance sheet exposures (sum of lines 17 to 18)	**4 205**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-129 886
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures	
Tier 1 capital	**46 135**
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**1 033 375**
Leverage ratio	
Leverage ratio	**4.46%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

The corresponding information for Swedbank CS can be found in the Capital position chapter of this Pillar 3 report.

Signatures of the Board of Directors, the President and the CRO

The Chair of Risk and Capital Committee of the Board of Directors, the President and CEO and the CRO hereby attest that the disclosures in Swedbank's Risk Management and Capital Adequacy Report (Pillar 3), provided according to Part Eight of Regulation (EU) No 575/2013, have been prepared in accordance with the internal controls and procedures set out in Swedbank's Policy on Pillar 3 disclosure requirements, approved by the Board of Directors. The Policy on Pillar 3 disclosure requirements stipulates the general principles that apply for the control processes and structures regarding the disclosure of risk and capital adequacy information in Swedbank. The policy ensures that the disclosed information is subject to effective, timely and adequate internal controls and monitoring structures. Furthermore, the policy outlines the distinguished responsibilities in the process and the frequency of the reporting.

Stockholm, 19 February 2020

Magnus Uggla
Chair of Risk and Capital Committee of the Board of Directors

Jens Henriksson
President and CEO

Gunilla Domeij Hallros
Acting Chief Risk Officer