

Press Release

April 8, 2020

AML-related measures and COVID-19 effects lead to increased expenses and credit impairments

Swedbank estimates that total expenses for the full year of 2020 will amount to around SEK 21.5bn, excluding the administrative penalty of SEK 4bn imposed by the Swedish FSA. The increase of SEK 1.5bn compared to the previous estimate is mainly the result of higher spending on the AML-related investigations, further strengthening of the work against money laundering, and increased efforts to mitigate the impact of the COVID-19 crisis on the society and on our customers. Swedbank will also report credit impairments amounting to around SEK 2.2bn during the first quarter of 2020, mainly related to the COVID-19 crisis.

Total expenses for the full year of 2020

As the Swedish and Estonian authorities, as well as Clifford Chance, have finalised their investigations, the bank now has a complete picture of the historical deficiencies in the processes to counter economic crime. With this, we can better estimate the costs associated with both the investigations and the action program aimed at addressing the bank's shortcomings in this work. The cost for the investigations is currently estimated at a total of SEK 1.55bn for 2020, which corresponds to an increase of SEK 750m compared to the previous estimate. These costs include the finalised Clifford Chance investigation, the ongoing evaluations of the bank's compliance and culture, the validation of the bank's action program and legal advice during the year.

In addition, the bank will further strengthen its work against economic crime taking into consideration the conclusions reached in the various investigations. The action program is estimated to cost a total of SEK 1.1bn for the full year of 2020, an increase of SEK 250m compared to the previous forecast. The bank's ambition is to be a leading bank in the work against money laundering.

Swedbank has also decided to increase its efforts to mitigate the effects of the COVID-19 pandemic on our customers. These initiatives include increased accessibility in channels that do not require physical meetings, such as the telephone bank and the digital channels. In addition, we increase the capacity and strengthen the stability of our IT systems to handle the increased data traffic. All in all, we expect this to increase costs for 2020 by approximately SEK 250m.

Furthermore, the weakening of the Swedish krona leads to nominally rising costs. Based on exchange rates at the end of the first quarter, the full-year effect on expenses is estimated to be approximately SEK 250m. At the same time, we would like to reiterate that a weaker Swedish krona is positive for the bank's net profit.

In summary, total expenses for the full year of 2020 are expected to amount to around SEK 21.5bn, excluding the administrative penalty of SEK 4bn imposed by the Swedish FSA.

Total expenses 2020 (SEK billion)^{1/}

	Previous estimate	New estimate
AML investigations	0.80	1.55
AML-related development	0.85	1.10
COVID-19 related expenses	...	0.25
FX effects	...	0.25
Underlying expenses	18.35	18.35
Total expenses	20.00	21.50

1/ Excluding the administrative penalty of SEK 4bn imposed by the Swedish FSA

Credit provisions during the first quarter of 2020

The financial strains caused by the COVID-19 pandemic will be extensive in our home markets. With our strong financial position in terms of capital and liquidity, Swedbank has good possibilities to support its corporate and private customers. Deteriorating macroeconomic forecasts do, however, lead to an increase in our credit impairments. In our assessment, we have taken several factors into consideration, including the extensive stimulus packages launched by the authorities. We have also taken into account that the amortisation deferrals introduced by the authorities due to the COVID-19 crisis do not, currently, automatically lead to a need for provisions. The prevailing uncertainty means that we cannot yet make a complete assessment at an individual level for the entire loan portfolio. For several sectors, therefore, general provisions have been made at portfolio level. For the oil-related sectors, however, provisions have been made for individual exposures corresponding to SEK 0.8bn.

In total during the first quarter of 2020, we will report credit impairments, as a result of increased credit provisions, corresponding to around SEK 2.2bn. The situation caused by COVID-19 is unique and difficult to assess, and the situation is changing rapidly. We will continue to monitor macroeconomic developments and make new assessments of the credit quality of the loan portfolio in the coming quarters.

First quarter result

The Swedish Financial Supervision Authority imposed administrative penalty of SEK 4bn, credit impairments equivalent to around SEK 2.2bn together with rising expenses are expected to lead to a negative result during the first quarter of 2020. The administrative penalty will be accounted for as a non-tax deductible operating expense.

Swedbank is a low-risk bank with over 65 per cent of its lending to mortgages with historically low credit impairments. The bank has a good earnings capacity and a strong capital and liquidity position. This provides a solid base for supporting our corporate and private customers, and for managing the arisen COVID-19 related crisis.

Swedbank's interim report for the first quarter will be published on Thursday, April 23 at 7:00 CET.

For further information:

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This announcement involves the disclosure of inside information

Swedbank AB (publ) is required to disclose this information pursuant to Regulation (EU) No 596/2014 on market abuse, the Swedish Securities Markets Act (2007:528), the Swedish Financial Instruments Trading Act (1991:980) and the regulatory framework of Nasdaq Stockholm. This information was sent to be published on April 8, 2020 at 07:00 CET.

Swedbank encourage a sound and sustainable financial situation for the many households and businesses. As a leading bank in the home markets of Sweden, Estonia, Latvia and Lithuania, Swedbank offers a wide range of financial services and products. Swedbank has over 7 million retail customers and around 550 000 corporate customers and organisations with 168 branches in Sweden and 98 branches in the Baltic countries. The group is also present in other Nordic countries, the US and China. As of 31 December 2019, the group had operating profit of SEK 24 420bn. Read more at www.swedbank.com