

Risk Management and Capital Adequacy Report

Pillar 3 Annual Report 2020



Contents

	Page		Page
1. Risk governance	5	Appendix A - Consolidated Situation	94
2. Capital position	13	Swedbank's legal entity structure and business activities	
3. Credit risk	28	Terminology and abbreviations	
4. Market risk	67	Swedbank CS: Own funds disclosure	
5. Liquidity risk	73	Swedbank CS: Capital instruments' main features	
6. Operational and compliance risk	81	Appendix B - Large Subsidiaries	102
7. Capital stress tests and economic capital	88	Swedbank Estonia Consolidated Situation	
		Swedbank Latvia Consolidated Situation	
		Swedbank Lithuania Consolidated Situation	
		Swedbank Mortgage AB	

Introduction

This Risk Management and Capital Adequacy Report Q4 2020 (Pillar 3 Annual Report 2020) 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 (SFS) 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 period end 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 on a consolidated basis for the Baltic subsidiaries (Estonia, Latvia and Lithuania) and Swedbank Mortgage in accordance with Article 13 in the CRR.

The capital adequacy framework builds on three pillars:

Pillar 1 provides rules for how to calculate minimum capital requirements for credit risk, market risk and operational risk. For credit risk and market risk, 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 relevant supervisors in 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 risks must be taken into account in the ICAAP, that is, not only those already included in Pillar 1. Similarly, the

analysis in the ILAAP should go beyond the minimum liquidity requirements. The Supervisory College assesses the bank in the Supervisory Review and Evaluation Process (SREP) and may impose additional measures.

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 Report. All documents mentioned above, as well as the Policy on Gender Equality, Diversity and Inclusion 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 616 000 corporate and organisational customers. The customers are served through 241 branches in Swedbank's four home markets – Sweden, Estonia, Latvia and Lithuania – and through presence in neighbouring markets such as Denmark, Finland and Norway. Swedbank also operates in the United States and China.

Swedbank's business operations are organised in three main segments: Swedish Banking, Baltic Banking and Large Corporates & Institutions.

A year of intense activity

The year 2020 has not been another normal year. The Covid-19 pandemic weighed heavily on the global economy which has had major implications for the societies where Swedbank operates, both for the customers and for our own operations. In general, the bank has managed well both operationally and financially. From an operational standpoint, Swedbank introduced early a number of measures to reduce the spread of the virus, to protect customers and employees as well as to ensure continuous customer service in these difficult times. Credit quality has remained stable, and only a small part of the portfolio has been significantly impacted by Covid-19. Our portfolio is dominated by private mortgages and real estate companies in Sweden, Estonia, Latvia and Lithuania. The negative impact is related to a few segments to which Swedbank's lending volumes are low, such as the oil and offshore industries.

Our assessment is that the low level of losses that has materialised to date to a large extent is due to Swedbank's historically low risk appetite and prudent lending standards. The current crisis serves as a reminder of the importance of a strong risk culture. The full impact of the pandemic is however still difficult to assess. The duration and severity of restrictions that are necessary to suppress the pandemic are unknown. The economy is expected to recover, affected by continued government support. Possible long-term structural changes are also difficult to predict. Swedbank closely monitors sectors exposed to structural change, such as the impact on commercial real estate due to increased remote work. In the longer term, accelerated digitisation and reforms to improve sustainability may have profound implications for the competitiveness of individual clients as well as entire sectors.

The capital position of Swedbank remained solid. Our strong capital buffer has enabled Swedbank to continue to support its customers and society at large during the crisis. The ICAAP analysis in 2020 showed that our capital is sufficient to support Swedbank's business model in a range of adverse scenarios with different degrees of severity. Swedbank's liquidity position is equally strong, bolstered by proactive funding activities and increased deposit volumes. The ILAAP and the liquidity measures such as the Survival horizon, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) all indicate a sound liquidity position, well above internal and regulatory requirements.

For Swedbank the year also marked the conclusion of the money laundering-related Swedish and Baltic supervisory investigations, that were triggered in 2018 and 2019. In order to address the identified shortcomings several comprehensive programmes have been initiated. The 244-point Group-wide plan to remediate the AML-findings has progressed significantly and the vast majority of these activities have been completed. An overarching compliance transformation programme has been launched, a cultural assessment has been performed and the Group's corporate governance model has been reviewed, with the aim to ensure that similar events cannot occur. The Strategic Direction and business strategies in the different business areas have also been revised to secure stability and competitiveness for the future.

A thorough review has also been made of the risk management framework and the risk appetite of the Group, resulting in a revised Enterprise Risk Management (ERM) Policy and enhanced Risk Appetite Statement Policy. There is now a more direct link between Swedbank's Strategic Direction, our risk strategy and the concrete day-to-day risk management activities. Naturally, a large emphasis has been put on the bank's low risk appetite based on long-term relationships with customers in our home markets. Risk governance has also been further developed and the fundamental principles for the Group's risk management have been clarified, including the responsibility of the first line of defence for risk management as well as the roles and responsibilities for second and third line of defence. All these measures are being implemented with the aim of ensuring long-term stability and shareholder value.

Rolf Marquardt
Chief Risk Officer

Regulatory scope

		Quarters at which disclosed
	1. Risk governance	
CRR Article 435	Institution risk management approach (EU OVA)	Q4
CRR Article 435	Board of Directors' risk statement and risk declaration	Q4
CRR Article 435	Information on governance arrangements – Disclosure according to EBA/GL/2016/11	Q4
	2. Capital position	
CRR Article 437	Total Capital - Disclosure according to Article 2 in Commission Implementing Regulation (EU) No 1423/2013	Q1-Q4
CRR Article 438	Overview of RWAs (EU OV1)	Q1-Q4
CRR Article 451	Leverage ratio quarterly disclosure	Q1-Q4
FFFS 2019:6 Section 8	Capital requirements	Q1-Q4
CRR Article 451	Leverage ratio qualitative disclosure (LRQua)	Q2&Q4
CRR Article 451	Leverage ratio common disclosure (LRCom)	Q2&Q4
CRR Article 451	Split-up of on BS exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl)	Q2&Q4
CRR Article 451	Summary reconciliation of accounting assets and leverage ratio exposures (LRSum)	Q2&Q4
CRR Article 436	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1)	Q4
CRR Article 436	Explanations of differences between accounting and regulatory exposure amounts (EU LIA)	Q4
CRR Article 436	Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)	Q4
CRR Article 436	Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3)	Q4
CRR Article 440	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer - Disclosure according to Commission Delegated Regulation (EU) 2015/1555	Q4
CRR Article 440	Capital buffers (amount) - Disclosure according to Commission Delegated Regulation (EU) 2015/1555	Q4
	3. Credit risk	
CRR Article 438	RWA flow statements of credit risk exposures under IRB (EU CR8)	Q1-Q4
CRR Article 438	RWA flow statements of CCR exposures under the IMM (EU CCR7)	Q1-Q4
CRR Article 438	IRB (specialised lending and equities) (EU CR10)	Q2&Q4
CRR Article 439	Impact of netting and collateral held on exposure values (EU CCR5-A)	Q2&Q4
CRR Article 439	Composition of collateral for exposures to counterparty credit risk (EU CCR5-B)	Q2&Q4
CRR Article 439	Credit valuation adjustment (CVA) capital charge (EU CCR2)	Q2&Q4
CRR Article 439	Exposures to central counterparties (EU CCR8)	Q2&Q4
CRR Article 439	Analysis of the counterparty credit risk (CCR) exposure by approach (EU CCR1)	Q2&Q4
CRR Article 439	Credit derivatives exposures (EU CCR6)	Q2&Q4
CRR Article 442	Credit quality of exposures by exposure class and instrument (EU CR1-A)	Q2&Q4
CRR Article 442	Credit quality of exposures by industry or counterparty types (EU CR1-B)	Q2&Q4
CRR Article 442	Credit quality of exposures by geography (EU CR1-C)	Q2&Q4
CRR Article 442	Changes in the stock of general and specific credit risk adjustments (EU CR2-A)	Q2&Q4
CRR Article 442	Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)	Q2&Q4
CRR Article 444	Standardised approach – Exposures by exposure class and risk weights (EU CR5)	Q2&Q4
CRR Article 444	Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR3)	Q2&Q4
CRR Article 452	IRB – CCR exposures by portfolio and PD scale (EU CCR4)	Q2&Q4
CRR Article 452	IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)	Q2&Q4
CRR Article 453	CRM techniques – Overview (EU CR3)	Q2&Q4
CRR Article 453	Standardised approach – Credit risk exposure and CRM effects (EU CR4)	Q2&Q4
CRR Article 453	IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (EU CR7)	Q2&Q4
EBA/GL/2018/10	Credit quality of forborne exposures	Q2&Q4
EBA/GL/2018/10	Credit quality of performing and non-performing exposures by past due days	Q2&Q4
EBA/GL/2018/10	Performing and non-performing exposures and related provisions	Q2&Q4
EBA/GL/2018/10	Collateral obtained by taking possession and execution processes	Q2&Q4
EBA/GL/2020/07	Information on loans and advances subject to legislative and non-legislative moratoria	Q2&Q4
EBA/GL/2020/07	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Q2&Q4
EBA/GL/2020/07	Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Q2&Q4
CRR Article 435	General qualitative information about credit risk (EU CRA)	Q4
CRR Article 435	Qualitative disclosure requirements related to CCR (EU CCRA)	Q4
CRR Article 442	Additional disclosure related to the credit quality of assets (EU CRB-A)	Q4
CRR Article 442	Total and average net amount of exposures (EU CRB-B)	Q4
CRR Article 442	Geographical breakdown of exposures (EU CRB-C)	Q4
CRR Article 442	Concentration of exposures by industry or counterparty types (EU CRB-D)	Q4

CRR Article 442	Maturity of exposures (EU CRB-E)	Q4
CRR Article 444	Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk (EU CRD)	Q4
CRR Article 452	Qualitative disclosure requirements related to IRB models (EU CRE)	Q4
CRR Article 452	IRB approach – Backtesting of PD per exposure class (EU CR9)	Q4
CRR Article 453	Qualitative disclosure requirements related to CRM techniques (EU CRC)	Q4

4. Market risk

CRR Article 455	RWA flow statements of market risk exposures under an IMA (EU MR2-B)	Q1-Q4
CRR Article 445	Market risk under the standardised approach (EU MR1)	Q2&Q4
CRR Article 455	IMA values for trading portfolios (EU MR3)	Q2&Q4
CRR Article 455	Market risk under internal models approach (EU MR2-A)	Q2&Q4
CRR Article 455	Comparison of VaR estimates with gains/losses (EU MR4)	Q2&Q4
CRR Article 435	Qualitative disclosure requirements related to market risk (EU MRA)	Q4
CRR Article 447	Exposures in equities not included in the trading book	Q4
CRR Article 448	Exposure to interest rate risk on positions not included in the trading book	Q4
CRR Article 455	Qualitative disclosure requirements for institutions using the IMA (EU MRB)	Q4

5. Liquidity risk

CRR Article 435	Liquidity risk management (EU LIQA)	Q4
CRR Article 435	Quantitative information on the LCR (EU LIQ1)	Q4
CRR Article 443	Encumbered and unencumbered assets – Disclosure according to Commission Delegated Regulation (EU) 2017/2295	Q4
CRR Article 443	Collateral received - Disclosure according to Commission Delegated Regulation (EU) 2017/2295	Q4
CRR Article 443	Sources of encumbrance - Disclosure according to Commission Delegated Regulation (EU) 2017/2295	Q4
CRR Article 443	Accompanying narrative information - Disclosure according to Commission Delegated Regulation (EU) 2017/2295	Q4

6. Operational and compliance risk

CRR Article 446	Operational risk	Q4
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7. Capital stress tests and economic capital

CRR Article 438	A summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	Q4
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Appendix A

CRR Article 437	Capital instruments' main features - Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013	Q1-Q4
CRR Article 437	Own Funds Disclosure - Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013	Q1-Q4
FFFS 2014:12 Ch 8 Section 3	Swedbank's legal entity structure and business activities as of period end	Q1-Q4

Additional information

This report has also been produced in accordance to CRR Articles 431 on Scope of disclosure requirements, 432 on Non-material, proprietary or confidential information, 433 on Frequency of disclosure and 434 on Means of disclosure. Article 435 on Risk management has been regarded throughout the report. Disclosure on remuneration according to Article 450 is disclosed in the document "Information regarding remuneration in Swedbank" and in Swedbank's Annual Report. These documents are available on www.swedbank.com together with disclosure on Swedbank's systemic importance indicators according to Article 441. Swedbank does not use the Advanced Measurement Approach (AMA) in operational risk, hence Article 454 is not applicable. Swedbank has no securitization positions, hence Article 449 is not applicable. Swedbank does not have a permission according to Article 49(1), therefore EU INS1 is not applicable.

1. Risk governance

Swedbank's structure for risk management is founded in the Group's Enterprise Risk Management framework and based on the principle of three lines of defence. With well-established processes, the purpose is to ensure professional risk management protecting Swedbank from unintentional risk taking and to support the bank's low risk appetite.

Risk exposure

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.

During 2020 a project on Enterprise Risk Management has been performed in order to strengthen and attain a more holistic view on risk management and improve oversight and control across the Group. A revised Enterprise Risk Management Policy (ERM Policy) has been adopted by the Board of Directors. The policy contains the Group's Risk Strategy including fundamental principles for the Group's risk management. Swedbank's strategy is to maintain a low-risk exposure and the Board of Directors articulates the attitude towards risk by expressing the Group's low risk appetite. Risk appetite statements are defined by the Board for the main risk types in the Group's Risk Taxonomy and expressed qualitatively and quantitatively in the Risk Appetite Statement Policy and further implemented by the CEO through a risk limit and Key Risk Indicator (KRI) framework.

Swedbank's customer base, which mainly consists of private individuals and small and medium-sized companies in Sweden and in the Baltic countries, is the foundation for the low risk. Due to Covid-19, credit impairments increased in 2020, driven by rating and stage migrations, mainly in sectors considerably affected by the pandemic, as well as individual assessments of oil-related exposures. Swedbank's exposure to sectors that are considerably affected by Covid-19 is low and the major part of Swedbank's loan portfolio showed resilience with low credit impairments also in 2020. Market and CVA risks continued to be limited, despite Covid-19 induced market turbulence in March. After the turmoil in March, volatility and credit spreads declined and equity markets began to rebound. Swedbank's liquidity position remained strong, due to proactive funding activities and stable demand from debt investors and substantial increase in deposits. In terms of operational risks, in 2020 Swedbank saw an increase in incidents and losses compared to 2019. 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

ongoing, 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.

In order to continuously secure a low risk level, Swedbank's operations are based on structured risk management and control. The Enterprise Risk Management framework aims to ensure risk awareness, strong accountability and business acumen within all parts of Swedbank. The 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 Enterprise Risk Management framework includes risk limits and key risk indicators applied for individual risk types, starting from the Board's risk appetite down to the business areas for appropriate steering. The framework also includes well-developed origination standards for prudent lending.

The Swedish and Estonian supervisory authorities concluded their investigations of Swedbank in March 2020. The investigations confirmed that Swedbank had deficiencies in its internal governance and control systems to prevent money laundering. A similar conclusion was reached by the independent investigation by Clifford Chance. In order to remediate the deficiencies and strengthen Swedbank's capability to identify and control risks related to money laundering, Swedbank initiated a number of strategic programmes: Culture project, governance initiative and compliance review. The review phases of these programmes have now been concluded and the programmes now form part of the ongoing transformation phase of Swedbank. Further, an external consultancy firm has been assigned to conduct a yearly maturity assessment of Swedbank's Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) programme for three years. The first report confirmed the high pace of Swedbank remediation programmes to remediate its historical deficiencies.

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 position. Through the ERM Policy, the Board provides the key principles on risk management and control in order to support the business strategy. Furthermore, the ERM Policy stipulates Swedbank's risk strategy and risk appetite, the concept of three lines of defence and the fundamental principles of risk management.

The activities of the risk organisation and compliance organisation are regulated in separate policies adopted by the Board. The Board has established a Risk and Capital Committee (RCC), an Audit Committee (AC), a Remuneration Committee (RC) and 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 and compliance organisation are responsible for independently ensuring that key risks are identified, assessed and properly managed. Decisions made on an aggregated level should always be in line with Swedbank's risk appetite. The Board and, the CEO, is regularly informed on the overall and specific risk exposure. Furthermore, the Board and the CEO are also regularly provided with information regarding changes in Swedbank's risk limit and KRI framework structure and, in case of a breach, the actions needed to be taken to mitigate the breach. Swedbank's risk organisation and compliance organisation are 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 risk management and control defined by the Board, 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 CEO and supports senior management in decisions about management of non-financial risk and compliance matters. This includes reviewing, monitoring, and challenging of the Group's risks in terms of significant exposures, risk trends, losses, management actions, and performance versus risk appetite. The GRCC supports the accurate management of findings by internal audit, risk and compliance. 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 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 for supporting 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 supports the CFO in decisions on the management and allocation of capital, liquidity and funding position, in order to support the implementation of business objectives. Each Business Area (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 RWA 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 risk management

on the concept of three lines of defence, with clear division of responsibilities between the risk owners in first line of defence responsible for managing risks and control functions, i.e. Group Risk, Group 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 operations within the business areas, product areas and group functions. The first line management take or are object of risks and are responsible for the continuous and active risk management. Management own the risks within their respective area of responsibility and is responsible for ensuring that there are appropriate processes and internal control structures in place that aim to ensure that risks are identified, assessed, managed, monitored, reported and kept within the boundaries of the Group's risk appetite and in accordance with the risk management framework. First line responsibilities also include establishing a relevant governance structure and to secure that activities comply with external and internal requirements. An important part of the revised Risk management framework has been to clarify the ultimate risk management responsibility by the first line of defence.

Second line of defence

Second line of defence refers to the independent control functions, the risk control organisation (Group Risk) and compliance organisation (Group Compliance). These functions define the risk management framework, covering all material risks that the Group faces. The framework governs how to identify, assess, measure, manage, monitor and report on risks. Second line also monitors and assesses that effective risk management processes and controls are implemented by the relevant risk owners. The second line challenges and validates the first line's risk management activities, control and analyse the Groups material risks and provides independent risk reporting to the CEO and the Board.

The second line of defence is organisationally independent from first line and shall not carry out operational activities in the business or the unit they monitor and control.

Third line of defence

Third line of defence refers to Group Internal Audit which is governed by and reports to the Board. Group Internal Audit is responsible for evaluating governance, risk management and the control processes within the first and second lines of defence. Internal Audit is organisationally independent from the First and Second lines and shall not carry out operational activities in the other functions.

Risk appetite

The ERM Policy states that Swedbank shall maintain a low-risk exposure. The Board of Directors establishes the fundamental principles for Swedbank's risk management and decides on the overall risk appetite as well as risk appetites for each main risk type (see below). The risk appetites are further operationalised by limits and complementary key risk indicators set by the CEO and Executive management. The limits and KRIs are independently assessed and approved by second line.

The risk appetite and limits are designed to secure that Swedbank sustains its low-risk exposure, 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.

Credit risk

Swedbank maintains a well-diversified credit portfolio with a low-risk exposure. All credit activities strive for long-term customer relationships and rest on strong business acumen to achieve solid profitability and a sound credit expansion for long-term stability. The low risk exposure is maintained by sustainable lending to customers with high debt-service capabilities, by maintaining a strong collateral position and by portfolio diversification within and between sectors and geographies. The customers are present in Swedbank's four

home markets and in the other Nordic countries where Swedbank has branches, and are mainly private individuals, small and medium-sized companies and large corporates.

Counterparty credit risk

Counterparty credit risk arises as a result of hedging of own market risk and from customer-related trading activities. Swedbank is a conservative when choosing interbank counterparts. In the derivatives business, Swedbank strives to have International Swaps and Derivatives Association (ISDA) supplemented with credit support annex (CSA), similar or other netting agreements with Swedbank's customers. Furthermore, Swedbank restricts the extent of its counterparty credit risk exposure through several actions such as setting counterparty limits, CVA limits and FX settlement limits. Counterparty credit risk is integrated in the Credit Risk limit structure.

Market risk

According to Swedbank's ERM Policy, market risk-taking shall only be conducted by units granted permission by Swedbank's CEO. The risk-taking is limited by a risk appetite, established by the Board of Directors. The Group has a low risk appetite for market risk and is willing to accept it only as part of managing the Groups' own financial risks and to support customer needs. Market risks shall be managed with the aim to have low earnings volatility and to preserve the long-term value of the Group.

Capital risk

A strong capital position is essential to the Group's strategy of being a low risk bank. Long-term stability in the capital position enables the Group to seek business opportunities, access cost-efficient funding, retain its competitiveness as a counterparty and achieve its targets for shareholder distributions, under normal economic environments and stressed conditions (both actual and as defined for internal capital planning or stress testing purposes). Capital management is intended to be holistic and flexible in order to react to a range of potential events and handle different sources of capital risk. A range of methodologies are used to identify and manage the risk, such as targets and limits, forecasting, modelling and stress testing.

Liquidity risk and Funding

The level of liquidity risk that is acceptable for achieving the strategic goals of the Group, the risk appetite, is defined by the Board of Directors. Internal policies state that Swedbank's appetite for liquidity risk shall be low, and that the liquidity profile shall be resilient towards both short-term and long-term liquidity stress – without relying on forced-asset sales or other business disrupting activities. For meeting these requirements, an adequate liquidity generating capacity shall be maintained – properly sized for withstanding adverse circumstances.

Internal policies further state that Swedbank shall have a long-term, stable, well-diversified funding and investor base with a wholesale funding operation that is well diversified across markets, instruments and currencies. Furthermore, Swedbank 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 ensuring that the Group's liquidity risk is kept within the mandates provided by the Board of Directors, the CEO and the CFO. 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.

Asset Liability Management (ALM) and capital management

In addition to the ERM Policy, Swedbank has a Policy on Asset, Liability and Liquidity adopted by the Board of Directors. This policy stipulates the fundamental principles that shall apply for Swedbank's assets and liabilities, such as the processes, structures and management of the balance sheet. Also, it ensures that Swedbank's assets, liabilities, capital and liquidity are aligned and compliant with regulatory requirements. The CFO is responsible for managing the risks associated with ALM.

Operational risk

Swedbank strives to maintain a low risk exposure in operational risk, with the aim to manage operational risks to be resilient without experiencing incidents, reputational damage and operational losses that have materially negative impact on Swedbank's business continuity, funding, capitalisation, or third-party credit rating. The maximum level of operational risk is further defined as qualitative and quantitative statements and the risk limits.

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 Risk

The Compliance Risk encompasses financial crime risk, conduct risk, and regulatory compliance risks which are further divided into respective sub-types in order to provide clarity in roles and responsibilities. All sub-types have clear qualitative risk appetite statements which are aligned with the overall strategy of the bank and will be supplemented with quantitative metrics (KRIs and limits) in order to provide active steering and oversight for each sub-type. Risk appetites shall be coupled with robust and effective risk management processes to uphold the conduct of the Group, which enables to manage the risks in accordance with the principles set in relevant rules, regulations, and frameworks.

For governing, controlling and supporting the proper handling of compliance matters, Swedbank has established Group Compliance 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. Also, the regulatory compliance risk screening and control process has been established, in order to provide assurance that legislative acts have been identified and implemented and that adequate controls have been set in place to manage the regulatory compliance risks.

The Board of Directors' risk statement and risk declaration

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

Risk statement

Swedbank strives to meet stakeholders' expectations and financial needs and taking and managing risks is fundamental to the Group's business model and value creation. As part of the risk strategy, the Group aims to build long-term relationships with customers in the Group's home markets, as well as in the other Nordic countries where the Group has branches. Hence, the Group assumes risks in a conscious and controlled manner when supporting its customers. The Group's risk appetite is decided by the Board of Directors and implemented by the CEO through internal rules and a risk management framework. An integrated Group-wide risk culture, rooted in the Group's values and ethical standards as well as goals and focus on low risk appetite and good administrative order, is a key element of the Group's effective risk management and enables the Group to make sound and informed decisions.

To ensure that Swedbank is well capitalised in relation to the risks and maintains a sound liquidity position, there are risk appetites for capitalisation and liquidity. The risk appetite for capitalisation considers both statutory and future requirements as well as an assessment of capital requirement, based on Swedbank's model for economic capital (EC), and the impact of adverse scenarios. The CET1 capital ratio stood at 17.5% at the end of 2020 and the total capital ratio at 21.0% while the leverage ratio reached 5.1%. The strong capital ratios are well above the regulatory requirements and the CET1 ratio buffer is above Swedbank's capital target range. The leverage ratio shows a healthy distance to the coming minimum leverage ratio requirement of 3% to be implemented in conjunction with CRRII in June 2021.

The level of liquidity risk that is acceptable for achieving the strategic goals of the Group, the risk appetite, is defined. Internal policies state that Swedbank's appetite for liquidity risk shall be low, and that the liquidity risk exposure shall be resilient towards both short-term and long-term liquidity stress. For meeting these requirements, an adequate liquidity generating capacity shall be maintained – properly sized for withstanding adverse circumstances. Swedbank employs a centralised funding and liquidity management.

The risk appetite is limited to the regulatory metrics Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and to survival periods, as measured by the internal Survival horizon metric. In an assumed adverse scenario, the Survival horizon metric displays the number of days with a positive net liquidity position, taking future cash flows from all aspects of the balance sheet into account, including intragroup transactions. Throughout 2020 Swedbank's liquidity position was strong with all key metrics remaining well above internal and regulatory requirements.

In addition, capital and liquidity stress tests were conducted to increase the awareness of potential effects from disruptions in the financial markets. The stress tests focused on both Swedbank specific and market related disruptions, and considered combined effects, i.e. scenarios where disruptions occur at the same time. A key objective of Swedbank's ICAAP stress testing programme is to ensure that the Group business model remains viable in different scenarios, ranging from expected to severely adverse. In 2020, Swedbank simulated the impact of escalating trade wars, Covid-19 pandemic lockdowns and considered the transition risks stemming from the implementation of climate change combatting policies. All ICAAP stress tests confirmed that the Group's financial position and risk exposure provide sufficient resilience to withstand the impact of severe economic stress. In addition to stress testing scenarios, the economic capital calculations consistently demonstrate the Group's capital strength.

Swedbank's credit exposures have low risk and are well diversified. The low risk is confirmed in stress tests and 85% of all risk classified exposures have an internal rating corresponding to investment grade. 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, mainly in Sweden, is the foundation for the low risk. Private mortgage is Swedbank's largest loan segment, and amounted at the end of 2020 to SEK 939bn, 58% 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 large and the geographical distribution wide.

Market risk comprises 2.5% of the total RWA for Swedbank. Swedbank shall keep a low risk exposure including limited risks in the financial markets. The Group's activity in these markets is designed to satisfy the long-term needs of its customers. The low risk exposure 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.

Operational risk is the second largest risk type for Swedbank, from the Pillar 1 perspective, amounting to SEK 5 716m minimum capital requirement. 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 risk appetite for operational risk is expressed in terms of tolerance for levels and types of risks with respect to Swedbank's overall low risk exposure. During the year, total operational risk losses amounted to SEK 4.06bn which includes the SEK 4bn administrative fine issued to Swedbank by the Swedish FSA, due to deficiencies in combating money laundering. The ongoing Covid-19 pandemic has impacted Swedbank operations, employees and customers. A number of measures have been taken to reduce the risk of the virus's spread, protect customers and employees, as well as maintain operations. Overall, the bank's resilience and preparedness towards the upcoming risks related to the pandemic has been strong. Improved business continuity routines and employee remote-working capabilities have been secured. Furthermore, several IT incidents occurred during 2020 causing severe disruptions in most critical customer-facing services. Reoccurring issues with external service providers affected the availability of critical channels and payment services. Swedbank has initiated several activities to ensure operational resilience, IT stability and a high-level service availability for its customers.

The Swedish FSA and Estonian FSA investigations of Swedbank's work to prevent money laundering have been concluded. Shortcomings were found in routines, systems and processes to prevent money laundering and other financial crime. The Board of Directors has initiated substantial changes of the management of the Group and as a result several remedial programmes have been established that includes measures to combat money laundering and terrorist financing, improved governance, enhanced compliance programme as well as cultural behavioural mapping.

The identified shortcomings related to the governance of anti-money laundering within Swedbank have negatively impacted the market value and reputation of Swedbank beyond the risk appetite set by the Board of Directors. In addition to the observations reported on money laundering and terrorist financing, Swedbank has during the year identified areas that have led to unwanted compliance risks within the Group. These are related to internal governance as noted by supervisory authorities in their investigations of money laundering, and to the customer protection area. In both areas, work is ongoing within the Group to ensure that deficiencies identified are addressed adequately. Swedbank's compliance function monitors the work. In other areas, the risk exposure remains within the risk appetite set by the Board of Directors.

No transactions of material enough nature to impact Swedbank's overall risk exposure have taken place during 2020.

Risk declaration

Swedbank has through established risk management processes, including strengthened governance, organisational changes, increased resources and the remedial programme to combat money laundering and terrorist financing, adequate arrangements for risk management considering the bank's low 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 key metrics (EU KM1)

	2020	2019
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	120 496	110 073
Tier 1 capital	128 848	126 226
Total capital	144 737	141 554
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	689 594	649 237
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	17.5	17.0
Tier 1 ratio (%)	18.7	19.4
Total capital ratio (%)	21.0	21.8
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	1.4	3.1
Additional AT1 SREP requirements (%)	0.3	0.1
Additional T2 SREP requirements (%)	0.4	0.2
Total SREP own funds requirements (%)	2.0	3.4
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
Institution specific countercyclical capital buffer (%)	0.0	2.0
Systemic risk buffer (%)	3.0	3.0
Other Systemically Important Institution buffer	1.0	
Combined buffer requirement (%)	6.5	7.5
Overall capital requirements (%)	16.5	18.9
CET1 available after meeting the total SREP own funds requirements (%)	15.5	13.5
Leverage ratio		
Leverage ratio total exposure measure	2 526 721	2 353 631
Leverage ratio	5.1	5.4
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	490 561	375 884
Cash outflows - Total weighted value	330 034	261 496
Cash inflows - Total weighted value	48 280	54 423
Total net cash outflows (adjusted value)	281 754	207 073
Liquidity coverage ratio (%)	174	182
Net Stable Funding Ratio		
Total available stable funding	1 652 303	1 550 005
Total required stable funding	1 316 918	1 294 999
NSFR (%)	125	120

2. Capital position

Swedbank's capital position continues to be strong with solid buffers towards regulatory requirements, enabling the bank to grow with its customers and withstand changes in the economic environment. Combined with its robust underlying 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 2020

Swedbank's Common Equity Tier 1 (CET1) capital ratio was 17.5% as of year-end, which represents a buffer towards the Swedish Financial Supervisory Authority's (SFSA) requirement of 5.1 percentage points and makes Swedbank well-positioned to meet both current and future capital requirements. The strong capital situation will also enable Swedbank to support both its retail and corporate customers both in times of economic expansion and during stressed conditions.

It has been a challenging and turbulent year where the Covid-19 pandemic has hit the global economy. Extensive support measures have been rolled out to mitigate the downturn, among them relaxed capital regulations to ensure the continuity of the banks' lending operations. The SFSA lowered the Swedish countercyclical capital buffer requirement (CCyB) to 0 percent in March, along several other regulators across the world, and the Swedish National Debt Office (SND O) extended the phase-in of the subordination requirement from 1 January 2022 to 1 January 2024 in April.

In March, the SFSA, among other European regulators, announced their expectation that banks refrain from paying dividends for 2019 until further clarity on the impact from the crisis could be obtained. The SFSA's recommendation was revised in December, in conjunction with the announcement by the European Systemic Risk Board (ESRB), and dividend payments are now limited to 25 percent of the aggregate net earnings for 2019 and 2020 until 30 September 2021.

The Covid-19 pandemic has so far had a limited impact on the capitalisation of Swedbank, with relatively low credit impairments. The uncertainties around the development and the economic recovery remain but the strong capital buffers make Swedbank resilient against potential adverse scenarios.

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 the capital needs, Swedbank takes into consideration its current and future risk exposure, 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 are being taken into account (i.e. as part of the Pillar 2 assessment).

In recent years, the Pillar 2 capital requirements 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 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, and in 2020, the SFSA introduced a risk-weight floor for commercial real estate exposures, further described below. However, the Pillar 2 framework is under revision due to the implementation of the Banking Package in Sweden and the impact on Swedbank is further elaborated on page 20.

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 2020, the CET1 capital ratio (i.e. the CET1 capital in relation to the risk weighed assets), was 17.5% (31 December 2019: 17.0%). This can be compared with the capital requirement of 12.4% (15.1%).

During 2020, Swedbank's CET1 capital increased by SEK 10.4bn, to SEK 120.5bn. 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 increased the CET1 capital by approximately SEK 4.2bn. The changes in the CET1 capital are shown in Figure 2.2 below.

The risk weighted assets (RWA) increased during 2020 by SEK 40.4bn to SEK 689.6bn (31 December 2019: SEK 649.2bn). Credit risk RWA excluding additional RWA for article 458 (mortgage floor) increased during 2020 by SEK 33.3bn. Changes in loss given default (LGD) increased credit risk RWA by SEK 16.3bn. A Margin of conservatism (MoC) for the LGD model for large corporates was implemented during Q3, resulting in an increase in credit risk RWA for LGD of SEK 20.8bn. Improved LGD levels resulting from increasing collaterals, mainly for corporate customers within LC&I, decreased credit risk RWA by SEK 4.5bn.

Increased exposures including FX has increased credit risk RWA by SEK 6.4bn, mainly due to increased other assets and equity exposures within Group Functions as well as increased exposures towards retail customers within Swedish Banking and Baltic Banking. The increased RWA due to higher exposures was partially offset by an FX effect. The mortgage floor has contributed with an increase in RWA by SEK 12.3bn during 2020.

PD migrations contributed with an increase in credit risk RWA of SEK 7.2bn, mainly towards corporates within LC&I, Swedish Banking and Baltic Banking. During Q2 a rerating program for all large corporate customers was performed to reflect the increased risk from the pandemic.

Counterparty credit risk increased RWA by SEK 4.0bn, primarily due to increased exposures towards corporates and institutions within LC&I.

Other credit risk decreased RWA by SEK 0.6bn mainly due to shorter maturities that was partially offset by an increase in defaulted customers, towards corporates within LC&I.

RWA for market risks increased by SEK 1.0bn in 2020. Most of the increase was derived from the input to the stressed VaR factor in the internal model used when calculating market risk RWA.

In 2020, RWA for credit valuation adjustment decreased by SEK 0.3bn. The main driver was a decrease in EAD variance in inflow of new exposures compared to outflow during the year.

The update of the operational risk calculation increased RWA by SEK 5.0bn during the year. The annual update during Q1 contributed with an RWA increase of SEK 2.9bn. After new clarifications from the European Banking Authority, an additional update of the calculation was made as of December 2020, which increased RWA by SEK 2.1bn. The increase in RWA for operational risk was 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. Going forward, the calculation will be performed per December, instead of as previously during Q1.

The additional risk exposure amounts for article 3 in the CRR resulted in an RWA decrease of SEK 10.8bn, primarily associated with changes to the PD model for large corporates. However, there was a corresponding increase in PD migrations in credit risk RWA.

On 31 December 2020, Swedbank's leverage ratio was 5.1% (31 December 2019: 5.4%). The Tier 1 capital increased by SEK 2.8bn to SEK 128.9bn. The change was mainly attributable to earnings, net of the proposed dividend, and the decrease in Additional Tier 1 capital. The exposures included in the calculation of the leverage ratio increased by SEK 173.1bn. 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

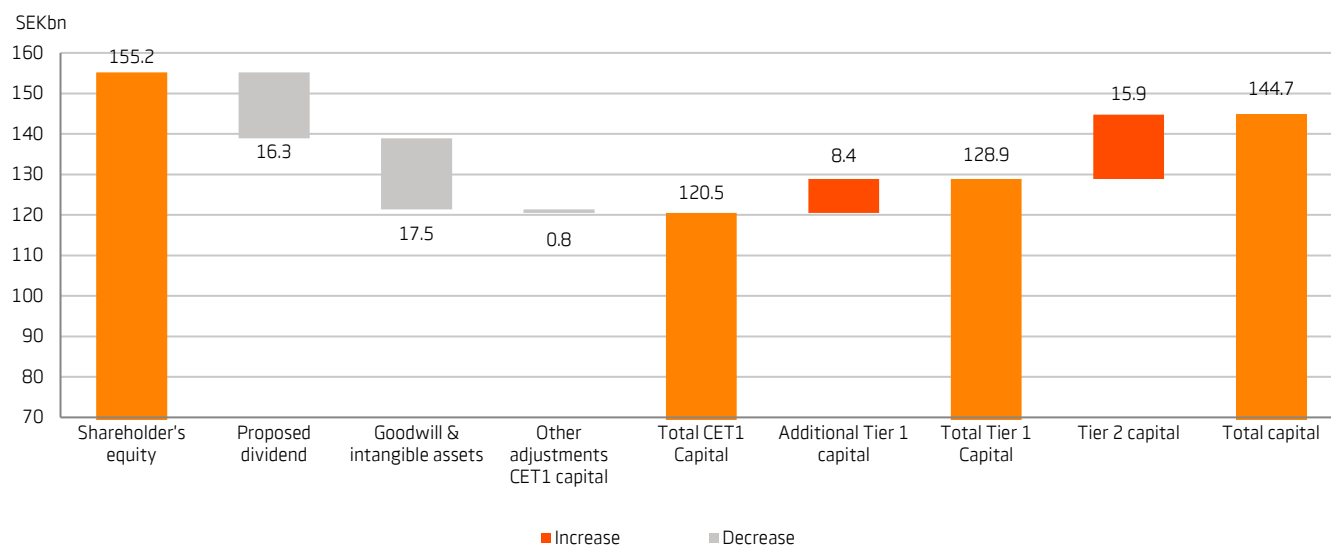


Figure 2.2: CET1 capital, changes during 2020, Swedbank Consolidated Situation

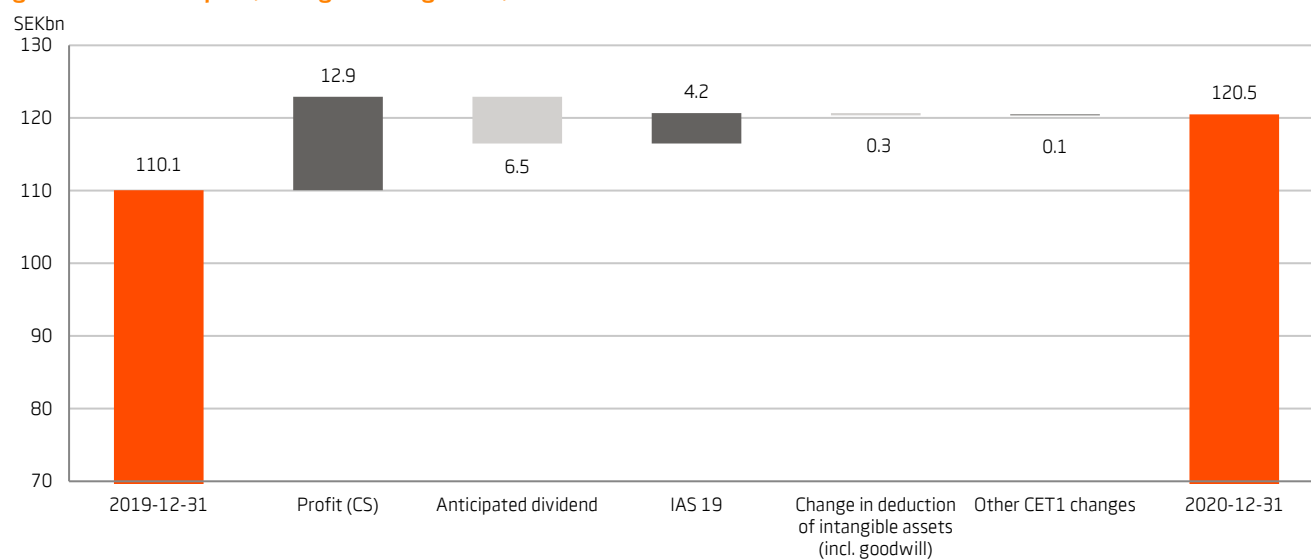


Figure 2.3: RWA, changes during 2020, Swedbank Consolidated Situation

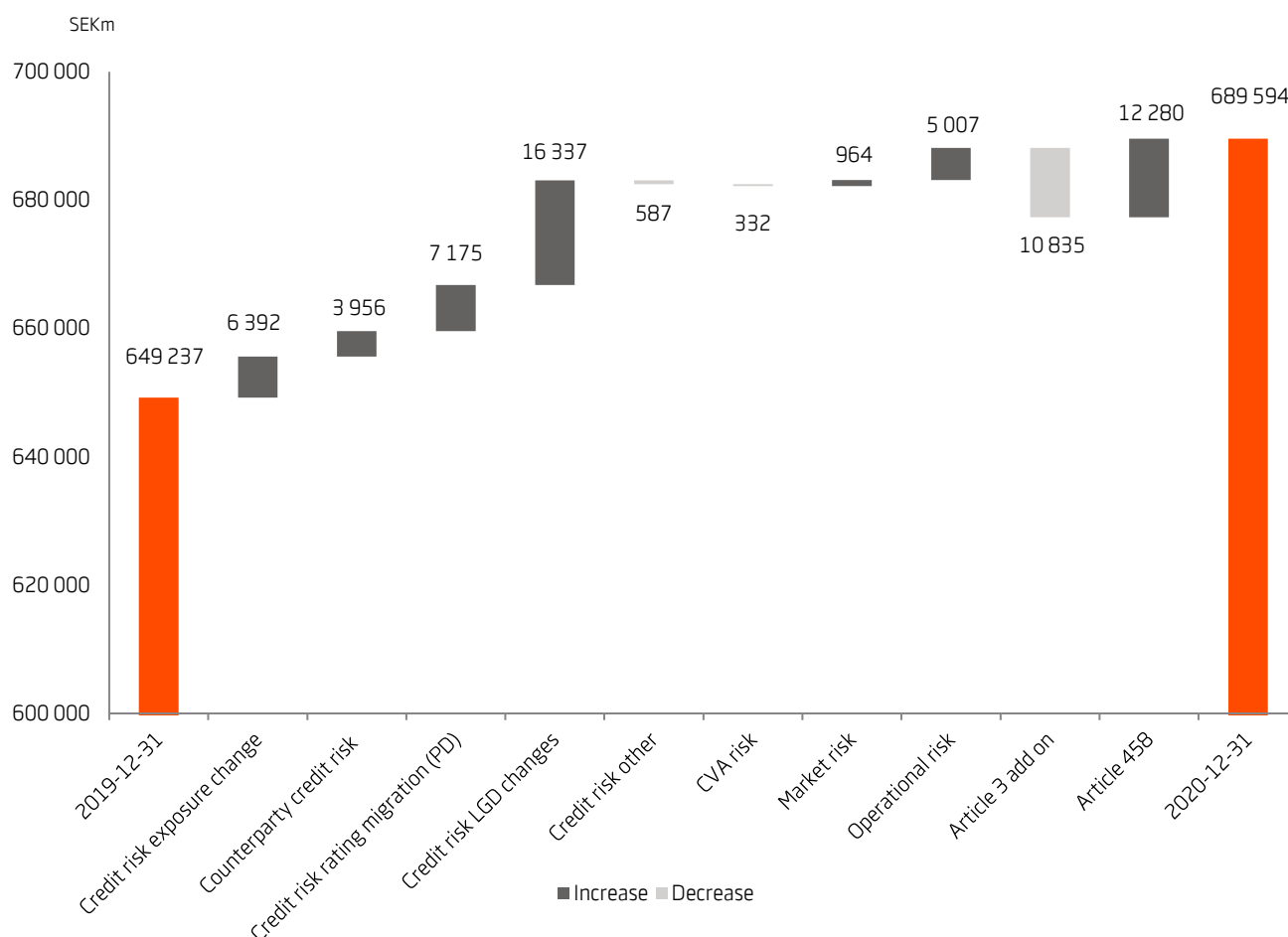


Figure 2.4: CET1 capital ratio

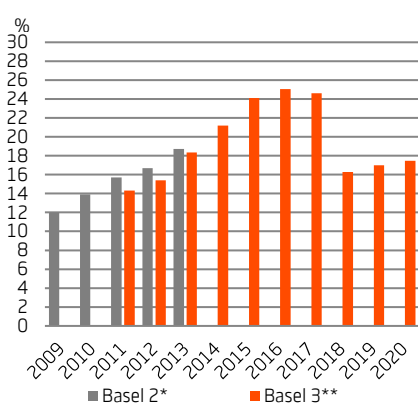


Figure 2.5: Tier 1 capital ratio

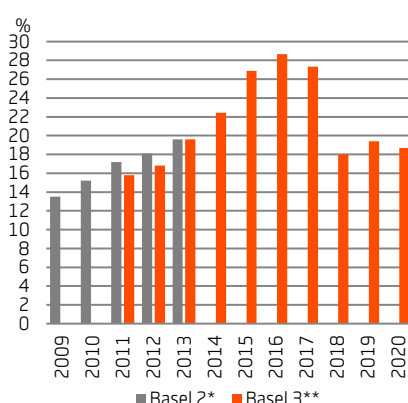
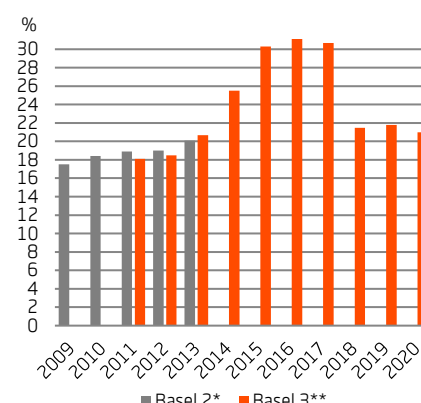


Figure 2.6: Total capital ratio



*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

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.

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. During the year, Swedbank has carefully followed the development of the Covid-19 pandemic and analysed the impact on the capitalisation in additional scenarios related to the crisis. 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 5.1 percentage points at year-end 2020.

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 appetite 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%. The countercyclical buffer rate was released to 0% in March 2020, as a response to the Covid-19 crisis.
- On 28 January 2020, the SFSA decided to introduce a risk weight floor of 35% for corporate exposures collateralised by commercial real estate and 25% for corporate exposures collateralised by commercial residential properties located in Sweden (excluding housing associations). It took effect as a capital requirement in Pillar 2 in December 2020, in conjunction with the SREP decision 2020.

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 1.4% of RWA, calculated as per 31 December 2020.

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). However, this is subject to change after the implementation of the Banking Package with the introduction of Pillar 2 Requirement and Guidance, as further elaborated on below.

The capital requirement for Swedbank, calculated as per 31 December 2020, was equivalent to a CET1 capital requirement of 12.4% and a total capital requirement of 16.5%. At the end of 2019, Swedbank's CET1 capital requirement and total capital requirement were 15.1% and 18.9% respectively. On a nominal basis, the amount of CET1 capital Swedbank must hold to be compliant with the capital requirements was approximately SEK 86 billion by 31 December 2020 and it was approximately SEK 98 billion by 31 December 2019. The decrease is mainly driven by decreased capital requirements, namely the released Countercyclical Buffer, due to the Covid-19 crisis, and the abolishment of the systemic risk charge in Pillar 2, due to the implementation of the Banking Package.

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 application of the new rules was postponed from 1 January 2022 to 1 January 2023 due to the Covid-19 pandemic, with a long transitional period for the output floor up until 2028.

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 2023 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 and compliance 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 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 and 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 2024. 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 2024.

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 2020, Swedbank paid an amount of SEK 863m to the Swedish resolution reserve. Swedbank is also liable to pay fees to the resolution reserves in the Baltic countries. These fees totalled SEK 93m in 2020.

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. The Banking Package has been adopted on an EU level and the directive was transposed into Sweden's legislation on 29 December 2020.

In November 2020, the SFSA decided on amendments in the application of banks' capital requirements in order to adapt to the Banking Package. The decision includes the following key changes:

- The systemic risk charge of 2% in Pillar 2 is abandoned.
- The O-SII buffer will stack on top of the systemic risk buffer of 3% and the O-SII buffer will be lowered from 2% to 1%. It implies that total capital surcharge for systemic risk is set to 4% for systemically important Swedish banks.

- The Pillar 2 framework will consist of the Pillar 2 Requirement (P2R) and the Pillar 2 Guidance (P2G), and the following applies:
 - The P2R will be a decided capital requirement and thus decrease the distance to the restriction of Maximum Distributable Amount (MDA);
 - The P2G is introduced both on the risk weighted capital requirements and on the leverage ratio requirement and is indicatively set as 1% of RWA and 0.35% of LRE respectively for Swedbank;
 - The current individual Pillar 2 requirement accounting for maturity adjustments of corporate exposures will be removed in P2R; and
 - The proportion of the type of capital needed to meet the P2R is amended. A lower share of Tier 1 capital will be needed than previously.

The amendments to the O-SII buffer and the removal of the systemic risk charge and the maturity adjustments in Pillar 2 took effect when the relevant laws were amended on 29 December 2020. The new requirement and guidance under the Pillar 2 framework will be included in the first SREP decision after the legislation enters into force, which is expected to be in September 2021 for Swedbank.

Overview of parameters for RWA and institutional specific countercyclical capital buffer

The risk weighted assets (RWA) decreased during the last quarter of 2020 by SEK 1.9bn to SEK 689.6bn (30 September 2020: SEK 691.5bn).

Credit risk RWA decreased by SEK 2.8bn. Asset growth increased RWA by SEK 2.9bn and also lending growth increased RWA in total by SEK 0.7bn, driven by increased lending within Corporates in LC&I. Non-lending assets increased RWA by SEK 2.2bn mainly due to increase in other assets within Group Functions.

Counterparty credit risk RWA decreased by SEK 3.6bn as compared to Q3 2020. Decreased EAD caused RWA decrease of SEK 2.3bn mainly within LC&I Corporate exposure class. Also, due to decreased EAD, CVA decreased RWA by SEK 1.1 bn.

Market risk decreased RWA by SEK 3.0bn due to Specific

interest rate risk decrease by SEK 2.5bn and RWA for market risk calculated with internal models (VaR and SVaR) which decreased by SEK 0.4bn.

The main drivers presented under Other risk exposure amount consists of the risk weight floor for Swedish Mortgages under article 458 and the add-on under article 3. Mortgage floor increased RWA by SEK 0.3bn mainly due to increased volumes in Swedish mortgages lending. Article 3 add-on increased RWA by SEK 1.0bn, PD was revised in the LC model which caused RWA increase of SEK 1.0 bn.

Amounts below the thresholds for deduction (subject to 250% risk weight) increased by SEK 4.1bn due to change in consolidation of insurance holdings.

Operational Risk was recalculated for Q4 2020 which increased RWA by SEK 2.1bn due to increased income.

Table 2.1: Overview of RWAs (EU OV1), 31 December 2020

SEKm	RWA		Minimum capital requirements
	31.12.2020	30.09.2020	31.12.2020
Credit risk (excluding Counterparty credit risk (CCR))	309 401	312 213	24 752
- of which the standardised approach (SA)	23 354	26 453	1 868
- of which the foundation IRB (FIRB) approach	73 764	73 122	5 901
- of which the advanced IRB (AIRB) approach	212 283	212 638	16 983
- of which equity IRB under the simple risk-weighted approach or the IMA			
Counterparty credit risk	21 788	25 338	1 743
- of which mark to market	15 093	16 325	1 207
- of which original exposure			
- of which the standardised approach			
- of which internal model method (IMM)			
- of which financial collateral comprehensive method (for SFTs)	1 742	2 852	139
- of which risk exposure amount for contributions to the default fund of a CCP	556	681	44
- of which CVA	4 397	5 480	352
Settlement risk		1	
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	17 314	20 322	1 385
- of which the standardised approach	3 326	5 941	266
- of which IMA	13 988	14 381	1 119
Large exposures			
Operational risk	73 521	71 454	5 882
- of which basic indicator approach			
- of which standardised approach	73 521	71 454	5 882
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	21 726	17 630	1 738
Floor adjustment			
Other risk exposure amount	245 844	244 577	19 668
Total	689 594	691 535	55 168

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 2020 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	31.12.2020
Total risk exposure amount	689 594
Institution-specific countercyclical buffer rate	0.04%
Institution-specific countercyclical buffer requirement	265

Table 2.3b: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, 31 December 2020

SEKm	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements				Counterccyclical capital buffer rate	
	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	of which	of which	Total		Own funds requirement weights
							General credit exposures	Trading book exposures	Securitisation exposures			
Sweden	39 502	1 492 704	18 289				33 826	151		33 977	75.81%	1.00%
Estonia	6 069	83 636	14				2 638	1		2 638	5.89%	
Latvia	1 001	38 787					1 655			1 655	3.69%	
Lithuania	3 557	62 517	57				1 892	1		1 893	4.22%	
Norway	9 644	39 217	3 297				1 632	30		1 663	3.71%	
Finland	300	23 446	1 541				761	7		769	1.72%	
Denmark	5 469	6 277	371				376	3		379	0.85%	
USA	604	5 259	1				280			280	0.62%	
Great Britain	108	997	1				77			77	0.17%	
Other countries	2 574	31 623	135				1 486	3		1 488	3.32%	
Total	68 828	1 784 463	23 706				44 623	196		44 819	100.00%	0.04%

Table 2.4: Capital requirements, 31 December 2020¹

	SEKm	% of RWA
Capital requirement Pillar 1	99 991	14.5
-of which Buffer requirements ²	44 824	6.5
Total capital requirement Pillar 2 ³	13 712	2.0
Total capital requirement Pillar 1 and 2	113 703	16.5
Own funds	144 737	

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

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

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

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 2020, Swedbank's leverage ratio was 5.1% (31 December 2019: 5.4%). The Tier

1 capital increased by SEK 2.8bn. The change was mainly attributable to earnings, net of proposed dividend, and the decrease in Additional Tier 1 capital. The exposures included in the calculation of the leverage ratio increased by SEK 173.1bn. Values as of Q4 2020 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 2020

Summary reconciliation of accounting assets and leverage ratio exposures, SEKm	Applicable Amounts
Total assets as per published financial statements	2 594 642
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")	-250 547
Adjustments for derivative financial instruments	-2 552
Adjustments for securities financing transactions "SFTs"	47 131
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	157 305
(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	-19 258
Total leverage ratio exposure	2 526 721

Table 2.6: Leverage ratio common disclosure (LRCom), 31 December 2020

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2 249 438
(Asset amounts deducted in determining Tier 1 capital)	-19 258
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	2 230 180
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	13 868
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	72 885

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)	-26 024
(Exempted CCP leg of client-cleared trade exposures)	-10 153
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)	50 576
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	84 795
(Netted amounts of cash payables and cash receivables of gross SFT assets)	
Counterparty credit risk exposure for SFT assets	3 865
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)	88 660
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	387 864
(Adjustments for conversion to credit equivalent amounts)	-230 559
Other off-balance sheet exposures (sum of lines 17 to 18)	157 305
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	128 848
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	2 526 721
Leverage ratio	
Leverage ratio	5.1%
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 2020

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	2 249 438
Trading book exposures	15 754
Banking book exposures	2 233 684
of which covered bonds	20 651
of which exposures treated as sovereigns	447 206
of which exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2 643
of which institutions	19 089
of which secured by mortgages of immovable properties	1 097 763
of which retail exposures	93 998
of which corporate	423 804
of which exposures in default	5 952
of which other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	122 578

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 2020

Assets, SEKm	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
Cash and balances with central banks	293 811	293 811	293 811				
Treasury bills and other bills eligible for refinancing with central banks, etc.	137 191	136 681	136 681				
Loans to public and credit institutions	47 954	32 435	15 940	16 375			120
Loans to the public	1 680 987	1 696 577	1 647 363	49 214			
Value change of interest hedged item in portfolio hedge	1 774	1 774	1 774				
Bonds and other interest-bearing securities	59 975	59 631	9 292			50 339	
Financial assets for which the customers bear the investment risk	252 411						
Shares and participating interests	17 215	16 829	1 273			15 555	
Investments in associates	7 287	4 069	4 044				25
Investments subsidiaries		5 292	4 607				685
Derivatives	52 177	52 177		52 177		26 168	
Intangible fixed assets	18 361	17 755					17 755
Tangible assets	5 421	5 486	5 486				
Current tax assets	1 554	1 554	1 554				
Deferred tax assets	124	108	30				78
Other assets	16 483	16 701	7 944				8 757
Prepaid expenses and accrued income	1 917	2 035	2 035				
Total assets	2 594 642	2 342 915	2 131 834	117 766		92 062	27 420

Liabilities			
Amounts owed to credit institutions	150 313	150 565	
Deposits and borrowings from the public	1 148 240	1 151 604	63 383
Financial liabilities for which the customers bear the investment risk	253 229		
Debt securities in issue	732 814	732 814	
Short positions securities	23 300	23 136	
Derivatives	54 380	54 380	
Current tax liabilities	424	463	
Deferred tax liabilities	2 784	2 677	
Pension provisions	3 665	3 753	
Insurance provisions	1 859		
Other liabilities and provisions	30 610	30 400	
Accrued expenses and prepaid income	4 038	4 141	
Senior non - preferred liabilities	10 359	10 359	
Subordinated liabilities	23 434	23 434	
Total liabilities	2 439 449	2 187 726	63 383

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 2020 comprised the Swedbank Group except for a different consolidation method for EnterCard Group and Insurance undertakings that are consolidated according to the equity method. 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 251.7bn. 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 2020

SEKm	Total	Items subject to			
		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)	2 341 662	2 131 834	117 766		92 062
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	63 383		63 383		
Total net amount under regulatory scope of consolidation	2 278 279	2 131 834	181 149		92 062
Differences due to consideration of provisions	8 101	8 101			
Off-balance sheet amounts	387 864	387 864	0		
Differences due to reversal of IFRS netting	128 850		128 850		
Differences due to potential future exposure	71 071		71 071		
Differences due to different netting rules, other than those already included	-114 221		-114 221		
Exempted CCP exposures from client trades (Derivatives)	-1 914		-1 914		
Difference due to sundry balances and other differences	-1 399	-998	-401		
Difference due to impact of collaterals	-167 858		-167 858		
Difference between accounting and regulatory treatment of positions subject to market risk	-36 526				-36 526
Exposure amounts considered for regulatory purposes	2 685 842	2 526 801	96 676		62 365

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 2020

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Consolidation according to the equity method	Proportional consolidation	Neither consolidated nor deducted	
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 Ieguldījumu Parvaldes Sabiedrība AS	Full consolidation	X				Investment firm
Swedbank investiciju valdymas UAB	Full consolidation	X				Investment firm
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				Ancillary company - Real estate
Fastighetsbyran The Real Estate Agency S L	Full consolidation	X				Ancillary company - Real estate
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
Autoplan AB	Full consolidation	X				Ancillary company - Other
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
Ektornet Project Estonia 1 OU	Full consolidation	X				
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 Sjuhärads 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
Invidem AB	Equity method		X			Ancillary company - Other

Table 2.11: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2), 31 December 2020

SEKm	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to row in Own Funds Disclosure table found on page 97 in this report
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
Cash and balances with central banks	293 811	293 811	
Treasury bills and other bills eligible for refinancing with central banks, etc.	137 191	136 681	
Loans to credit institutions	47 954	32 435	
Loans to the public	1 680 987	1 696 577	
Value change of interest hedged item in portfolio hedge	1 774	1 774	
Bonds and other interest-bearing securities	59 975	59 631	
Financial assets for which the customers bear the investment risk	252 411		
Shares and participating interests	17 215	16 829	
Investments in associates and joint ventures	7 287	4 068	
of which: goodwill included in the valuation of significant investments	59	59	8
Investments subsidiaries		5 292	
of which: goodwill included in the valuation of significant investment		650	8
Derivatives	52 177	52 177	
Intangible assets	18 361	17 755	
of which: goodwill	13,327	12,705	8
of which: other intangible assets	5 034	5 050	8
Tangible assets	5 421	5 486	

Current tax assets	1 554	1 554	
Deferred tax assets	124	108	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences	78	78	10
Other assets	16 483	16 701	
Prepaid expenses and accrued income	1 917	2 036	
Total assets	2 594 642	2 342 915	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
Amounts owed to credit institutions	150 313	150 565	
Deposits and borrowings from the public	1 148 240	1 151 604	
Financial liabilities for which the customers bear the investment risk	253 229	0	
Debt securities in issue	732 814	732 814	
Short positions, securities	23 300	23 300	
Derivatives	54 380	54 380	
Current tax liabilities	424	463	
Deferred tax liabilities	2 784	2 677	
Deferred tax liabilities associated to other intangible assets	934	934	8
Pension provisions	3 665	3 753	
Insurance provisions	1 859	0	
Other liabilities and provisions	30 610	30 235	
Accrued expenses and prepaid income	4 038	4 141	
Senior non-preferred liabilities	10 359	10 359	
Subordinated liabilities	23 434	23 434	
of which: capital instruments and the related share premium accounts AT1	8 402	8 402	30
of which: capital instruments and the related share premium accounts AT2	14 858	14 858	46
Total liabilities	2 439 449	2 187 725	
Shareholders' Equity			
Equity attributable to shareholders of the parent company	155 168	155 165	
of which: capital instruments and the related share premium accounts	38 110	38 110	1
of which: retained earnings	73 725	76 147	2
of which: less dividends, decided but not paid for prior year	-9 856	-9 856	2
of which: accumulated other comprehensive income (and other reserves)	31 792	29 428	3
of which: profit or loss	12 929	12 870	5a
of which: less anticipated dividends for the year	-6 464	-6 464	5a
of which: fair value reserves related to gains or losses on cash flow hedges	2	2	11
of which: direct holdings by an institution of own CET1 instruments	-1 390	-1 390	16
Non-controlling interests	25	25	
Total shareholders' equity	155 193	155 190	

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 fair value 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 derivative 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

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 from a fair value perspective, Fair value adjustments and Prudent valuation adjustment methodologies. The Prudent valuation and Fair value adjustments are calculated by Group Finance. For fair value positions, quality control of prices and inputs into the valuations are conducted regularly. In general, market quotes are performed on a daily basis. 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 2020. Swedbank uses standard methods and models for valuation of financial instruments, see G46 of the Annual Report 2020 for details.

3. Credit risk

Swedbank's credit portfolio is concentrated to low-risk segments such as private mortgage, tenant-owner associations, and residential property management in the four home markets. Credit quality remained high thanks to a low risk appetite and prudent lending standards. The negative impact from Covid-19 is related to a few segments to which Swedbank's lending volumes are low.

Credit risk

The risk that a counterparty fails to meet its contractual obligations towards Swedbank and the risk that the pledged collateral does not cover the claims.

Credit risk also includes concentration risk, country risk, and counterparty credit risk in trading transactions, including settlement risk.

Developments in credit risk in 2020

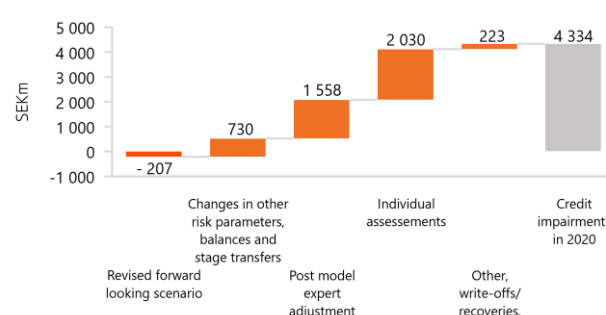
The management of credit risks that developed due to the Covid-19 pandemic and the subsequent economic downturn was in focus in 2020. Swedbank's exposure to sectors materially affected by Covid-19 is low and the major part of Swedbank's loan portfolio showed resilience in 2020.

Credit risk in Swedbank's large private mortgage portfolio remained low. Risk indicators such as past due loans and rating migrations were low and stable throughout the year. The property management portfolio, Swedbank's second largest loan segment, also showed resilience in 2020.

For most companies and segments the negative impact from Covid-19 was limited, and only a few segments were materially affected, including hotels, restaurants, passenger transportation, and retail excluding groceries. The oil and offshore industries were also materially impacted due to a weaker demand, and the low oil-price. Swedbank's lending to these few negatively affected segments is small.

Credit impairments increased in 2020, driven to the largest extent by increased estimated credit losses such as rating and stage migrations mainly in sectors materially affected by the pandemic, and post model expert adjustments due to the high uncertainty caused by the pandemic, thus not actual losses. In addition, individual provisions of some large customers within the oil and offshore industries have been reassessed. Credit impairments in the rest of the credit portfolio remained on low levels. Credit impairments amounted to SEK 4 334m and the credit impairment ratio to 0.26% (0.09%).

Figure 3.1: Credit impairments in 2020



Swedbank's credit risk exposure (EAD) increased to SEK 2 518bn (SEK 2 353bn), of which increased placements in central banks explained SEK 112bn. The increase in corporate exposures (SEK 11bn) was mainly explained by growth in off-balance exposures in several industry sectors in Sweden. The increase in the retail exposure class, SEK 35bn, was mainly driven by increased mortgage lending in Sweden. The Baltic exposures grew by SEK 35bn in 2020, driven by increased placements in central banks by SEK 42bn.

Swedbank continuously analyses the potential consequences for various sectors and took several measures to assist its customers. For example, around 10 000 small and medium-sized companies were granted temporary loan amortisation deferrals. Sound companies were offered and utilised credit facilities, mainly during H1 2020. Many of these credit facilities were soon repaid when the capital markets recovered.

The focus on climate related credit risks continued in 2020 and Swedbank further developed its credit risk management in line with the recommendations of the Task force for Climate related Financial Disclosures (TCFD). Scenario analyses were performed for several materially climate exposed sectors. This work is further described in Swedbank's Annual and Sustainability Report for 2020. Identified credit risks are incorporated into the regular credit risk management processes. In December 2020, Swedbank's Board of Directors

decided on an updated risk appetite in the ERM policy, where the climate aspect is clearly integrated into credit risk as an important risk driver and business enabler. Furthermore, the ERM policy states that Swedbank shall take an active role in mitigating actions against climate change and support customers in the transition to a sustainable society. Climate change is increasingly incorporated in Swedbank's business strategy and consequently of its lending activities. Climate scenario analysis is instrumental in developing strategy and risk management processes.

When presenting the Q4 2020 result, Swedbank introduced its revised Strategic Direction and placed sustainability at the core of its business strategy. Consequently, the bank has decided to prohibit all new financing for unconventional fossil fuels: shale oil and gas, Arctic oil and gas, and oil sands. Nor will we grant new financing for the prospecting of new oil and gas fields, unless the company can supply and demonstrate a transition plan for its entire value chain that aligns with the Paris Agreement.

Therefore, the adequate outcome of the regular scenario analyses feeds into the strategic and business planning processes. During the year EBA published a discussion paper related to upcoming supervision and reporting requirements of climate related risk and the Swedish FSA started discussions with stakeholders in Sweden. Swedbank welcomes these initiatives since it facilitates transparency and comparability which will be beneficial both for the financial industry and for the society.

Private mortgages

Private mortgage loans constitute Swedbank's largest loan segment. Exposures (EAD) amounted to SEK 940bn at the end of the year, 37% of Swedbank's total credit exposures. However, from a balance sheet perspective the Private mortgage loans constituted 58% 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 23% in Sweden, and around 45% to 50% in the three Baltic countries.

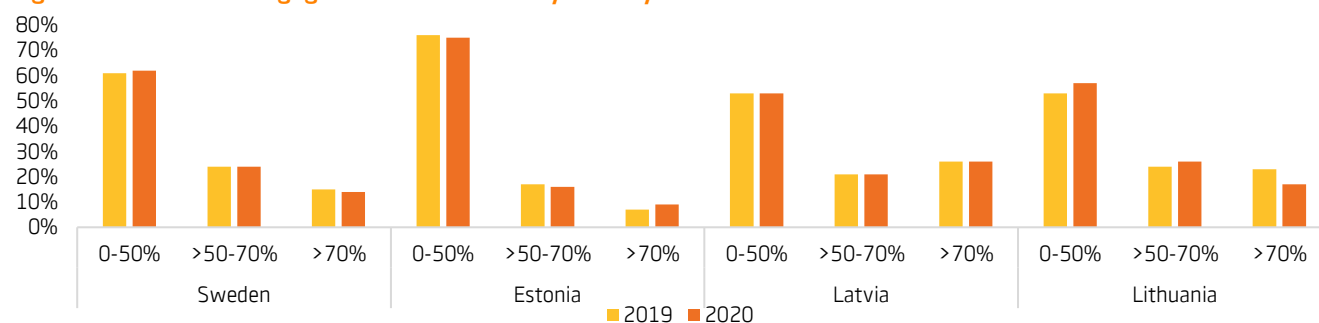
The portfolio is of high quality with low historical losses and sound loan-to-value (LTV) ratios; volume weighted average 53% in Sweden, 48% in Estonia, 76% in Latvia and 57% in Lithuania. Lending is based on the borrower's repayment capacity, including the ability to manage a significantly increased 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.

The 2020 portfolio growth in Sweden was 4%, which was lower than the market growth (6%), explained by increased competition and Swedbank's strict lending criteria and low-risk focus. The annual growth in the Baltic countries was 7% (in local currencies), driven by rising wages, low interest rates and increased housing prices.

The Swedish FSA introduced in April a possibility for Swedish banks to approve a temporary private mortgage amortisation deferral on mortgage loans. These mortgage amortisation deferrals are scheduled to last no longer than 31 August 2021. Similar actions on temporary private mortgage amortisation deferrals were taken in the Baltic countries. Around 10% of Swedbank's private borrowers applied, and was granted temporary amortisation deferrals, mainly in H1 2020.

The Swedish housing market showed resilience in 2020. Housing prices decreased slightly in the beginning of the pandemic in April but quickly recovered. Prices increased by 12% in 2020, supported by high demand, low inflow of new supply, and low interest rates. The total number of transactions was record-high. The underlying deficit of housing in Sweden and the reduction in new housing production in recent years has contributed to higher demand in the existing stock. It is also probable that the new work-from-home trend resulted in a higher demand for larger housing. Housing prices in the Baltic countries increased in 2020; in Tallinn (8%), in Riga (5%), and in Vilnius (14%, Nov). Transaction volumes were relatively high in all the three Baltic capitals. In the Baltic housing markets, supply and demand are deemed in balance.

Figure 3.2: Private mortgages LTV distribution by country



Property management

The Property management portfolio constitutes the second largest risk concentration in Swedbank and amounted to SEK 303bn (EAD) and 12% of the total exposures at the end of the year. The major part of the lending portfolio, 83%, is in Sweden, whereas 9% in the Baltic countries. The remaining 8% is mainly in Norway and Finland. The geographic distribution within Sweden is good, whereas the Baltic portfolio is concentrated to the capital regions.

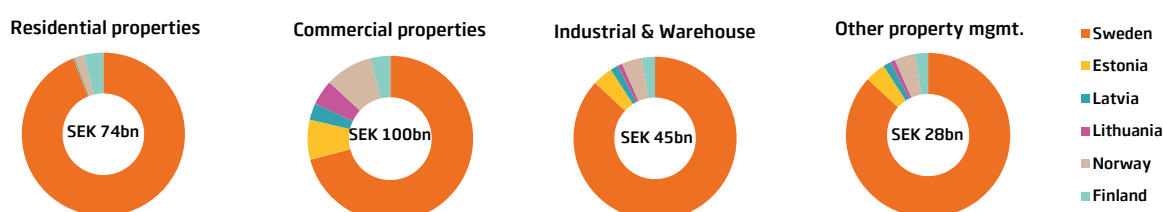
A large part of the portfolio consists of low-cyclical segments with low risk, such as residential and community-service properties, and office properties in prime locations in growing regions. The lending to hotels and retail properties is limited and represents a small part of the Property management 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; volume weighted 57% for the portfolio in Sweden, 53% in Estonia, 52% in Latvia, and 44% in Lithuania. The low risk is confirmed in internal and external stress tests.

The portfolio decreased by 2% in Sweden, and by 1% in the Baltic portfolio in 2020 in local currencies.

The usually strong Swedish transaction market for commercial real estate almost froze when the Covid-19 pandemic evolved in the spring. Before the outbreak of the pandemic, it performed well with high demand. In H2 2020, the transaction market recovered, and the total transaction volume was high in 2020. Office, residential and logistic properties attracted the largest interest and share of transactions, whereas the interest in retail properties was lower. The long trend with increasing office market rents in the large city areas was broken, on the back of the economic downturn and possibly the strong work-from-home trend. However, there is still potential for rent increases when old rental contracts are renegotiated. The activity in the Baltic commercial real estate transaction market was lower in 2020 compared to before the pandemic. Market rents were unchanged or slightly lower. Supported by continuously low interest rates, property prices were at large unchanged in both Sweden and the Baltic countries.

Figure 3.3: Property management by subsegment and country



Sectors with material impact from Covid-19

Shipping, offshore and oil: These sectors are sensitive to the global demand of oil and gas which was put under renewed pressure when the pandemic unfolded. Investments in the offshore sector were subdued and most corporates are still over-leveraged despite previous reconstructions, which led to additional provisions in 2020. The Shipping segment was more fragmented, where for example crude and product tankers saw increased demand when oil stocks piled up, whereas cruise-ships and ferries struggled with low demand. Swedbank's exposures to Shipping, offshore and oil amounted to SEK 9bn, SEK 10bn respectively SEK 7bn, which was equal to 1.3% of the total exposures at the end of the year. The exposures decreased by SEK 6bn in 2020, mainly in the Offshore and oil industries.

Retail: The ongoing structural change with increasing e-commerce was accelerated by the Covid-19 pandemic, which constitutes an increased risk to physical stores. The development in 2020 was split between segments, where groceries and products used at home benefitted from the work-from-home trend, whereas for example clothing and shoes struggled with fierce competition, low demand, and low margins. Swedbank's exposures to the Retail sector amounted

to SEK 59bn, 2.3% of the total exposures at the end of the year.

Hotels and restaurants: Business travels and international tourism plummeted in 2020 which hit Hotels and restaurants especially in the larger cities. Rules about social distancing and the work-from-home trend added to the burden for restaurants. Bans on international travel also resulted in many households spending the summer vacation in their own country which benefitted hotels and restaurants located on the countryside. However, this positive effect diminished in the autumn and winter when new restrictions were introduced in response to the second wave of Covid-19. Swedbank's exposures to the Hotels and restaurants sector amounted to SEK 9bn, representing 0.4% of the total exposures at the end of the year.

Transportation: Passenger transportations dropped in 2020 due to lower business- and tourism travel, as well as lower commuting by buses and trains. However, booming e-commerce supported logistics and freight transport, especially last-mile deliveries. Swedbank's exposures to the Transportation sector amounted to SEK 18bn, representing 0.7% of the total exposures at the end of the year.

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 many different sectors. The

focus is on customers in the four home markets and 92% of the exposures are towards customers in Sweden, Estonia, Latvia and Lithuania.

Table 3.1: Key parameters by business area, 31 December 2020

	Swedish Banking	Baltic Banking	- of which Estonia	- of which Latvia	- of which Lithuania	- of which Investment and Other	LC&I	Group Functions	Total 2020	Total 2019
Retail - mortgages										
Exposure, in SEKm	1 028 477	89 256	38 223	15 987	35 046		5	1 681	1 119 419	1 070 279
Exposure weighted avg. PD (excl. def.), %	0.19	1.65	1.46	2.57	1.44		0.07	0.20	0.30	0.34
Exposure weighted avg. LGD, %	10.2	14.9	12.9	21.1	14.3		31.5	6.6	10.6	10.7
Average risk weight, %	3.0	20.0	15.5	35.8	17.8		4.0	2.6	4.4	4.6
Retail - other										
Exposure, in SEKm	63 285	28 046	12 364	7 349	8 333		1 167	10	92 508	114 160
Exposure weighted avg. PD (excl. def.), %	1.16	3.09	2.67	4.31	2.64		1.40	1.76	1.75	1.54
Exposure weighted avg. LGD, %	38.3	34.6	28.8	42.3	36.2		46.0	29.0	37.2	32.4
Average risk weight, %	25.1	37.0	27.9	52.0	37.3		21.5	31.7	28.7	24.6
Corporate - Advanced IRB										
Exposure, in SEKm	159 782						296 996	550	457 328	457 383
Exposure weighted avg. PD (excl. def.), %	1.21						0.56	0.06	0.79	0.69
Exposure weighted avg. LGD, %	16.9						25.5	37.3	22.5	19.0
Average risk weight, %	29.1						32.6	18.9	31.4	25.6
Corporate - Foundation IRB										
Exposure, in SEKm	3 248	62 991	31 048	14 087	17 856		11 724	363	78 326	86 088
Exposure weighted avg. PD (excl. def.), %	1.02	1.57	1.55	1.52	1.62		0.42	0.19	1.37	1.13
Exposure weighted avg. LGD, %	40.2	44.5	44.6	44.6	44.2		44.1	44.7	44.3	44.4
Average risk weight, %	58.7	64.1	57.9	72.0	68.8		58.0	27.6	62.8	59.6
Corporate - specialised lending										
Exposure, in SEKm		336	238	96	2				336	609
Average risk weight, %		121.7	124.3	116.4	60.3				121.7	118.3
Sovereigns										
Exposure, in SEKm	18 830	4 361	1 398	1 221	1 742		11 559	440 546	475 296	362 380
Exposure weighted avg. PD (excl. def.), %	0.01	0.04	0.10	0.03	0.01		0.02	0.00	0.00	0.00
Exposure weighted avg. LGD, %	45.0	45.0	45.0	44.9	45.0		44.6	45.0	45	45
Average risk weight, %	3.9	8.1	7.8	13.9	4.4		3.7	1.2	1.4	1.4
Institutions										
Exposure, in SEKm	7 099	581	279	155	147		26 974	23 246	57 900	53 466
Exposure weighted avg. PD (excl. def.), %	0.07	0.09	0.08	0.07	0.12		0.09	0.03	0.06	0.05
Exposure weighted avg. LGD, %	45.0	44.8	44.7	45.0	45.0		45.0	13.3	32.3	31.3
Average risk weight, %	23.9	32.9	30.0	32.3	39.2		30.0	6.4	19.8	18.4
Other IRB exposure classes										
Exposure, in SEKm	1 090	5 621	2 287	1 352	1 982		515	8 991	16 217	12 581
Average risk weight, %	90.3	36.2	32.7	41.4	36.8		100.0	99.6	77.0	64.6
Total IRB approach										
Exposure, in SEKm	1 281 811	191 192	85 837	40 247	65 108		348 940	475 387	2 297 330	2 156 946
Exposure weighted avg. PD (excl. def.), %	0.36	1.80	1.64	2.43	1.61		0.50	0.00	0.43	0.44
Exposure weighted avg. LGD, %	13.2	28.8	27.7	34.5	26.7		28.3	43.3	22.9	21.3
Average risk weight, %	7.7	37.5	33.3	51.1	34.5		32.4	3.4	13.0	12.5
Standardised approach										
Exposure, in SEKm	26 093	10 693	6 358	1 010	3 311	14	56 684	13 762	107 232	79 511
Average risk weight, %	94.8	41.0	34.0	35.4	55.5	250.0	9.8	99.1	45.1	56.8
Total exposures										
Exposure, in SEKm	1 307 904	201 885	92 195	41 257	68 419	14	405 624	489 149	2 404 562	2 236 457
Average risk weight, %	9.5	37.7	33.4	50.7	35.5	250.0	29.2	6.0	14.5	14.1

Note: Average risk weights and capital requirements is presented for Pillar 1. The risk weight floor of 25 per cent 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

Swedbank's structure for risk management and control is described in Chapter 1. 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 the unit 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 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 throughout the credit process by guidance and support. Representatives from 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.

To safeguard that business operations conform to the risk appetite, as decided by the Board of Directors, and that Swedbank maintains a well-diversified credit portfolio with a

low risk, the CEO 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 individual borrowers and groups of connected borrowers.

The Group Risk organisation, the second line of defence, is responsible for independent monitoring and control of the credit risk management carried out by the business operations (first line of defence). This includes verification that internal rules and processes defined in the credit risk framework are complied with, and that the first line of defence has adequate controls and risk limits in place. Group Risk also has the responsibility to maintain, develop and monitor the risk classification system. Group Risk shall independently report relevant risk information to the CEO and the Board.

The Group Internal Audit organisation, the third line of defence, is governed by and reports to the Board. It performs independent periodic reviews of the credit management and the credit control processes within the first and second line of defence.

Credit risk assessment

When Swedbank assesses 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 key variables when lending and Swedbank 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 (comprising the 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 a second opinion is required by Group Credit before

a decision is made. Risk classification concerning credits to the retail segment is performed in automated sub-systems.

Analysis of sustainability risks is carried out in all lending to large and medium-sized corporates and covers environmental considerations, social responsibility, and business ethics. The sustainability analysis is an integrated part of the credit risk assessment. The aim is to assess whether the customers' sustainability profiles are in line with Swedbank's values and how risks related to these areas could affect the customers' profitability, repayment ability, collateral value, and reputation.

Credit risk monitoring

The credit risk 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 has deteriorated, several corrective measures are considered and implemented. A key component of management of borrowers with material increased risk is 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.

Group Risk annually performs a thorough and comprehensive stress test of the entire Group, the ICAAP (see Chapter 7 of this report for further information), which includes the total credit portfolio. Specific stress tests, portfolio analyses and ad-hoc reviews are also conducted to further evaluate the current risk and the risk development of Swedbank's credit exposures. These tests provide additional understanding and information on specific segments or exposure types that may have 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 in relation to both individual exposures and 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 2020

SEKm	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	470 905	487 541
Institutions	40 767	41 758
Corporates	654 020	653 627
- of which Specialised Lending	357	621
- of which SME	175 303	178 088
Retail	1 260 715	1 254 928
- Secured by real estate property	1 164 083	1 155 882
---SME	97 042	99 540
---Non-SME	1 067 041	1 056 342
- Qualifying Revolving		
- Other Retail	96 632	99 046
--- SME	40 481	41 576
--- Non-SME	56 151	57 470
Equity		
Other exposures	16 217	14 908
Total IRB approach	2 442 624	2 452 762
Central governments or central banks	59	81
Regional governments or local authorities	2 748	2 701
Public sector entities	1 809	2 186
Multilateral Development Banks	3 116	3 287
International Organisations		
Institutions	888	603
Corporates	5 490	7 154
- of which SME	799	1 175
Retail	42 191	40 944
- of which SME	5 344	5 468
Secured by mortgages on immovable property	5 586	6 023
- of which SME	4	4
Exposures in default	791	724
Items associated with particularly high risk		
Covered bonds	322	443
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)	3	5
Equity exposures	9 954	9 514
Other exposures	2 312	2 810
Total SA approach	75 269	76 475
Total	2 517 893	2 529 237

In 2020, Swedbank's total exposure increased by SEK 165bn compared to 31 December 2019. The main driver of the change was increased placements in central banks by SEK 112bn. Retail exposures rose by SEK 36bn, driven by mortgage loans in Sweden and the Baltic countries. Corporate exposures increased by SEK 11bn, mainly driven by growth in several sectors in Sweden.

Net exposures as of 31 December 2020 were SEK 11bn 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 2020

SEKm	Net carrying values												Total
	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	
Central governments or central banks	319 725	300 550	82	68	19 025	130 522	32 424	31 087	67 011	20 658	20 530	128	470 905
Institutions	32 500	29 593	1 227	1 485	195	50	27	8	15	8 217	2 711	5 506	40 767
Corporates	539 763	453 963	47 864	4 540	33 396	70 576	35 197	15 980	19 399	43 681	7 250	36 431	654 020
Retail	1 138 421	1 137 460	476	314	171	121 441	52 427	24 145	44 869	853	45	808	1 260 715
Equity													
Other exposures	10 572	10 570	0		2	5 617	2 283	1 352	1 982	28	0	28	16 217
Total IRB approach	2 040 981	1 932 136	49 649	6 407	52 789	328 206	122 358	72 572	133 276	73 437	30 536	42 901	2 442 624
Central governments or central banks	59	6		53									59
Regional governments or local authorities	560	465	95			2 188	2 139	20	29				2 748
Public sector entities	1 529	31			1 498	280		221	59				1 809
Multilateral Development Banks										3 116		3 116	3 116
International Organisations													
Institutions	721	490	0	231	0	2	0	0	2	165		165	888
Corporates	3 604	2 781	410	204	209	1 753	690	185	878	133		133	5 490
Retail	38 447	26 695	8 511	3 192	49	3 597	2 994	327	276	147	0	147	42 191
Secured by mortgages on immovable property	1 738	3	5	1 730	0	2 559		454	2 105	1 289	2	1 287	5 586
Exposures in default	745	359	363	23	0	44	0	7	37	2		2	791
Items associated with particularly high risk													
Covered bonds	322	104	218										322
Claims on institutions and corporates with a short-term credit assessment													
Collective investments undertakings (CIU)										3		3	3
Equity exposures	7 883	7 801	82			1 153	1 146	3	4	918	602	316	9 954
Other exposures	828	736	44	6	42	1 484	1 225	7	252				2 312
Total SA approach	56 436	39 471	9 728	5 439	1 798	13 060	8 194	1 224	3 642	5 773	604	5 169	75 269
Total	2 097 417	1 971 607	59 377	11 846	54 587	341 266	130 552	73 796	136 918	79 210	31 140	48 070	2 517 893

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. Other geographical areas include 90 countries, most of the with small exposures, and all of them with exposures less than 0.5% of Swedbank's total exposure.

Total exposures increased by SEK 165bn as compared to 31 December 2019. The largest exposure changes in 2020 was in Sweden which increased by SEK 185bn, of which SEK 117bn was due to increased central bank placements. Exposures in Sweden under Retail increased by SEK 36bn, whereas exposures under Corporates in Sweden increased by SEK 26bn. The most significant decrease of exposures compared to 2019 was captured in Finland due to lower placements in central banks by SEK 47bn. The increased exposure in the Baltic countries by SEK 35bn in 2020 was explained by increased placements in central banks and in lending to private individuals which partly was counteracted by lower lending to corporates and the appreciation of the Swedish krona compared to the euro.

Table 3.4: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2020

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						34 906							1 276	422				422		0	434 210	91	470 905
Institutions													302							0	40 465		40 767
Corporates	820	6 873	680	14 317	91 451	39 956	26 128	48 719	14 048	18 950	7 079	24 316	37 993	280 478	75 270	126 212	49 450	29 546	23 296	13 382	2 604	2 930	654 020
Retail	933 525	87 564	121 328	54 296	5 672	2 136	9 349	9 130	3 389	42	1 911	1 235	1 257	18 780	9 372	3 443	1 505	4 460	6 899	4 202		0	1 260 715
Equity																							
Other exposures		7 352	994	40	111	60	171	201	80		10	40	10	40				40	181	3 230		3 697	16 217
Total IRB approach	934 345	101 789	123 002	68 653	97 234	77 058	35 648	58 050	17 517	18 992	9 000	25 591	40 838	299 720	84 642	129 655	50 955	34 468	30 376	20 814	477 279	6 718	2 442 624
Central governments or central banks																						59	59
Regional governments or local authorities						2 722			10													16	2 748
Public sector entities						286			10										0	1 498	15		1 809
Multilateral development banks																					3 116		3 116
International organisations																							
Institutions																					888		888
Corporates				36	456	2	104	496	10		3	105	2 019	609	116	241	203	49	119	198		1 333	5 490
Retail	86		38 622	16	130	42	21	63	3		0	9	0	3 080	121	11		2 948	98	21			42 191
Secured by mortgages on immovable property	5 585												1										5 586
Exposures in default	44		747																				791
Items associated with particularly high risk																							
Covered bonds																					322		322
Claims on institutions and corporates with a short-term credit assessment																							
Collective investments undertakings (CIU)																						3	3
Equity exposures						4						10	9 700							0	53	187	9 954
Other exposures						10							784						400			1 118	2 312
Total SA approach	5 715	39 369	52	586	3 066	125	559	33	3	124	12 504	3 689	237	252	203	2 997	217	2 117	4 394	2 716	4 394	9 434	75 269
Total	940 060	101 789	162 371	68 705	97 820	80 124	35 773	58 609	17 550	18 992	9 003	25 715	53 342	303 409	84 879	129 907	51 158	37 465	30 593	22 931	481 673	9 434	2 517 893

Net exposures increased by SEK 165bn in 2020 as compared to 31 December 2019, mainly driven by an increase of SEK 114bn in industry Credit institutions and central banks due to increased placements in central banks. Private mortgage lending continued to increase during 2020, rising by SEK 34bn of which SEK 31bn in Sweden. Lending to Private other increased by SEK 12bn compared to 2019. In the corporate portfolio the growth was distributed on several sectors, such as Information and communications, increasing by SEK 6bn, and Public sector and utilities, increasing by SEK 5bn. The largest decline in the corporate portfolio were in sectors Professional services, SEK 6bn, and Shipping and offshore, SEK 3bn, and Property management, SEK 3bn.

Table 3.5: Exposure, exposure-weighted average PD and average risk weight by industry and business area, IRB approach, 31 December 2020

	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	844 182	94 216	57 439	60 567	12 124	19 136	15 598	14 008	5 703	74	4 350	1 844	4 715	120 697	55 797	31 934	19 165	13 800	11 415	7 735	8 008	1 281 810
Baltic Banking	88 024		17 274	5 393	11 838	7 648	2 722	9 100	6 531	877	2 838	964	402	22 719	118	16 153	2 910	3 538	3 529	433	10 565	190 856
of which Estonia	37 383		7 134	2 763	4 989	3 798	1 661	3 139	3 430	877	767	352	370	12 694	42	7 938	1 797	2 917	2 196	84	3 964	85 599
of which Latvia	15 867		4 278	2 142	3 026	1 539	515	2 164	1 476	0	1 191	183	17	4 230	71	3 253	682	224	728	67	2 728	40 151
of which Lithuania	34 774		5 862	488	3 822	2 311	546	3 798	1 625	0	880	429	16	5 794	5	4 961	430	397	605	282	3 874	65 106
Large Corporates & Inst.	0	1 466	59	920	38 333	21 084	9 010	21 013	3 321	18 641	2 358	16 669	23 721	139 841	27 756	69 547	26 825	15 713	10 544	8 848	33 110	348 940
Group Functions	1 680	8 965	3	3	12	1 536	0	55	0	0	0	0	1 487	41	0	32	7	2	5		461 600	475 387
Total	933 886	104 647	74 775	66 883	62 307	49 404	27 331	44 176	15 555	19 591	9 546	19 478	30 326	283 297	83 671	117 666	48 906	33 054	25 493	147 015	383 285	2 296 994
Average PD (%)																						
Swedish Banking	0.14%	0.18%	0.31%	0.83%	1.53%	0.31%	1.71%	1.68%	1.70%	2.30%	3.54%	1.45%	0.77%	0.94%	0.79%	1.10%	1.03%	1.05%	1.66%	2.11%	0.14%	0.36%
Baltic Banking	1.60%		2.12%	3.26%	2.07%	0.51%	3.69%	2.91%	1.82%	1.70%	2.34%	1.35%	0.91%	1.15%	2.89%	0.74%	0.63%	3.43%	5.69%	4.12%	0.02%	1.73%
of which Estonia	1.38%		1.65%	2.18%	2.39%	0.41%	4.00%	1.40%	1.44%	1.70%	3.72%	1.39%	0.81%	1.28%	5.33%	0.67%	0.44%	3.38%	7.05%	4.21%	0.04%	1.59%
of which Latvia	2.52%		3.06%	4.32%	1.64%	0.74%	3.08%	4.10%	2.55%		1.73%	1.46%	2.14%	1.22%	1.59%	0.97%	0.48%	6.86%	3.08%	9.77%	0.02%	2.32%
of which Lithuania	1.43%		2.01%	4.70%	2.00%	0.51%	3.34%	3.47%	1.95%		1.94%	1.28%	1.97%	0.83%	0.89%	0.68%	1.64%	1.85%	3.92%	2.75%	0.01%	1.55%
Large Corporates & Inst.		0.38%	0.09%	0.30%	0.48%	0.21%	1.60%	0.49%	0.45%	2.29%	0.78%	0.56%	0.18%	0.35%	0.34%	0.32%	0.35%	0.53%	0.70%	0.39%	0.10%	0.49%
Group Functions	0.20%	0.00%	0.38%	0.20%	0.73%	0.00%		0.55%	0.37%			0.98%	0.01%	0.53%		0.60%	0.21%	0.45%	2.45%		0.00%	0.00%
Total	0.28%	0.17%	0.73%	1.02%	0.99%	0.29%	1.87%	1.36%	1.48%	2.26%	2.50%	0.68%	0.27%	0.67%	0.65%	0.59%	0.63%	1.06%	1.82%	0.15%	0.02%	0.42%
Average risk weight (%)																						
Swedish Banking	2.06%	7.44%	12.67%	13.65%	43.15%	13.05%	34.30%	44.49%	35.61%	40.39%	49.71%	40.72%	31.15%	20.05%	21.23%	20.79%	15.98%	19.20%	34.44%	42.15%	25.38%	7.73%
Baltic Banking	19.70%		39.95%	67.66%	65.08%	33.55%	63.07%	69.65%	52.26%	116.14%	71.07%	53.64%	59.16%	54.24%	76.20%	53.38%	47.69%	62.83%	74.44%	66.64%	24.44%	37.32%
of which Estonia	14.93%		28.78%	53.20%	57.70%	32.36%	65.09%	49.47%	38.89%	116.14%	80.24%	38.52%	58.28%	50.57%	33.48%	47.59%	41.96%	64.25%	79.28%	45.46%	23.72%	33.06%
of which Latvia	35.63%		61.55%	78.30%	65.97%	34.70%	49.20%	86.12%	67.99%		63.28%	37.18%	83.56%	64.02%	102.85%	64.84%	56.68%	62.05%	60.56%	118.29%	28.59%	50.95%
of which Lithuania	17.55%		37.76%	102.84%	74.00%	34.74%	70.02%	76.94%	66.18%		73.62%	73.07%	54.16%	55.14%	50.76%	55.13%	57.36%	52.89%	73.58%	60.69%	22.25%	34.52%
Large Corporates & Inst.		50.94%	29.59%	30.73%	44.67%	26.64%	52.76%	47.97%	41.57%	73.99%	66.50%	55.61%	30.35%	17.10%	21.45%	15.87%	15.64%	17.31%	51.32%	36.42%	26.04%	32.38%
Group Functions	2.60%	98.02%	8.76%	36.81%	40.12%	9.64%		51.98%	3.71%			37.16%	5.66%	53.20%		57.31%	37.84%	40.55%	101.95%		1.47%	3.35%
Total	3.72%	15.81%	18.98%	18.24%	48.25%	21.92%	43.25%	51.34%	43.87%	75.75%	60.21%	54.10%	29.65%	21.34%	21.38%	22.37%	17.68%	22.97%	46.97%	5.49%	4.89%	13.03%

Table 3.6: Maturity¹⁾ of exposures (EU CRB-E), 31 December 2020

SEKm	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
Central governments or central banks	73 248	137 430	6 725	684	225 684	443 771
Institutions	6 978	2 732	19 723	3	352	29 788
Corporates	13 900	163 472	86 090	68 557	93 697	425 716
Retail	3 889	42 657	29 480	1 092 129	163	1 168 318
Equity						
Other exposures	2 052	513	1 662		11 990	16 217
Total IRB approach	100 067	346 804	143 680	1 161 373	331 886	2 083 810
Central governments or central banks		6	53			59
Regional governments or local authorities		137	1 270	1 256		2 663
Public sector entities	1	19	238		0	258
Multilateral Development Banks		81	3 017			3 098
International Organisations						
Institutions	706	138	1		28	873
Corporates	485	578	260	301	12	1 636
Retail	220	8 279	8 545	2 894	0	19 938
Secured by mortgages on immovable property	0	43	169	4 906		5 118
Exposures in default		16	11	52	712	791
Items associated with particularly high risk						
Covered bonds			322			322
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)					3	3
Equity exposures				53	9 901	9 954
Other exposures	1 344	617	10		341	2 312
Total SA approach	2 756	9 914	13 896	9 462	10 997	47 025
Total	102 823	356 718	157 576	1 170 835	342 883	2 130 835

1) Maturity is the remaining contractual maturity as of 31 December 2020.

Net exposures increased by SEK 122bn as compared to 31 December 2019. Exposures with no stated maturity increased by SEK 224bn mainly driven by increasing exposures to Central governments and central banks due to increased placements in central banks in 2020. This increase was partly offset by exposures with maturity less than a year which decreased by SEK 101bn, with the most significant decrease in Central governments and central banks by SEK 92bn.

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

Credit-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 a credit-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.
- 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 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 for an impairment to be recognised. This is 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 standard 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. The methodology to estimate the expected credit losses is described in the Annual Report, note G2 and note G3.

Forborne loans

Forborne loans refer to loans where the contractual terms have been changed due to the customer's financial difficulties. The purpose of forbearance measures 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 taken and the severity of the financial difficulties of the borrower, the forborne loan could either be treated as a performing forborne loan or non-performing forborne.

Table 3.7: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2020

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		470 906	1			-1	470 905
Institutions		40 772	5			-11	40 767
Corporates	8 478	653 149	7 607		1 816	-734	654 020
- of which Specialised Lending	4	354	1		191	-20	357
- of which SME	725	175 225	647		523	4	175 303
Retail	2 238	1 259 771	1 294		2 085	-53	1 260 715
- Secured by real estate property	1 395	1 163 327	639		1 533	-39	1 164 083
--- SME	44	97 065	67		91	3	97 042
--- Non-SME	1 351	1 066 262	572		1 442	-42	1 067 041
- Qualifying revolving							
- Other Retail	843	96 444	655		552	-14	96 632
--- SME	379	40 391	289		111	9	40 481
--- Non-SME	464	56 053	366		441	-23	56 151
Equity							
Other exposures		16 217					16 217
Total IRB approach	10 716	2 440 815	8 907		3 901	-799	2 442 624
Central governments or central banks		59					59
Regional governments or local authorities		2 748					2 748
Public sector entities		1 819	10			-1	1 809
Multilateral development banks		3 116					3 116
International organisations							
Institutions		888					888
Corporates:		5 496	6		10	-1	5 490
- of which SME		799					799
Retail		42 789	598		4 407	210	42 191
- of which SME		5 352	8		42		5 344
Secured by mortgages on immovable		5 597	11			-2	5 586
- of which SME		4					4
Exposures in default	1 517		726		30		791
Items associated with particularly high risk							
Covered bonds		322					322
Claims on institutions and corporates with a short-term credit assessment							
Collective investments undertakings (CIU)		3					3
Equity exposures		9 954					9 954
Other exposures		2 312					2 312
Total SA approach	1 517	75 103	1 351		4 447	206	75 269
Total	12 233	2 515 918	10 258		8 348	-593	2 517 893
- of which Loans	11 703	1 634 589	9 437		8 348	-372	1 636 855
- of which Debt Securities		148 231					148 231
- of which Off-balance sheet exposures	530	387 349	821			-221	387 058

Total exposures decreased by SEK 70bn compared to 30 June 2020 due to decreased Group Treasury placements in central banks by SEK 79bn, which was partly counteracted by increased exposures to Retail secured by real estate, i.e. private mortgage loans. Total defaulted exposures decreased by SEK 3bn explained by a decrease in corporate exposure class, in which also specific credit risk adjustments decreased by SEK 2bn. Effects that both are result of write-offs of previously provisioned exposures.

Table 3.8: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2020

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	1 267	939 310	517		1 061	-12	940 060
Tenant owner associations	172	101 643	26			-17	101 789
Private other	1 903	162 108	1 640		5 489	212	162 371
Agriculture, forestry, fishing	158	68 653	106		78	-49	68 705
Manufacturing	341	97 965	486		244	-908	97 820
Public sector and utilities	59	80 121	56		13	-101	80 124
Construction	187	35 873	287		150	-183	35 773
Retail	583	58 664	638		312	-83	58 609
Transportation	30	17 571	51		183	-13	17 550
Shipping and offshore	6 550	17 145	4 703		124	922	18 992
Hotels and restaurants	332	9 084	413		145	304	9 003
Information and communication	17	25 757	59		5	-39	25 715
Finance and insurance	41	53 395	94		11	-115	53 342
Property management	292	303 859	742		365	-222	303 409
- Residential properties	42	85 028	191		169	-71	84 879
- Commercial	74	130 123	290		69	23	129 907
- Industrial and Warehouse	53	51 182	77		20	-32	51 158
- Other property management	123	37 526	184		107	-142	37 465
Professional services	148	30 619	174		82	-107	30 593
Other corporate lending	153	23 035	257		86	-167	22 931
Credit institutions		481 682	9		0	-15	481 673
Other exposures		9 434			0	0	9 434
Total	12 233	2 515 918	10 258		8 348	-593	2 517 893

The lending portfolio increased during the last six months 2020 mainly due to lending growth to private individuals, increasing exposures by SEK 15bn. The decrease in placements in central banks reduced the exposures to credit institutions. The exposures in corporate sectors decreased by SEK 3bn with no major change in any sector. The decrease in defaulted exposures, SEK 3.3bn, is mainly explained by decreased defaulted exposures in Manufacturing, Shipping and offshore and Property Management by SEK 1.0bn, SEK 1.4bn and SEK 0.5bn respectively.

Table 3.9: Credit quality of exposures by geography (EU CR1-C), 31 December 2020

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	7 406	2 096 129	6 118		6 099	-593	2 097 417
- Sweden	2 857	1 972 101	3 351		3 609	-362	1 971 607
- Norway	4 043	57 595	2 261		1 629	-143	59 377
- Denmark	219	11 867	240		859	-7	11 846
- Finland	287	54 566	266		2	-81	54 587
Significant area: Baltic	1 520	340 502	756		2 199	-17	341 266
- Estonia	441	130 404	293		152	-6	130 552
- Latvia	489	73 514	207		1 485	-13	73 796
- Lithuania	590	136 584	256		562	2	136 918
Rest of the world	3 307	79 287	3 384		50	17	79 210
- USA	92	31 081	33				31 140
- Other geographical areas	3 215	48 206	3 351		50	17	48 070
Total	12 233	2 515 918	10 258		8 348	-593	2 517 893

The placements in central banks have changed compared to 30 June 2020, decreasing in the US and Finland while increasing in Sweden and the Baltic countries. Growth in Sweden was also driven by increased private exposures. In the Baltic countries, exposures increased due to growth in private mortgage lending, which was partly offset by decreased corporate lending. Defaulted exposures and specific credit risk adjustments decreased in Other geographical areas and Norway, mainly driven by write-offs in the oil and offshore segments and decreased individual provisions used for the write-off.

Table 3.10: Performing and non-performing exposures and related provisions, 31 December 2020

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	1 692 895	1 583 512	109 281	12 346	344	11 995	3 731	1 180	2 551	5 707	7	5 701		1 509 175	5 624
Central banks	48	48													
General governments	29 530	29 529	1				0	0	0					979	
Credit institutions	27 392	27 369	23				18	17	0					12 343	
Other financial corporations	27 587	27 272	315	3	1	1	37	34	3	0		0		8 149	3
Non-financial corporations	528 920	470 513	58 311	8 494	152	8 338	2 593	670	1 924	4 471	2	4 470		455 956	3 983
Of which SMEs	295 948	263 263	32 685	1 564	121	1 439	683	142	541	313	1	312		281 539	1 237
Households	1 079 418	1 028 781	50 631	3 849	191	3 656	1 083	459	624	1 236	5	1 231		1 031 748	1 638
Debt securities	147 360	114 743													
Central banks	114 743	114 743													
General governments	7 067														
Credit institutions	4 622														
Other financial corporations	19 863														
Non-financial corporations	1 065														
Off-balance-sheet exposures	411 685	390 537	17 093	528	1	518	661	262	398	161		161		37 982	338
Central banks															
General governments	27 293	27 241	8				0	0	0					2	
Credit institutions	20 681	20 598	79				4	3	1					114	
Other financial corporations	14 148	13 494	624				8	8	1					110	
Non-financial corporations	243 738	224 299	15 465	524	1	514	623	232	389	160		160		31 919	336
Households	105 825	104 905	917	4	0	4	26	19	7	1		1		5 837	2
Total	2 251 940	2 088 792	126 374	12 874	345	12 513	4 392	1 442	2 949	5 868	7	5 862		1 547 157	5 962

The performance of Swedbank's portfolio remains on a high stable level with less than 1% of non-performing exposures. Non-performing exposures have decreased slightly both due to write-offs of oil and offshore exposures and recoveries in other sectors. Most of the defaults (stage 3) are within non-financial corporations in sectors Shipping and offshore. Stage 2 (significantly increased credit risk) exposures remain on a low level of 6%, where Property Management companies in non-financial corporations and Private Mortgages in households contribute the most due to their large portfolio size but remain on low levels.

Table 3.11: Credit quality of performing and non-performing exposures by past due days, 31 December 2020

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	1 692 895	1 691 696	1 198	12 346	9 247	615	553	833	826	150	123	11 859
Central banks	48	48										
General governments	29 530	29 530										
Credit institutions	27 392	27 392										
Other financial corporations	27 587	27 587	0	3	3							0
Non-financial corporations	528 920	528 726	194	8 494	7 675	111	178	223	179	102	27	8 333
Of which SMEs	295 948	295 754	194	1 564	877	102	112	223	121	101	27	1 435
Households	1 079 418	1 078 413	1 004	3 849	1 569	504	375	610	647	48	96	3 526
Debt securities	147 360	147 360										
Central banks	114 743	114 743										
General governments	7 067	7 067										
Credit institutions	4 622	4 622										
Other financial corporations	19 863	19 863										
Non-financial corporations	1 065	1 065										
Off-balance-sheet exposures	411 685			528								523
Central banks												
General governments	27 293											
Credit institutions	20 681											
Other financial corporations	14 148											
Non-financial corporations	243 738			524								522
Households	105 825			4								1
Total	2 251 940	1 839 056	1 198	12 874	9 247	615	553	833	826	150	123	12 382

Non-performing exposures have decreased by SEK 3.6bn compared to 30 June 2020, explained by a decrease in non-financial corporations mainly on on-balance sheet exposures, due to recoveries to performing and due to write-offs. The performing exposures with past due days more than 30 but less or equal to 90 have decreased by SEK 0.2bn compared to 30 June 2020, of which SEK 0.1bn in SME's in non-financial corporations and SEK 0.1bn in households. The total exposures that are past due remains on a low level with less than 1% of total exposures 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 2020

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		Of which impaired	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						
Loans and advances	6 710	8 174	7 370	7 406	617	4 258	8 060	3 755
Central banks								
General governments	0						0	
Credit institutions								
Other financial corporations	7						7	
Non-financial corporations	5 653	7 292	6 714	6 714	582	4 117	6 689	3 174
Households	1 050	882	656	692	35	141	1 364	581
Debt Securities								
Loan commitments given	441	13	10	9	49	3	43	6
Total	7 151	8 187	7 380	7 415	666	4 261	8 103	3 761

During the second half of 2020 there was an increase in performing forborne exposures by SEK 3.1bn, mainly explained by an increase in non-financial corporations. There was also a decrease in non-performing forborne exposures by SEK 1.4bn, mainly attributable to write-offs and a 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 2020

SEKm	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	11 504	
Increases due to amounts set aside for estimated loan losses during the period	2 673	
Decreases due to amounts reversed for estimated loan losses during the period	-1 027	
Decreases due to amounts taken against accumulated credit risk adjustments	-1 614	
Transfers between credit risk adjustments		
Impact of exchange rate differences	-602	
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-676	
Closing balance	10 258	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-91	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	423	

The total amount of specific credit risk adjustments decreased by SEK 1.2bn during the second half of the year and ended at SEK 10.3bn. The main increase came from negative PD migrations and stage transfers, and from increased provisions for individually assessed customers in stage 3 in the oil and offshore segments. This was counteracted by decreased provisions for a few customers in stage 3 and by utilisation of credit risk adjustments for write-offs.

Table 3.14: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2020

SEKm	Gross carrying value defaulted exposures
Opening balance	15 490
Loans and debt securities that have defaulted or impaired since the last reporting period	1 399
Returned to non-defaulted status	-1 049
Amounts written off	-1 992
Other changes	-1 615
Closing balance	12 233

The decrease in defaulted (stage 3) loans during the second half of 2020 was mainly due to write-off in Shipping and offshore. Other changes relate mainly to a decrease in existing exposures due to FX effect. Decreased stage 3 exposures were mainly explained by recoveries of some customers in the sectors Manufacturing, Construction and Property Management and was counteracted by new stage 3 exposures in Shipping and offshore.

Table 3.15: Collateral obtained by taking possession and execution processes, 31 December 2020

SEKm	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	121	25
Residential immovable property	24	0
Commercial Immovable property	55	25
Movable property (auto, shipping, etc.)	31	
Equity and debt instruments	10	
Other	1	
Total	121	25

The number of properties that are taken over is low and mostly concentrated to Latvia and Lithuania. The number of commercial properties and movable properties has decreased somewhat.

Table 3.16: Information on loans and advances subject to legislative and non-legislative moratoria, 31 December 2020

SEKm	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing				Non performing			Performing				Non performing			Inflows to non-performing exposures
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days	
Loans and advances subject to moratorium	73 225	3 173	81	4 034	52	2	35	28	26	7	24	2	0	1	50
of which: Households	73 100	73 048	58	4 005	52	2	33	21	18	0	16	2	0	1	30
of which: Collateralised by residential immovable property	73 057	73 005	58	3 989	52	2	33	20	18	0	16	2	0	1	30
of which: Non-financial corporations	125	125	23	29				8	8	7	8				
of which: Small and Medium-sized Enterprises	117	117	23	29				8	8	7	8				
of which: Collateralised by commercial immovable property	111	111	23	28				8	8	7	8				

As customers faced liquidity shortages and difficulties in timely payment of their financial commitments due to Covid-19, they applied for the grace period that meets countries' Moratorium criteria. Most of the obligors that applied were performing and did not experience any payment difficulties (more than 30 days past due) before the application. The Moratorium shall not be granted if it is not economically justified, i.e. if financial difficulties were present before the emergency (doubtful receivables).

Table 3.17: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, 31 December 2020

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
SEKm									
Loans and advances for which moratorium was offered	70 605	93 388							
Loans and advances subject to moratorium (granted)	69 105	91 220	71 912	17 994	15 166	18 528	39 526	6	
of which: Households		78 698	71 912	5 598	15 065	18 511	39 518	6	
of which: Collateralised by residential immovable property		76 184	71 907	3 126	15 033	18 500	39 518	6	
of which: Non-financial corporations		12 481		12 356	101	16	8		
of which: Small and Medium-sized Enterprises		11 615		11 497	101	8	8		
of which: Collateralised by commercial immovable property		6 722		6 611	89	14	8		

In Swedbank's all four home markets, special Covid-19 moratoria were in force until 30 September. During the end of March, April and May there was a major inflow of applications, which then decreased to be on low numbers for the rest of the period. These moratoria will end at the latest within one year from the end of the program. In Sweden, the S-FSA has announced that the temporary exemption from the Swedish private mortgage amortisation requirements will end as of 31 August 2021.

Table 3.18: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis, 31 December 2020

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
SEKm				
Newly originated loans and advances subject to public guarantee schemes	997	13	709	4
of which: Households	20			
of which: Collateralised by residential immovable property	1			
of which: Non-financial corporations	977	13	694	4
of which: Small and Medium-sized Enterprises	915			4
of which: Collateralised by commercial immovable property	133			

Loans granted with public guarantees are as of 31 December 2020 in total SEK 997m, of which SEK 401m during the second half of the year. It is to customers in the sectors most impacted by Covid-19, e.g. Hotels and restaurants, and Transportation. The average maturity is about three years. All agreements are considered as performing and are considered as non-forbearance loans.

Mitigation of credit risk

Swedbank strives to obtain adequate collateral. Collateral is valuable 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, tenant-owner rights, 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. Methods for mitigating counterparty credit risks 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 as part of 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 performed daily.

Concentrations within mitigation instruments

Approximately 62% 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 20% 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 3.19: Credit risk mitigation techniques – overview (EU CR3), 31 December 2020

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	202 502	202 502	1 369 903	64 450	
Total debt securities	148 231	148 231			
Other	345 747	345 747	2		
Total all exposures	696 480	696 480	1 369 905	64 450	
- of which defaulted	4 110	4 110	1 617	201	

The on-balance sheet net exposures decreased by SEK 90bn of which SEK 89.8bn is within exposures unsecured. Unsecured exposures decreased towards balances at central banks that are reported under other exposures, which in total decreased by SEK 59.6bn. Remaining decrease of SEK 13.7bn was in Debt securities and under Loans which decreased by SEK 16.5bn reported under exposures unsecured. Secured exposures reported under loans remained almost unchanged.

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 where an exception has been granted by the regulatory supervisory college, Swedbank uses the standardised approach to calculate capital requirements for credit risks.

Table 3.20: Exposure by capital adequacy approach, 31 December 2020

SEKm	Advanced IRB approach			Foundation IRB approach			Standardised approach		
	EAD	RWA	Portfolios	EAD	RWA	Portfolios	EAD	RWA	Portfolios
Swedish Banking	1 251 544	93 772	Retail and corporate exposures	30 267	5 314	Institutions and sovereign exposures	26 093	24 730	EnterCard and smaller portfolios
Baltic Banking	117 302	28 243	Retail exposures	73 890	43 399	Corp., Inst. and sovereign exposures	10 693	4 387	Smaller portfolios
Large Corporate & Institutions	298 168	97 154	Corporate exposures	50 772	15 842	Institutions and sovereign exposures	56 684	5 555	Smaller portfolios
Group Functions	2 241	151	Retail exposures	473 146	15 777	Institutions and sovereign exposures	13 762	13 637	Smaller portfolios
Swedbank CS	1 669 255	219 320		628 075	80 332		107 232	48 309	

Table 3.21: Share of exposure and RWA by exposure class and capital adequacy approach, 31 December 2020

%	Exposure			RWA		
	Standardised	Foundation IRB	Advanced IRB	Standardised	Foundation IRB	Advanced IRB
Central governments or central banks	0.0	19.8		0.0	1.9	
Regional governments or local authorities	0.1			0.1		
Public sector entities	0.0			0.1		
Multilateral development banks	0.2			0.0		
International organisations						
Institutions	2.3	2.4		0.3	3.3	
Corporates	0.2	3.3	19.0	1.4	14.3	41.3
of which Specialised lending		0.0		0.0	0.1	
of which SME	0.0	0.3	6.4	0.7	1.5	12.0
of which Non-SME	0.2	3.0	12.6	0.7	12.6	29.2
Retail	0.8		50.4	4.2		21.8
Secured by real estate property			46.6			14.2
SME			4.0			1.9
Non-SME			42.6			12.3
Qualifying revolving						
Other retail	0.8		3.8	4.2		7.6
SME	0.1		1.6	0.5		3.9
Non-SME	0.7		2.2	3.6		3.7
Secured by mortgages on immovable property	0.2			0.6		
of which SME	0.0			0.0		
Equity	0.4			6.6		
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	0.7		0.4	3.6	
Total	4.5	26.1	69.4	13.9	23.1	63.0

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 required to be used in the calculation of risk weights for central governments and central banks, regional governments and local authorities, institutions, and corporate

exposure classes. Swedbank uses this methodology for exposures in the Baltic countries for central governments and central banks, regional governments and local authorities.

Each exposure is assigned to a credit quality step, and dependent 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 3.22: Credit quality steps and external credit ratings

Credit quality step	S&P	External credit ratings	
		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 3.23: Credit quality steps and risk weights

Credit quality step	Exposure classes		
	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 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
- 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 3.4: 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

* Only Regional Governments and Local Authorities which, according to EBA, may be treated as exposures to Central Governments are in the scope of the model

Figure 3.5: 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 generates a risk rating for counterparty with the help of an expert-based system, through which each selected criterion is 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 conducts an extensive individual analysis before granting credits and updates 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

several parameters that reflect its development, stability, and financial strength. 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 assessment of the company's financial strength, and a qualitative component that assesses the position of the industry, as well as its market position and strategy.
- **Insurance companies:** Insurance companies are rated by 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** comprises a combination of different scoring models and an expert component. 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 considered through the 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 area. The risk assessment is based on information regarding the borrower's financial status and credit behaviour.

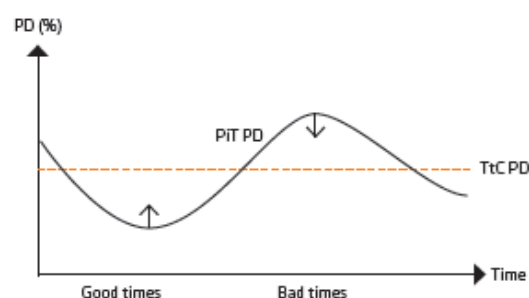
Credit risk estimation

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 the assessment, 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 credit risk of the portfolio and taking a conservative view in estimated level of defaults. If the cyclical aspect is ignored, the result is a point-in-time PD (PiT).

Figure 3.6: PD over economic cycles



Swedbank uses a scale of 22 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 3.24: Risk scale in IRB approach

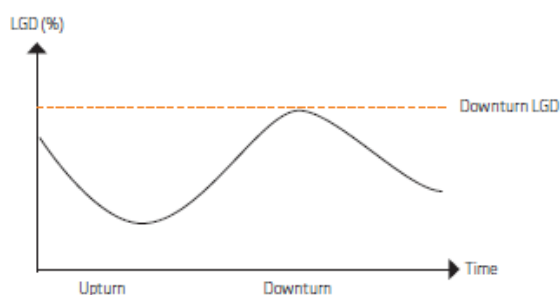
Internal risk grade	PD,%	Indicative rating Standard & Poor's
13 to 21	<0.5	BBB- to AAA
9 to 12	0.5-2.0	BB to BB+
6 to 8	2.0-5.7	B+ to BB-
0 to 5	>5.7	C to B
Default	100	D

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 historic loss data. The LGD estimate depends on factors such as the counterparty's financial status, the value of the collateral, and on assumptions of how much can be 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 current loss levels. The LGD values also include a safety margin that takes into account the statistical uncertainty in the estimates.

Figure 3.7: LGD over economic cycles



A **Credit conversion factor (CCF)** is used when calculating capital requirements for off-balance exposures and typically estimates the percentage of a 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 models. The validation is prepared by the unit Group Model Risk and Validation within Group Risk. All validation reports shall be approved by the CRO. The outcome of the annual validation is reported by the CRO to Swedbank's senior management and Board of Directors. The validation tests conducted to date have shown that some models carry certain deficiencies. Where shortcomings have been identified, the models are being updated to ensure full functionality and regulatory compliance. In case an imminent update is not possible, and the deficiency is deemed to cause bias to the risk estimates, mitigating measures such as additional capital is introduced in the meantime for the portfolio in question. When relevant, applications for model updates are submitted for supervisory approval.

All new risk models, and changes to existing risk models, are approved by the Board of Directors or the CRO, depending on the materiality of the change, with an independent review made by Model Risk and Validation prior approval.

Group Internal Audit performs independent audits on the risk classification system 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 are currently being 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 IRB approaches has been constrained. These revisions should originally have applied from 1 January 2022 but have been postponed to 1 January 2023 due to Covid-19. The Basel frameworks are not binding rules and need to be transposed into EU regulation in order to be binding. EU has not yet published their consultation.

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 their own 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 internally 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 has finalised its work on limiting undue RWA variability by introducing a common taxonomy and by limiting the degrees of freedom in credit risk modelling. Several guidelines, regulatory technical standards, and implementation technical standards have been adopted for this purpose. The definition of default has been clarified, including what constitutes a material amount past due. The EBA Guidelines on PD estimation, LGD estimation, and treatment of defaulted assets provides clarifications to CRR and more precise requirements on how models can be constructed. It is expected that most banks in the EU are adjusting their IRB models in accordance with the new definition of default.

Credit risk exposures in the standardised approach

Table 3.25: Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4), 31 December 2020

Exposure classes, SEKm	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	RWAs	RWA density
Central governments or central banks	59		59			0.00%
Regional government or local authorities	2 663	85	2 693	18	428	15.79%
Public sector entities	258	1 551	258	758	176	17.32%
Multilateral development banks	3 098	18	3 100	4		0.00%
International organisations						
Institutions	873	15	873	14	88	9.92%
Corporates	1 636	3 854	1 547	1 296	2 763	97.19%
Retail	19 938	22 253	19 596	387	14 444	72.28%
Secured by mortgages on immovable property	5 118	469	5 118	468	1 955	35.00%
Exposures in default	791		791		810	102.40%
Higher-risk categories						
Covered bonds	322		322		32	9.94%
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings	3		3		3	100.00%
Equity	9 954		9 954		22 977	230.83%
Other items	2 312		2 312		1 313	56.79%
Total	47 025	28 245	46 626	2 945	44 989	90.76%

Net exposures increased by SEK 122bn as compared to 2019. Exposures with no stated maturity increased by SEK 224bn mainly driven by increasing exposures to Central governments and central banks due to increased placements in central banks in 2020. This increase was partly offset by exposures with maturity less than a year which decreased by SEK 101bn with the most significant decrease in Central governments and central banks by SEK 92bn.

Table 3.26: Standardised approach – Exposures by exposure class and risk weights (EU CR5), 31 December 2020

Exposure classes, SEKm	Risk Weight																Total	Of which Unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
Central governments or central banks	59																59	
Regional government or local authorities	569				2 142												2 711	
Public sector entities	213				753		51										1 017	
Multilateral development banks	3 103																3 103	
International organisations																		
Institutions	475				393		20										888	
Corporates										2 843							2 843	
Retail									19 984								19 984	
Secured by mortgages on immovable property					5 586												5 586	
Exposures in default										753	39						792	
Higher-risk categories																		
Covered bonds				322													322	
Institutions and corporates with a short-term credit assessment																		
Collective investment undertakings										3							3	
Equity exposures										1 296		8 655		4			9 955	
Other items	803				246					1 264							2 313	
Total	5 222			322	3 534	5 586	71		19 984	6 159	39	8 655		4			49 576	

The exposure in the standardised approach are a minor part of Swedbank CS total credit risk exposures. The decrease of SEK 1.6bn as compared to 30 June 2020 was mainly due to a decrease in corporates under Risk Weight 100%.

Credit risk exposures in the IRB approach

Table 3.27: IRB approach – Credit risk exposures by exposure class and PD range (EU CR6), 31 December 2020

		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
SEKm	PD scale												
Exposure classes													
AIRB													
Corporates													
	0.00 to <0.15	42 405	64 710	38.5	69 776	0.09	199	26.7	2.5	11 449	16.41%	16	36
	0.15 to <0.25	70 858	60 413	42.6	96 526	0.19	365	20.6	2.7	20 318	21.05%	38	177
	0.25 to <0.50	103 832	39 510	46.4	122 086	0.35	1 342	20.4	2.7	32 252	26.42%	87	295
	0.50 to <0.75	35 842	11 185	47.1	41 101	0.60	1 079	21.2	3.0	15 169	36.91%	52	104
	0.75 to <2.50	82 305	19 007	52.3	87 192	1.26	2 720	21.3	3.0	38 718	44.41%	228	795
	2.50 to <10.00	17 836	2 164	53.7	15 317	4.78	964	20.5	2.9	8 877	57.96%	150	735
	10.00 to <100.00	3 379	268	59.0	3 195	23.35	5	28.5	2.5	4 651	145.57%	223	582
	100.00 (Default)	7 207	427	92.4	7 548	100.00	59	35.1	2.5	5 272	69.85%	4 392	4 404
Corporates - Sub total		363 664	197 684	43.3	442 741	2.49	6 896	22.0	2.8	136 706	30.88%	5 186	7 128
of which SME													
	0.00 to <0.15	6 834	206	74.7	6 826	0.09	95	13.1	4.0	643	9.42%	1	

	0.15 to <0.25	14 868	1 808	59.1	16 471	0.20	249	16.7	3.5	2 868	17.41%	5	2
	0.25 to <0.50	37 184	4 159	64.4	40 759	0.37	1 214	15.5	3.3	7 984	19.59%	23	9
	0.50 to <0.75	22 003	2 010	63.7	22 938	0.60	1 015	16.4	3.2	5 844	25.48%	23	12
	0.75 to <2.50	54 767	6 165	65.5	53 573	1.37	2 583	15.9	3.2	16 881	31.51%	117	142
	2.50 to <10.00	12 849	1 577	59.2	11 162	4.89	943	17.5	3.0	5 299	47.47%	99	186
	10.00 to <100.00	1 590	110	73.7	1 492	21.66	158	20.6	3.2	1 427	95.64%	71	108
	100.00 (Default)	564	131	79.8	635	100.00	44	21.0	3.9	457	71.97%	129	135
of which SME - Sub total		150 659	16 166	64.0	153 856	1.67	6 301	16.0	3.2	41 403	26.91%	468	594
Retail													
	0.00 to <0.15	897 761	59 511	40.6	921 479	0.05	2 006 539	10.3		14 524	1.58%	54	19
	0.15 to <0.25	63 445	9 711	48.2	67 939	0.17	282 204	17.7		4 463	6.57%	22	13
	0.25 to <0.50	63 238	8 180	60.9	67 723	0.36	281 811	18.8		7 723	11.40%	46	27
	0.50 to <0.75	30 103	3 575	66.5	32 358	0.60	138 777	20.0		5 419	16.75%	39	19
	0.75 to <2.50	83 286	8 748	72.3	89 026	1.40	520 579	21.8		24 814	27.87%	277	195
	2.50 to <10.00	23 814	2 264	68.5	24 856	5.13	294 519	24.1		12 150	48.88%	306	228
	10.00 to <100.00	5 715	420	60.9	5 930	24.07	37 905	22.1		4 667	78.70%	314	202
	100.00 (Default)	2 192	46	91.8	2 222	100.00	12 834	25.7		1 816	81.73%	586	589
Retail - Sub total		1 169 554	92 455	47.9	1 211 533	0.59	3 575 168	12.7		75 576	6.24%	1 644	1 292
Secured by real estate property													
	0.00 to <0.15	883 367	53 416	34.9	901 578	0.05	1 526 799	9.7		13 149	1.46%	49	13
	0.15 to <0.25	55 201	7 380	39.3	57 984	0.17	98 554	13.5		2 857	4.93%	14	4
	0.25 to <0.50	53 257	5 164	48.1	55 389	0.35	88 251	14.2		4 915	8.87%	28	10
	0.50 to <0.75	23 646	1 482	41.0	24 210	0.60	34 978	15.8		3 472	14.34%	23	9
	0.75 to <2.50	59 782	2 446	45.4	60 890	1.35	94 359	15.1		14 203	23.33%	125	106
	2.50 to <10.00	13 954	348	56.1	14 146	5.12	23 750	15.0		7 025	49.66%	107	100
	10.00 to <100.00	3 774	111	49.3	3 829	24.43	8 478	13.9		3 062	79.97%	132	95
	100.00 (Default)	1 393	2	29.5	1 394	100.00	3 235	14.2		577	41.39%	299	300
Secured by real estate property - Sub total		1 094 374	70 349	36.9	1 119 420	0.43	1 878 404	10.6		49 260	4.40%	777	637
SME													
	0.00 to <0.15	71 549			71 117	0.07	15 103	17.8		2 018	2.84%	9	1
	0.15 to <0.25	6 427			6 308	0.19	1 875	23.0		478	7.58%	3	
	0.25 to <0.50	8 325	9	79.0	7 981	0.37	2 806	20.9		899	11.26%	6	1
	0.50 to <0.75	3 094			3 050	0.60	921	22.6		527	17.28%	4	1
	0.75 to <2.50	5 692	11	71.5	5 599	1.44	3 163	21.0		1 515	27.06%	17	13
	2.50 to <10.00	1 784	12	66.5	1 788	4.57	1 302	20.8		965	53.97%	17	15
	10.00 to <100.00	161	1	66.7	162	21.11	203	19.9		145	89.51%	8	22
	100.00 (Default)	44			44	100.00	40	27.6		33	75.00%	11	12
SME - Sub total		97 076	33	71.6	96 049	0.36	25 413	18.8		6 580	6.85%	75	65

Non-SME													
	0.00 to <0.15	811 818	53 416	34.9	830 461	0.05	1 511 696	9.0		11 131	1.34%	40	12
	0.15 to <0.25	48 774	7 380	39.3	51 676	0.17	96 679	12.3		2 379	4.60%	11	4
	0.25 to <0.50	44 932	5 155	48.0	47 408	0.35	85 445	13.1		4 016	8.47%	22	9
	0.50 to <0.75	20 552	1 482	41.0	21 160	0.60	34 057	14.9		2 945	13.92%	19	8
	0.75 to <2.50	54 090	2 435	45.2	55 291	1.34	91 196	14.5		12 688	22.95%	108	93
	2.50 to <10.00	12 170	336	55.7	12 358	5.20	22 448	14.2		6 060	49.04%	91	85
	10.00 to <100.00	3 613	110	49.2	3 667	24.58	8 275	13.6		2 917	79.55%	125	73
	100.00 (Default)	1 349	2	29.5	1 350	100.00	3 195	13.8		544	40.30%	286	288
Non-SME - Sub total		997 298	70 316	36.9	1 023 371	0.43	1 852 991	9.9		42 680	4.17%	702	572
Other Retail													
	0.00 to <0.15	14 394	6 095	90.5	19 902	0.07	479 740	37.3		1 376	6.91%	5	6
	0.15 to <0.25	8 244	2 331	76.5	9 955	0.19	183 650	42.2		1 606	16.13%	8	9
	0.25 to <0.50	9 981	3 016	83.3	12 334	0.37	193 560	39.3		2 808	22.77%	18	17
	0.50 to <0.75	6 457	2 093	84.6	8 148	0.60	103 799	32.4		1 947	23.90%	16	10
	0.75 to <2.50	23 504	6 302	81.7	28 136	1.50	426 220	36.2		10 610	37.71%	152	89
	2.50 to <10.00	9 860	1 916	70.8	10 710	5.15	270 769	36.1		5 125	47.85%	199	128
	10.00 to <100.00	1 941	309	65.1	2 101	23.40	29 427	37.0		1 605	76.39%	182	107
	100.00 (Default)	799	44	94.8	828	100.00	9 599	45.1		1 239	149.64%	287	289
Other Retail - Sub total		75 180	22 106	82.9	92 114	2.63	1 696 764	37.2		26 316	28.57%	867	655
Total all exposures AIRB		1 533 218	290 140	44.8	1 654 274	1.10	3 582 064	15.2	2.8	212 283	12.83%	6 829	8 420
Exposure classes FIRB													
Central governments or central banks													
	0.00 to <0.15	443 671	27 085	63.1	472 542	0.00	266	45.0	1.6	6 560	1.39%	5	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	100	50	75.0	134	3.09	22	45.0	2.5	93	69.40%	1	
	10.00 to <100.00												
	100.00 (Default)												
Central governments or central banks - Sub total		443 771	27 135	63.1	472 676	0.00	288	45.0	1.6	6 653	1.41%	6	1
Institutions													
	0.00 to <0.15	29 373	9 683	65.1	35 986	0.04	182	24.5	2.5	4 633	12.87%	4	4
	0.15 to <0.25												
	0.25 to <0.50	201	804	48.4	618	0.30	40	45.0	2.5	382	61.81%	1	1
	0.50 to <0.75	21	115	20.0	44	0.60	14	45.0		39	88.64%		
	0.75 to <2.50	131	378	20.0	147	1.70	7	45.0	2.5	175	119.05%	1	
	2.50 to <10.00	66			66	4.80	12	44.9	2.5	103	156.06%	1	
	10.00 to <100.00												
	100.00 (Default)												
Institutions - Sub total		29 792	10 980	61.9	36 861	0.06	255	25.0	2.5	5 332	14.47%	7	5

Corporates													
	0.00 to <0.15	12 799	6 830	27.2	14 428	0.07	136	44.8	2.5	3 629	25.15%	5	3
	0.15 to <0.25	16 816	6 806	30.0	18 747	0.21	264	44.7	2.5	8 149	43.47%	18	5
	0.25 to <0.50	18 058	8 490	44.1	21 787	0.42	412	44.3	2.5	13 215	60.66%	40	15
	0.50 to <0.75	681	2 894	20.3	1 217	0.60	137	44.2	2.5	1 039	85.37%	3	27
	0.75 to <2.50	12 855	3 239	36.8	13 648	1.14	1 312	44.0	2.5	11 551	84.64%	69	31
	2.50 to <10.00	4 974	2 637	40.6	5 629	5.22	629	43.9	2.5	7 625	135.46%	129	71
	10.00 to <100.00	1 682	319	33.7	1 692	27.07	113	44.3	2.5	3 764	222.46%	203	96
	100.00 (Default)	779	61	60.5	803	100.00	28	44.8	2.5		0.00%	359	230
Corporates - Sub total		68 644	31 276	34.0	77 951	2.38	3 031	44.4	2.5	48 972	62.82%	826	478
of which SME													
	0.00 to <0.15	252	8	15.7	93	0.10	8	38.3	2.5	18	19.35%		
	0.15 to <0.25	508	134	21.2	468	0.21	30	41.7	2.5	147	31.41%		
	0.25 to <0.50	1 327	287	26.9	1 358	0.39	107	38.6	2.5	541	39.84%	2	
	0.50 to <0.75	280	75	30.8	287	0.60	109	41.7	2.5	159	55.40%	1	
	0.75 to <2.50	3 514	711	38.8	3 536	1.26	854	42.1	2.5	2 543	71.89%	19	8
	2.50 to <10.00	1 337	308	54.2	1 266	5.27	372	44.0	2.5	1 390	109.79%	29	14
	10.00 to <100.00	321	33	49.7	277	21.73	64	43.2	2.5	477	172.20%	26	27
	100.00 (Default)	30			30	100.00	6	44.0	2.5		0.00%	13	2
of which SME - Sub total		7 569	1 556	37.1	7 315	2.86	1 550	41.7	2.5	5 275	72.10%	90	51
Total all exposures FIRB		542 208	69 391	50.8	587 488	0.32	3 574	43.7	1.8	60 957	10.38%	840	484
Exposure classes Total													
Central governments or central banks													
	0.00 to <0.15	443 671	27 085	63.1	472 542	0.00	266	45.0	1.1	6 560	1.39%	5	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	100	50	75.0	134	3.09	22	45.0	2.5	93	69.40%	1	
	10.00 to <100.00												
	100.00 (Default)												
Central governments or central banks - Sub total		443 771	27 135	63.1	472 676	0.00	288	45.0	1.1	6 653	1.41%	6	1
Institutions													
	0.00 to <0.15	29 373	9 683	62.9	35 986	0.04	182	24.5	2.5	4 633	12.87%	4	4
	0.15 to <0.25												
	0.25 to <0.50	201	804		618	0.30	40	45.0	2.5	382	61.81%	1	1
	0.50 to <0.75	21	115		44	0.60	14	45.0		39	88.64%		
	0.75 to <2.50	131	378		147	1.70	7	45.0	2.5	175	119.05%	1	
	2.50 to <10.00	66			66	4.80	12	44.9	2.5	103	156.06%	1	
	10.00 to <100.00												
	100.00 (Default)												
Institutions - Sub total		29 792	10 980	62.9	36 861	0.06	255	25.0	2.5	5 332	14.47%	7	5

Corporates												
0.00 to <0.15	55 204	71 540	37.4	84 204	0.09	322	29.8	2.5	15 078	17.91%	21	39
0.15 to <0.25	87 674	67 219	41.3	115 273	0.19	609	24.5	2.7	28 467	24.70%	56	182
0.25 to <0.50	121 890	48 000	46.0	143 873	0.36	1 724	24.1	2.7	45 467	31.60%	127	310
0.50 to <0.75	36 523	14 079	41.7	42 318	0.60	1 202	21.8	3.0	16 208	38.30%	55	131
0.75 to <2.50	95 160	22 246	50.0	100 840	1.24	3 972	24.4	2.9	50 269	49.85%	297	826
2.50 to <10.00	22 810	4 801	45.5	20 946	4.90	1 579	26.8	2.8	16 502	78.78%	279	806
10.00 to <100.00	5 061	587	45.1	4 887	24.64	277	34.0	2.5	8 415	172.19%	426	678
100.00 (Default)	7 986	488	88.5	8 351	100.00	84	36.1	2.5	5 272	63.13%	4 751	4 634
Corporates - Sub total	432 308	228 960	42.0	520 692	2.48	9 769	25.4	2.7	185 678	35.66%	6 012	7 606
of which SME												
0.00 to <0.15	7 086	214	72.3	6 919	0.09	103	13.4	4.0	661	9.55%	1	
0.15 to <0.25	15 376	1 942	57.6	16 939	0.20	270	17.1	3.4	3 015	17.80%	5	2
0.25 to <0.50	38 511	4 446	63.0	42 117	0.37	1 310	16.0	3.2	8 525	20.24%	25	9
0.50 to <0.75	22 283	2 085	62.5	23 225	0.60	1 117	16.8	3.1	6 003	25.85%	24	12
0.75 to <2.50	58 281	6 876	63.2	57 109	1.36	3 401	17.2	3.1	19 424	34.01%	136	150
2.50 to <10.00	14 186	1 885	58.6	12 428	4.93	1 307	19.3	2.9	6 689	53.82%	128	200
10.00 to <100.00	1 911	143	68.3	1 769	21.67	218	22.8	3.1	1 904	107.63%	97	135
100.00 (Default)	594	131	79.8	665	100.00	50	22.1	3.9	457	68.72%	142	137
of which SME - Sub total	158 228	17 722	62.3	161 171	1.72	7 776	16.9	3.2	46 678	28.96%	558	645
Retail												
0.00 to <0.15	897 761	59 511	40.6	921 479	0.05	2 006 539	10.3		14 524	1.58%	54	19
0.15 to <0.25	63 445	9 711	48.2	67 939	0.17	282 204	17.7		4 463	6.57%	22	13
0.25 to <0.50	63 238	8 180	60.9	67 723	0.36	281 811	18.8		7 723	11.40%	46	27
0.50 to <0.75	30 103	3 575	66.5	32 358	0.60	138 777	20.0		5 419	16.75%	39	19
0.75 to <2.50	83 286	8 748	72.3	89 026	1.40	520 579	21.8		24 814	27.87%	277	195
2.50 to <10.00	23 814	2 264	68.5	24 856	5.13	294 519	24.1		12 150	48.88%	306	228
10.00 to <100.00	5 715	420	60.9	5 930	24.07	37 905	22.1		4 667	78.70%	314	202
100.00 (Default)	2 192	46	91.8	2 222	100.00	12 834	25.7		1 816	81.73%	586	589
Retail - Sub total	1 169 554	92 455	47.9	1 211 533	0.59	3 575 168	12.7		75 576	6.24%	1 644	1 292
Secured by real estate property												
0.00 to <0.15	883 367	53 415	34.9	901 578	0.05	1 526 799	9.7		13 149	1.46%	49	13
0.15 to <0.25	55 201	7 380	39.3	57 984	0.17	98 554	13.5		2 857	4.93%	14	4
0.25 to <0.50	53 257	5 164	48.1	55 389	0.35	88 251	14.2		4 915	8.87%	28	10
0.50 to <0.75	23 646	1 482	41.0	24 210	0.60	34 978	15.8		3 472	14.34%	23	9
0.75 to <2.50	59 782	2 446	45.4	60 890	1.35	94 359	15.1		14 203	23.33%	125	106
2.50 to <10.00	13 954	348	56.1	14 146	5.12	23 750	15.0		7 025	49.66%	107	100
10.00 to <100.00	3 774	111	49.3	3 829	24.43	8 478	13.9		3 062	79.97%	132	95
100.00 (Default)	1 393	2	29.5	1 394	100.00	3 235	14.2		577	41.39%	299	300
Secured by real estate property - Sub total	1 094 374	70 349	36.9	1 119 420	0.43	1 878 404	10.6		49 260	4.40%	777	637

SME													
	0.00 to <0.15	71 549			71 117	0.07	15 103	17.8		2 018	2.84%	9	1
	0.15 to <0.25	6 427			6 308	0.19	1 875	23.0		478	7.58%	3	
	0.25 to <0.50	8 325	9	79.0	7 981	0.37	2 806	20.9		899	11.26%	6	1
	0.50 to <0.75	3 094			3 050	0.60	921	22.6		527	17.28%	4	1
	0.75 to <2.50	5 692	11	71.5	5 599	1.44	3 163	21.0		1 515	27.06%	17	13
	2.50 to <10.00	1 784	12	66.5	1 788	4.57	1 302	20.8		965	53.97%	17	15
	10.00 to <100.00	161	1	66.7	162	21.11	203	19.9		145	89.51%	8	22
	100.00 (Default)	44			44	100.00	40	27.6		33	75.00%	11	12
SME - Sub total		97 076	33	71.6	96 049	0.36	25 413	18.8		6 580	6.85%	75	65
Non-SME													
	0.00 to <0.15	811 818	53 415	34.9	830 461	0.05	1 511 696	9.0		11 131	1.34%	40	12
	0.15 to <0.25	48 774	7 380	39.3	51 676	0.17	96 679	12.3		2 379	4.60%	11	4
	0.25 to <0.50	44 932	5 155	48.0	47 408	0.35	85 445	13.1		4 016	8.47%	22	9
	0.50 to <0.75	20 552	1 482	41.0	21 160	0.60	34 057	14.9		2 945	13.92%	19	8
	0.75 to <2.50	54 090	2 435	45.2	55 291	1.34	91 196	14.5		12 688	22.95%	108	93
	2.50 to <10.00	12 170	336	55.7	12 358	5.20	22 448	14.2		6 060	49.04%	91	85
	10.00 to <100.00	3 613	110	49.2	3 667	24.58	8 275	13.6		2 917	79.55%	125	73
	100.00 (Default)	1 349	2	29.5	1 350	100.00	3 195	13.8		544	40.30%	286	288
Non-SME - Sub total		997 298	70 315	36.9	1 023 371	0.43	1 852 991	9.9		42 680	4.17%	702	572
Other Retail													
	0.00 to <0.15	14 394	6 095	90.5	19 902	0.07	479 740	37.3		1 376	6.91%	5	6
	0.15 to <0.25	8 244	2 331	76.5	9 955	0.19	183 650	42.2		1 606	16.13%	8	9
	0.25 to <0.50	9 981	3 016	83.3	12 334	0.37	193 560	39.3		2 808	22.77%	18	17
	0.50 to <0.75	6 457	2 093	84.6	8 148	0.60	103 799	32.4		1 947	23.90%	16	10
	0.75 to <2.50	23 504	6 302	81.7	28 136	1.50	426 220	36.2		10 610	37.71%	152	89
	2.50 to <10.00	9 860	1 916	70.8	10 710	5.15	270 769	36.1		5 125	47.85%	199	128
	10.00 to <100.00	1 941	309	65.1	2 101	23.40	29 427	37.0		1 605	76.39%	182	107
	100.00 (Default)	799	44	94.8	828	100.00	9 599	45.1		1 239	149.64%	287	289
Other Retail - Sub total		75 180	22 106	82.9	92 114	2.63	1 696 764	37.2		26 316	28.57%	867	655
Total all exposures		2 075 425	359 530	46.0	2 241 762	0.90	3 585 480	22.6	2.2	273 239	12.19%	7 669	8 904

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. Because of the Covid-19 pandemic and the subsequent downturn, impacted corporates were continuously analysed and, if deemed necessary, rerated, during 2020.

The increase in RWA of SEK 14.5bn as compared to 30 June 2020 was mainly driven by negative PD migrations in corporate exposures (SEK 15.7bn).

Table 3.28: 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 3.29: RWA flow statements of credit risk exposures under IRB (EU CR8)

SEKm	RWA amounts	Capital requirements
RWA as at end of previous reporting period	285 760	22 861
Asset size	5 336	427
Asset quality	573	46
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-5 824	-466
Other	202	16
RWA as at end of reporting period	286 047	22 884

In the fourth quarter 2020, RWA for credit risk reported under IRB increased by SEK 0.3bn, reaching SEK 286bn at year-end. The main changes were:

(1) Asset size increased RWA by SEK 5.3bn, driven by asset size in Group functions which increased by SEK 4.2bn, mainly due to non-credit obligations which increased RWA by SEK 3.9bn. Increased lending within LC&I contributed to the increased RWA, which was mitigated by lower corporate lending within Swedish Banking and Baltic Banking.

(2) Asset quality increased RWA by SEK 0.6bn, driven by a decrease in PD values by SEK 2.1bn, which was offset by an increase in RWA for defaults by SEK 2.6bn.

(3) Foreign exchange movements decreased RWA by SEK 5.8bn, mainly driven by appreciation of SEK towards EUR.

(4) Other factors that increased RWA by SEK 0.2bn was e.g. due to changes in corporate maturities.

Table 3.30: IRB approach – Backtesting of PD per exposure class (EU CR9), 31 December 2020

Exposure class	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	of which new defaulted obligors in the year	Average historical annual default rate
					End of previous year	End of the year			
Foundation IRB									
Sovereigns	>5.7	C to B			0	0	0	0	0.0%*
	2-5.7	B+ to BB-	4.80	5.99	0	0	0	0	0.0%*
	0.5-2	BB to BB+	0.65	1.02	0	0	0	0	0.0%*
	<0.5	BBB- to AAA	0.04	0.10	413	423	0	0	0.0%*
Institutions	>5.7	C to B			2	3	0	0	0.0%
	2-5.7	B+ to BB-	3.09	3.21	15	17	0	0	0.7%
	0.5-2	BB to BB+			107	108	0	0	0.0%
	<0.5	BBB- to AAA	0.00	0.01	272	276	0	0	0.0%
Corporate	>5.7	C to B	14.91	12.99	387	404	13	0	5.7%
	2-5.7	B+ to BB-	3.96	3.77	832	862	3	0	1.3%
	0.5-2	BB to BB+	0.97	1.09	1 601	1 655	1	0	0.2%
	<0.5	BBB- to AAA	0.23	0.25	1 127	1 142	0	0	0.1%
- of which SME	>5.7	C to B	12.53	13.40	249	263	6	0	7.1%
	2-5.7	B+ to BB-	3.59	3.75	502	527	2	0	1.7%
	0.5-2	BB to BB+	0.98	1.06	887	924	1	0	0.3%
	<0.5	BBB- to AAA	0.31	0.36	117	118	0	0	0.2%
- of which specialised lending	>5.7	C to B			10	10	0	0	1.6%
	2-5.7	B+ to BB-			8	8	0	0	1.0%
	0.5-2	BB to BB+			25	25	0	0	0.0%
	<0.5	BBB- to AAA			6	6	0	0	0.0%
Advanced IRB									
Corporate	>5.7	C to B							
	2-5.7	B+ to BB-	12.22	11.19	455	497	44	0	10.6%
	0.5-2	BB to BB+	2.97	3.08	1 869	2 212	33	1	1.8%
	<0.5	BBB- to AAA	0.94	1.03	5 413	6 009	42	2	0.9%
- of which SME	>5.7	C to B	0.23	0.27	3 157	3 295	8	0	0.3%
	2-5.7	B+ to BB-	14.55	12.86	405	434	39	0	7.1%
	0.5-2	BB to BB+	3.28	3.32	1 720	2 039	31	1	1.9%
	<0.5	BBB- to AAA	1.03	1.05	4 759	5 306	35	2	0.6%
- of which specialised lending	>5.7	C to B	0.32	0.34	2 203	2 298	8	0	0.3%
	2-5.7	B+ to BB-							
	0.5-2	BB to BB+							
	<0.5	BBB- to AAA							
Retail - Mortgage	>5.7	C to B							
	2-5.7	B+ to BB-	16.43	17.74	17 079	20 286	975	5	7.7%
	0.5-2	BB to BB+	3.25	3.24	29 475	34 159	258	5	1.7%
	<0.5	BBB- to AAA	0.99	1.00	115 928	128 054	253	12	0.4%

- of which SME	>5.7	C to B	10.71	12.24	1 033	1 204	32	2	6.9%
	2-5.7	B+ to BB-	3.35	3.34	3 818	4 283	11	1	1.2%
	0.5-2	BB to BB+	0.94	1.12	13 161	14 891	7	0	0.4%
	<0.5	BBB- to AAA	0.11	0.13	20 495	21 767	1	0	0.1%
Retail - Other	>5.7	C to B	14.68	15.91	74 440	103 705	6 225	326	9.3%
	2-5.7	B+ to BB-	3.23	3.37	187 667	254 950	1 755	13	1.8%
	0.5-2	BB to BB+	1.05	1.02	464 138	526 665	1 603	61	0.5%
	<0.5	BBB- to AAA	0.16	0.16	935 372	1 044 282	1 147	206	0.1%

Table 3.31: Backtesting of EL, PD, LGD, and CCF, per business area, 31 December 2020

	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	0.34	0.09	10.70	9.17	4.21	69.46	0.00
Retail - other	0.50	0.16	1.54	0.70	32.40	40.87	23.23	81.15	25.49
Corporate**	0.17	0.09	0.76	0.59	23.02	29.28	14.70	53.84	15.10
Institutions	0.02	n.a	0.05	0.00	31.30	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	0.21	0.07	10.30	6.80	2.34	n.a	n.a
Retail - other	0.30	0.17	0.95	0.70	31.50	43.19	23.83	n.a	n.a
Corporate**	0.19	0.10	1.06	0.88	17.51	24.29	11.83	70.72	23.21
Institutions	0.03	n.a	0.07	0.00	45.00	n.a	n.a	n.a	n.a
Sovereign	0.00	n.a	0.00	0.00	45.00	n.a	n.a	n.a	n.a
Baltic Banking									
Retail - mortgages	0.26	0.03	1.78	0.31	14.70	15.90	9.52	61.42	0.00
Retail - other	1.11	0.19	3.20	0.88	34.80	34.90	21.81	58.80	25.49
Corporate	0.56	0.06	1.26	0.80	44.60	44.55	8.04	n.a	n.a
Institutions	0.04	n.a	0.08	0.00	45.00	n.a	n.a	n.a	n.a
Sovereign	0.01	n.a	0.02	0.00	44.80	n.a	n.a	n.a	n.a
LC&I									
Retail - mortgages	0.05	n.a	0.17	0.00	30.10	n.a	n.a	n.a	n.a
Retail - other	0.33	0.00	0.73	0.00	45.70	36.64	14.82	n.a	n.a
Corporate**	0.10	0.08	0.48	0.37	21.03	27.17	20.78	49.35	10.36
Institutions	0.03	n.a	0.06	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
Group Functions									
Retail - mortgages	0.10	n.a	0.22	0.00	44.00	n.a	n.a	n.a	n.a
Retail - other	0.63	n.a	2.77	0.00	22.90	n.a	n.a	n.a	n.a
Corporate	0.17	n.a	0.40	0.00	42.77	n.a	n.a	n.a	n.a
Institutions	0.00	n.a	0.03	0.00	14.00	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:

- There has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or
- 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.

For all exposure classes, the level of realised losses in 2020 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.

Covid-19 has resulted in high uncertainty for the society and the economic development. However, there were few new defaults in Swedbank's portfolios where customers benefitted from direct governmental support measures and indirect measures such as low interest rates and approved amortisation deferral program, eased repayment possibilities for customers. Credit impairments in 2020 emanated mainly from updated individual assessments from already defaulted exposures or for estimated credit losses on not yet defaulted exposures. 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.

In the Baltic countries state support in combination with the long period of stable economic development, that has built a foundation for sound finances, resulted in low numbers of new defaults despite the pandemic. 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 2020. The graph shows the calculated loss according to the capital requirement framework as $EL\text{-ratio} = PD * LGD$ with FSA regulatory add-ons and downturn adjustments. Realised LGD is based on all

available data as of 31 December 2020 for defaulted counterparties/accounts. For defaults that still have an

ongoing workout process, provisioning amount is used instead of established loss.

Figure 3.8: Estimated loss versus realised loss (Retail mortgage, Retail other and Corporate)

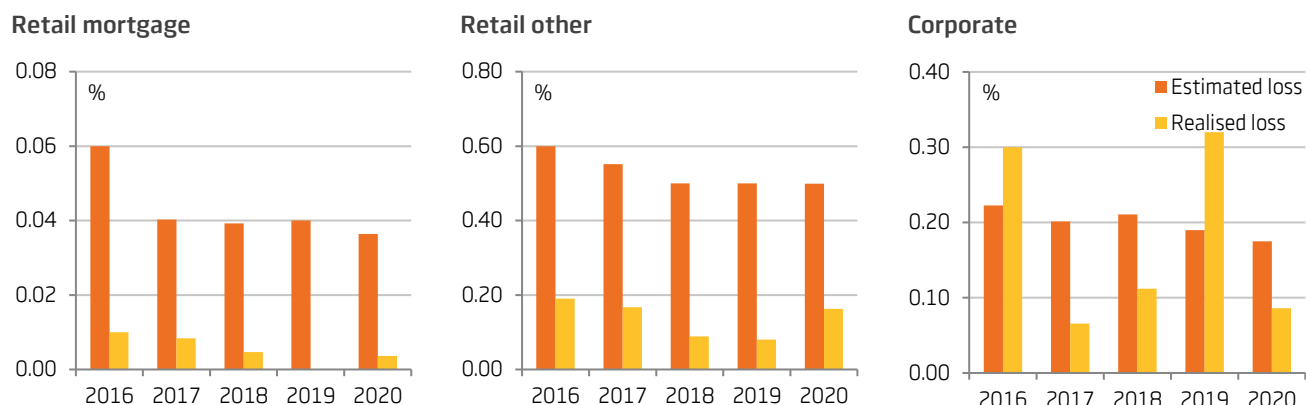


Table 3.32: IRB (specialised lending and equities) (EU CR10), 31 December 2020

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	4	0	50%	4	2	0
	Equal to or more than 2.5 years	0	0	70%	0	0	0
Category 2	Less than 2.5 years	162	71	70%	215	151	1
	Equal to or more than 2.5 years	1	1	90%	1	1	0
Category 3	Less than 2.5 years	11	18	115%	26	29	1
	Equal to or more than 2.5 years		0	115%			
Category 4	Less than 2.5 years	89	0	250%	90	226	7
	Equal to or more than 2.5 years			250%		0	0
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years	266	89		335	408	9
	Equal to or more than 2.5 years	1	1		1	1	0
Equities under the simple risk-weighted approach							
Private equity exposures				190%			
Exchange-traded equity exposures				290%			
Other equity exposures				370%			
Total							

No significant changes in the total exposure in specialised lending compared to 30 June 2020.

Counterparty credit risk (CCR)

Management of counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a derivative contract will not meet its final obligations towards Swedbank and that collateral held will not be enough to cover the claims. Counterparty credit risk also encompasses repurchasing agreements and securities financing contracts. The majority of Swedbank's counterparty credit risk emanates primarily from two units: Large Corporates & Institutions, and Group Treasury. Counterparty credit exposure arises mainly as a result of hedging of own positions in market risk in foreign exchange, interest rate and other derivatives 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.

Counterparty credit risk limits

Limits for counterparty credit exposures are assessed, set 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 credit 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.

Wrong Way Risk

Wrong way risk (WWR) is the risk that arises when exposure to a counterparty increases while the counterparty's creditworthiness deteriorates, i.e. negatively correlates. 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.

Foreign exchange settlement risk

Settlement risk is measured for foreign exchange (FX) transactions and the amount at risk is equal to the nominal transfer amount. All decision-making bodies 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 trading in instruments with FX settlement risk.

Measurement of counterparty credit risk

Derivative and securities financing transactions market value fluctuates over time to maturity and requires that the uncertainty of the future market potential conditions is taken into account and estimated when measuring the exposure. The exposure value is equal to the net present value of the contract plus a calculated 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. 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 and time to maturity. Risk measurement and evaluation is an ongoing process and Swedbank makes regular assessments.

For capital adequacy purposes, Swedbank applies the mark-to-market method to calculate the exposure amounts for derivatives contracts concerning counterparty credit risk. Non-cleared derivative transactions are also subject to capital requirements for credit value adjustment (CVA) risk were Swedbank currently use the standardised method.

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. 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.

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.

Mitigating counterparty credit risks

Swedbank uses a variety of tools to mitigate counterparty credit risk of which the most important is close-out netting agreements whereby derivatives at a counterparty level can be offset. Swedbank strives to have ISDA Master Agreements supplemented with credit support annex (CSA) agreements in place with all financial counterparties concerned to ensure a well-functioning netting and collateral management process. The vast majority of the current received, and pledged collateral is cash. As part of the credit process, the credit memos provided to credit committees specify what collateral is accepted for each individual counterparty. Financial collateral is subject to daily monitoring and an independent valuation.

Other actions to mitigate counterparty credit risk 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 has a limited number of netting and collateral agreements with rating triggers. 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. In the event of a one-notch long term downgrade by Moody's, Swedbank would need to provide additional collateral of total SEK 621m and total SEK 478m in the event of one-notch long term downgrade by Standard & Poor's.

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.

Table 3.33: Analysis of CCR exposure by approach (EU CCR1), 31 December 2020

SEKm	Notional	Replacement cost/ Current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market		22 539	23 606			38 944	15 093
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)						3 865	1 742
VaR for SFTs							
Total							16 835

CCR RWA decreased by SEK 1.1bn as compared to 30 June 2020, of which SEK 2bn in SFTs which was partly offset by increase in derivatives under market-to-market approach by SEK 0.8bn.

Table 3.34: CVA capital charge (EU CCR2), 31 December 2020

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	22 419	4 397
Based on the original exposure method		
Total subject to the CVA capital charge	22 419	4 397

CVA RWA decreased by SEK 0.6bn as compared to 30 June 2020.

Table 3.35: Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR3), 31 December 2020

Exposure classes, SEKm	Risk Weight												Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	
Central governments or central banks					64							64	
Regional government or local authorities													32
Public sector entities	32											32	
Multilateral development banks	597											597	
International organisations													
Institutions		54 614			176							54 790	
Corporates									2 178			2 178	
Retail													
Institutions and corporates with a short-term credit assessment													
Other items													
Total	629	54 614			240				2 178			57 661	

CCR exposure amounts increased by SEK 9.7bn as compared to 30 June 2020 mainly in exposure class institutions under 2% RW.

Table 3.36: IRB approach – CCR exposures by portfolio and PD scale (EU CCR4), 31 December 2020

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	2 581	0.00	# 49	45.00	1.9	70	2.71%
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	2 619	0.01	# 50	45.00	1.9	87	3.32%
Institutions							
0.00 to <0.15	20 758	0.06	# 146	44.97	2.5	5 974	28.78%
0.15 to <0.25							
0.25 to <0.50	242	0.30	# 18	43.65	2.4	146	60.33%
0.50 to <0.75	37	0.60	# 1	45.00	2.5	30	81.08%
0.75 to <2.50							
2.50 to <10.00	2	3.39	# 1	0.34		2	100.00%
10.00 to <100.00							
100.00 (Default)							
Institutions - Sub total	21 039	0.06	# 166	44.95	2.5	6 152	29.24%
Corporates							
0.00 to <0.15	5 340	0.07	# 111	36.66	3.5	1 349	25.26%
0.15 to <0.25	3 527	0.18	# 106	35.45	3.6	1 508	42.76%
0.25 to <0.50	3 791	0.35	# 135	34.83	3.9	2 369	62.49%
0.50 to <0.75	1 696	0.60	# 49	36.57	3.9	1 309	77.18%
0.75 to <2.50	463	1.04	# 115	33.23	2.2	343	74.08%
2.50 to <10.00	137	5.22	# 36	33.92	1.9	177	129.20%
10.00 to <100.00	7	23.83	# 7	18.77	0.6	15	214.29%
100.00 (Default)							
Corporates - Sub total	14 961	0.31	# 559	35.76	3.6	7 070	47.26%
of which: SME							
0.00 to <0.15	254	0.09	# 17	39.02	2.9	57	22.44%
0.15 to <0.25	468	0.16	# 22	36.73	4.8	197	42.09%
0.25 to <0.50	101	0.35	# 47	36.93	3.7	49	48.51%
0.50 to <0.75	158	0.60	# 28	36.88	4.3	104	65.82%
0.75 to <2.50	74	1.37	# 59	30.28	2.6	60	81.08%
2.50 to <10.00	23	5.25	# 23	38.71	3.0	30	130.43%
10.00 to <100.00	2	17.62	# 2	36.55	1.2	2	100.00%
100.00 (Default)							
of which: SME - Sub total	1 080	0.45	# 198	36.90	4.0	499	46.20%
Retail							
0.00 to <0.15							
0.15 to <0.25							
0.25 to <0.50	1	0.42	# 8	45.00			0.00%
0.50 to <0.75		0.60	# 1	45.00			
0.75 to <2.50	6	1.50	# 168	11.20		2	33.33%
2.50 to <10.00	387	4.78	# 586	44.06		205	52.97%
10.00 to <100.00		31.10	# 8	29.33			
100.00 (Default)							
Retail - Sub total	394	4.72	# 771	43.57		207	52.54%
Other Retail							
0.00 to <0.15							
0.15 to <0.25							
0.25 to <0.50	1		# 8				0.00%
0.50 to <0.75							
0.75 to <2.50	6		# 168			2	33.33%
2.50 to <10.00	387		# 586			205	52.97%

10.00 to <100.00 100.00 (Default)			# 8				
Other Retail - Sub total	394		# 771			207	52.54%
Total all exposures	39 013	0.20	# 1 546	41.41	2.8	13 516	34.64%

RWA increased by SEK 0.4bn as compared to 30 June 2020 mainly due to changes within corporates where updated LGD models were implemented in August 2020 - a Margin of Conservatism (MoC) of 9% was added to the non-cure LGD estimate (Alpha class A) to address deficiencies in the LGD models for corporates.

Table 3.37: Impact of netting and collateral held on exposure values (EU CCR5-A), 31 December 2020

SEKm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	138 625	114 204	24 421	15 885	8 536
SFTs	148 349	0	148 349	144 484	3 865
Cross-product netting					
Total	286 974	114 204	172 770	160 369	12 401

Net credit exposure decreased by SEK 8.6bn. The exposure decreased due to volumes decrease and collateral held relative netted current credit exposure increased.

Figure 3.9: Netting and collateral effects for derivatives, 31 December 2020

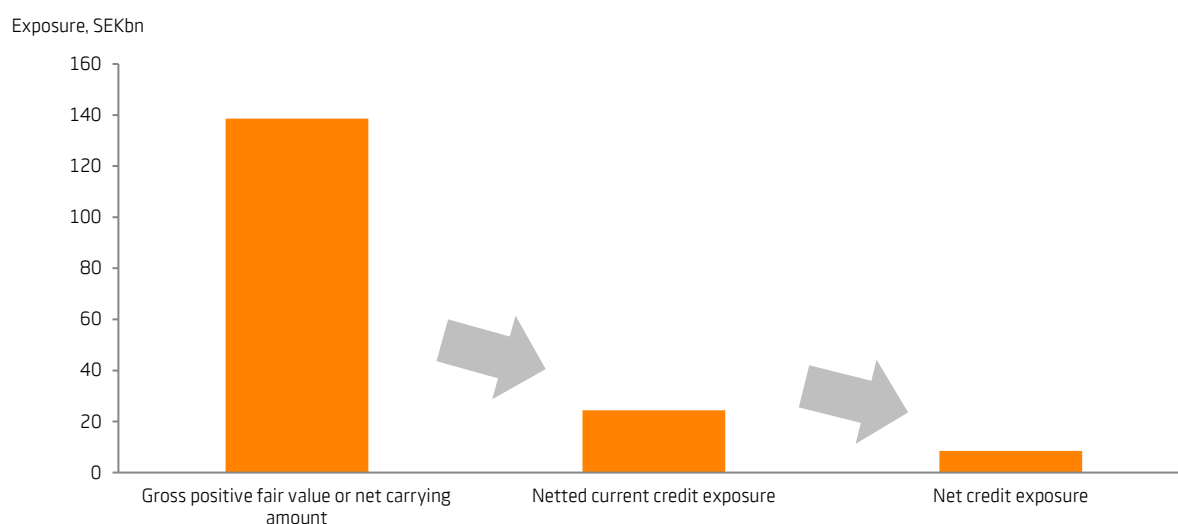


Table 3.38: Composition of collateral for exposures to CCR (EU CCR5-B), 31 December 2020

SEKm	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
IM cleared house deals cash				2 124		
IM cleared house deals non-cash			3 461			
IM cleared client deals cash	3 714			4 050		
IM cleared client deals non-cash			5 149			
IM not cleared derivatives cash						
IM not cleared derivatives non-cash						
VM cleared house deals cash		3 628		6 518		
VM cleared house deals non-cash						
VM cleared client deals cash		1 707		48		
VM cleared client deals non-cash						
VM not cleared derivatives cash		10 380		18 968		
VM not cleared derivatives non-cash		9		369		
SFT collaterals						
Total	3 714	15 724	8 610	32 077		

Table 3.39: Credit derivative exposures (EU CCR6), 31 December 2020

SEKm	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps			
Index credit default swaps	1 207		
Total return swaps			
Credit options			
Other credit derivatives			
Total notionals	1 207		
Fair values			
Positive fair value (asset)			
Negative fair value (liability)	94		

RWA flow statements of CCR exposures under the IMM (EU CCR7)

Swedbank does not have an approved IMM for measuring EAD of exposures subject to the CCR framework and therefore the template EU CCR7 is not populated with any information.

Table 3.40: Exposures to CCPs (EU CCR8), 31 December 2020

SEKm	EAD post CRM	RWAs
Exposures to QCCPs (total)		1 092
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	50 401	1 008
(i) OTC derivatives	49 652	993
(ii) Exchange-traded derivatives		
(iii) SFTs	749	15
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	8 610	
Non-segregated initial margin	6 174	123
Prefunded default fund contributions	713	556
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		

4. Market risk

While 2019 was characterised by calmer financial markets, 2020 was dominated by Covid-19. The outbreak caused major market panic in March, but for the rest of the year markets recovered steadily. In this environment, Swedbank's low-risk exposure was achieved through a pro-active yet cautious management of the portfolios carrying market risk.

Market risk

The risk that the bank's results, equity or value will decrease due to changes in risk factors in financial markets. Market risk includes interest rate risk, currency risk, share price risk and commodity price risk, as well as risks from changes in volatility and correlations.

Highlights 2020

In response to the Covid-19 induced market turbulence, governments launched unprecedented stimulus packages and markets began to recover. Volatility and credit spreads declined and equity markets rebounded. Furthermore, central banks cut rates and Swedish house prices recovered rapidly after an initial decline. Towards the end of the year, major progress was made on the development of a vaccine. Optimism generally remained in the markets, although some signs of market unrest were seen before the US election.

Value-at-Risk (VaR) for the Group by the end of the year was SEK 92m, compared to SEK 64m by the end of 2019.

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 Market Risk Instruction, 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 strict risk management framework has been adopted on both CEO level and Executive management 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 have open positions.

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 limit monitoring, in-depth analysis, frequent stress testing and reporting of Swedbank's market risks. 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 mitigation actions.

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 customised tests which may be run on an ad-hoc basis, such as the 2018 European Banking Authority (EBA) stress test. Some customised 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 2020 Swedbank's capital requirement for market risk, based on calculations according to the standardised approach, was SEK 266m (Q2 2020 was SEK 497m). The majority of the decrease (SEK -216m) was due to decreased capital requirements for specific interest rate risk in the trading book, which was mainly driven by decreased positions in Nordic corporate debt instruments (SEK -72m) and Swedish institutions long term covered bonds (SEK -118m). Capital requirements for FX risk in the banking book decreased by SEK 15m, due to decreased positions in EUR and NOK.

At the end of the year, the capital requirement for Swedbank's market risk, based on calculations according to the IMA, was SEK 1 119m (Q2 2020: SEK1 063m). The increase was mainly attributable to increased general interest rate risk exposure. The total capital requirement for Swedbank's market risk was SEK 1 385m (Q2 2020: SEK 1 561m).

Table 4.1: Market risk under the standardised approach (EU MR1), 31 December 2020

SEKm	RWA	Capital requirements Total
Outright products		
Interest rate risk (general and specific)	3 158	253
Equity risk (general and specific)	15	1
Foreign exchange risk	154	12
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Total	3 326	266

Table 4.2: Market risk under the IMA (EU MR2-A), 31 December 2020

SEKm	RWA	Capital requirements Total
VaR (higher of values a and b)	2 917	233
Previous day's VaR (Article 365(1) (VaRt-1))		87
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		233
SVaR (higher of values a and b)	11 071	886
Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		275
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)		886
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	13 988	1 119

Table 4.3: IMA values for trading portfolios (EU MR3), 31 December 2020

SEKm	
VaR (10 day 99%)	
Maximum value	100
Average value	72
Minimum value	50
Period end	74
Stressed VaR (10 day 99%)	
Maximum value	372
Average value	286
Minimum value	223
Period end	261
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	

Minimal capital requirements for market risk

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 is expected to be clarified once the Commission publishes their proposal for a revised Capital Requirements Regulation (CRR III) during 2021.

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 final 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 2020

SEKm	VaR Total	SVaR total	IRC	Comprehensive risk measure	Other	Total RWA	Total capital requirements
RWA at previous quarter-end	2 817	11 564				14 381	1 150
Regulatory adjustment	1 737	7 358				9 095	727
RWAs at the previous quarter-end (end of the day)	1 080	4 206				5 286	423
Movement in risk levels	-156	-947				-1 103	-88
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)	924	3 259				4 183	335
Regulatory adjustment	1 993	7 812				9 805	784
RWAs at the end of the reporting period	2 917	11 071				13 988	1 119

Market risk exposures

Value-at-Risk (Total)

Market volatility increased dramatically in March, due to the Covid-19 outbreak. Thereafter, volatility generally decreased for the rest of the year, although not fully back to 2019 levels.

Table 4.5: VaR allocated by risk category

SEKm	Jan - Dec 2020 (2019)			31 Dec 2020	31 Dec 2019
	Max	Min	Average		
Interest rate risk	113 (83)	48 (36)	74 (57)	89	58
Currency rate risk	21 (20)	4 (2)	13 (7)	11	11
Share price risk	18 (7)	3 (1)	6 (3)	6	5
Diversification			-18 (-8)	-14	-10
Total	114 (93)	54 (38)	75 (59)	92	64

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 2020 would have increased the value of Swedbank's interest-bearing assets and liabilities, including derivatives, by SEK 1 901m (2019: SEK -365m). The effect on positions in SEK would have been an increase of SEK 518m (2019: SEK -1 277m), while positions in foreign currency would have increased in value by SEK 1 383m (2019: SEK 912m), 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 shift in exchange rates between foreign currencies and the Swedish krona of +5 per cent at year end would have a direct effect on the Group's reported profit of SEK +11m (+72). Moreover, a shift in exchange rates between foreign currencies and the Swedish krona of -5 per cent at year end would have a direct effect on the Group's reported profit of SEK -1m (+22).

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 in all issuer-specific spreads of one basis point at year end 2020 would have reduced the value of Swedbank's interest-bearing assets, including derivatives, by SEK 12m (2019: SEK 11m).

Share price risk

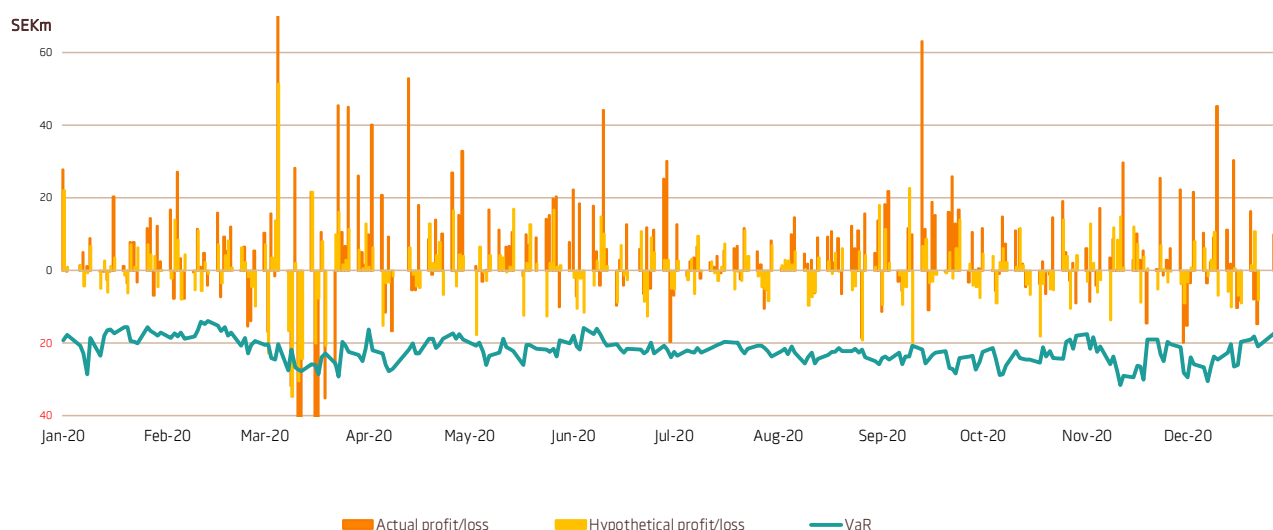
Share price risk occurs only in the trading book and originates from exposure to equities and equity-related derivatives. Swedbank's equity trading book is primarily customer-driven with the purpose of providing liquidity to Swedbank's

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 $\pm 20\%$ and volatilities by a maximum of $\pm 30\%$. A limit is in place for the worst-case outcome from this matrix. At year-end 2020, the worst-case outcome would have entailed a decline in the value of the trading operation's positions by SEK 27m (2019: SEK 27m).

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 2020



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%, an exception about 2-3 times per year would be statistically expected.

Swedbank has had three exceptions in the hypothetical backtesting in 2020 as shown in Figure 4.1, all related to the Covid-19 induced market panic in March.

Value-at-Risk (Trading Book)

Swedbank's market risk exposure, as measured by VaR, was on average higher in 2020 than in 2019. The total trading book VaR in 2020 averaged at SEK 28m, compared to SEK

21m in 2019. The increase was mainly related to higher market volatility.

Table 4.6: Trading book, VaR by business area

SEKm	Jan - Dec 2020 (2019)			31 Dec 2020	31 Dec 2019
	Max	Min	Average		
Credit spread	27 (10)	4 (4)	17 (6)	14	5
Equity	18 (7)	3 (1)	6 (3)	7	5
FX	13 (10)	0 (2)	3 (4)	4	3
Interest rate	29 (26)	16 (12)	21 (19)	21	19
Diversification			-19 (-11)	-15	-9
Total	41 (30)	18 (14)	28 (21)	30	22

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 2020

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	-422	77	-97	492	123	801	216	-1 202	530	518
Foreign currency	78	-30	473	494	1 102	-1 552	790	-13	41	1 383
Total	-344	47	376	986	1 225	-751	1 006	-1 215	571	1 901
Of which financial instruments measured at fair value through profit and loss:										
SEK	180	104	-67	411	57	333	113	-1 047	484	568
Foreign currency	-396	-240	573	610	3 044	-6 552	2 592	341	-224	-252
Total	-216	-136	506	1 021	3 101	-6 219	2 705	-706	260	316

5. Liquidity risk

Swedbank's liquidity position remained strong, supported by depositors and 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 when they fall due without incurring considerable additional costs for obtaining funds or losses due to asset fire-sales.

Highlights 2020

During 2020, the response from central banks and other regulatory bodies to the Covid-19 pandemic has amplified the prevailing trends in the macroeconomic environment. One consequence has been the continued inflow of deposits into the banking sector.

In 2020, Swedbank issued SEK 78bn (SEK 143bn) of long-term debt. This was in part to meet long-term debt maturities of SEK 165bn. Covered bond issuances accounted for a major proportion of the long-term funding at SEK 40bn. No senior non-preferred bonds were issued as market conditions were turbulent due to Covid-19 and the deadline to meet MREL requirements was postponed from 2022 to 2024.

In 2021, Swedbank plans to issue approximately SEK 92bn of long-term debt, of which around SEK 40bn are covered bonds and SEK 25bn are senior non-preferred bonds.

Funding and liquidity strategy

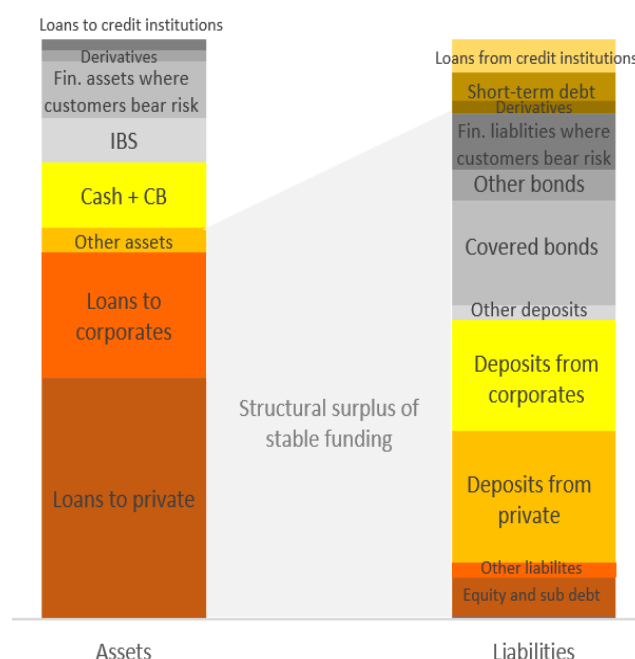
Strategy

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.

Figure 5.1: Simplified liquidity risk related balance sheet, 31 December 2020



Funding

Swedbank has several 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 figures 5.2 and 5.3). In addition, by issuing senior non-preferred bonds, Swedbank is also preparing to be compliant with the fully phased-in MREL by 2024.

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.

During 2020, the Covid-19 pandemic prompted swift and strong actions by central banks and other regulatory bodies to combat the negative economic effects. One major consequence of all these actions, has been the corresponding inflow of deposits into the banking sector. The influx of deposits will affect future wholesale funding considerations.

Table 5.1: Outstanding debt securities in issue

SEKm	2020	2019
Commercial papers	127 209	128 775
Covered bonds	457 156	589 627
Senior unsecured bonds	126 911	128 445
Senior non-preferred	10 371	10 946
Structured retail bonds	6 188	8 910
Additional Tier 1	8 190	15 452
Tier 2	14 672	16 482
Total	750 697	898 637

Table 5.2: Outstanding short-term funding volumes

SEKm	2020	2019
European CP/CD	55 159	49 550
USCP/Yankee CD	72 050	78 225
of which initial maturity > 1 year	1 229	9 546
Domestic CP		1 000
Total	127 209	128 775

Table 5.3: Issued long-term debt, including SNP

SEKm	2020	2019
Covered bonds	40 770	131 039
Senior unsecured bonds	36 833	
Structured retail bonds		1 036
Senior non-preferred		10 946
Additional Tier 1		
Tier 2		
Total	77 603	143 021

Table 5.4: Liquidity Reserve, Swedbank, 31 December 2020¹⁾

SEKm	Total	Currency distribution			
		SEK	EUR	USD	Other
Level 1 assets	484 553	301 488	149 859	21 950	11 256
Cash and holdings in central banks ²⁾	315 446	154 632	141 349	19 466	
- Securities issued or guaranteed by sovereigns, central banks, MDBs and intl. org.	131 695	123 160	5 782	2 483	270
- Securities issued by municipalities and PSEs	1 309	407	44		856
- Extremely high-quality covered bonds	36 103	23 289	2 684	1	10 130
Level 2 assets	10 487	8 336	892	0	1 258
Level 2A assets	9 408	8 077	73		1 258
- Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs					
- High-quality covered bonds	9 405	8 077	70		1 258
- Corporate debt securities (lowest rating AA-)	3		3		
Level 2B assets	1 079	259	819		
- Asset-backed securities					
- High-quality covered bonds					
- Corporate debt securities (rated A+ to BBB-)	785	228	556		
- Shares (major stock index)	294	31	263		
Total Liquid Assets	495 040	309 824	150 751	21 950	12 514

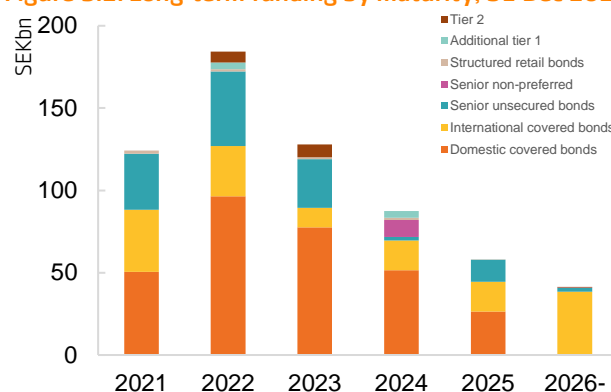
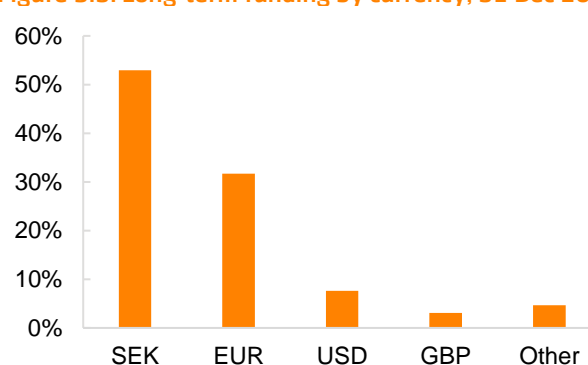
1) Unadjusted Liquid Assets classified in accordance with Commission Delegated Regulation (EU 2015/61).

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 2020, the liquidity reserve amounted to SEK 495bn (SEK 380bn), 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.

Assets included in the reserve fulfil regulatory requirements, see description below table 5.4.

Figure 5.2: Long-term funding by maturity, 31 Dec 2020**Figure 5.3: Long-term funding by currency, 31 Dec 2020**

Rating

Swedbank is rated by S&P Global, Moody's and Fitch. Due to AML allegations all three rating agencies took rating actions and downgraded Swedbank's long-term rating in March and April 2020 to S&P A+, Moody's Aa3 and Fitch Ratings AA-. No further rating changes are anticipated at this point and all three agencies have Swedbank on "stable outlook" after the downgrade.

Asset encumbrance

The types of assets and funding instruments that are being utilised to encumber the balance sheet of a bank determine the quality 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.

The main source of asset encumbrance is mortgages which become encumbered when they are used as collateral when emitting covered bonds. 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 5.11 for information on the overcollateralisation level.

Table 5.5: Swedbank's ratings, 31 December 2020

		Swedbank AB		Swedbank Mortgage AB		Covered bonds	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Standard & Poor's	Short-term	A-1	S	A-1	S		
	Long-term	A+	S	A+	S	AAA	S
Moody's	Short-term	P-1		P-1			
	Long-term	Aa3	S	Aa3	S	Aaa	-*
Fitch	Short-term	F1					
	Long-term	AA-	S				

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

Table 5.6: Encumbered and unencumbered assets, 31 December 2020

Encumbered and unencumbered assets	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
SEKm								
Assets of the reporting institution	667 020	39 729			1 790 199	488 762		
Equity instruments	0				12 297			
Debt securities	39 729	39 729	40 295	40 295	163 638	146 534	163 047	146 878
of which: covered bonds	17 947	17 947	18 212	18 212	31 738	24 978	31 786	24 913
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	17 432	17 432	17 528	17 528	8 594	8 372	9 798	9 345
of which: issued by financial corporations	11 361	11 361	11 367	11 367	58 281	31 100	58 310	31 043
of which: issued by non-financial corporations	0				12 280	589	12 337	593
Other assets	601 828				1 599 405	345 269		
of which: Loans on demand					345 269	345 269		
of which: Loans and advances other than loans on demand					1 158 290			
of which: mortgages loans	584 014				694 502			

Table 5.7: Collateral received, 31 December 2020

Collateral received	Encumbered		Unencumbered	
	Fair value of encumbered collateral received, or own debt securities issued		Fair value of collateral received, or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
SEKm				
Collateral received by the reporting institution	33 142	33 142	64 906	42 926
Loans on demand				
Equity instruments			3 399	
Debt securities	33 142	33 142	44 711	42 926
of which: covered bonds	5 695	5 695	38 555	36 966
of which: asset-backed securities				
of which: issued by general governments	26 839	26 839	4 230	4 230
of which: issued by financial corporations	4 951	4 951	14 604	24 693
of which: issued by non-financial corporations			73	73
Loans and advances other than loans on demand			16 209	
Other collateral received			704	
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged			659	659
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	700 162	72 871		

Table 5.8: Sources of encumbrance, 31 December 2020

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
SEKm		
Carrying amount of selected financial liabilities	678 915	679 847
of which derivatives	27 440	28 412
of which deposits	138 780	139 887
of which debt securities issued	505 658	505 658
Other sources of encumbrance	2 668	22 508
Total sources of encumbrance	681 515	702 112

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 responsible for identifying, measuring, 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 independent risk control function and is responsible for ensuring that liquidity risks are identified and properly managed by Group Treasury. In addition, the new product approval process, owned by Group Risk, is a critical tool for the identification of risks, including liquidity risks. Furthermore, Group Risk has the responsibility to develop and maintain a risk limit and KRI framework, and Group-wide methods for risk measurement. Moreover, 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.

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. 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. Internal policies state that Swedbank's appetite for liquidity risk shall be low, and that the liquidity profile shall be resilient towards both short-term and long-term liquidity stress, why an adequate liquidity generating capacity shall be maintained. For meeting these requirements, Group Treasury proactively manage liquidity and funding. Swedbank's funding strategy and total liquidity generating capacity are key components in 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.

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 considered. 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 is monitored and managed daily. Internal systems support liquidity risk measurement, monitoring and reporting – both in stand-alone currency settings 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

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

Swedbank has a business continuity plan (BCP), which is updated annually, to manage any serious disruption of the liquidity situation. The BCP sets limits on several risk indicators that act as early warning triggers. If the limits are breached the BCP is used as an instruction to reduce the increased level of liquidity risk with detailed descriptions of actions that can be taken to avoid going into recovery mode, where the more comprehensive Recovery Plan would be activated.

Measurement of liquidity risk

Swedbank uses a range of risk measures to capture different aspects of liquidity risk. The measures allow assessment of short-term liquidity risks, including intraday, as well as long-term structural liquidity risks, under normal as well as under stressed circumstances. The liquidity measures are either defined internally or by external regulatory requirements.

Liquidity risk limit framework

With the decision on Swedbank's overall liquidity risk appetite, the Board of Directors has defined limits for the regulatory metrics Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and for survival periods, as measured by the internal Survival horizon metric. Besides the Board of Directors limits, a risk limit framework has been established by the CEO. Additional limits are implemented on more granular managerial levels.

Survival horizon

The Survival horizon metric forms the basis for the liquidity risk limit framework. The metric reflects the survival period threshold as defined by the Board of Directors and is the main internal liquidity risk metric used within Swedbank. The guiding principle of the metric is the capture of all relevant future daily cash flows. By combining this with Swedbank's liquidity generating capacity, the metric illustrates the projected liquidity position through time.

The Survival horizon represents the number of days with a positive cumulative net liquidity position, taking future cash flows into account. The risk measure is conservative and assumes adverse circumstances, e.g. that there is limited access to the funding markets, a considerable deposit run-off and a severe drop in house prices – affecting the overcollateralisation level of the cover pool. Lending to private and corporate customers is rolled over. Hence, the survival period of the Survival horizon reflects, from a liquidity perspective, the short- and long-term capacity to withstand a stressed scenario while maintaining a going concern perspective. At year-end 2020, the Survival horizon indicates a strong liquidity position.

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 5.9. 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.

By end of year 2020, the LCR was 174%, compared to 182% for 2019. Throughout 2020, the LCR was maintained well above the regulatory requirement (see table 5.10). 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.

Collateralisation 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 increased compared to year-end 2019.

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 2020, Swedbank had an NSFR of 125% (year-end 2019: 120%).

Table 5.9: Liquidity coverage ratios and other liquidity and funding ratios

Liquidity coverage ratios¹⁾, SEKm	31 Dec 2020	31 Dec 2019
High Quality Liquid Assets (HQLA)		
High quality liquid assets, Level 1	482 025	370 809
High quality liquid assets, Level 2	8 536	5 075
Total HQLA	490 561	375 884
Cash Outflows		
Retail deposits and deposits from small business customers	47 852	42 784
Unsecured wholesale funding	200 763	152 541
Secured wholesale funding	8 632	3 989
Additional requirements	69 477	52 813
Other cash outflows	3 310	9 369
Total Cash Outflows	330 034	261 496
Cash Inflows		
Secured lending	4 361	13 838
Inflows from fully performing exposures	18 932	18 891
Other cash inflows	24 987	21 693
Total Cash Inflows	48 280	54 423
Liquidity Coverage Ratio Total %	174	182
Liquidity coverage ratio (LCR) EUR %	263	379
Liquidity coverage ratio (LCR) USD %	145	157
Liquidity coverage ratio (LCR) SEK²⁾ %	134	111
Liquidity and funding ratios	31 Dec 2020	31 Dec 2019
Net stable funding ratio (NSFR) according to CRR2³⁾ %	125	120
Available stable funding (ASF), SEKm	1 652 303	1 550 005
Required stable funding (RSF), SEKm	1 316 918	1 294 999
Liquid assets in relation to maturing funding during next 3, 6 and 12 months⁴⁾ %		
liquidity reserve 3 months	356	295
liquidity reserve 6 months	241	162
liquidity reserve 12 months	167	112

¹⁾ LCR calculated in accordance with Commission Delegated Regulation (EU) 2018/1620.

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

³⁾ NSFR calculated in accordance with Regulation (EU) 2019/876.

⁴⁾ Issued debt and net of lending to and borrowing from credit institutions (net Interbank) within 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 5.10: 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-2020	30-Sep-2020	30-Jun-2020	31-Mar-2020	31-Dec-2020	30-Sep-2020	30-Jun-2020	31-Mar-2020	
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	
Total high-quality liquid assets (HQLA)					537 572	502 144	474 821	443 302	
Cash-outflows									
Retail deposits and deposits from small business customers, of which:	705 185	683 030	667 615	651 231	45 669	44 289	43 525	42 675	
Stable deposits	521 420	507 146	496 916	487 352	26 071	25 357	24 846	24 368	
Less stable deposits	178 084	172 269	168 815	163 880	19 598	18 932	18 679	18 308	
Unsecured wholesale funding	514 827	480 894	454 314	429 292	274 085	261 096	248 837	234 853	
Operational deposits (all counterparties) and deposits in networks of cooperative banks	272 908	227 008	192 997	162 123	76 102	61 141	50 293	39 947	
Non-operational deposits (all counterparties)	189 647	203 681	215 385	222 230	145 710	149 751	152 611	149 966	
Unsecured debt	52 272	50 204	45 932	44 940	52 272	50 204	45 932	44 940	
Secured wholesale funding					10 408	9 707	9 833	8 689	
Additional requirements	340 035	327 126	316 895	309 077	61 276	57 923	54 733	51 509	
Outflows related to derivative exposures and other collateral requirements	29 189	26 740	24 500	22 169	29 189	26 740	24 500	22 169	
Outflows related to loss of funding on debt products									
Credit and liquidity facilities	310 845	300 386	292 395	286 907	32 087	31 183	30 233	29 339	
Other contractual funding obligations	27 038	28 963	28 954	30 404	21 701	25 304	26 605	29 366	
Other contingent funding obligations	51 564	52 046	51 947	51 492					
Total cash outflows					413 139	398 318	383 533	367 093	
Cash-inflows									
Secured lending (e.g. reverse repos)	77 120	75 296	70 022	64 809	13 305	15 952	17 552	16 942	
Inflows from fully performing exposures	37 204	39 380	39 457	40 418	27 707	29 353	29 296	29 407	
Other cash inflows	36 112	36 924	35 151	33 483	36 112	36 924	35 151	33 483	
(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	150 436	151 600	144 630	138710	77 124	82 229	82 000	79 832	
Fully exempt inflows									
Inflows Subject to 90% Cap									
Inflows Subject to 75% Cap	150 436	151 600	144 630	138710	77124	82 229	82 000	79 832	
					Total adjusted value	Total adjusted value	Total adjusted value	Total adjusted value	
Liquidity reserve					537572	502 144	474 821	443 302	
Total net cash outflows					336015	316 089	301 533	287 261	
Liquidity coverage ratio (%)					161%	160%	158%	155%	

Table 5.10 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

The covered bonds market has proven itself a reliable source of funding and liquidity even during times of general market stress. Therefore 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 ratings with rating agencies.

At year-end 2020, the OC level was 88%, 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 5.11: Cover pool sensitivity analysis, 31 December 2020

House price decline, SEKm	Current	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%
Total assets in the cover pool	1 018 014	1 014 666	1 007 236	994 606	977 413	955 699	929 462	898 535	862 194
Total outstanding covered bonds	541 248	541 248	541 248	541 248	541 248	541 248	541 248	541 248	541 248
Overcollateralisation level %	88.1	87.5	86.1	83.8	80.6	76.6	71.7	66.0	59.3

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, build an understanding of the risk drivers and 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 Swedbank's liquidity and funding position, on a Group level as well as for significant legal entities. The ILAAP scenario incorporate both idiosyncratic and market-related issues. The 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 wholesale funding markets
- increased utilisation of customer credit lines
- house price decline
- higher collateral requirements due rating downgrade
- liquidity demand effects due to intraday operations
- general price fall in the liquidity portfolio

The results of the 2020 ILAAP stress test indicate a strong resilience towards an extreme liquidity environment.

6. Operational and compliance risk

2020 marked Covid-19 as a critical risk in all Swedbank home markets, as well as the conclusions related to AML investigations. To secure stakeholder trust and maintain service availability, several measures have been taken to reduce the spread of the virus and the negative impacts on our operations. Furthermore, several activities to improve AML compliance have progressed significantly.

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. It also includes risk from external events not covered by any other risk type.

Operational risk is broken down into the following subtypes: Business Continuity risk, Third-party risk, Information Security & IT risk, Legal & Internal Governance risk, Statutory Reporting & Tax risk, Processing & Execution risk, Physical Security & Safety risk, People risk, Data Management risk, Model risk, Internal Fraud risk and External Fraud risk.

Compliance risk

The risk of failure by the Group to fulfil and meet the external and internal regulations applicable to the Group's licensed operations. More specifically, Compliance risk includes Regulatory Compliance Risk, Financial Crime Risk and Conduct Risk.

Highlights 2020

In 2020 Swedbank saw an increase in operational incidents and operational losses compared to 2019. Risks that have risen in importance include (but are not limited to) business continuity risks, third-party risks and information security & IT risks due to reoccurring disruptions in most critical customer-facing services. Availability and accessibility as a full-service bank in all four home markets remains as a key priority for Swedbank. The bank's ability to uphold the service promise to customers is dependent on the ability to achieve and maintain effective operations, stable and resilient IT-environment, including outsourced services. Several initiatives to mitigate risks, avoid reoccurring incidents and to improve processes and controls are ongoing, both short and medium term.

The Covid-19 pandemic has raised a critical risk level with an impact on our operations, employees and customers, causing an extraordinary need for remote availability of banking services in all Swedbank home markets. In response to that, our resilience and preparedness towards the upcoming risks as well as the contingency measures for critical functions and core business lines have been strengthened. Besides, to reduce the risk of the virus's spread, protect customers and employees,

maintain operations, as well as to enable proactive ways of working, specific Covid-19 scenario plans have been introduced.

Furthermore, as described in Chapter 1, there have been identified shortcomings regarding routines and processes for AML/CTF. In addition, internal monitoring activities have also highlighted risks in the area of customer protection that needs focus and actions. Work is ongoing within the bank to ensure that deficiencies identified are addressed adequately. The Group's Compliance function monitors the work.

Compliance Transformation Programme

During 2020 Swedbank has launched a compliance transformation programme. It will ensure that the Group has robust processes and that the Group Compliance function proactively ensures compliance with regulatory requirements. The programme encompasses findings from the FSAs and Clifford Chance around Swedbank's internal structure regarding first- and second line of defence responsibilities.

Reducing the risks of money laundering and terrorist financing

On 19 March the FSAs in Sweden and Estonia announced the results of the parallel investigations of Swedbank. On 23 March 2020 the international law firm Clifford Chance presented its report on Swedbank's Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) work. Clifford Chance was hired by Swedbank's Board of Directors in February 2019 to conduct the investigation that served as the basis of the report. The bank now has a good overview of the remaining shortcomings in terms of AML/CTF and has created a detailed plan to address them. It mainly consists of the bank's 244-point plan and four complementary remediation projects.

In 2020 the bank's priority was to mitigate the shortcomings that the Estonian and Swedish FSAs pointed out. In 2021 the focus will shift to reaching the forefront in the fight against financial crime. Swedbank's 244-point plan to address AML/CTF related shortcomings is progressing according to plan. The Anti Financial Crime (AFC) unit is coordinating the work and has, together with Group Compliance, amongst other things ensured delivery of a Group Wide Framework within AML/CTF as well as the Financial Sanctions area. The units have furthermore developed the Group's key processes and IT systems, connected to the Group Risk Assessment process, know your customer (KYC), customer risk classification,

transaction monitoring, Financial Sanctions as well as internal and external reporting.

In order to reach expectations from regulators and the target of being at the forefront of the fight against financial crime, Group Compliance has embarked on a transformation programme leading to more clear responsibilities between first and second line of defence and where Group Compliance owns the overarching Group AML/CTF and Financial Sanctions frameworks as well as having the role as standard setter with veto rights. Furthermore, Group Compliance is currently implementing a control structure with the aim to quality assure the first line activities and to get a holistic AML/CTF/FS risk overview. Group Compliance has also set the foundation for the implementation of a new Financial Crime Risk Unit. The US authorities continue to investigate Swedbank's historical deficiencies in combating ML/TF and other financial crime, and compliance to Financial Sanctions regimes. Swedbank's US legal advisor continues to assist the bank in its contacts with regulatory authorities.

During 2020 an internationally renowned consulting firm completed an extensive analysis of the corporate culture, which confirmed that Swedbank essentially has a positive culture with deep roots, distinguished by our strong values (open, simple and caring). However, there is room for improvement. The bank's long-term goals and the road to get there, have to be more clearly stated. Employees should feel that they have room to grow and can speak their minds. The evaluation is serving as the basis of comprehensive work that is currently underway and encompasses the entire bank and all employees to strengthen leadership and performance development.

In 2020, Group Legal managed a project aimed at ensuring that the bank, as a parent company, has a sound and satisfactory corporate governance steering model that is clear, consistent and in line with best practice, taking into consideration the size, complexity and strategy of the Group (the "Governance Review"). The Governance Review conducted a gap analysis and identified a number of areas of improvement and also made numerous recommendations on how to address those areas of improvement. The change in corporate governance is in an execution phase, with several ongoing subprojects and workstreams that will be fully implemented during 2021. The aim of all AML/CTF related initiatives is to ensure that Swedbank is doing the right things to combat ML/TF, at the right time and with the right quality. Over a three-year period, external experts will conduct an annual evaluation. The first evaluation was conducted and delivered in the end of 2020 and will be repeated in the fourth quarters of years 2021-2022. The first report confirms the high pace of Swedbank's remediation programmes to remediate its historical deficiencies.

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 and Swedbank aims to reduce the likelihood of such losses through operational risk management and control, as well as continuity management 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 (RBP) process ensures that senior management considers the risks related to the business, that adequate resource and actions to manage the risks are planned for and prioritized as well as an overarching operational risk view is communicated. RBP also helps to improve coordination and information-sharing between Group Risk, Group Compliance and Internal Audit towards aligned assurance. RBP 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 materially altered products, services, markets, processes and/or IT-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 adequately 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 Group Compliance contributes with an expert evaluation of the risk analysis process and the residual risks and Group Risk has the mandate to reject 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 and EBA GL 11.

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 efficient in clarifying expectations, 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.

Legal Risk

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 programmes to mitigate operational risks (and other types of risks). These insurance programmes consist of external insurance solutions, internal captive solutions, and externally reinsured captive solutions. The external programmes include Crime, Professional Liability, Directors' and Officers' Liability, Property insurance, and Cyber Insurance.

Operational Risk Losses

Figure 6.1: Operational risk – total annual losses

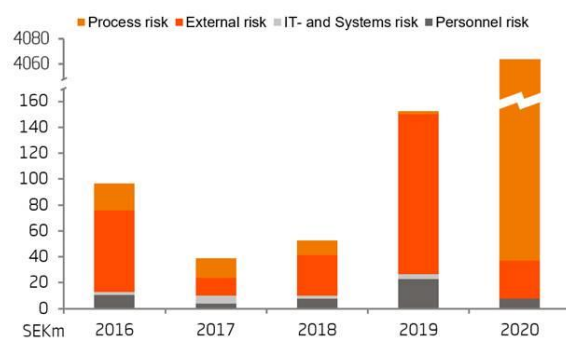


Figure 6.2: Annual loss – by Basel Event Type

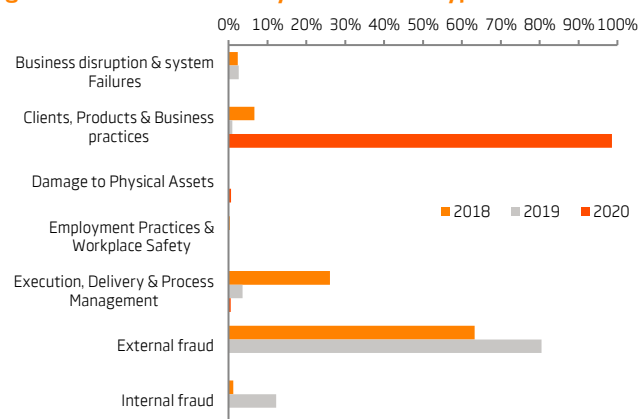
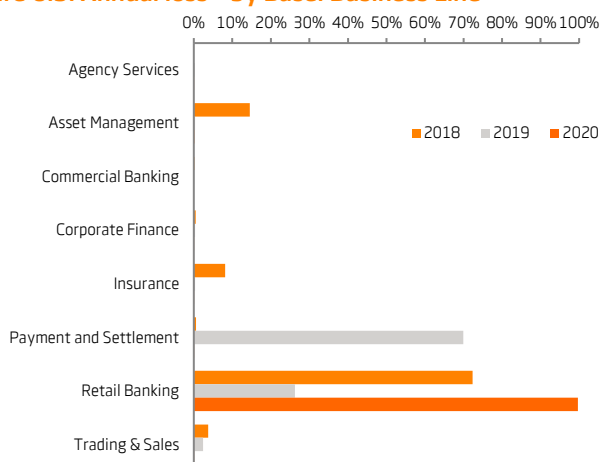


Figure 6.3: Annual loss – by Basel Business Line



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 was postponed to 1 January 2023 due to the Covid-19 pandemic.

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

SEKm	2020		Capital requirement		
	Income Indicator	Beta (%) *	2020	2019	2018
Basic indicator approach	0	15	0	0	0
Standardised approach	43 594	13	5716	5 481	5 182
Corporate finance	95	18	17	26	29
Trading and sales	1 691	18	304	322	232
Retail banking	27 629	12	3316	3 135	3 006
Commercial banking	8 106	15	1216	1 164	1 094
Payment and settlement	2 093	18	377	372	366
Agency services	306	15	46	44	44
Asset Management	3 674	12	441	418	411
Retail brokerage	1	12	0	1	1
Total	43 594	13	5716	5 481	5 182

*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.

Management of compliance risk

Regulatory Screening and Control Process

The Regulatory Screening and Control process is an assurance process, established and to be further developed by Group Compliance as a control function. The primary purpose of the Regulatory Screening and Control 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, as well as that systematic post-implementation assurance of how the Group complies is given to the Board and the CEO.

Risk-based planning

The risk-based planning process serves to make sure that an overarching Compliance risk exposure 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, Group Compliance and Internal Audit towards aligned assurance.

Compliance monitoring and Independent Testing

The monitoring process is a standardised process where Group Compliance in a risk-based approach assesses how the Group complies with external regulations within scope and relevant internal regulations. The Independent testing unit was created in 2020 as a designated unit for coordinating monitoring activities and performing systematic and independent control testing.

Advice & support

The advisory process for Group 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 the 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.

Investigations

In 2019 and 2020 Swedbank co-operated extensively with the relevant authorities in different jurisdictions regarding findings that come from the investigations.

The money laundering-related investigations started in 2018 and 2019, conducted by the Swedish and Estonian financial supervisory authorities (FSA), were concluded on 19 March 2020. The Swedish FSA issued a warning and an administrative fine of SEK 4bn. The Estonian FSA issued a precept requiring Swedbank to take certain measures to strengthen the bank's AML processes and routines. On 23 March the international law firm Clifford Chance presented its final investigative report. It

stated that Swedbank have had serious deficiencies in its management of money laundering risks but also that large improvements had been done between 2016 and 2019.

Estonian Precept

Swedbank submitted a final report to the Estonian FSA on 19 November 2020. The report consisted of all measures taken to address the shortcomings listed in the precept from March 2020. The actions were described in detail and Swedbank AS believes that it has addressed the shortcomings identified by the Estonian FSA.

Swedbank AS has further increased its AML/CFT expertise within the management board and the awareness among employees to improve the AML culture and the framework. The organizational set-up has been changed in order to clearly allocate responsibilities within the AML/CTF area. The Compliance function has been strengthened and has established a new unit with complete overview in the AML/CTF work. Additionally, Swedbank AS has substantially increased human resources in the AML/CTF-area.

Estonian Criminal Investigation

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

New Swedish Notification

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

US authorities

US authorities continue to investigate Swedbank's historical AML/CTF-work and historical disclosure of information. The investigations are progressing and Swedbank is in dialogue via our US legal counsel, with all relevant authorities. We cannot at this stage predict when the investigations will be concluded, nor can we predict the outcome.

EBM

The Swedish Economic Crime Authority (EBM) is investigating whether a crime was committed in connection with historical disclosure of information. The bank has no information on when EBM's investigation will be completed.

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 Group-level policies for Code of Conduct and Conflicts of Interest. Swedbank has during 2020 established two units within Group Compliance, Conduct Risk and Data

Protection Risk, which are responsible for risk oversight and standard setting obligations for Conduct risks and Data Protection risks.

Market Conduct

All activities related to Market Conduct shall be conducted in compliance with applicable laws, the Group's corporate values and within the boundaries defined by the Risk Appetite, as set by the Board.

Market Conduct Risk is defined as the risk of inappropriate or poor sales and marketing practices to the public, lack of transparency and disclosures, inappropriate incentives, the misuse of information and the distortion of price-setting mechanisms, leading to unfair treatment of customers or undermining the integrity of the financial market and confidence in the financial system. It also includes the risk of contributing to investing in or financing activities/businesses detrimental to environmental and social considerations.

Customer Protection

All activities related to Customer Protection shall be conducted in compliance with applicable laws, the Group's corporate values and within the boundaries defined by the Risk Appetite, as set by the Board.

Customer Protection Risk is defined as the risk that Swedbank, when providing financial products and services, do not treat customers in a fair and transparent way and do not put customers interests at the centre of business models and corporate culture. It also includes the risk of contributing to investing in or financing activities/businesses detrimental to environmental and social considerations.

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 (whistleblowing)

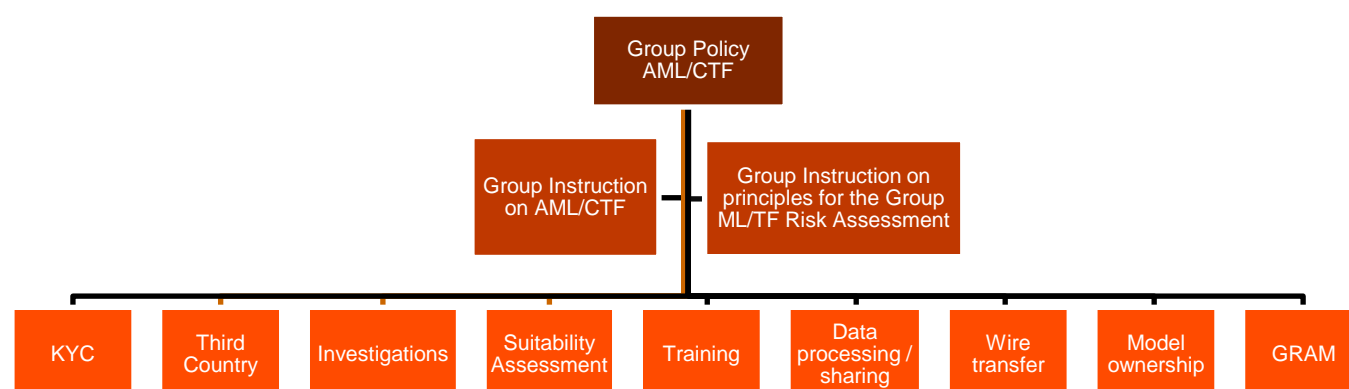
Swedbank has established a Group-wide internal alerts process that sets the requirements on how the Group shall handle whistleblowing. The process allows employees and other stakeholders to report and raise concerns of potential or actual failures to comply with external and internal rules or regulations, concerns of breaches of internal standards, irregularities, criminal offences, including, but not limited to, corruption, fraud, other financial crimes and sexual harassment.

Data Protection risk

The processing of personal data shall be compliant with the GDPR and any other applicable data protection regulation and the processing shall be conducted within the boundaries defined by the Risk Appetite, as set by the Board. The Data Protection risk is the risk of deficient processing of personal data which may jeopardize privacy rights and freedom of individuals.

Financial Crime Risk

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 ML as well as many different types of 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 and the roles and responsibilities between the first and second line of defence, an updated Group AML/CTF Framework has been rolled out in Swedbank during the second half of 2020. The updated Group AML/CTF Framework aims to ensure clear roles and responsibilities as well as a clear AML/CTF risk strategy and risk appetite.

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 efficiency 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.

The Group Instruction on AML/CTF outlines the AML/CTF governance 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 Chief Compliance Officer (CCO) is the owner of the overarching Group AML/CTF Framework.

The Group Specially Appointed Executive (Group SAE) is responsible for the AFC 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 Instruction on principles for the Group ML/TF Risk Assessment outlines the overall principles for the risk assessments in the Group. Based on the overarching approach outlined in the instruction, the Group Directive on Group Risk Assessment Methodology (the GRAM Directive) outlines the further details of the 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 AML/CTF Framework outlines the minimum requirements as regards the performance of KYC measures on customers, the customers' Beneficial Owners and Authorised Representatives. The Framework is designed to allow for an appropriate risk assessment of each customer and the subsequent application of a risk-based mitigating activities, as well as adaption to the nature and scale of the business activities and services etc.

Each business area and subsidiary is accountable for interpreting and implementing the requirements in its business processes to manage the ML/TF risks to which it is exposed.

The Group is always targeting to apply relevant and detailed customer risk classification models throughout the group and further to align those models used in order to have a comprehensive and clear view of the potential ML risks connected to customers and their behaviour.

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 and investigation of alerts in the Group falls under the responsibility of the Group Function Group AML Investigations within AFC (i.e. the responsibility of the Group SAE).

The Group Officer for Controlling and Reporting (Group OCR) is accountable for the FIU reporting accountable and for the handling of requests from local FIUs through the appointed Money Laundering Reporting Officers (MLROs). The appointed MLROs for each legal entity in the Group are responsible for the FIU-reporting.

In line with the accountability of the OCR, the Group Compliance function also monitors and controls the adherence to regulatory requirements, internal regulations, adherence to stated risk appetite, and efficiency of processes related to AML/CTF and especially Transaction monitoring and reporting to the FIUs.

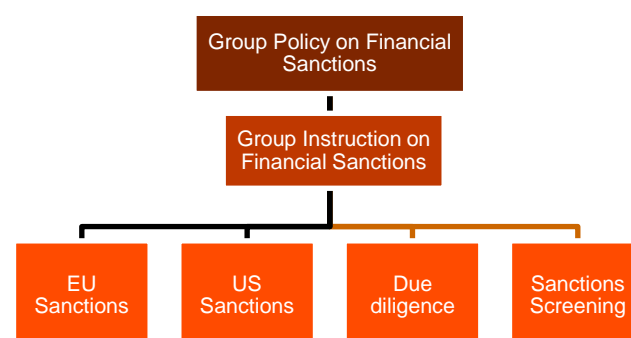
Financial Sanctions

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.

Currently, the Group has adopted an updated Policy on Financial Sanctions with the Instruction on Financial Sanctions as well as 4 new Directives to be adopted in early January 2021 (as shown below in figure 6.5), in line with the new approach on Group AML/CTF Framework and Governance, and in order to meet new challenges.

Figure 6.5: Group Financial Sanctions Framework



7. Capital stress tests and economic capital

Amidst the shock caused by the Covid-19 pandemic, Swedbank continues to rely on the low-risk exposure and adequate capitalization to cope with its economic consequences. The stress testing exercises conducted in 2020 reaffirm Swedbank's capacity 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 significant 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 risk exposure. In addition, Swedbank continuously 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 2020

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 2020 were the ICAAP adverse scenario simulations and the stress test designed by the SFSA to assess the size of capital planning buffer. The biannual EBA systemwide stress test planned for 2020 was deferred by one year in a regulatory response to the developing Covid-19 situation. The stress tests performed in the ICAAP are designed to reflect identified systemic risks that may have an adverse impact on Swedbank's capital position. In the stress scenario expected to occur approximately once in 25 years that was developed before the Covid-19 outbreak, Swedbank withstands a severe recession with a fully loaded CET 1 capital ratio of 13.9% in the lowest point. The result observed in another scenario focusing on the highly pessimistic forecast of the Covid-19 situation – 12.9% – is not a cause for concern considering the unprecedented depth of the modelled crisis.

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 strategic risk are evaluated separately. The strategic 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 strategic 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 statistical and mathematical approach based on extreme value theory where historical operational loss data is used. The model has been developed primarily using internal loss data and is complemented with scenario information to capture areas where additional input is required beyond loss data. The main cause for internal

operational losses is process risk followed by personnel risk. Since Swedbank is heavily dependent on solid IT-solutions, another main driver of operational risk is low frequency high-impact losses related to information and technology risk, which, together with external risk, makes impact on clients, products and business practices.

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	2020	2019
Credit risk	25.8	25.5
Market risk	5.8	4.7
Operational risk	5.1	4.3
Risks in post-employment benefits	0.4	0.2
Total	37.0	34.7

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	Pillar 1	Pillar 2 Identified and mitigated?
Reputational risk	No	Yes ³
Liquidity risk	No	ILAAP ⁴
Strategic risk: Decision risk, Business plans, Projects and acquisitions	No	Yes ⁵

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 make a qualitative and quantitative assessment of risks 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. Depending on the outcome of the ORSAs, Swedbank might choose to set aside capital within its Economic Capital framework

³ Reputational risk is considered as part of the operational risk in the ICAAP context. The Scenario Simulation parameters can be adjusted to reflect reputational risk

⁴ For information regarding liquidity risk in ILAAP and other stress tests and sensitivity analysis for liquidity risk, please see Chapter 5

⁵ Strategic and business risks are covered within the scope of the management buffer as part of the normal capital planning process. Economic Capital and adverse Scenario Simulation calculations can be adjusted to reflect a 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 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

At year-end 2020, Swedbank's total EC amounted to SEK 37.0bn, which is 7% more than in 2019 (34.7bn). The internal requirement for every significant risk type increased in 2020. Credit risk, being the major contributor to the total EC, added SEK 0.3bn (1%). For market risk, the EC increased by 23% to SEK 5.8bn in 2020 vs. 2019 mainly on the back of the trading book component. Higher credit spread risk and higher interest rate yield curve risk played a prominent role in these dynamics. The EC for operational risk amounted to SEK 5.1bn, which is 18% higher than a year ago (4.3bn). The internal requirement increased due to re-calibration of the model and incorporation of the SFSA's AML fine in the loss data set. Post-employment benefit risks contributed SEK 0.4bn to the EC. The EC is a crucial component for and serves as a 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. The negative feedback loop between the capital and liquidity risks may arise if the capital is improperly managed. The ICAAP ensures that this aspect is taken into account when analysing stress test results.

exposure.

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 RWA changes are accounted for, a total impact on capital adequacy can be readily 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.

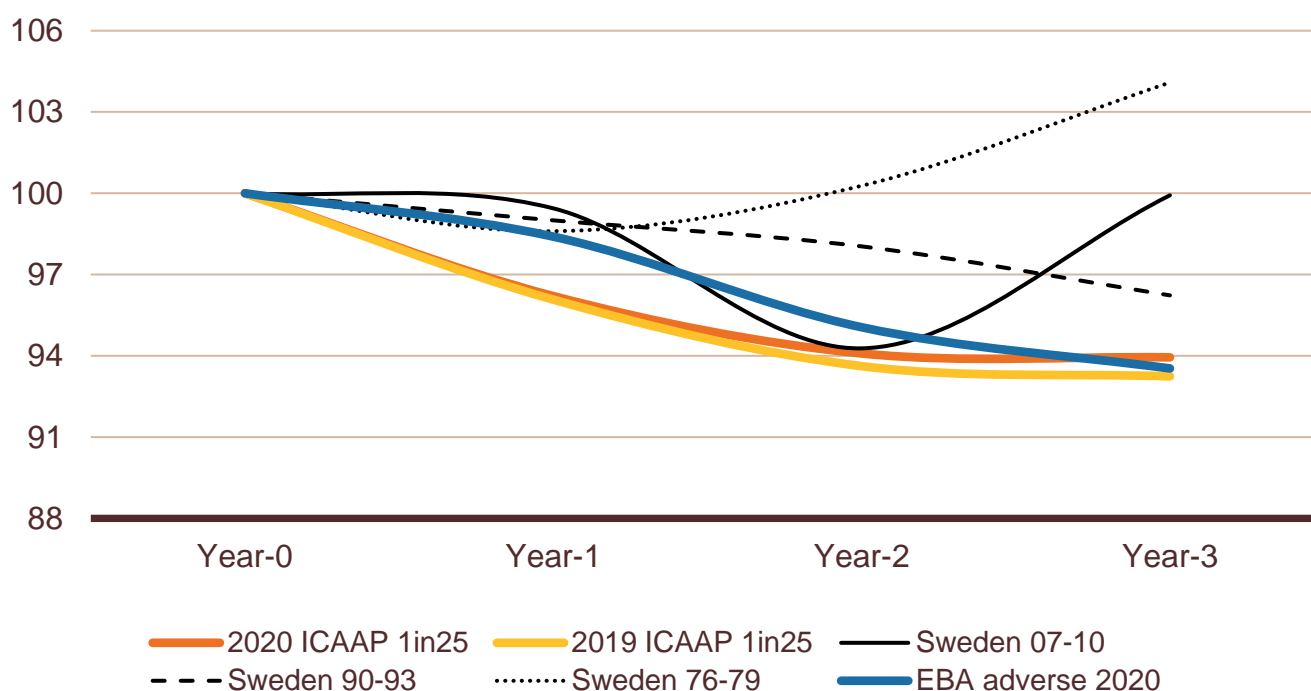
The adverse ICAAP scenarios

For ICAAP purposes, Swedbank develops a 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 2020 rests on three major risk drivers. A breakdown of trade talks between the USA and China is deemed to be the most prominent while also the macroeconomic growth issues related to climate change transition and the effects of the geopolitical tensions in the Strait of Hormuz are factored into the scenario. In addition, the impact of the AML allegations against Swedbank is considered. Thus, an aggressive

escalation of the ongoing trade war is used as the scenario starting point recognizing that such a development hampers economic growth and may set the rest of the world on a path towards destructive tariff policies. At the same time, the scenario assumes that climate change can be mitigated if governments act decisively, which leads to rapid economic adjustments. This affects economic growth and is supposed to have grave short-term consequences for companies that would need to adapt their business models and practices to the new operating environment.

Table 7.3: Stress test ICAAP scenario parameters

	Severity level 1-in-25 years			
	2019 ¹⁾	2020f	2021f	2022f
Sweden				
Real GDP growth, % Q4/Q4	1.0	-3.8	-2.2	-0.2
Unemployment, %	6.9	14.2	13.5	10.9
Inflation, % yoy	2.0	-1.0	-1.5	-0.4
Residential real estate price index	100.0	74.6	64.9	63.8
Estonia				
Real GDP growth, % Q4/Q4	3.8	-4.1	-3.4	-1.4
Unemployment, %	5.1	17.7	16.3	11.8
Inflation, % yoy	2.9	-1.3	-1.8	-0.3
Residential real estate price index	100.0	74.9	63.3	61.1
Latvia				
Real GDP growth, % Q4/Q4	2.9	-4.1	-4.0	-2.3
Unemployment, %	6.4	17.7	16.4	10.6
Inflation, % yoy	3.2	-1.4	-1.9	-0.3
Residential real estate price index	100.0	74.4	60.5	57.5
Lithuania				
Real GDP growth, % Q4/Q4	4.0	-4.0	-4.0	-1.7
Unemployment, %	5.8	17.2	16.2	8.5
Inflation, % yoy	2.7	-1.0	-1.9	0.1
Residential real estate price index	100.0	74.7	61.2	58.9
Interest rates				
3m Government rate SEK, %	-0.40	-1.79	-1.79	-1.59
3m Government rate EUR, %	-0.42	-1.52	-1.52	-1.32
FX				
USD/SEK	9.27	10.13	10.42	10.42
EUR/SEK	10.56	10.83	11.36	10.22

¹⁾ Figures for 2019 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 introduction of the standardised approach to counterparty credit risk.

Table 7.4: Income statement under the ICAAP scenario

Income statement under ICAAP scenario ¹⁾ , SEKbn	Severity level 1-in-25 years			
	2019 ¹⁾	2020f	2021f	2022f
Total net interest income	27.6	24.2	24.0	23.2
Total income	46.7	40.0	39.3	37.8
Total expenses	20.6	24.9	20.5	20.2
Profit before impairments	26.0	15.2	18.7	17.5
Credit impairments	1.8	9.7	13.8	11.1
Operating profit	24.2	5.5	4.9	6.4
Tax expense	4.8	1.9	1.0	1.3
Non-controlling interests	0.0	0.0	0.0	0.0
Profit for the period attributable to: ²⁾ Shareholders of Swedbank AB	19.4	3.6	4.0	5.2

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 50% 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 4.4bn compared to the starting position. The main drivers underlying this development are falling benchmark interest rates (EURIBOR and STIBOR) and widened wholesale funding spreads.

Expenses

In the scenario, the development of core operating expenses is primarily inflation driven. As inflation rate is positive at the beginning of the first year, both staff and administrative costs go up slightly but are prudently kept constant in the coming deflationary periods. In addition to the core operating costs, the general administrative expenses item includes a SEK 4.0bn AML penalty in 2020 as well as forecasts for

operational risk losses and AML legal and advisory expenditures.

Credit impairments

New credit losses accumulate to SEK 34.1bn or 2.1% of total loans as of 2019Q4. Losses peak in the second year, but the IFRS 9 accounting methodology entails a significant increase in losses already in the first year driven mostly by rating migrations within stages and migration from stage 1 to stage 2. There are high loss ratios in relatively small cyclical and climate exposed sectors like retail, while loss ratios are contained in the larger private mortgage and property management portfolios. The share of climate loss is high in the offshore sector and certain parts of the manufacturing industry as these are more directly impacted by government

policies and the public sense of climate urgency, while property management is only indirectly affected through

lower income and higher energy costs. These five sectors together account for 75% of the total credit loss.

Table 7.5: Credit impairments under the ICAAP scenario

Credit impairment by business area, SEKbn	Loans 2019	Severity level 1-in-25 years			Accumulated 2020 - 2022 ratio, %
		2020	2021	2022	
Swedish banking	1 198.0	3.3	5.7	5.1	1.2
Large Corporates & Institutions	253.0	4.4	6.0	4.3	5.8
Estonia	86.3	0.8	0.8	0.5	2.4
Latvia	37.4	0.5	0.5	0.3	3.6
Lithuania	62.5	0.7	0.7	0.4	2.9
Other	20.5	0.0	0.0	0.0	0.0
Total	1 657.8	9.7	13.8	10.6	2.1

Impact on Swedbank – RWA and capital

The nominal amount of CET 1 capital increases slightly through the scenario, buoyed by the accumulating retained earnings. This is despite an actuarial loss in the defined benefit post-employment plans via other comprehensive income in 2020 and 2021. The CET 1 capital ratio drops by 301 basis points at the trough driven by low retained

earnings and peaking Risk Weighted Assets caused in part by the overhaul of the IRB models in 2021. CET 1 ratio of 13.9% is estimated to be below the full capital requirements by 81 basis point implying a 32% utilization of the Capital Conservation Buffer. Note also that this estimate does not incorporate the post-Covid decrease of the Countercyclical Buffer requirement.

Table 7.6: Swedbank Consolidated Situation capital assessment results

Capital assessment SEKbn	Severity level 1-in-25 years			
	2019	2020f	2021f	2022f
Total RWA	649.2	676.5	801.1	793.6
Common Equity Tier 1	110.1	111.4	111.7	114.5
Common Equity Tier 1 ratio, %	17.0	16.5	13.9	14.4

ICAAP stress test mid-year update

Motivated by the rapid development of the Covid-19 pandemic and a profound economic shock caused by the government measures to contain the virus, Swedbank has updated its ICAAP macroeconomic scenarios and re-run the stress testing exercise based on June 2020 as a starting position. The updated adverse scenario is a highly negative deviation from the Covid-19 baseline case triggered by a second wave of pandemic and limited reinstatement of the lockdown measures throughout Europe. Although less devastating than the first wave, it severely hampers the economic recovery. The predicted downturn is abrupt and the recovery phase is delayed by several quarters. As of the end of 2022, many economies remain far below their pre-crisis levels. Deflation would show up in most countries for several quarters in 2020 and 2021, only to be supplanted by modest consumer price growth later in the scenario. This would compel central banks to act on their mandate and to further decrease interest rates from the already historically low

levels. Total credit impairments accumulate to SEK 21.3bn during the scenario and are heavily skewed to 2020/2021. The most vulnerable sectors are those directly affected by social distancing (e.g. hotels and restaurants and non-food retail) and demand shock or disruption of supply chains (shipping and offshore, manufacturing, transportation). The income suffers from significantly lower revenues generated by cards, payment processing and asset management business as well as decreasing interest income affected by a downward shift of benchmark interest rates. The losses from the defined benefit pension plans are assumed to be particularly high in 2020/2021.

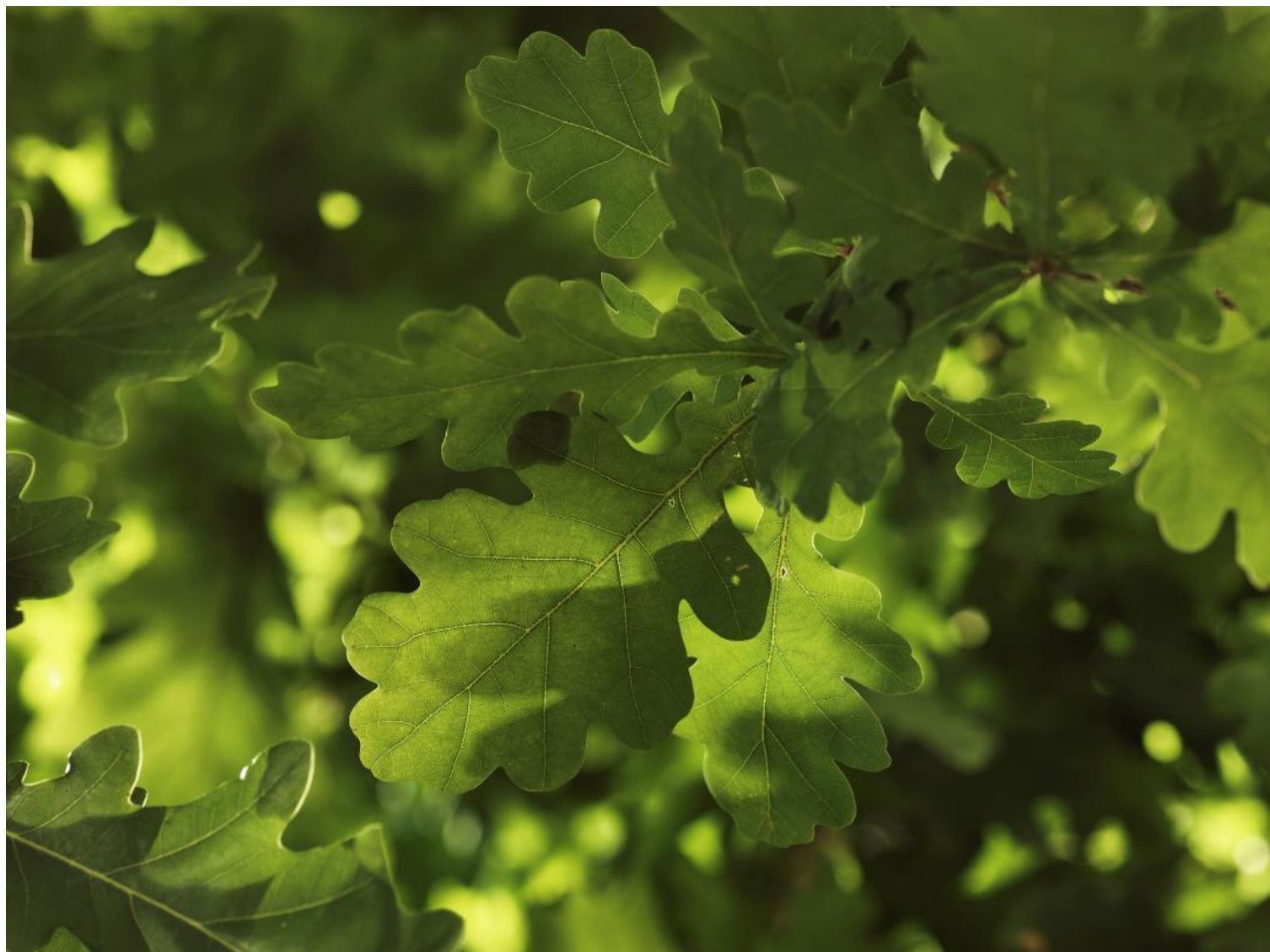
CET 1 ratio falls by 348 basis points in the scenario driven by weak earnings and adverse rating migrations inflating credit RWA. In this highly pessimistic Covid-19 scenario, Swedbank's CET 1 ratio's minimum distance to the full capital requirement remains positive at 19 basis points.

Table 7.7: Stress test ICAAP scenario parameters

	Covid-19 adverse scenario			
	2019	2020f	2021f	2022f
Sweden				
Real GDP growth, % yoy	1.3	-9.9	-1.6	4.1
Unemployment, %	6.9	12.9	13.7	12.4
Inflation, % average	1.8	0.1	1.1	1.7
Residential real estate price index	100.0	87.5	87.4	90.7
Estonia				
Real GDP growth, % yoy	4.4	-11.2	-0.8	4.2
Unemployment, %	4.1	16.4	15.6	13.1
Inflation, % average	2.3	0.2	0.9	1.6
Latvia				
Real GDP growth, % yoy	2.2	-11.3	-1.0	4.2
Unemployment, %	6.0	15.0	14.7	13.3
Inflation, % average	2.8	-0.1	0.4	1.6
Lithuania				
Real GDP growth, % yoy	3.9	-9.6	-2.1	4.1
Unemployment, %	6.4	15.2	14.9	13.5
Inflation, % average	2.3	0.5	1.1	1.6
Interest rates				
3m Government rate SEK, %	-0.44	-0.56	-0.85	-0.81
FX				
EUR/SEK	10.48	10.74	10.92	10.48

Table 7.8: Swedbank Consolidated Situation capital assessment results

Capital assessment SEKbn	Covid-19 adverse scenario			
	2020Q2	2020f	2021f	2022f
Total RWA	692.4	731.0	849.0	849.0
Common Equity Tier 1	113.4	107.6	109.5	116.6
Common Equity Tier 1 ratio, %	16.4	14.7	12.9	13.7



Appendix A: Consolidated Situation

Contents

Name	Page
Swedbank's legal entity structure and business activities	95
Terminology and abbreviations	96
Swedbank CS: Own funds disclosure	97
Disclosure according to Article 4 in Commission Implementing Regulation (EU) No 1423/2013	97
Swedbank CS: Capital instruments' main features	99
Disclosure according to Article 3 in Commission Implementing Regulation (EU) No 1423/2013	99

Swedbank's legal entity structure and business activities

Swedbank Consolidated Situation

The consolidated situation for Swedbank as of 31 December 2020 comprised the Swedbank Group except for the wholly owned insurance companies, Swedbank Försäkring AB, Sparia Group Insurance Company Ltd, Swedbank Life Insurance SE and Swedbank P&C Insurance AS, that are included through equity method. 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. 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 Ieguldījumu Parvaldes Sabiedrība AS	Investment management	LV	•	•						
Swedbank investīciju valdymas UAB	Investment management	LT	•	•						
SwedLux S.A.	Banking operations	LU	•	•						
Sparfrämjandet AB	Inactive	SE	•	•						
Sparia Group Insurance Company Ltd	Insurance company	SE	•	100%						
Swedbank Fastighetsbyrå AB	Estate Agent	SE	•	•						
Fastighetsbyran The Real Estate Agency S.L.	Estate Agent	ES	•	•						
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	•	100%						
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	•	•						
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	•	100%	•	100%				
Swedbank P&C Insurance AS	Insurance	EE	•	100%	•	100%				
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 Sjuhärads 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	42%	42%						
USE Intressenter AB	Holding company related to UC	SE	20%	20%						
P27 Nordic Payments Platform AB	Payment solutions	SE	17%	17%						
Invidem AB	KYC (Know Your Customer) service	SE	17%	17%						

Terminology and abbreviations

"AC"	Audit Committee	"G-SII"	Global Systemically Important Institution	"SFS" or "Swedish FSA"	Swedish Financial Supervisory Authority
"A-IRB"	Advanced Internal Ratings-Based Approach	"ICAAP"	Internal Capital Adequacy Assessment Process	"SFT"	Securities Financing Transaction
"ALM"	Asset Liability Management	"ICFR"	Internal Control over Financial Reporting	"SMA"	Standardised Measurement Approach
"AMA"	Advanced Measurement Approach	"IFRS"	International Financial Reporting Standards	"SME"	Small and Medium-sized Enterprises
"AML"	Anti-Money Laundering	"ILAAP"	Internal Liquidity Adequacy Assessment Process	"SNDO"	Swedish National Debt Office (Swedish: Riksgälden)
"AT1"	Additional Tier 1 capital	"IRB"	Internal Ratings Based Approach	"SREP"	Supervisory Review and Evaluation Process
"AVA"	Additional Valuation Adjustment	"IRRBB"	Interest Rate Risk in the Banking Book	"SRB"	Single Resolution Board
"BARCC"	Business Area Risk and Compliance Committee	"ISDA"	International Swaps and Derivatives Association	"SRM"	Single Resolution Mechanism
"BCBS"	Basel Committee on Banking Supervision	"KRI"	Key Risk Indicator	"SSE"	Small Sized Enterprises
"Board"	Board of Directors of Swedbank AB	"LC&I"	Large Corporates & Institutions	"SVaR"	Stressed Value-at-Risk
"BRD"	Bank Recovery and Resolution Directive 2014/59/EU	"LCR"	Liquidity Coverage Ratio	"Swedbank"	Swedbank Consolidated Situation
"CCF"	Credit Conversion Factor	"LGD"	Loss Given Default	"Swedbank Baltic"	Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania)
"CCoB"	Capital Conservation Buffer	"LRE"	Leverage Ratio Exposure	"Swedbank Consolidated Situation"	The consolidated situation for Swedbank comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.
"CCP"	Central Counterparty	"LTV"	Loan-To-Value		
"CCyB"	Countercyclical Capital Buffer	"MDA"	Maximum Distributable Amount		
"CET1"	Common Equity Tier 1	"MDB"	Multilateral Development Bank		
"CIU"	Collective Investment Undertaking	"MREL"	Minimum Requirement for own funds and Eligible Liabilities		
"CRO"	Chief Risk Officer of Swedbank AB	"NII"	Net Interest Income		
"CRD IV"	Capital Requirements Directive 2013/36/EU	"NPAP"	New Product Approval Process	"Swedbank Group"	Swedbank AB (publ) and all its underlying legal entities (regardless of percentages of holding)
"CRR"	Capital Requirements Regulation (EU) No 575/2013	"NSFR"	Net Stable Funding Ratio		
"CS"	Consolidated Situation	"OC"	Overcollateralisation	"TCFD"	Task Force on Climate-Related Financial Disclosures
"CSA"	Credit Support Annex	"O-SII buffer"	Other Systemically Important Institution buffer	"T2"	Tier 2 capital
"CVA"	Credit Value Adjustment	"OTC"	Over-the-Counter	"TLAC"	Total Loss-Absorbing Capacity
"DVA"	Debit Valuation Adjustment	"ORSA"	Own Risk and Solvency Assessment	"TOA"	Tenant Owner Association
"DVP"	Delivery-vs-Payment	"Own funds"	The sum of Tier 1 and Tier 2 capital	"TOR"	Tenant Owner Right
"EAD"	Exposure at Default		Swedbank AB (publ)	"TtC"	Through-the-Cycle
"EBA"	European Banking Authority	"Parent Company"		"VaR"	Value-at-Risk
"EC"	Economic Capital	"PD"	Probability of Default	"VAT"	Value-Added Tax
"ECB"	European Central Bank	"PFE"	Potential Future Exposure	"WWR"	Wrong Way Risk
"EL"	Expected Loss	"PIT"	Point-in-Time		
"ERM (Policy)"	Enterprise Risk Management (Policy)	"PSE"	Public Sector Entity		
"F-IRB"	Foundation Internal Ratings Based Approach	"PVP"	Payment-vs-Payment		
"FR&R"	Financial Restructuring & Recovery	"P2G"	Pillar 2 Guidance		
"FRTB"	Fundamental Review of the Trading Book	"P2R"	Pillar 2 Requirement		
"FSA"	Financial Supervisory Authority	"RAROC"	Risk Adjusted Return On Capital		
"FSB"	Financial Stability Board	"RC"	Remuneration Committee		
"FTP"	Funds Transfer Pricing	"RCC"	Risk and Capital Committee		
"GAAC"	Group Asset Allocation Committee	"Riksbank"	Sweden's Central Bank		
"GF"	Group Functions	"RMMA"	Risk Management Maturity Assessment		
"GRCC"	Group Risk and Compliance Committee	"RTS"	Regulatory Technical Standards		
"Group"	Swedbank Group (see Swedbank Group)	"RWA"	Risk Weighted Assets (same as REA, Risk Exposure Amount)		
"G-SIB"	Global Systemically Important Bank	"SA"	Standardised Approach		
		"SA-CCR"	Standardised Approach for measuring Counterparty Credit Risk		

Swedbank CS: Own funds disclosure, 31 December 2020

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	66 291	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	29 428	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	6 406	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	140 235	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-478	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-17 530	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)	-78	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	2	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	-77	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)	-1 423	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)
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant) ¹⁾	-155	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-19 739	
29	Common Equity Tier 1 (CET1) capital	120 496	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	8 402	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	8 402	
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	8 352	

45	Tier 1 capital (T1 = CET1 + AT1)	128 848	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	14 858	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	1 198	62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustment	16 056	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-47	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	-167	
58	Tier 2 (T2) capital	15 889	
59	Total capital (TC = T1 + T2)	144 737	
60	Total risk-weighted assets	689 594	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.5%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	18.7%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	21.0%	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) ²⁾	11.0%	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	3.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ³⁾	13.0%	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)	919	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)	7 662	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	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)	1 198	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3 154	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	6 271	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	3 594	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⁾ Additional deductions of CET1 Capital due to Article 3 CRR, which is related to coverage for non-performing exposures in the Baltic subsidiaries according to ECBs Addendum "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" from March 2018.

²⁾ The CET1 capital requirement including buffer requirements.

³⁾ 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 2020

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)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000242455	XS2046625765
3	Governing law(s) of the instrument	Swedish	English/Swedish
Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 24 904m	SEK 4 232m
9	Nominal amount of instrument	SEK 24 904m	USD 500m
9a	Issue price	N/A	100 per cent
9b	Redemption price	N/A	100 per cent of Nominal amount
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	N/A	29.Aug.19
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	17-SEP-24 100 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
Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	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
19	Existence of a dividend stopper	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	N/A	Non cumulative
23	Convertible or non-convertible	N/A	Convertible
24	If convertible, conversion trigger (s)	N/A	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level
25	If convertible, fully or partially	N/A	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 8.75 (subject to limited anti-dilution adjustments)
27	If convertible, mandatory or optional conversion	N/A	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary Share
29	If convertible, specify issuer of instrument it converts into	N/A	Swedbank AB (publ)
30	Write-down features	N/A	No
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

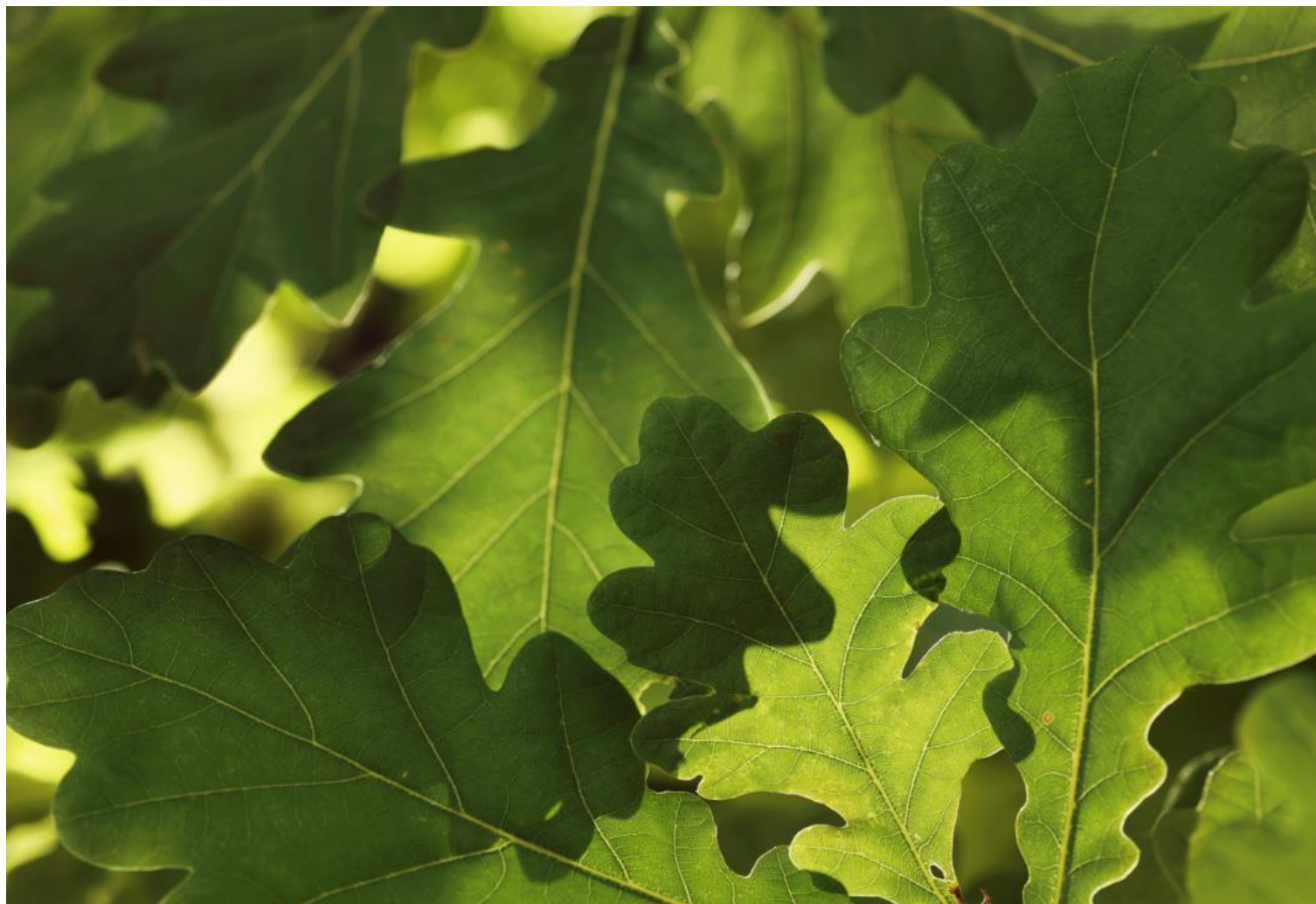
Note: 'N/A' if the question is not applicable

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)	XS1617859464	XS1796813589	XS1807179277
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 6 606m	SEK 405m	SEK 638m
9	Nominal amount of instrument	EUR 650m	JPY 5 000m	JPY 8 000m
9a	Issue price	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
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	22.May.17	28.Mar.18	12.Apr.18
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	22.Nov.27	28.Mar.33	12.Apr.28
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	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	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 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
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

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 215m	SEK 877m	SEK 5 117m
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

Contents

Name	Page
Swedbank Estonia Consolidated Situation	103
Swedbank Latvia Consolidated Situation	125
Swedbank Lithuania Consolidated Situation	146
Swedbank Mortgage AB	168

Appendix: Swedbank Estonia Consolidated Situation (CS)

Introduction

Swedbank's Risk Management and Capital Adequacy Report 2020 (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 2020. 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 this 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 9% 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 buffer requirement of 2% for other systemically important institutions (O-SII) and capital conservation buffer of 2.5%. Systemic risk buffer was kept at 0%. The capitalisation of Swedbank Estonia CS must also comply with the capital requirements in Pillar 2. According to the 2020 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) was unchanged from previous year at 2.0%. Pillar 2 guidance (P2G) also 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 CET 1 capital ratio requirement of Swedbank Estonia CS amounted to 11.1% and the total capital ratio requirement was 15.5% as of year-end 2020.

Estonia 1: Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)¹, 31 December 2020

Pillar 1	CET1	AT1	T2	Total capital
Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
Systemic risk buffer (P1) ²	0.0%			0.0%
Capital conservation buffer (CCoB)	2.5%			2.5%
Countercyclical capital buffer (CCyB)	0.0%			0.0%
O-SII buffer	2.0%			2.0%
	9.0%	1.5%	2.0%	12.5%
Pillar 2 ³				
Pillar 2 requirement (P2R)	1.1%	0.4%	0.5%	2.0%
Pillar 2 capital guidance (P2G)	1.0%			1.0%
	2.1%			3.0%
Capital requirements	11.1%			15.5%
Actual capital ratios as of 31 December 2020	37.4%			37.4%

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 kept at 0% as per SREP 2020. O-SII buffer of 2% has been kept unchanged.

³ P2R and P2G determined by 2020 SREP.

On 31 December 2020, Swedbank Estonia CS's Common Equity Tier 1 and Total Capital ratio both amounted to 37.4% (end-2019: 40.6%). The capitalisation of Swedbank Estonia CS is well above the capital requirements presented in the table above. Swedbank Estonia CS's leverage ratio was 10.5% at end 2020 (end-2019: 13.4%), with the decrease mainly due to a growing loan portfolio. In the 2020 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	31.12.2020	30.09.2020
Shareholders' equity according to the Group balance sheet	1 545 776	1 544 315
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies	10 250	11 711
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges		
Additional value adjustments	-3 068	-4 067
Goodwill		
Deferred tax assets		
Intangible assets	-535	-537
Net provisions for reported IRB credit exposures	-22 051	-21 267
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Additional deductions of CET1 Capital due to Article 3 CRR	-3 609	
Total CET1 capital	1 526 763	1 530 155
Additional Tier 1 capital		
Total Tier 1 capital	1 526 763	1 530 155
Tier 2 capital		
Total capital	1 526 763	1 530 155

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

Estonia 3: Own funds disclosure, 31 December 2020

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	1 397 919	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	1 556 026	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-3 068	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-535	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	-22 051	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) (i)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant) ¹⁾	-3 609	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-29 263	
29	Common Equity Tier 1 (CET1) capital	1 526 763	
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)	1 526 763	
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)	1 526 763	
60	Total risk-weighted assets	4 081 828	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	37.4%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	37.4%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	37.4%	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) ²⁾		CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	9.0%	
66	of which: countercyclical buffer requirement	2.5%	
67	of which: systemic risk buffer requirement	0.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ³⁾	2.0%	
69	[non-relevant in EU regulation]	32.9%	CRD 128
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⁾ Additional deductions of CET1 Capital due to Article 3 CRR, which is related to coverage for non-performing exposures according to ECBs Addendum "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" from March 2018.

²⁾ The CET1 capital requirement including buffer requirements.

³⁾ 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	31.12.2020
Total risk exposure amount	4 081 828
Institution-specific countercyclical buffer rate	0.00%
Institution-specific countercyclical buffer requirement	9

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 2020

	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate	
	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
EURt												
Sweden	1 867 775	1 964					14 979			14 979	5.69%	0.00%
Estonia	625 811	8 277 564	306				246 609	55		246 663	93.64%	0.00%
Latvia	7	18 970	5				694			695	0.26%	0.00%
Lithuania	386	46	334				32	27		59	0.02%	0.00%
Norway		2 179					45			45	0.02%	1.00%
Finland		17 495					367			367	0.14%	
Denmark		326					3			3	0.00%	0.00%
USA		1 192					19			19	0.01%	
Great Britain		3 081					59			59	0.02%	0.00%
Other countries	8 884	72 004	0				524	0		524	0.20%	
Total	2 502 863	8 394 821	645				263 331	82		263 413	100.00%	0.00%

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 2020

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 2020

EURt	RWA		Minimum capital requirements
	31.12.2020	30.09.2020	31.12.2020
Credit risk (excluding Counterparty credit risk (CCR))	3 309 487	3 274 092	264 759
- of which the standardised approach (SA)	508 992	510 218	40 719
- of which the foundation IRB (FIRB) approach	1 867 420	1 852 512	149 394
- of which the advanced IRB (AIRB) approach	933 075	911 362	74 646
- of which equity IRB under the simple risk-weighted approach or the IMA			
Counterparty credit risk	18 604	16 751	1 488
- of which mark to market	15 072	14 196	1 206
- 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	3 532	2 555	283
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	1 895	870	152
- of which the standardised approach	1 895	870	152
- of which IMA			
Large exposures			
Operational risk	504 997	499 919	40 400
- of which basic indicator approach			
- of which standardised approach	504 997	499 919	40 400
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	246 845	281 877	19 748
Floor adjustment			
Other risk exposure amount			
Total	4 081 828	4 073 509	326 546

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

During the last quarter of 2020 the RWA of Swedbank Estonia increased marginally by EUR 8m. Credit risk RWA increased by EUR 35m mainly due to lending growth in the Retail Mortgage portfolio. This was partly offset by a decrease of EUR 35m in amounts below the thresholds for deduction, caused by an adjustment to equity related to the implementation of the equity method for accounting recognition of Swedbank's insurance companies.

Estonia 7: Total and average net amount of exposures (EU CRB-B), 31 December 2020

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	0	0
Institutions	77 855	70 334
Corporates	3 535 579	3 510 115
- of which Specialised Lending	25 849	40 582
- of which SME	230 626	240 995
Retail	5 248 682	5 196 936
- Secured by real estate property	3 819 438	3 749 560
---SME	87 646	91 059
---Non-SME	3 731 791	3 658 502
- Qualifying revolving		
- Other Retail	1 429 244	1 447 376
--- SME	592 495	594 448
--- Non-SME	836 750	852 928
Equity		
Other exposures	189 847	187 395
Total IRB approach	9 051 963	8 964 780
Central governments or central banks	3 329 604	3 036 483
Regional governments or local authorities	212 697	196 340
Public sector entities		31 391
Multilateral Development Banks		
International Organisations		
Institutions	149 691	188 329
Corporates	77 587	82 909
- of which SME	22 268	21 602
Retail	297 563	293 464
- of which SME	297 563	293 464
Secured by mortgages on immovable property		
- of which SME		
Exposures in default	39	29
Items associated with particularly high risk		
Covered bonds	1 867 705	1 403 137
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)	290	407
Equity exposures	100 147	110 715
Other exposures	158 238	169 349
Total SA approach	6 193 561	5 512 552
Total	15 245 524	14 477 332

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 3bn compared to year-end 2019, of which EUR 0.2bn in the IRB approach and EUR 2.8bn in the standardised approach. The main driver in IRB is increased Private mortgage loans. In the standardised approach placements in central governments and placements in covered bonds have increased by EUR 1bn and EUR 1.9bn respectively.

Estonia 8: Geographical breakdown of exposures (EU CRB-C), 31 December 2020

EURt	Net carrying values											
	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Lithuania	Latvia	Rest of the world	USA	Other geographical areas
Central governments or central banks												
Institutions	3 370	1 159	1	2 130	80					74 485	3 361	71 124
Corporates	8 741	7 000			1 741	3 518 629	3 499 877	18 752		8 209		8 209
Retail	20 391	1 964	2 211	362	15 854	5 211 726	5 211 459	219	48	16 565	1 214	15 351
Equity												
Other exposures	231	31	16		184	189 554	189 544	10		62	10	52
Total IRB approach	32 733	10 154	2 228	2 492	17 859	8 919 909	8 900 880	18 981	48	99 321	4 585	94 736
Central governments or central banks	1		1			3 329 603	3 224 149	8 078	97 376			
Regional governments or local authorities						212 697	212 697					
Public sector entities												
Multilateral Development Banks												
International Organisations												
Institutions	134 972	131 462	3 510			103	20	42	41	14 616		14 616
Corporates						69 054	69 006		48	8 533		8 533
Retail						297 563	297 563					
Secured by mortgages on immovable property												
Exposures in default						39	39					
Items associated with particularly high risk												
Covered bonds	1 867 705	1 867 705										
Claims on institutions and corporates with a short-term credit assessment												
Collective investments undertakings (CIU)										290		290
Equity exposures						100 085	100 085			62		62
Other exposures	69	69				158 169	157 824	7	338			
Total SA approach	2 002 747	1 999 236	3 511	0	0	4 167 313	4 061 383	8 127	97 803	23 501	0	23 501
Total	2 035 480	2 009 390	5 739	2 492	17 859	13 087 222	12 962 263	27 108	97 851	122 822	4 585	118 237

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

The increased exposures in the IRB approach stem from Estonia, as 99% of the total IRB exposure does. The remaining exposures are towards clients with a relation to Estonia. The increase of exposures in the standardised approach to central government is in Estonia and the exposures in covered bonds is in Sweden.

Estonia 9: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2020

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	
Institutions												5								77 850		77 855	
Corporates			206 405	500 499	372 074	263 109	271 963	280 357	87 093	56 223	36 945	42 311	1 212 015	2 822	771 243	168 658	269 292	203 600	2 985			3 535 579	
Retail	3 736 551	853 340	75 882	97 246	18 065	95 433	110 455	71 284	5	15 297	17 170	3 403	81 127	4 401	22 653	11 976	42 097	67 085	6 339			5 248 682	
Equity																						0	
Other exposures		97 805	4 626	10 927	3 039	16 859	19 530	7 608		1 429	4 091	780	4 562	132	534	276	3 620	17 672	919			189 847	
Total IRB approach	3 736 551	0	951 145	286 913	608 672	393 178	375 401	401 948	359 249	87 098	72 949	58 206	46 499	1 297 704	7 355	794 430	180 910	315 009	288 357	10 243	77 850	0	9 051 963
Central governments or central banks					156 681			15			35		41 233				41 233	13	113	3 131 514		3 329 604	
Regional governments or local authorities					211 679			292					495				495	187	44			212 697	
Public sector entities																						0	
Multilateral Development Banks																						0	
International Organisations																						0	
Institutions												9								148 825	857	149 691	
Corporates					24		9 254					42 319	23 876		23 876			1 220	179	0	715	77 587	
Retail	1		43		2 902		23		10	1	33	1	290 495	10 706	744		279 045	2 475	1 573	6		297 563	
Secured by mortgages on immovable property																						0	
Exposures in default					7								31				31	1				39	
Items associated with particularly high risk																						0	
Covered bonds																				1 867 705		1 867 705	
Claims on institutions and corporates with a short- term credit assessment																						0	
Collective investments												290										290	
undertakings (CIU)											1 347	98 738						62				100 147	
Equity exposures											3	77 580						240	24 959		51 532	158 238	
Other exposures				3 898				21					5				5						
Total SA approach	1	0	0	43	0	375 191	0	9 277	328	10	1	1 418	218 937	356 135	10 706	24 620	0	320 809	4 198	26 868	5 148 050	53 104	6 193 561
Total	3 736 552	0	951 145	286 956	608 672	768 369	375 401	411 225	359 577	87 108	72 950	59 624	265 436	1 653 839	18 061	819 050	180 910	635 818	292 555	37 111	5 225 900	53 104	15 245 524

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 0.2bn. In corporate exposures the largest changes are in Public sector and utilities which has increased by EUR 0.1bn and Finance and insurance has decreased by EUR 0.1bn.

Estonia 10: Maturity of exposures (EU CRB-E), 31 December 2020

EURt	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
Central governments or central banks	0	0	0	0	0	0
Institutions		52 899			23 291	76 190
Corporates	102 350	571 900	1 969 064	203 457	8 208	2 854 979
Retail	15 383	146 622	1 055 479	3 655 430	49	4 872 963
Equity						
Other exposures		26 466	163 376	5		189 847
Total IRB approach	117 733	797 887	3 187 919	3 858 892	31 548	7 993 979
Central governments or central banks		37 691	111 315	41 233	3 131 514	3 321 753
Regional governments or local authorities		13 297	72 821	121 268		207 386
Public sector entities						
Multilateral Development Banks						
International Organisations						
Institutions	0	135 453	1		14 038	149 492
Corporates	365	5 455	8 473	22 267		36 560
Retail	110	1 714	27 102	259 565		288 491
Secured by mortgages on immovable property						
Exposures in default		1	7	31		39
Items associated with particularly high risk						
Covered bonds		1 867 705				1 867 705
Claims on institutions and corporates with a short- term credit assessment						
Collective investments undertakings (CIU)					290	290
Equity exposures					100 147	100 147
Other exposures	77 581	43 881	2 433		34 343	158 238
Total SA approach	78 056	2 105 197	222 152	444 364	3 280 332	6 130 101
Total	195 789	2 903 084	3 410 071	4 303 256	3 311 880	14 124 080

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 an increase of EUR 0.4bn in exposures with maturity less than one year and with a corresponding decrease 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 2019.

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

Credit-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 a credit-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.
- 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.

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. Methods for mitigating counterparty credit risks 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 43% 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 22% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Estonia 11: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2020

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		77 860	4			-4	77 855
Corporates	22 022	3 529 440	15 883		1 721	-4 305	3 535 579
- of which Specialised Lending	0	25 887	38			-59	25 849
- of which SME	1 471	230 465	1 310			-387	230 626
Retail	21 948	5 239 491	12 757		10 116	3 444	5 248 682
- Secured by real estate property	11 925	3 812 784	5 270		8 133	2 965	3 819 438
--- SME	895	88 118	1 367		2 278	1 693	87 646
--- Non-SME	11 030	3 724 664	3 903		5 855	1 272	3 731 791
- Qualifying revolving							0
- Other Retail	10 023	1 426 707	7 487		1 983	479	1 429 244
--- SME	6 936	588 881	3 322		427	106	592 495
--- Non-SME	3 087	837 828	4 164		1 556	373	836 750
Equity							0
Other exposures		189 847					189 847
Total IRB approach	43 970	9 036 637	28 644		11 837	-865	9 051 963
Central governments or central banks		3 329 616	12				3 329 604
Regional governments or local authorities		212 702	5			-51	212 697
Public sector entities							0
Multilateral development banks							0
International organisations							0
Institutions		149 693	1				149 691
Corporates:		77 640	53		783	-222	77 587
- of which SME		22 304	35			0	22 268
Retail		298 082	519		2 479	216	297 563
- of which SME		298 082	519		7	216	297 563
Secured by mortgages on immovable							0
- of which SME							0
Exposures in default	44		5			-4	39
Items associated with particularly high risk							0
Covered bonds		1 867 705					1 867 705
Claims on institutions and corporates with a short-term credit assessment							0
Collective investments undertakings (CIU)		290					290
Equity exposures		100 147					100 147
Other exposures		158 271	33			-1	158 238
Total SA approach	44	6 194 146	629		3 262	-62	6 193 561
Total	44 014	15 230 784	29 274		15 099	-927	15 245 524
- of which Loans	38 226	11 945 154	18 534		15 099	-1 140	11 964 846
- of which Debt Securities		2 169 030					2 169 030
- of which Off-balance sheet exposures	5 788	1 116 600	10 740			213	1 111 648

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

Exposures in the standardised approach increased by about EUR 1.7bn, which is mainly explained by purchase of covered bonds and increased placements in the central bank. Exposures in the IRB approach increased somewhat, mainly due to growth in private mortgages. Defaulted exposures are unchanged. The increase in specific credit risk adjustments was due to increased provisions due to the uncertainty of the economic development due to the Covid-19 pandemic.

Estonia 12: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2020

EURt	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	11 044	3 729 423	3 915		7 872	1 270	3 736 552
Tenant owner associations							
Private other	3 383	950 913	3 151		3 998	366	951 145
Agriculture, forestry, fishing	5 331	283 134	1 509		180	-92	286 956
Manufacturing	10 985	602 167	4 480		1 389	-2 862	608 672
Public sector and utilities	1 666	767 224	521		0	-390	768 369
Construction	614	375 205	418		528	-219	375 401
Retail	6 967	405 647	1 389		187	-84	411 225
Transportation	555	359 484	462		276	-24	359 577
Shipping and offshore	0	87 207	99			-92	87 108
Hotels and restaurants	290	79 071	6 411		36	6 269	72 950
Information and communication	453	59 234	63		7	-21	59 624
Finance and insurance	0	265 475	39		5	-260	265 436
Property management	2 289	1 654 910	3 360		260	1 282	1 653 839
- Residential properties	0	18 096	35			11	18 061
- Commercial	0	819 955	905		87	385	819 050
- Industrial and warehouse	358	180 625	73		21	-19	180 910
- Other property management	1 931	636 234	2 347		152	905	635 818
Professional services	400	295 535	3 380		111	-6 067	292 555
Other corporate lending	37	37 105	31			-3	37 111
Credit institutions	0	5 225 913	13			0	5 225 900
Other exposures	0	53 137	33		250	0	53 104
Total	44 014	15 230 784	29 274		15 099	-927	15 245 524

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

The change in non-defaulted exposures are mainly explained by increased placements in central banks and purchases of Swedbank Mortgage's covered bonds in the liquidity portfolio explain the increased exposures in credit institutions. Lending growth was mainly within private mortgages. Defaulted exposures have increased in Retail by EUR 6m, while it has decreased in Manufacturing and Professional services by EUR 3m and EUR 2m respectively. The largest changes in specific credit risk adjustments increased in Hotels and restaurants by EUR 6m and in Property Management by EUR 2m and are explained by increased provisions due the uncertainty of the economic development due to the Covid-19 pandemic.

Estonia 13: Credit quality of exposures by geography (EU CR1-C), 31 December 2020

EURt	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	278	2 035 307	105		99	-4	2 035 480
- Sweden		2 009 402	12			-1	2 009 390
- Norway		5 743	4			1	5 739
- Denmark		2 494	2				2 492
- Finland	278	17 668	87		99	-4	17 859
Significant area: Baltic	43 694	13 072 636	29 108		14 988	-806	13 087 222
- Estonia	43 694	12 947 674	29 105		14 988	-805	12 962 263
- Latvia		27 110	2			-1	27 108
- Lithuania		97 852	1				97 851
Rest of the world	42	122 841	61		12	-117	122 822
- USA		4 587	2				4 585
- Other geographical areas	42	118 254	59		12	-117	118 237
Total	44 014	15 230 784	29 274		15 099	-927	15 245 524

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

The exposures are mainly in Estonia and changes compared to 31 December 2019 are described in the tables above.

Estonia 14: Performing and non-performing exposures and related provisions, 31 December 2020

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	8 597 897	7 728 607	869 291	48 711	7 788	40 496	24 927	15 295	9 631	9 454	9 454	0	0	7 300 514	35 085
Central banks															
General governments	265 961	265 949	11											53 871	
Credit institutions	61 409	61 358	51				1	1							
Other financial corporations	88 917	87 987	931	20		20	20	2	17	17	17			35 523	
Non-financial corporations	3 458 216	3 074 239	383 977	26 437	1 945	24 155	19 144	12 423	6 721	6 678	6 678			2 888 349	19 179
Of which SMEs	2 604 731	2 377 712	227 019	25 364	1 945	23 082	15 142	8 994	6 149	6 106	6 106			2 504 153	18 688
Households	4 723 394	4 239 074	484 321	22 254	5 843	16 321	5 762	2 869	2 893	2 759	2 759			4 322 771	15 906
Debt securities	2 055 255	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Central banks															
General governments	135 483														
Credit institutions	1 919 772														
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	1 116 665	808 733	114 675	5 855	3	4 952	861	353	510	510	510	0		368 343	3 028
Central banks															
General governments	13 166	10 415													
Credit institutions	1 850	539	1 310				3	3						53	
Other financial corporations	40 360	14 371	25 990				13	14						1 186	
Non-financial corporations	788 345	528 987	68 868	5 848		4 947	812	303	510	510	510			339 724	3 028
Households	272 944	254 421	18 507	7	3	5	33	33						27 380	
Total	11 769 817	8 537 340	983 966	54 566	7 791	45 448	25 788	15 648	10 141	9 964	9 964	0	0	7 668 857	38 113

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

The performance of Swedbank's portfolio remains on a high level with less than 1% of non-performing exposures. Stage 3 (credit impaired) exposures are unchanged compared to June 2020, but with a shift of EUR 3m from loans and advances to off-balance exposures within non-financial corporates. Stage 2 (significantly increased credit risk) exposures have increased by EUR 160m, driven by increases in non-financial corporations, mainly in SME's in non-financial corporates.

Estonia 15: Credit quality of performing and non-performing exposures by past due days, 31 December 2020

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	8 597 897	8 593 542	4 356	48 711	35 163	4 547	3 817	1 920	2 447	214	601	38 308
Central banks												
General governments	265 961	265 961										
Credit institutions	61 409	61 409										
Other financial corporations	88 917	88 905	12	20	19		-1					10
Non-financial corporations	3 458 216	3 457 453	763	26 437	18 399	2 713	1 044	1 783	2 317	22	158	23 830
Of which SMEs	2 604 731	2 603 971	760	25 364	17 349	2 713	1 027	1 778	2 317	22	158	22 794
Households	4 723 394	4 719 814	3 581	22 254	16 745	1 834	2 774	137	130	192	443	14 468
Debt securities	2 055 255	2 055 255	0	0	0	0	0	0	0	0	0	0
Central banks												
General governments	135 483	135 483										
Credit institutions	1 919 772	1 919 772										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	1 116 665			5 855								5 775
Central banks	0											
General governments	13 166											
Credit institutions	1 850											
Other financial corporations	40 360											
Non-financial corporations	788 345			5 848								5 775
Households	272 944			7								
Total	11 769 817	10 648 797	4 356	54 566	35 163	4 547	3 817	1 920	2 447	214	601	44 083

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

The total exposures that are past due remains on a low level with less than 1% of total exposures past due more than 30 days. The non-performing exposures have increased by EUR 5m, off-balance sheet exposures in non-financial corporations. Most of the exposures that are non-performing are less than 90 days past due.

Estonia 16: Credit quality of forborne exposures, 31 December 2020

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	99 387	29 137	21 983	22 685	5 332	6 061	109 997	21 763
Central banks								
General governments	11						11	
Credit institutions								
Other financial corporations	654						655	
Non-financial corporations	70 909	13 888	12 355	12 382	5 069	4 590	76 200	9 290
Households	27 813	15 249	9 628	10 303	263	1 471	33 131	12 473
Debt Securities	0							
Loan commitments given	545	347	348	59	146	9	434	51
Total	99 932	29 484	22 331	22 744	5 478	6 070	110 431	21 814

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

The non-performing forborne loans are unchanged compared to 30 June 2020. Due to support for customers affected by Covid-19 performing forborne loans has increased by EUR 40m, of which Households EUR 16m and non-financial corporations EUR 24m with a corresponding increase in accumulated impairments by EUR 4m. Most of the loans that increased performing forborne have collaterals, which has increased by EUR 39m.

Estonia 17: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2020

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	19 623	
Increases due to amounts set aside for estimated loan losses during the period	16 377	
Decreases due to amounts reversed for estimated loan losses during the period	-2 574	
Decreases due to amounts taken against accumulated credit risk adjustments	-4 197	
Transfers between credit risk adjustments		
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	45	
Closing balance	29 274	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	4 619	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	7 740	

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

The stock of specific credit risk adjustments has increased by EUR 9.6m compared to 30 June 2020, explained by a post model expert adjustment made due to effects not yet seen from the pandemic.

Estonia 18: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2020

EURt	Gross carrying value defaulted exposures
Opening balance	53 060
Loans and debt securities that have defaulted or impaired since the last reporting period	11 436
Returned to non-defaulted status	-1 023
Amounts written off	-8 412
Other changes	-10 904
Closing balance	44 158

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

Compared to June 2020 impaired loans decreased by EUR 9m. There has been an inflow of new defaults fragmented on many customers, of which one third in the private portfolio and two thirds in the corporate portfolio. Other changes includes repayments on impaired loans by EUR 5m.

Estonia 19: Collateral obtained by taking possession and execution processes, 31 December 2020

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	224	
Residential immovable property		
Commercial Immovable property		
Movable property (auto, shipping, etc.)	224	
Equity and debt instruments		
Other		
Total	224	

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

The value of movable properties taken over has decreased by EUR 0.1m since June 2020.

Estonia 20: Information on loans and advances subject to legislative and non-legislative moratoria, 31 December 2020

EURt	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing				Non performing		Performing				Non performing		Inflows to non-performing exposures
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: Unlikely to pay that are not past due or past due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days
Loans and advances subject to moratorium	105 138	105 116	2 293	27 276	22	2	906	903	735	866	3		22
of which: Households	97 145	97 123		24 380	22	2	140	137		111	3		22
of which: Collateralised by residential immovable property	94 655	94 648		23 630	7		117	116		93	1		7
of which: Non-financial corporations	7 993	7 993	2 293	2 896			766	766	735	755			
of which: Small and Medium-sized Enterprises	7 993	7 993	2 293	2 896			766	766	735	754			
of which: Collateralised by commercial immovable property	6 712	6 712	2 264	2 763			756	756	735	754			

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

For corporates: Under the original moratorium, valid until 30 September 2020, 6 months principal payment relief was offered to customers with liquidity shortages meeting the Moratorium conditions. Moratorium was targeting all Covid-19 pandemic impacted smaller customers with a group limit below EUR 5m.

For private individuals: Under the original moratoria not longer than 6 months, for consumer financing and leasing products, or 12 months, for Mortgage loans, principal payment reliefs were offered for meeting the Moratorium conditions. In addition, there was a possibility to prolong the agreement for the same duration as the relief period, in order to avoid monthly payments increase after relief measures end.

Estonia 21: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, 31 December 2020

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
EURt									
Loans and advances for which moratorium was offered	7 962	398 719							
Loans and advances subject to moratorium (granted)	7 114	387 387		282 248	15 470	83 141	6 239	289	
of which: Households		192 842		95 696	9 119	82 315	5 423	289	
of which: Collateralised by residential immovable property		172 420		77 765	6 751	82 192	5 423	289	
of which: Non-financial corporations		191 104		183 111	6 351	826	816		
of which: Small and Medium-sized Enterprises		190 003		182 010	6 351	826	816		
of which: Collateralised by commercial immovable property		122 102		115 390	5 341	555	816		

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

Original EBA compliant moratorium was prolonged until 30 September 2020. After that Swedbank continued supporting customers in demand of payment reliefs measures under regular forbearance treatment. The length was 6-12 months principal payment relief depending on customer segment and/or product.

Estonia 22: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis, 31 December 2020

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
EURt				
Newly originated loans and advances subject to public guarantee schemes	17 842	1 330	6 573	
of which: Households	153			
of which: Collateralised by residential immovable property	51			
of which: Non-financial corporations	17 689	1 279	6 442	
of which: Small and Medium-sized Enterprises	16 354			
of which: Collateralised by commercial immovable property	12 740			

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

During the year, state and EU funds have launched several public guarantee programs to support customers who were impacted most by Covid-19 pandemic. The guarantee programs mainly targeted issuance of new loans or providing additional collaterals for existing loans of SSE/SME segment customers, especially from the sectors that were impacted most. Swedbank is using state and EU programs in each Baltic country (in Estonia Kredex and MES; in Latvia Invega; in Lithuania Altum; Baltic: EIF). The usage of the programs has been lower than expected due to relatively late launch, restrictive conditions and low demand in the market. Currently there are 2 larger non-performing exposures (EUR 3m) under guarantee programs in Estonia from Hotels and Manufacturing sectors.

Estonia 23: Credit risk mitigation techniques – overview (EU CR3), 31 December 2020

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	1 086 131	7 594 680	6 458 428	1 136 252	
Total Debt securities	187 550	1 867 705	1 867 705		
Other	3 388 013				
Total all exposures	4 661 694	9 462 385	8 326 133	1 136 252	
- of which defaulted	2 558	26 679	26 679		

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

The increase in loans secured by collateral is explained by growth in mortgage loans. The increase in unsecured exposures is explained by increased placements in central banks.

Estonia 24: Standardised approach - Credit risk exposure and CRM effects (EU CR4), 31 December 2020

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	3 321 753	7 851	3 397 537	5 012	6 587	0.19%
Regional government or local authorities	207 386	5 311	207 707	1 682	41 878	20.00%
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	149 491	201	149 491	189	29 936	20.00%
Corporates	36 560	41 027	34 385	916	30 590	86.65%
Retail	288 491	9 072	260 431	2 654	150 385	57.16%
Secured by mortgages on immovable property						
Exposures in default	39		39		39	100.00%
Higher-risk categories						
Covered bonds	1 867 705		1 867 705		186 771	10.00%
Institutions and corporates with a short term credit assessment						
collective investment undertakings	290		290		290	100.00%
Equity	100 147		100 147		248 254	247.89%
Other items	158 238		158 238		61 109	38.62%
Total	6 130 100	63 462	6 175 970	10 453	755 839	12.22%

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

The decrease in RWA density is a result of the increased share of low risk weighted exposures such as central government and covered bonds.

Estonia 25: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2020

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	2 763 874	221 110
Asset size	-9 149	-732
Asset quality	42 992	3 439
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-297	-24
Other	3 075	246
RWA as at end of reporting period	2 800 495	224 040

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 36m in the quarter from negative rating migrations for PD in the corporate exposure class. This was counteracted by the change in asset size where exposures with low risk weight such as private mortgage loans increased while corporate exposures decreased.

Estonia 26: IRB specialised lending and equities (EU CR10), 31 December 2020

Regulatory categories, EURt	Remaining maturity	Specialised lending					Expected losses
		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	
Category 1	Less than 2.5 years	190	9	50%	197	98	
	Equal to or more than 2.5 years	2	8	70%	8	6	
Category 2	Less than 2.5 years	9 835	7 068	70%	15 136	10 596	61
	Equal to or more than 2.5 years	53	0	90%	53	47	0
Category 3	Less than 2.5 years	192	1 734	115%	1 496	1 721	42
	Equal to or more than 2.5 years	0	0	115%	0	0	
Category 4	Less than 2.5 years	6 758	0	250%	6 792	16 979	543
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total							
	Less than 2.5 years	16 975	8 811		23 621	29 394	646
	Equal to or more than 2.5 years	55	8		61	53	0
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 and 4 have been reduced compared to end-2019 by EUR 7m and EUR 2m respectively, while exposures in category 2 have increased by EUR 7m. Most of the exposures have moved from a maturity of more than 2.5 years to less than 2.5 years.

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 to 10.5% during Q4 2020 due to a slight decrease in Tier 1 capital, and a slight increase in total leverage ratio exposures.

Estonia 27: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2020

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	14 137 932
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	43 775
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	426 284
(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	-29 264
Total leverage ratio exposure	14 578 727

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

Estonia 28: Leverage ratio common disclosure (LRCom), 31 December 2020

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	14 126 367
(Asset amounts deducted in determining Tier 1 capital)	-29 264
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	14 097 103
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	11 502
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	43 838
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)	55 340
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 1 122 519

(Adjustments for conversion to credit equivalent amounts) -696 235

Other off-balance sheet exposures (sum of lines 17 to 18) 426 284

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 1 526 763

Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) 14 578 727

Leverage ratio

Leverage ratio 10.5%

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 2020 (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 2020. 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 this 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 2020 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) remained unchanged from previous year at 1.7%. Pillar 2 guidance (P2G) also 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 CET 1 capital ratio requirement of Swedbank Latvia CS amounted to 11.0% and the total capital ratio requirement was 15.2% as of year-end 2020.

Latvia 1: Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)¹, 31 December 2020

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)	1.0%	0.3%	0.4%	1.7%
Pillar 2 capital guidance (P2G)	1.0%			1.0%
	2.0%			2.7%
Capital requirements	11.0%			15.2%
Actual capital ratios as of 31 December 2020	32.9%			32.9%

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 2020 SREP

On 31 December 2020, Swedbank Latvia CS's Common Equity Tier 1 and Total Capital ratio both amounted to 32.9% (end-2019: 29.4%). The capitalisation of Swedbank Latvia CS is well above the capital requirements presented in the table above. Swedbank Latvia CS's leverage ratio was 10.3% at end 2020 (end-2019: 11.9%). In the 2020 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 came into force on 30 September 2020.

Latvia 2: Total capital

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

EURt	31.12.2020	30.09.2020
Shareholders' equity according to the Group balance sheet	857 332	857 332
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	-1 464	-2 003
Goodwill		
Deferred tax assets		
Intangible assets	-3 986	-4 115
Net provisions for reported IRB credit exposures	-28 291	-31 131
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Additional deductions of CET1 Capital due to Article 3 CRR	-2 552	
Total CET1 capital	821 039	820 083
Additional Tier 1 capital		
Total Tier 1 capital	821 039	820 083
Tier 2 capital		
Total capital	821 039	820 083

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

Latvia 3: Own funds disclosure, 31 December 2020

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	281 853	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	857 332	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1 464	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-3 986	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	-28 291	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) (i)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant) ¹⁾	-2 552	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-36 293	
29	Common Equity Tier 1 (CET1) capital	821 039	
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)	821 039	
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)	821 039	
60	Total risk-weighted assets	2 498 512	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	32.9%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	32.9%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	32.9%	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) ²⁾	9.0%	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	0.0%	
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) ³⁾	28.4%	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⁾ Additional deductions of CET1 Capital due to Article 3 CRR, which is related to coverage for non-performing exposures according to ECBs Addendum "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" from March 2018.

²⁾ The CET1 capital requirement including buffer requirements.

³⁾ 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	31.12.2020
Total risk exposure amount	2 498 512
Institution-specific countercyclical buffer rate	0.00%
Institution-specific countercyclical buffer requirement	6

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 2020

EURt	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements			Total	Own funds requirement weights	Countercyclical capital buffer rate
	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			
Sweden	857 568	828					6 923			6 923	4.03%	0.00%
Estonia	3	1 135					38			38	0.02%	
Latvia	115 336	3 817 371	34				162 779			162 779	94.71%	0.00%
Lithuania	39	5 103					263			263	0.15%	0.00%
Norway	80	469					40			40	0.02%	1.00%
Finland	6	95					5			5	0.00%	
Denmark	35	23 735					910			910	0.53%	0.00%
USA	117	738					39			39	0.02%	
Great Britain	1 350	3 534					204			204	0.12%	0.00%
Other countries	861	21 947					668			668	0.39%	
Total	975 395	3 874 955	34				171 869			171 869	100.00%	0.00%

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 2020

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
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 2020

EURt	RWA		Minimum capital requirements
	31.12.2020	30.09.2020	31.12.2020
Credit risk (excluding Counterparty credit risk (CCR))	2 171 714	2 189 350	173 737
- of which the standardised approach (SA)	145 490	142 121	11 639
- of which the foundation IRB (FIRB) approach	1 077 334	1 120 504	86 187
- of which the advanced IRB (AIRB) approach	948 890	926 725	75 911
- of which equity IRB under the simple risk-weighted approach or the IMA			
Counterparty credit risk	7 626	6 221	610
- of which mark to market	7 626	6 221	610
- 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	2 262	4 770	181
- of which the standardised approach	2 262	4 770	181
- of which IMA			
Large exposures			
Operational risk	316 910	323 858	25 353
- of which basic indicator approach			
- of which standardised approach	316 910	323 858	25 353
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Other risk exposure amount			
Total	2 498 512	2 524 199	199 881

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

During the fourth quarter of 2020 the RWA of Swedbank Latvia decreased by EUR 26m. The main reason for the overall decrease was a volume decrease in the corporate customer portfolio under the IRB approach.

Latvia 7: Total and average net amount of exposures (EU CRB-B), 31 December 2020

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks		
Institutions	18 175	12 679
Corporates	1 649 477	1 720 543
- of which Specialised Lending	9 408	11 172
- of which SME	98 575	103 190
Retail	2 421 794	2 398 531
- Secured by real estate property	1 600 598	1 575 860
---SME	13 395	14 130
---Non-SME	1 587 203	1 561 730
- Qualifying Revolving		
- Other Retail	821 196	822 671
--- SME	343 335	352 627
--- Non-SME	477 861	470 044
Equity		
Other exposures	134 443	129 830
Total IRB approach	4 223 889	4 261 583
Central governments or central banks	3 083 153	2 578 035
Regional governments or local authorities	1 977	2 140
Public sector entities	21 938	22 430
Multilateral Development Banks		
International Organisations		
Institutions	118 324	139 953
Corporates	34 620	29 185
- of which SME	1 265	1 220
Retail	32 540	32 673
- of which SME	25 243	24 832
Secured by mortgages on immovable property	47 359	49 443
- of which SME		
Exposures in default	808	867
Items associated with particularly high risk		
Covered bonds	857 370	644 110
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)		
Equity exposures	300	300
Other exposures	560	654
Total SA approach	4 198 949	3 499 790
Total	8 422 838	7 761 373

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

Total exposures increased by EUR 1.9bn compared to year-end 2019, as a result of increased placements in central governments and covered bonds in the standardised approach. In the IRB approach exposures to Private mortgages increased by EUR 0.1bn, which was counteracted by a small decrease in corporate exposures.

Latvia 8: Geographical breakdown of exposures (EU CRB-C), 31 December 2020

EURt	Net carrying values												Total
	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	
Central governments or central banks													
Institutions	3 280		10	2 970	300	5 007	2 708	810	1 489	9 888	5 172	4 716	18 175
Corporates	85 755	7 000		78 755		1 554 983		1 550 769	4 214	8 739		8 739	1 649 477
Retail	1 832	821	470	407	134	2 401 717	1 141	2 399 686	890	18 245	744	17 501	2 421 794
Equity													
Other exposures						134 443		134 443					134 443
Total IRB approach	90 867	7 821	480	82 132	434	4 096 150	3 849	4 085 708	6 593	36 872	5 916	30 956	4 223 889
Central governments or central banks						3 083 153		3 083 153					3 083 153
Regional governments or local authorities						1 977		1 977					1 977
Public sector entities						21 938		21 938					21 938
Multilateral Development Banks													
International Organisations													
Institutions	107 914	107 101	813			10 410	10 285	2	123				118 324
Corporates						34 620		34 620					34 620
Retail	11		11			32 383		32 383		146		146	32 540
Secured by mortgages on immovable property	151	40	70	35	6	45 145		45 116	29	2 063	117	1 946	47 359
Exposures in default						690		690		118		118	808
Items associated with particularly high risk													
Covered bonds	857 370	857 370											857 370
Claims on institutions and corporates with a short-term credit assessment													
Collective investments undertakings (CIU)													
Equity exposures						300		300					300
Other exposures	158	158				402	3	389	10				560
Total SA approach	965 604	964 669	894	35	6	3 231 018	10 288	3 220 568	162	2 327	117	2 210	4 198 949
Total	1 056 471	972 490	1 374	82 167	440	7 327 168	14 137	7 306 276	6 755	39 199	6 033	33 166	8 422 838

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

The increased exposures are in the standardised approach and stem from Latvia and Sweden; 87% of the total exposure was in Latvia.

Latvia 9: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2020

EUR	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																							
Institutions																					18 175		18 175
Corporates			437	145 532	300 046	163 579	79 178	190 516	111 856		111 430	15 817	8 821	409 322	17 299	315 813	67 181	9 029	108 506	4 436			1 649 476
Retail	1 589 226		479 511	90 022	46 367	10 348	22 153	78 382	36 665		4 654	6 220	908	23 481	207	7 804	678	14 792	31 730	2 128			2 421 795
Equity																							
Other exposures																						134 443	134 443
Total IRB approach	1 589 226		479 948	235 554	346 413	173 927	101 331	268 898	148 521		116 084	22 037	9 729	432 803	17 506	323 617	67 859	23 821	140 236	6 564	18 175	134 443	4 223 889
Central governments or central banks						194 565															2 880 445	8 143	3 083 153
Regional governments or local authorities						1 977																	1 977
Public sector entities						21 176			754										8				21 938
Multilateral Development Banks																							
International Organisations																							
Institutions																					118 324		118 324
Corporates					201			950	371			25 865		894				894	5 888	451			34 620
Retail	3 989		3 307	49	743	1 004	2	24			0	0		15 899	415			15 484	7 496	26			32 539
Secured by mortgages on immovable property	47 360																						47 360
Exposures in default																							
Items associated with particularly high risk	805		3																	0			808
Covered bonds																					857 370		857 370
Claims on institutions and corporates with a short-term credit assessment																							
Collective investments																							
undertakings (CIU)																							
Equity exposures																						300	300
Other exposures																						560	560
Total SA approach	52 154		3 310	49	944	218 722	2	974	1 125		0	0	25 865	16 793	415			16 378	13 392	477	3 856 139	9 003	4 198 949
Total	1 641 380		483 258	235 603	347 357	392 649	101 333	269 872	149 646		116 084	22 037	35 594	449 596	17 921	323 617	67 859	40 199	153 628	7 041	3 874 314	143 446	8 422 838

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

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

Latvia 10: Maturity of exposures (EU CRB-E), 31 December 2020

EURt	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
Central governments or central banks						
Institutions	9 870	2 131				12 001
Corporates	7 646	517 601	690 450	81 154		1 296 851
Retail	1 210	95 397	485 317	1 591 930	63	2 173 917
Equity						
Other exposures	78 744	23 125			32 573	134 442
Total IRB approach	97 470	638 254	1 175 767	1 673 084	32 636	3 617 211
Central governments or central banks	2 880 445	8 143	94 554	0		2 983 142
Regional governments or local authorities		4	73	1 897		1 974
Public sector entities		610	21 008		0	21 618
Multilateral Development Banks						
International Organisations						
Institutions	13 052	104 871	0			117 923
Corporates		638	104	6 707	0	7 449
Retail	8	517	7 250	22 728	1	30 504
Secured by mortgages on immovable property		868	2 424	44 054		47 346
Exposures in default		427	86	296	0	809
Items associated with particularly high risk						
Covered bonds	855 350	2 021				857 371
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)						
Equity exposures					300	300
Other exposures		560				560
Total SA approach	3 748 855	118 659	125 499	75 682	301	4 068 996
Total	3 846 325	756 913	1 301 266	1 748 766	32 937	7 686 207

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

Increased placements in central banks and covered bonds were mainly on demand, thus increasing these volumes. For corporate exposures the maturity structure has changed with an increase of EUR 0.3bn in exposures with maturity less than one year, and with a decrease for maturities more than 1 year of EUR 0.4bn. For rest of the exposure classes the overall structure of maturity is unchanged compared to 31 December 2019.

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

Credit-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 a credit-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.
- 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.

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. Methods for mitigating counterparty credit risks 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 24% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Latvia 11: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2020

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		18 189	14			-16	18 175
Corporates	23 508	1 629 357	3 388		78 528	-1 403	1 649 477
- of which Specialised Lending	-1	9 507	98		19 357	-1 612	9 408
- of which SME		98 822	247		45 678	-113	98 575
Retail	24 856	2 413 386	16 448		70 323	-92	2 421 794
- Secured by real estate property	19 192	1 593 793	12 387		46 249	859	1 600 598
--- SME	487	13 077	169		5 916	-46	13 395
--- Non-SME	18 705	1 580 716	12 218		40 333	905	1 587 203
- Qualifying revolving							
- Other Retail	5 664	819 593	4 061		24 074	-951	821 196
--- SME	3 288	341 874	1 827		9 655	-442	343 335
--- Non-SME	2 376	477 719	2 234		14 419	-509	477 861
Equity							
Other exposures		134 443					134 443
Total IRB approach	48 364	4 195 375	19 850		148 851	-1 511	4 223 889
Central governments or central banks		3 083 200	47				3 083 153
Regional governments or local authorities		1 977				1	1 977
Public sector entities		21 941	3			-26	21 938
Multilateral development banks							
International organisations							
Institutions		118 324					118 324
Corporates:		34 625	5		8	-1	34 620
- of which SME		1 270	5				1 265
Retail		33 315	775		127	100	32 540
- of which SME		25 450	207			71	25 243
Secured by mortgages on immovable		47 359				96	47 359
- of which SME							
Exposures in default	1 022		214		1 683	31	808
Items associated with particularly high risk							
Covered bonds		857 370					857 370
Claims on institutions and corporates with a short-term credit assessment							
Collective investments undertakings (CIU)							
Equity exposures		300					300
Other exposures		560					560
Total SA approach	1 022	4 198 971	1 044		1 818	201	4 198 949
Total	49 386	8 394 346	20 894		150 669	-1 310	8 422 838
- of which Loans	49 141	6 705 722	20 581		150 669	-1 281	6 734 282
- of which Debt Securities		951 923					951 923
- of which Off-balance sheet exposures	245	736 698	313			-29	736 630

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

Defaulted exposures increased by EUR 6m compared to 30 June 2020 which was due to increased corporate exposures in default. Exposures in the standardised approach increased by about EUR 0.7bn, which was mainly explained by increased placements in the central bank. Accumulated write-offs decreased by around EUR 126m, which was mainly due to lower write-offs in the IRB approach and loans secured by real estate properties in the exposure class Retail.

Latvia 12: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2020

EURt	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	19 772	1 634 523	12 915		44 172	1 035	1 641 380
Tenant owner associations							
Private other	2 473	483 133	2 348		20 999	-809	483 258
Agriculture, forestry, fishing	490	235 418	305		2 271	-434	235 603
Manufacturing	503	347 053	199		7 065	-150	347 357
Public sector and utilities	0	392 674	25		580	-41	392 649
Construction	1 873	100 234	774		9 915	-89	101 333
Retail	1 241	268 985	354		13 470	-486	269 872
Transportation	65	149 699	118		8 452	-50	149 646
Shipping and offshore							
Hotels and restaurants	21 906	96 625	2 447		13 040	1 106	116 084
Information and communication	25	22 024	12		233	-32	22 037
Finance and insurance	0	35 596	2		33	-20	35 594
Property management	865	449 917	1 186		21 478	-1 203	449 596
- Residential properties		18 045	124		13 171	-1 592	17 921
- Commercial	647	323 488	518		6 659	80	323 617
- Industrial and warehouse		67 872	13			-2	67 859
- Other property management	218	40 512	531		1 648	311	40 199
Professional services	173	153 567	112		4 596	-128	153 628
Other corporate lending		7 079	38		4 365	-9	7 041
Credit institutions		3 874 373	59				3 874 314
Other exposures		143 446					143 446
Total	49 386	8 394 346	20 894		150 669	-1 310	8 422 838

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

Increased placements in central banks in the liquidity portfolio explain the increased exposures in credit institutions, compared to 30 June 2020. Lending growth was mainly within Private loans. The increase in defaulted exposures of EUR 6m was mainly due to an increase in sector Hotels and restaurants.

Latvia 13: Credit quality of exposures by geography (EU CR1-C), 31 December 2020

EURt	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	5	1 056 494	28		12	5	1 056 471
- Sweden	3	972 500	13		12	6	972 490
- Norway		1 385	11			-1	1 374
- Denmark	2	82 168	3			-1	82 167
- Finland		441	1			1	440
Significant area: Baltic	48 510	7 299 194	20 536		148 076	-1 342	7 327 168
- Estonia		14 145	8		5	-7	14 137
- Latvia	48 510	7 278 275	20 509		148 061	-1 321	7 306 276
- Lithuania		6 774	19		10	-14	6 755
Rest of the world	871	38 658	330		2 581	27	39 199
- USA		6 042	9			3	6 033
- Other geographical areas	871	32 616	321		2 581	24	33 166
Total	49 386	8 394 346	20 894		150 669	-1 310	8 422 838

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

The exposure is mainly in Latvia and changes compared to 30 June 2020 are described in the tables above.

Latvia 14: Performing and non-performing exposures and related provisions, 31 December 2020

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	3 656 604	3 011 486	645 118	67 944	16 068	51 840	17 728	8 178	9 550	9 237	9 237			3 050 506	56 544
Central banks															
General governments	23 804	23 804		0		0	0		0	0	0			645	
Credit institutions	105 000	105 000													
Other financial corporations	26 854	26 826	29	0		0	1	0	0	0	0			2 041	
Non-financial corporations	1 539 247	1 299 066	240 181	38 403	11 203	27 191	4 873	2 657	2 215	2 083	2 083			1 322 409	35 863
Of which SMEs	956 111	799 655	156 456	35 262	8 077	27 176	3 549	1 388	2 161	2 069	2 069			916 506	32 779
Households	1 961 699	1 556 790	404 908	29 541	4 865	24 649	12 854	5 521	7 335	7 154	7 154			1 725 411	20 681
Debt securities	951 922														
Central banks															
General governments	94 552														
Credit institutions	857 370														
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	736 578	608 887	49 349	365	120	244	135	99	36	36	36			247 192	194
Central banks															
General governments	100 337	100 337												8	
Credit institutions	7 690	4 801	2 888				14	14						7 060	
Other financial corporations	26 138	16 828	9 310				0	0						261	
Non-financial corporations	421 592	326 808	16 443	155	118	37	14	12	2	2	2			201 564	110
Households	180 821	160 113	20 708	210	2	207	107	73	34	34	34			38 299	84
Total	5 345 104	3 620 373	694 467	68 309	16 188	52 084	17 863	8 277	9 586	9 273	9 273			3 297 698	56 738

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

The performance of Swedbank's portfolio remains on a high level with around 1% of non-performing exposures. Stage 3 (credit impaired) exposures have increased by EUR 6m compared to 30 June 2020, driven by a single client increase in non-financial corporations in default. Stage 2 (significantly increased credit risk) exposures have increased slightly, driven by an increase in non-financial corporations due to a restructured single client's loans. The Stage 2 exposures comprises 13% of the total portfolio.

Latvia 15: Credit quality of performing and non-performing exposures by past due days, 31 December 2020

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	3 656 604	3 654 356	2 245	67 944	53 128	3 756	2 715	3 915	1 901	458	2 071	49 027
Central banks												
General governments	23 804	23 804		0	0							
Credit institutions	105 000	105 000										
Other financial corporations	26 854	26 854		0	0							0
Non-financial corporations	1 539 247	1 538 365	882	38 403	35 169	2 052	242	596	109	16	220	27 109
Of which SMEs	956 111	955 230	882	35 262	32 028	2 052	242	596	109	16	220	27 109
Households	1 961 699	1 960 333	1 363	29 541	17 959	1 704	2 473	3 319	1 792	442	1 851	21 918
Debt securities	951 922	951 922										
Central banks												
General governments	94 552	94 552										
Credit institutions	857 370	857 370										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	736 578			365								37
Central banks												
General governments	100 337											
Credit institutions	7 690											
Other financial corporations	26 138											
Non-financial corporations	421 592			155								37
Households	180 821			210								
Total	5 345 104	4 606 280	2 245	68 309	53 128	3 756	2 715	3 915	1 901	458	2 071	49 064

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

The total performing exposures that are past due remains on a low level with less than 1% of total exposures past due more than 30 days. The non-performing exposures have increased by EUR 11m compared to 30 June 2020, mainly in non-financial corporations due to increased defaults. Most of the exposures that are non-performing are less than 90 days past due.

Latvia 16: Credit quality of forborne exposures, 31 December 2020

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		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	114 657	34 794	17 683	19 147	1 999	5 512	138 399	28 405
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	94 413	15 169	4 197	4 197	1 542	1 422	106 551	13 680
Households	20 244	19 625	13 486	14 950	457	4 090	31 848	14 725
Debt Securities								
Loan commitments given	2 186	324	13	220	2	36	2 366	189
Total	116 843	35 118	17 696	19 367	2 001	5 548	140 765	28 594

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

During H2 2020 there was an increase in performing forborne loans of EUR 73m. The increase was mainly due to restructuring of Covid-19 impacted loans in non-financial corporations. A minor part, EUR 4m, was related to an increase in households performing forborne loans. Non-performing forborne loans increased by EUR 2m due to an increase in non-financial corporations' loans, whereas non-performing forborne loans in households decreased, compared to 30 June 2020.

Latvia 17: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2020

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	22 131	
Increases due to amounts set aside for estimated loan losses during the period	7 286	
Decreases due to amounts reversed for estimated loan losses during the period	-1 526	
Decreases due to amounts taken against accumulated credit risk adjustments	-1 939	
Transfers between credit risk adjustments		
Impact of exchange rate differences	-57	
Business combinations, including acquisitions and disposals of subsidiaries	9	
Other adjustments	-5 010	
Closing balance	20 894	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	4 241	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	-5 191	

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 adjustments, compared to 30 June 2020, was mainly explained by lower provisions due to work-out of one large corporate client, as well as refinancing of several other corporate clients during H2 2020.

Latvia 18: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2020

EURt	Gross carrying value defaulted exposures
Opening balance	43 178
Loans and debt securities that have defaulted or impaired since the last reporting period	27 019
Returned to non-defaulted status	-1 787
Amounts written off	-3 398
Other changes	-15 626
Closing balance	49 386

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

The increase in the stock of defaulted and impaired exposures, compared to 30 June 2020, was mainly driven by one large corporate client's default in the Hotels & restaurants industry sector. There was no increase observed in defaults among households in H2 2020.

Latvia 19: Collateral obtained by taking possession and execution processes, 31 December 2020

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	3 223	-229
Residential immovable property	2 359	-8
Commercial Immovable property	676	-221
Movable property (auto, shipping, etc.)	126	
Equity and debt instruments		
Other	62	
Total	3 223	-229

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

Slightly decreased value of obtained collaterals compared to 30 June 2020, no major revaluations were made in H2 2020.

Latvia 20: Information on loans and advances subject to legislative and non-legislative moratoria, 31 December 2020

EURt	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing				Non performing		Performing			Non performing			Inflows to non-performing exposures
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: Unlikely to pay that are not past due or past due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days	
Loans and advances subject to moratorium	88 727	88 526		34 780	201		685	666		568	19		
of which: Households	86 456	86 255		34 764	201		684	665		568	19		
of which: Collateralised by residential immovable property	85 340	85 175		34 154	165		672	653		558	19		
of which: Non-financial corporations	2 271	2 271		16			1	1					
of which: Small and Medium-sized Enterprises	1 471	1 471		16			1	1					
of which: Collateralised by commercial immovable property	2 101	2 101		16			1	1					

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

For corporates: Under the original moratorium, valid until 30 September 2020, 6 months principal payment relief was offered to customers with liquidity shortages meeting the Moratorium conditions. Moratorium was targeting all Covid-19 pandemic impacted smaller customers with a group limit below EUR 5m.

For private individuals: Under the original moratoria not longer than 6 months, for consumer financing and leasing products, or 12 months, for Mortgage loans, principal payment reliefs were offered for meeting the Moratorium conditions. In addition, there was a possibility to prolong the agreement for the same duration as the relief period, in order to avoid monthly payments increase after relief measures end.

Latvia 21: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, 31 December 2020

	Number of obligors		Gross carrying amount						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
EURt									
Loans and advances for which moratorium was offered	4 667	213 387							
Loans and advances subject to moratorium (granted)	4 367	208 065	434	119 338	7 740	78 708	1 936	343	
of which: Households		141 908	434	55 452	6 269	77 908	1 936	343	
of which: Collateralised by residential immovable property		130 623		45 283	5 829	77 232	1 936	343	
of which: Non-financial corporations		66 157		63 886	1 471	800			
of which: Small and Medium-sized Enterprises		56 199		54 728	1 471				
of which: Collateralised by commercial immovable property		31 786		29 686	1 300	800			

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

Original EBA compliant moratorium was prolonged until 30 September 2020. After that Swedbank continued supporting customers in demand of payment reliefs measures under regular forbearance treatment. The length was 6-12 months principal payment relief depending on customer segment and/or product.

Latvia 22: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis, 31 December 2020

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
EURt				
Newly originated loans and advances subject to public guarantee schemes	1 698			
of which: Households	20			
of which: Collateralised by residential immovable property				
of which: Non-financial corporations	1 678			
of which: Small and Medium-sized Enterprises	1 678			
of which: Collateralised by commercial immovable property	369			

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

During the year, state and EU funds have launched several public guarantee programs to support customers who were impacted most by Covid-19 pandemic. The guarantee programs mainly targeted issuance of new loans or providing additional collaterals for existing loans of SSE/SME segment customers, especially from the sectors that were impacted most. Swedbank is using state and EU programs in each Baltic country (in Estonia Kredex and MES; in Latvia Invega; in Lithuania Altum; Baltic: EIF). The usage of the programs has been lower than expected due to relatively late launch, restrictive conditions and low demand in the market. Demand for new loans provided under the newly applicable public guarantee schemes was low in Latvia in H2 2020.

Latvia 23: Credit risk mitigation techniques – overview (EU CR3), 31 December 2020

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	2 012 993	1 697 401	1 649 279	48 122	
Total Debt securities	94 552	857 370	857 370		
Other	3 023 891				
Total all exposures	5 131 436	2 554 771	2 506 649	48 122	
- of which defaulted	27 088	13 424	13 424		

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

The increase in unsecured exposures, compared to 30 June 2020, was explained by increased placements in central banks.

Latvia 24: Standardised approach – Credit risk exposure and CRM effects (EU CR4), 31 December 2020

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	2 983 141	100 012	3 019 832	51 294		0.00%
Regional government or local authorities	1 974	3	3 555	3	712	20.01%
Public sector entities	21 618	320	21 618	91	269	1.24%
Multilateral development banks			175			0.00%
International organisations						
Institutions	117 923	402	117 923	202	23 625	20.00%
Corporates	7 450	27 170	1 128	108	1 090	88.19%
Retail	30 505	2 034	24 621	727	15 810	62.37%
Secured by mortgages on immovable property	47 347	12	47 347	6	16 574	35.00%
Exposures in default	808		808		817	101.11%
Higher-risk categories						
Covered bonds	857 370		857 370		85 737	10.00%
Institutions and corporates with a short term credit assessment						
collective investment undertakings						
Equity	300		300		300	100.00%
Other items	560		560		556	99.29%
Total	4 068 996	129 953	4 095 237	52 431	145 490	3.51%

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

The slight increase in RWA density compared to December 2019 was mainly a result of the increased exposures in covered bonds and institutions.

Latvia 25: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2020

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	2 047 229	159 217
Asset size	-25 618	-1 972
Asset quality	-2 793	-223
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-478	-38
Other	7 884	644
RWA as at end of reporting period	2 026 224	157 628

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

RWA reported under IRB decreased mainly due to outflows in exposure class Corporates which was partially compensated by an increase in mortgage loans in exposure class Retail by EUR 8m in Q4. Asset quality decreased mainly due to improved LGD, and Other items increased due to increase in Size factor.

Latvia 26: IRB specialised lending and equities (EU CR10), 31 December 2020

Regulatory categories, EURt	Remaining maturity	Specialised lending				Expected losses
		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs
Category 1	Less than 2.5 years	17	26	50%	43	22
	Equal to or more than 2.5 years			70%		
Category 2	Less than 2.5 years	6 262		70%	6 263	4 384
	Equal to or more than 2.5 years			90%		
Category 3	Less than 2.5 years	992		115%	993	1 142
	Equal to or more than 2.5 years			115%		
Category 4	Less than 2.5 years	2 110		250%	2 206	5 514
	Equal to or more than 2.5 years			250%		
Category 5	Less than 2.5 years			-		
	Equal to or more than 2.5 years			-		
Total	Less than 2.5 years	9 381	26		9 505	11 062
	Equal to or more than 2.5 years					229

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.

The exposures in specialised lending have decreased by EUR 4m compared to 30 June 2020, mainly in category 2 and 3.

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 11.4% to 10.3% during Q4 2020 driven by an increase in total leverage ratio exposures.

Latvia 27: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2020

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	7 694 795
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	10 154
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	286 911
(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	-36 293
Total leverage ratio exposure	7 955 567

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

Latvia 28: Leverage ratio common disclosure (LRCom), 31 December 2020

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	7 690 832
(Asset amounts deducted in determining Tier 1 capital)	-36 293
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	7 654 539
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3 963
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	10 154
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)	14 117
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	736 943
(Adjustments for conversion to credit equivalent amounts)	-450 032
Other off-balance sheet exposures (sum of lines 17 to 18)	286 911
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	821 039
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	7 955 567
Leverage ratio	
Leverage ratio	10.3%
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 2020 (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 2020. 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 this 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 9% of the CET1 capital, and 12.5% of the total capital as of year-end. Combined capital buffer requirements are 4.5% and consist of 2% for other systemically important institutions (O-SII), capital conservation buffer of 2.5%. Counter-cyclical buffer was kept at 0%. The capitalisation of Swedbank Lithuania CS must also comply with the capital requirements in Pillar 2. According to the 2020 Supervisory Review and Evaluation Process (SREP), the Pillar 2 requirement (P2R) remained unchanged from previous year at 1.8% and Pillar 2 guidance (P2G) 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 11.0% and the total capital ratio requirement was 15.3% as of year-end 2020.

Lithuania 1: Capital requirements (forward-looking, incl. fully implemented buffers and Pillar 2 requirements)^{1, 31} December 2020

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)	1.0%	0.3%	0.5%	1.8%
Pillar 2 capital guidance (P2G)	1.0%			1.0%
	2.0%			2.8%
Capital requirements	11.0%			15.3%
Actual capital ratios as of 31 December 2020	25.3%			25.3%

¹⁾ Swedbank's estimate based on the Lithuanian FSA's announced capital requirements. All table values above rounded to one decimal place.

²⁾ The countercyclical buffer (CCyB) of 1% was reduced to 0%.

³⁾ P2R and P2G determined by 2020 SREP

On 31 December 2020, Swedbank Lithuania CS's Common Equity Tier 1 and Total Capital ratio both amounted to 25.3% (end-2019: 22.5%). The capitalisation of Swedbank Lithuania CS is well above the capital requirements presented in the table above. Swedbank Lithuania CS's leverage ratio was 5.8% at end 2020 (end-2019: 6.5%). In the 2020 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 came into force on 30 September 2020.

Lithuania 2: Total capital

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

EURt	31.12.2020	30.09.2020
Shareholders' equity according to the Group balance sheet	863 649	864 642
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	-11 771	-1 258
Goodwill		
Deferred tax assets	-7 099	-7 802
Intangible assets	-58	-71
Net provisions for reported IRB credit exposures	-17 607	-18 442
Shares deducted from CET1 capital		
Defined benefit pension fund assets		
Total CET1 capital	827 114	837 069
Additional Tier 1 capital		
Total Tier 1 capital	827 114	837 069
Tier 2 capital		
Total capital	827 114	837 069

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

Lithuania 3: Own funds disclosure, 31 December 2020

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	223 913	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	137 478	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	863 649	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-2 237	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-58	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)	-7 099	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	-17 607	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)
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant) ¹⁾	-9 534	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-36 535	
29	Common Equity Tier 1 (CET1) capital	827 114	
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)	827 114	
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)	827 114	
60	Total risk-weighted assets	3 273 298	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.3%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	25.3%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	25.3%	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) ²⁾	9.0%	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		
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) ³⁾	20.8%	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⁾ Additional deductions of CET1 Capital due to Article 3 CRR, which is related to coverage for non-performing exposures according to ECBs Addendum "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures" from March 2018.

²⁾ The CET1 capital requirement including buffer requirements.

³⁾ 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	31.12.2020
Total risk exposure amount	3 273 298
Institution-specific countercyclical buffer rate	0.00%
Institution-specific countercyclical buffer requirement	65

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 2020

EURt	General credit exposures		Trading book exposure		Securitisation exposures		Own funds requirements				Counterccylical capital buffer rate	
	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
Sweden	3 303	24 838					1 454			1 454	0.77%	0.00%
Estonia	602	420	0				28	0		28	0.02%	0.00%
Latvia	187	19 946					1 079			1 079	0.57%	0.00%
Lithuania	550 397	5 813 925	5 311				183 660	85		183 745	97.30%	0.00%
Norway	504	1 731					56			56	0.03%	1.00%
Finland	0	259					9			9	0.00%	0.00%
Denmark	144	6 802					362			362	0.19%	0.00%
USA	116	1 492					43			43	0.02%	0.00%
Great Britain	2 465	6 920					299			299	0.16%	0.00%
Other countries	4 402	28 441					1 773			1 773	0.94%	0.10%
Total	562 120	5 904 774	5 311	0	0	0	188 763	85	0	188 848	100.00%	0.00%

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 2020

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 2020

EURt	RWA		Minimum capital requirements
	31.12.2020	30.09.2020	31.12.2020
Credit risk (excluding Counterparty credit risk (CCR))	2 631 703	2 548 840	210 537
- of which the standardised approach (SA)	540 472	436 935	43 238
- of which the foundation IRB (FIRB) approach	1 164 833	1 208 867	93 187
- of which the advanced IRB (AIRB) approach	926 398	903 038	74 112
- of which equity IRB under the simple risk-weighted approach or the IMA			
Counterparty credit risk	23 318	21 339	1 865
- of which mark to market	23 268	21 289	1 861
- 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	50	50	4
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	2 875	6 188	230
- of which the standardised approach	2 875	6 188	230
- of which IMA			
Large exposures			
Operational risk	402 402	386 984	32 192
- of which basic indicator approach			
- of which standardised approach	402 402	386 984	32 192
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Other risk exposure amount	213 000	207 000	17 040
Total	3 273 298	3 170 351	261 864

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

During the last quarter of 2020 the RWA of Swedbank Lithuania increased by EUR 103m, mainly driven by increasing institutional exposures under the standardised approach in credit risk RWA.

Lithuania 7: Total and average net amount of exposures (EU CRB-B), 31 December 2020

EURt	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks		
Institutions	16 805	18 949
Corporates	2 033 699	2 225 797
- of which Specialised Lending	276	6 778
- of which SME	157 680	159 819
Retail	4 483 149	4 344 300
- Secured by real estate property	3 494 154	3 364 722
---SME	8 835	9 262
---Non-SME	3 485 319	3 355 460
- Qualifying Revolving		
- Other Retail	988 995	979 578
--- SME	345 582	341 506
--- Non-SME	643 413	638 072
Equity		
Other exposures		
Total IRB approach	6 533 653	6 589 046
Central governments or central banks	6 566 041	5 073 394
Regional governments or local authorities	2 880	3 052
Public sector entities	5 862	5 433
Multilateral Development Banks		
International Organisations		
Institutions	1 148 253	515 231
Corporates	87 987	84 921
- of which SME	9 520	8 037
Retail	27 970	28 814
- of which SME	22 287	22 790
Secured by mortgages on immovable property	214 168	221 556
- of which SME	392	417
Exposures in default	3 747	4 758
Items associated with particularly high risk		
Covered bonds	2 021	1 518
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)		
Equity exposures	356	500
Other exposures	225 708	250 890
Total SA approach	8 284 993	6 190 067
Total	14 818 646	12 779 113

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

Total exposures increased by EUR 3.3bn in 2020, which is explained by increased placements in central banks by EUR 2.4bn and in institutions by EUR 1.1bn. Exposures in the IRB approach decreased by EUR 0.2bn, explained by a decrease in the corporate exposure class by EUR 0.5bn and a counteracting increase in retail real estate by EUR 0.3bn.

Lithuania 8: Geographical breakdown of exposures (EU CRB-C), 31 December 2020

EURt	Net carrying values											
	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Estonia	Latvia	Lithuania	Rest of the world	USA	Other geographical areas
Central governments or central banks												
Institutions	8 864		10	8 787	67	0				7 941	1 520	6 421
Corporates	66 411	60 014	0	6 397		1 944 306	14	19 495	1 924 797	22 982		22 982
Retail	3 223	755	1 760	446	262	4 461 631	616	387	4 460 628	18 295	1 510	16 785
Equity	0					0				0		
Other exposures	0					0				0		
Total IRB approach	78 498	60 769	1 770	15 630	329	6 405 937	630	19 882	6 385 425	49 218	3 030	46 188
Central governments or central banks	0					6 566 041			6 566 041	0		
Regional governments or local authorities	0					2 880			2 880	0		
Public sector entities	0					5 862			5 862	0		
Multilateral Development Banks	0					0				0		
International Organisations	0					0				0		
Institutions	1 134 202	1 129 284	4 918			14 051	13 999	52		0		
Corporates	0					87 987	324	60	87 603	0		
Retail	74	1	73			27 667	195	96	27 376	229	17	212
Secured by mortgages on immovable property	824	264	431	129		209 321			209 321	4 023	98	3 925
Exposures in default	0					3 707			3 707	40		40
Items associated with particularly high risk	0					0				0		
Covered bonds	2 021	2 021				0				0		
Claims on institutions and corporates with a short-term credit assessment	0					0				0		
Collective investments undertakings (CIU)	0					0				0		
Equity exposures	0					356			356	0		
Other exposures	261	1 017		15		222 758	83	31	221 873	2 689	0	2 689
Total SA approach	1 137 382	1 132 587	5 422	144	0	7 140 630	14 601	239	7 125 019	6 981	115	6 866
Total	1 215 880	1 193 356	7 192	15 774	329	13 546 567	15 231	20 121	13 510 444	56 199	3 145	53 054

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

The change in exposures in the IRB approach stem from Lithuania, as 98% of the total IRB exposure does. The remaining exposures are towards clients with a relation to Lithuania. The increase of exposures in the standardised approach to central bank is in Lithuania and the exposures in institution is in Sweden.

Lithuania 9: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2020

EUR	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																				16 805			16 805
Corporates			11 113	37 328	422 826	235 142	47 507	402 354	150 034		80 146	41 900	8 688	555 093	123	484 472	37 201	33 297	38 118	3 450			2 033 699
Retail	3 489 637		703 192	14 855	44 893	9 466	26 693	91 657	33 230		4 921	7 701	829	22 885	333	9 829	5 876	6 847	31 237	1 953			4 483 149
Equity														0									0
Other exposures														0									0
Total IRB approach	3 489 637	0	714 305	52 183	467 719	244 608	74 200	494 011	183 264	0	85 067	49 601	9 517	577 978	456	494 301	43 077	40 144	69 355	5 403	16 805	0	6 533 653
Central governments or central banks						256 396								0						6 309 645			6 566 041
Regional governments or local authorities						2 880								0									2 880
Public sector entities						5 596	14							0					204	48			5 862
Multilateral Development Banks														0									0
International Organisations														0									0
Institutions														0						1 148 253			1 148 253
Corporates				3 619	37 577	197	1 930	32 367	780			10 385	839	0					278	15			87 987
Retail	3 773		1 972	1 617	10 983	211	1 766	6 251	266			340		53		53			608	130			27 970
Secured by mortgages on immovable property	214 123												45	0									214 168
Exposures in default	3 624		123											0									3 747
Items associated with particularly high risk														0									0
Covered bonds														0						2 021			2 021
Claims on institutions and corporates with a short-term credit assessment														0									0
Collective investments undertakings (CIU)														0									0
Equity exposures						356								0									356
Other exposures														0							225 708		225 708
Total SA approach	221 520	0	2 095	5 236	48 560	265 636	3 710	38 618	1 046	0	0	10 725	884	53	0	53	0	0	1 090	193	7 459 919	225 708	8 284 993
Total	3 711 157	0	716 400	57 419	516 279	510 244	77 910	532 629	184 310	0	85 067	60 326	10 401	578 031	456	494 354	43 077	40 144	70 445	5 596	7 476 724	225 708	14 818 646

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

Main increase is in Credit institutions and for the IRB exposures in Private mortgage loans. In the corporate portfolio there are minor decreases in several sectors.

Lithuania 10: Maturity of exposures (EU CRB-E), 31 December 2020

EURt	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
Central governments or central banks						0
Institutions	11 969	182				12 151
Corporates	33 606	376 693	1 140 312	43 510	8 297	1 602 418
Retail	6 064	112 894	483 327	3 527 702	38	4 130 025
Equity						0
Other exposures						0
Total IRB approach	51 639	489 769	1 623 639	3 571 212	8 335	5 744 594
Central governments or central banks	6 309 645	74 304	182 091			6 566 040
Regional governments or local authorities		610	789	1 481		2 880
Public sector entities	130	514	3 047			3 691
Multilateral Development Banks						0
International Organisations						0
Institutions	27 587	1 119 547	128			1 147 262
Corporates		45 850	16 284			62 134
Retail		7 951	2 327	4 670		14 948
Secured by mortgages on immovable property		159	3 871	210 138		214 168
Exposures in default		797	1 125	1 825		3 747
Items associated with particularly high risk						0
Covered bonds			2 021			2 021
Claims on institutions and corporates with a short- term credit assessment						0
Collective investments undertakings (CIU)						0
Equity exposures					356	356
Other exposures	141 959	10 627			73 122	225 708
Total SA approach	6 479 321	1 260 359	211 683	218 114	73 478	8 242 955
Total	6 530 960	1 750 128	1 835 322	3 789 326	81 813	13 987 549

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 an increase of EUR 0.2bn in exposures with maturity less than one year and a decrease 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 2019.

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

Credit-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 a credit-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.
- 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.

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. Methods for mitigating counterparty credit risks 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 60% 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 15% of the loans have other real estate collateral. This portfolio is spread over several customers and different property segments.

Lithuania 11: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2020

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							0
Institutions		16 806	1				16 805
Corporates	18 158	2 025 625	10 084		8 892	1 620	2 033 699
- of which Specialised Lending		276				0	276
- of which SME	291	158 371	982		6 322	544	157 680
Retail	37 446	4 460 261	14 558		45 765	-1 966	4 483 149
- Secured by real estate property	31 528	3 472 809	10 183		16 255	792	3 494 154
--- SME	544	8 563	272		566	-264	8 835
--- Non-SME	30 984	3 464 246	9 911		15 689	1 056	3 485 319
- Qualifying revolving							0
- Other Retail	5 918	987 452	4 375		29 510	-2 758	988 995
--- SME	3 555	343 743	1 716		998	-242	345 582
--- Non-SME	2 363	643 709	2 659		28 512	-2 516	643 413
Equity							0
Other exposures							0
Total IRB approach	55 604	6 502 692	24 643		54 657	-346	6 533 653
Central governments or central banks		6 566 056	15				6 566 041
Regional governments or local authorities		2 880					2 880
Public sector entities		5 862	0			-2	5 862
Multilateral development banks							0
International organisations							0
Institutions		1 148 254	1			-4	1 148 253
Corporates:		88 075	88			-1	87 987
- of which SME		9 520	0				9 520
Retail		28 727	757		16	11	27 970
- of which SME		22 295	8				22 287
Secured by mortgages on immovable		214 168				100	214 168
- of which SME		392					392
Exposures in default	4 077		330		1 203	-192	3 747
Items associated with particularly high risk							0
Covered bonds		2 021					2 021
Claims on institutions and corporates with a short- term credit assessment							0
Collective investments undertakings (CIU)							0
Equity exposures		356					356
Other exposures		225 708					225 708
Total SA approach	4 077	8 282 107	1 191		1 219	-88	8 284 993
Total	59 681	14 784 799	25 834		55 876	-434	14 818 646
- of which Loans	59 648	7 158 221	25 410			-380	7 192 459
- of which Debt Securities		250 760					250 760
- of which Off-balance sheet exposures	33	831 473	409			-54	831 097

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 5m compared to 30 June 2020 driven by decreased private mortgage loans and to some extent corporate exposures. The increase in specific credit risk adjustments was due to increased provisions due the uncertainty of the economic development due to the Covid-19 pandemic.

Lithuania 12: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2020

EURt	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	35 365	3 686 920	11 128		16 475	572	3 711 157
Tenant owner associations							0
Private other	4 148	715 480	3 228		3 147	-1 612	716 400
Agriculture, forestry, fishing	49	57 444	74		674	-119	57 419
Manufacturing	8 282	512 913	4 916		3 596	-204	516 279
Public sector and utilities		510 261	17		279	-42	510 244
Construction	865	77 338	293		2 151	14	77 910
Retail	584	532 598	553		9 090	-1 114	532 629
Transportation	106	184 304	100		9 916	-285	184 310
Shipping and offshore							0
Hotels and restaurants	6 098	82 051	3 082		283	2 068	85 067
Information and communication		60 339	13		56	-68	60 326
Finance and insurance		10 413	12		10	-11	10 401
Property management	3 734	576 521	2 224		7 510	411	578 031
- Residential properties	251	349	144		3 559	-325	456
- Commercial	3 483	492 680	1 809		184	593	494 354
- Industrial and warehouse		43 230	153		2 107	96	43 077
- Other property management		40 262	118		1 660	47	40 144
Professional services	450	70 138	143		1 051	-20	70 445
Other corporate lending		5 629	33		1 638	-24	5 596
Credit institutions		7 476 742	18				7 476 724
Other exposures		225 708					225 708
Total	59 681	14 784 799	25 834		55 876	-434	14 818 646

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 3m, but also from Property Management EUR 1m.

Lithuania 13: Credit quality of exposures by geography (EU CR1-C), 31 December 2020

EURt	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	131	1 216 579	59		0	8	1 216 651
- Sweden	30	1 193 336	10			-18	1 193 356
- Norway	100	7 136	44			34	7 192
- Denmark	1	15 776	3			-4	15 774
- Finland		331	2			-4	329
Significant area: Baltic	58 536	13 512 824	25 564		55 654	-445	13 545 796
- Estonia		15 231	0				15 231
- Latvia	27	20 181	87			68	20 121
- Lithuania	58 509	13 477 412	25 477		55 654	-513	13 510 444
Rest of the world	1 014	55 396	211		222	3	56 199
- USA	40	3 119	14		36	8	3 145
- Other geographical areas	974	52 277	197		186	-5	53 054
Total	59 681	14 784 799	25 834		55 876	-434	14 818 646

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 14: Performing and non-performing exposures and related provisions, 31 December 2020

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	7 035 997	6 202 370	833 627	77 795	10 376	67 169	11 396	2 181	9 215	14 017	164	13 853	0	5 491 854	62 267
Central banks	4 800	4 800													
General governments	6 572	6 572												2 634	
Credit institutions	1 026 871	1 026 871					1	1							
Other financial corporations	31 618	8 880	22 738	276	118	46	120	0	120					23 393	276
Non-financial corporations	1 841 202	1 674 516	166 686	21 948	1 997	19 917	3 798	680	3 118	7 189	11	7 178		1 626 845	14 527
Of which SMEs	1 344 234	1 209 721	134 513	16 917	1 997	14 886	3 690	627	3 063	5 597	11	5 586		1 302 711	11 089
Households	4 124 934	3 480 731	644 203	55 571	8 261	47 206	7 477	1 500	5 977	6 828	153	6 675		3 838 982	47 464
Debt securities	250 760	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Central banks															
General governments	248 739														
Credit institutions	2 021														
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	831 458	660 516	55 685	47	12	35	346	195	151	2	0	2	0	398 785	18 000
Central banks														0	
General governments	2 172	2 172												166	
Credit institutions	5 624	5 536	88											5 624	
Other financial corporations	10 670	1 127	9 434				23		23					9 028	
Non-financial corporations	532 869	387 566	30 448	18	6	12	110	70	40					308 765	18 000
Households	280 123	264 115	15 715	29	6	23	213	125	88	2		2		75 202	
Total	8 118 215	6 862 886	889 312	77 842	10 388	67 204	11 742	2 376	9 366	14 019	164	13 855	0	5 890 639	62 285

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

The performance of Swedbank's portfolio remains on a high level with about 1% of non-performing exposures. Non-performing exposures have decreased by EUR 13m, of which stage 3 loans EUR 8m, compared to June 2020, equally split by households and non-financial corporations. Stage 2 (significantly increased credit risk) exposures have increased by EUR 47m compared to June 2020, driven by increases in households. The Stage 2 exposures remain on a low level, 11% of the portfolio.

Lithuania 15: Credit quality of performing and non-performing exposures by past due days, 31 December 2020

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	7 035 997	7 030 296	5 701	77 795	36 542	4 047	4 277	3 133	13 900	10 819	5 077	58 696
Central banks	4 800	4 800										
General governments	6 572	6 572										
Credit institutions	1 026 871	1 026 871										
Other financial corporations	31 618	31 618		276	276							
Non-financial corporations	1 841 202	1 841 128	74	21 948	2 427	78	1 118	115	9 451	8 427	332	19 835
Of which SMEs	1 344 234	1 344 160	74	16 917	2 400	78	1 118	115	4 463	8 411	332	14 830
Households	4 124 934	4 119 307	5 627	55 571	33 839	3 969	3 159	3 018	4 449	2 392	4 745	38 861
Debt securities	250 760	250 760	0	0	0	0	0	0	0	0	0	0
Central banks												
General governments	248 739	248 739										
Credit institutions	2 021	2 021										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	831 458			47								12
Central banks												
General governments	2 172											
Credit institutions	5 624											
Other financial corporations	10 670											
Non-financial corporations	532 869			18								12
Households	280 123			29								
Total	8 118 215	7 281 056	5 701	77 842	36 542	4 047	4 277	3 133	13 900	10 819	5 077	58 708

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

The total exposures that are past due remains on a low level with about 1% of total exposures past due more than 30 days. The performing past due exposures have decreased by EUR 2m, mainly in households. Non-performing exposures have decreased by EUR 13m, of which two thirds households and one third non-financial corporations and most of the decrease is in past due 90 – 180 days.

Lithuania 16: Credit quality of forborne exposures, 31 December 2020

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		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	40 120	42 010	31 884	33 344	1 125	8 426	70 537	32 890
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	22 327	9 968	8 014	8 027	905	4 222	27 096	5 704
Households	17 793	32 042	23 870	25 317	220	4 204	43 441	27 186
Debt Securities								
Loan commitments given	2 427	7	1	1	1	0	1 139	6
Total	42 547	42 017	31 885	33 345	1 126	8 426	71 676	32 896

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

Performing forborne loans increased by EUR 2m compared to 30 June 2020, mainly to non-financial corporations, but also to some extent to households. Non-performing forborne exposures decreased by EUR 6m in non-financial corporations. Collateralised forborne exposures increased by EUR 16m.

Lithuania 17: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2020

EURt	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	25 075	
Increases due to amounts set aside for estimated loan losses during the period	1 169	
Decreases due to amounts reversed for estimated loan losses during the period	-744	
Decreases due to amounts taken against accumulated credit risk adjustments	-409	
Transfers between credit risk adjustments	327	
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-3	
Closing balance	25 415	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-1 407	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	450	

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 18: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2020

EURt	Gross carrying value defaulted exposures
Opening balance	65 435
Loans and debt securities that have defaulted or impaired since the last reporting period	4 296
Returned to non-defaulted status	-5 071
Amounts written off	-1 351
Other changes	-4 632
Closing balance	58 677

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

Compared to June 2020 defaulted and impaired loans has decreased by EUR 7m. Of the new loans that have defaulted the majority is private individuals and the same goes for exposures that have returned to non-default. Other changes is mainly explained by amortisations.

Lithuania 19: Collateral obtained by taking possession and execution processes, 31 December 2020

EURt	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	7 152	2 292
Residential immovable property		
Commercial Immovable property	4 975	1 851
Movable property (auto, shipping, etc.)	2 177	441
Equity and debt instruments		
Other		
Total	7 152	2 292

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

Lithuania 20: Information on loans and advances subject to legislative and non-legislative moratoria, 31 December 2020

	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing				Non performing		Performing			Non performing			Inflows to non-performing exposures
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past due or past due <= 90 days	
EURt													
Loans and advances subject to moratorium	52 827	52 827	18 877				-149	-149	-131				
of which: Households	50 617	50 617	18 877				-144	-144	-131				
of which: Collateralised by residential immovable property	49 981	49 981	18 692				-140	-140	-127				
of which: Non-financial corporations	2 210	2 210					-5	-5					
of which: Small and Medium-sized Enterprises	2 210	2 210					-5	-5					
of which: Collateralised by commercial immovable property	2 179	2 179					-5	-5					

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

For corporates: Under the original moratorium, valid until 30 September 2020, 6 months principal payment relief was offered to customers with liquidity shortages meeting the Moratorium conditions. Moratorium was targeting all Covid-19 pandemic impacted smaller customers with a group limit below EUR 5m.

For private individuals: Under the original moratoria not longer than 6 months, for consumer financing and leasing products, or 12 months, for Mortgage loans, principal payment reliefs were offered for meeting the Moratorium conditions. In addition, there was a possibility to prolong the agreement for the same duration as the relief period, in order to avoid monthly payments increase after relief measures end.

In January 2021 a moratorium prolongation was announced where customers between 25 January 2021 until 31 March 2021 can apply for another grace period.

Lithuania 21: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, 31 December 2020

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
EURt									
Loans and advances for which moratorium was offered	3 216	186 307							
Loans and advances subject to moratorium (granted)	2 864	174 793		121 966	8 134	42 552	2 128	13	
of which: Households		111 302		60 685	5 924	42 552	2 128	13	
of which: Collateralised by residential immovable property		100 441		50 460	5 590	42 250	2 128	13	
of which: Non-financial corporations		63 464		61 254	2 210				
of which: Small and Medium-sized Enterprises		61 509		59 299	2 210				
of which: Collateralised by commercial immovable property		46 055		43 876	2 179				

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

Original EBA compliant moratorium was prolonged until 30 September 2020. After that Swedbank continued supporting customers in demand of payment reliefs measures under regular forbearance treatment. The length was 6-12 months principal payment relief depending on customer segment and/or product.

Lithuania 22: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis, 31 December 2020

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
EURt				
Newly originated loans and advances subject to public guarantee schemes	1 790		1 389	
of which: Households	758			
of which: Collateralised by residential immovable property	0			
of which: Non-financial corporations	1 032		823	
of which: Small and Medium-sized Enterprises	1 032			
of which: Collateralised by commercial immovable property	120			

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

During the year, state and EU funds have launched several public guarantee programs to support customers who were impacted most by Covid-19 pandemic. The guarantee programs mainly targeted issuance of new loans or providing additional collaterals for existing loans of SSE/SME segment customers, especially from the sectors that were impacted most. Swedbank is using state and EU programs in each Baltic country (in Estonia Kredex and MES; in Latvia Invega; in Lithuania Altum; Baltic: EIF). The usage of the programs has been lower than expected due to relatively late launch, restrictive conditions and low demand in the market.

Lithuania 23: Credit risk mitigation techniques – overview (EU CR3), 31 December 2020

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	3 300 281	3 892 178	3 624 732	267 446	
Total Debt securities	250 760				
Other	6 544 330				
Total all exposures	10 095 371	3 892 178	3 624 732	267 446	
- of which defaulted	18 909	27 354	26 729	625	

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 24: Standardised approach - Credit risk exposure and CRM effects (EU CR4), 31 December 2020

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	6 566 040	1	6 633 908	2 927	7 542	0.11%
Regional government or local authorities	2 880		3 889	72		0.00%
Public sector entities	3 691	2 171	3 691	850	2 271	50.01%
Multilateral development banks						
International organisations						
Institutions	1 147 262	991	1 346 568	541	273 364	20.29%
Corporates	62 134	25 853	62 134	593	62 396	99.47%
Retail	14 948	13 022	14 945	379	10 252	66.90%
Secured by mortgages on immovable property	214 168		214 168		74 925	34.98%
Exposures in default	3 747		3 747		4 008	106.97%
Higher-risk categories						
Covered bonds	2 021		2 021		202	10.00%
Institutions and corporates with a short term credit assessment						
collective investment undertakings						
Equity	356		356		4 450	1250.00%
Other items	225 708		225 708		101 062	44.78%
Total	8 242 955	42 038	8 511 135	5 362	540 472	6.35%

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 banks and to institutions. The decrease in RWA density is explained by the increased share of exposures in low risk weights such as placements in central government.

Lithuania 25: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2020

EURt	RWA amounts	Capital requirements
RWA as at end of previous reporting period	2 111 905	168 952
Asset size	-26 957	-2 157
Asset quality	3 018	242
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-194	-15
Other	3 459	277
RWA as at end of reporting period	2 091 231	167 299

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

The RWA for credit risk exposures under IRB decreased by EUR 27m compared to Q3 2020. RWA due to asset size decreased by EUR 57m, driven by volume decreases in corporate loans and institutions positions, which was partly offset by volume growth in mortgage loans. Asset quality increased RWA by EUR 3m, explained by negative PD migrations in corporate exposures, which was partly offset by increased collaterals in retail mortgages.

Lithuania 26: IRB specialised lending and equities (EU CR10), 31 December 2020

Regulatory categories, EURt	Remaining maturity	Specialised lending					Expected losses
		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	
Category 1	Less than 2.5 years	156	3	50%	158	79	0
	Equal to or more than 2.5 years	21		70%	21	14	
Category 2	Less than 2.5 years			70%			0
	Equal to or more than 2.5 years		96	90%	48	43	
Category 3	Less than 2.5 years			115%			0
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			0
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			0
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years	156	3		158	79	0
	Equal to or more than 2.5 years	21	96		69	57	0
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 decreased by EUR 6m compared to 30 June 2020 due to decreased exposures for some customers.

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 6.8% to 5.8% during Q4 2020, driven by an increase in total leverage ratio exposures.

Lithuania 27: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2020

Summary reconciliation of accounting assets and leverage ratio exposures, EURt	Applicable Amounts
Total assets as per published financial statements	14 014 358
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	33 419
Adjustments for securities financing transactions "SFTs"	-37
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	339 176
(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	-36 535
Total leverage ratio exposure	14 350 381

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

Lithuania 28: Leverage ratio common disclosure (LRCom), 31 December 2020

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13 999 204
(Asset amounts deducted in determining Tier 1 capital)	-36 535
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	13 962 669
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	15 117
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	33 419
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)	48 536
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	37
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-37
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
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Other off-balance sheet exposures

Off-balance sheet exposures at gross notional amount	831 506
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(Adjustments for conversion to credit equivalent amounts)	-492 330
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Other off-balance sheet exposures (sum of lines 17 to 18)	339 176
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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	827 114
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Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	14 350 381
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Leverage ratio

Leverage ratio	5.8%
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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 2020 (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 2020. 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 this 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. On 31 December 2020, Swedbank Mortgage's Common Equity Tier 1 and Total Capital ratio were 16.4% (16.8%) and 16.4% (16.8%), respectively. The actual total capital at end-2020 exceeding the capital requirement was SEK 14.5 billion (SEK 8.9 billion). Hence, the capitalisation of Swedbank Mortgage is maintained above the capital requirements according to CRR/CRDIV. The capital requirement for Swedbank Mortgage AB in Pillar 1, as a percentage of RWA, amounted to 7% for CET1 capital, and 10.5% for total capital as of year-end. The combined capital buffer requirement is 2.5% and consist of a 2.5% capital conservation buffer requirement. In March 2020, the SFSA lowered the Swedish countercyclical capital buffer requirement to 0%. Swedbank Mortgage's leverage ratio was 4.3% at end-2020 (2019: 4.5%). In the 2020 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. In December 2020, the individual MREL requirement for Swedbank Mortgage in 2021 was communicated as 4.18% of the total liabilities and own funds (TLOF), which applies as of 23 December 2020.

Mortgage AB 1: Capital requirements (Actual, incl. fully implemented buffers and Pillar 2 requirements), 31 December 2020

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	0.0%			0.0%
		7.0%	1.5%	2.0%	10.5%
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		7.4%	1.6%	2.1%	11.1%
Actual capital ratios as of 31 December 2020		16.4%		0.0%	16.4%

Mortgage AB 2: Total capital

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

SEKm	31.12.2020	30.09.2020
Shareholders' equity according to the Group balance sheet	46 105	46 175
Non-controlling interests		
Anticipated dividends		
Deconsolidation of insurance companies		
Unrealised value changes in financial liabilities due to changes in own creditworthiness		
Cash flow hedges	3	- 21
Additional value adjustments	-5	- 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	46 103	46 151
Additional Tier 1 capital		
Total Tier 1 capital	46 103	46 151
Tier 2 capital	46	112
Total capital	46 149	46 263

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

Mortgage AB 3: Own funds disclosure, 31 December 2020

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	26 155	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	-579	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	9 029	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	46 105	
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	3	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		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 crossholdings 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)	-2	
29	Common Equity Tier 1 (CET1) capital	46 103	
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)	46 103	

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	46 62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustment	46
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 crossholdings 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	46
59	Total capital (TC = T1 + T2)	46 149
60	Total risk-weighted assets	281 223
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.4% 92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	16.4% 92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	16.4% 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⁾	7.0% 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	
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⁾	11.9% 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)	46 62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1 574 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	31.12.2020
Total risk exposure amount	281 223
Institution-specific countercyclical buffer rate	0.00%
Institution-specific countercyclical buffer requirement	1

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 2020

SEKm	General credit exposures		Trading book exposure	Securitisation exposures		Own funds requirements			Total	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value for IRB		Exposure value for SA	Exposure value for IRB	of which General credit exposures	of which Trading book exposures	of which Securitisation exposures			
Sweden		1 055 537				20 956			20 956	99.93%	
Estonia											
Latvia		6								0.00%	
Lithuania		1								0.00%	
Norway		393					4		4	0.02%	1.00%
Finland		12								0.00%	
Denmark		359					9		9	0.04%	
USA		9								0.00%	
Great Britain		28								0.00%	
Other countries		202				3			3	0.01%	0.00%
Total	1 056 547					20 972			20 972	100.00%	0.00%

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 2020

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 2020

SEKm	RWA		Minimum capital requirements
	31.12.2020	30.09.2020	31.12.2020
Credit risk (excluding Counterparty credit risk (CCR))	41 051	41 466	3 284
- of which the standardised approach (SA)			
- of which the foundation IRB (FIRB) approach	1 398	1 943	112
- of which the advanced IRB (AIRB) approach	39 653	39 523	3 172
- 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	18 915	19 092	1 513
- of which basic indicator approach			
- of which standardised approach	18 915	19 092	1 513
- of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	377	320	30
Floor adjustment			
Other risk exposure amounts	220 880	219 893	17 670
Total	281 223	280 771	22 498

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

During the fourth quarter of 2020 the RWA of Swedbank Mortgage AB increased marginally by SEK 0.5bn, mainly driven by an increase in other risk weighted assets. The risk-weight floor for Swedish mortgages which is reported under this line item increased by SEK 1.0bn mainly due to increased volumes in Swedish mortgage lending.

Mortgage AB 7: Total and average net amount of exposures (EU CRB-B), 31 December 2020

SEKm	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	272	288
Institutions		
Corporates	56 874	56 103
- of which Specialised Lending		
- of which SME	48 508	47 995
Retail	1 003 080	994 653
- Secured by real estate property	1 003 080	994 653
---SME	95 948	98 337
---Non-SME	907 132	896 316
- Qualifying Revolving		
- Other Retail		
--- SME		
--- Non-SME		
Equity		
Other exposures	211	330
Total IRB approach	1 060 437	1 051 374
Central governments or central banks		
Regional governments or local authorities		
Public sector entities		
Multilateral Development Banks		
International Organisations		
Institutions	106 208	101 748
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	106 208	101 748
Total	1 166 645	1 153 122

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

The increase in exposures, compared to year-end 2019, was 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.

Mortgage AB 8: Geographical breakdown of exposures (EU CRB-C), 31 December 2020

SEKm	Net carrying values											Total
	Significant area: Nordic	Sweden	Norway	Denmark	Finland	Significant area: Baltic	Latvia	Lithuania	Rest of the world	USA	Other geographical areas	
Central governments or central banks	272	272										272
Institutions												
Corporates	56 863	56 793		61	9				12		12	56 875
Retail	1 002 846	1 002 159	388	295	4	7	6	1	226	9	217	1 003 079
Equity												
Other exposures	211	211										211
Total IRB approach	1 060 192	1 059 435	388	356	13	7	6	1	238	9	229	1 060 437
Central governments or central banks												
Regional governments or local authorities												
Public sector entities												
Multilateral Development Banks												
International Organisations												
Institutions	106 208	106 208										106 208
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	106 208	106 208										106 208
Total	1 166 400	1 165 643	388	356	13	7	6	1	238	9	229	1 166 645

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 44.1bn compared to year-end 2019 was mainly due to increase in Retail by SEK 25.0bn and Institutions by SEK 17.0bn within Sweden.

Mortgage AB 9: Concentration of exposures by industry or counterparty type (EU CRB-D), 31 December 2020

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						272																	272
Institutions																							
Corporates	821	282		3 591	46	1 097	267	184	97		351	18	480	47 845	35 630	7 716	703	3 796	542	1 253			56 874
Retail	844 886	87 069	4 643	44 649	687	587	2 642	865	303	4	353	145	104	13 100	7 642	2 021	192	3 245	1 706	1 337			1 003 080
Equity																							
Other exposures																					211		211
Total IRB approach	845 707	87 351	4 643	48 240	733	1 956	2 909	1 049	400	4	704	163	584	60 945	43 272	9 737	895	7 041	2 248	2 590	211		1 060 437
Central governments or central banks																							
Regional governments or local authorities																							
Public sector entities																							
Multilateral Development Banks																							
International Organisations																							
Institutions																					106 208		106 208
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																					106 208		106 208
Total	845 707	87 351	4 643	48 240	733	1 956	2 909	1 049	400	4	704	163	584	60 945	43 272	9 737	895	7 041	2 248	2 590	106 208	211	1 166 645

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 2019 of SEK 44.1bn was mainly in Private mortgage and Credit institutions.

Mortgage AB 10: Maturity of exposures (EU CRB-E), 31 December 2020

SEKm	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
Central governments or central banks			16	255		271
Institutions				0		0
Corporates				56 874		56 874
Retail				998 438		998 438
Equity						
Other exposures					210	210
Total IRB approach			16	1 055 567	210	1 055 793
Central governments or central banks						
Regional governments or local authorities						
Public sector entities						
Multilateral Development Banks						
International Organisations						
Institutions					106 208	106 208
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					106 208	106 208
Total			16	1 055 567	106 418	1 162 001

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 2020 and is more than five years for most of the loans. Exposures with no stated maturity increased by SEK 17.1bn compared to 31 December 2019, mainly due to increased intragroup balances. 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

Credit-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 a credit-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.
- 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.

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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. Methods for mitigating counterparty credit risks 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 80% 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 approximately 19% of the loans have other real estate collateral. This portfolio is also spread over a large number of customers and several geographies.

Mortgage AB 11: Credit quality of exposures by exposure classes and instruments (EU CR1-A), 31 December 2020

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		272					272
Institutions							
Corporates	17	57 025	168		49	-23	56 874
- of which Specialised Lending							
- of which SME	17	48 608	118			-7	48 507
Retail	726	1 002 679	325		347	-87	1 003 080
- Secured by real estate property	726	1 002 679	325		347	-87	1 003 080
--- SME	25	95 960	37			-17	95 948
--- Non-SME	701	906 719	288		347	-70	907 132
- Qualifying revolving							
- Other Retail							
--- SME							
--- Non-SME							
Equity							
Other exposures		211					211
Total IRB approach	743	1 060 187	493		396	-110	1 060 437
Central governments or central banks							
Regional governments or local authorities							
Public sector entities							
Multilateral development banks							
International organisations							
Institutions		106 208					106 208
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		106 208					106 208
Total	743	1 166 395	493		396	-110	1 166 645
- of which Loans	743	1 161 525	493		396	-110	1 161 775
- of which Debt Securities							
- of which Off-balance sheet exposures		4 643					4 643

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

Net values increased by SEK 28.1bn, compared to 30 June 2020, mainly explained by net values of Institutions under SA approach which increased by SEK 17.9bn. Balances presented under IRB approach increased by SEK 10.2bn mainly due to increased Retail balances by SEK 9.7bn.

Mortgage AB 12: Credit quality of exposures by industry or counterparty type (EU CR1-B), 31 December 2020

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					
Private mortgage	599	845 320	212		347	-30	845 707
Tenant owner associations	4	87 354	7			-12	87 351
Private other		4 643					4 643
Agriculture, forestry, fishing	78	48 223	61		45	-33	48 240
Manufacturing	1	733	1			-1	733
Public sector and utilities	14	1 957	15			-5	1 956
Construction	12	2 905	8			-2	2 909
Retail		1 051	2			-2	1 049
Transportation		401	1			0	400
Shipping and offshore		4	0			0	4
Hotels and restaurants		715	11			5	704
Information and communication	0	163	0			0	163
Finance and insurance		584	0			-1	584
Property management	20	61 077	152		4	-20	60 945
- Residential properties	8	43 357	93			-17	43 272
- Commercial	7	9 754	24			-2	9 737
- Industrial and warehouse		898	3			-4	895
- Other property management	5	7 068	32		4	3	7 041
Professional services	4	2 253	9			-2	2 248
Other corporate lending	11	2 593	14			-7	2 590
Credit institutions		106 208					106 208
Other exposures		211					211
Total	743	1 166 395	493		396	-110	1 166 645

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

Net values increased by SEK 28.1bn compared to 30 June 2020. Net values under Private mortgage grew by SEK 15.5bn, and under Property management increased by SEK 1bn which was offset by net values decrease in Private other by SEK 1.6bn and Tenant-owner associations by SEK 3.2 bn. Intragroup balances presented under Credit institutions increased by SEK 17.9bn.

Mortgage AB 13: Credit quality of exposures by geography (EU CR1-C), 31 December 2020

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	743	1 166 149	492		392	-110	1 166 400
- Sweden	737	1 165 391	485		374	-110	1 165 643
- Norway	5	387	4		4		388
- Denmark	1	358	3		13		356
- Finland		13	0		1		13
Significant area: Baltic		7					7
- Latvia		6					6
- Lithuania		1					1
Rest of the world		239	1		4		238
- USA		9					9
- Other geographical areas		230	1		4		229
Total	743	1 166 395	493		396	-110	1 166 645

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

The increase in net values, compared to 30 June 2020, was mainly driven by increased growth in volumes of Swedish retail mortgages by SEK 15.5bn and by increased intercompany balances towards Swedbank AB in Sweden of SEK 17.9bn.

Mortgage AB 14: Performing and non-performing exposures and related provisions, 31 December 2020

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	1 159 653	1 120 285	39 368	877		877	324	56	269	169		169		1 052 362	708
Central banks															
General governments	418	418					0	0							
Credit institutions	106 208	106 208													
Other financial corporations	40	40					0	0						13	
Non-financial corporations	144 798	134 903	9 895	35		35	178	37	141	3		3		144 594	32
Of which SMEs	129 027	122 200	6 827	35		35	105	26	79	3		3		124 345	32
Households	908 189	878 716	29 473	842		842	146	19	128	166		166		907 755	676
Debt securities															
Central banks															
General governments															
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	7 818	7 818													
Central banks															
General governments															
Credit institutions															
Other financial corporations															
Non-financial corporations	874	874													
Households	6 944	6 944													
Total	1 167 471	1 128 103	39 368	877		877	324	56	269	169		169		1 052 362	708

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

The performance of Swedbank Mortgage AB's portfolio remains on a high and 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 decreased by SEK 1.2bn compared to 30 June 2020. Stage 2 exposures remain on a low level of 3.4% of the portfolio, where real estate companies in non-financial corporations and mortgages to households contribute the most.

Mortgage AB 15: Credit quality of performing and non-performing exposures by past due days, 31 December 2020

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	1 159 653	1 159 508	145	877	652	88	55	61	21		0	877
Central banks												
General governments	418	418										
Credit institutions	106 208	106 208										
Other financial corporations	40	40										
Non-financial corporations	144 798	144 798		35	18	3	4	6	4			35
Of which SMEs	129 027	129 027		35	18	3	4	6	4			35
Households	908 189	908 044	145	842	634	85	51	55	17		0	842
Debt securities												
Central banks												
General governments												
Credit institutions												
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures	7 818											
Central banks												
General governments												
Credit institutions												
Other financial corporations												
Non-financial corporations	874											
Households	6 944											
Total	1 167 471	1 159 508	145	877	652	88	55	61	21		0	877

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

The total exposures that were past due were low. Less than 0.1% of total exposures are past due more than 30 days. Most of the exposures that were non-performing was less than 90 days past due.

Mortgage AB 16: Credit quality of forbore exposures, 31 December 2020

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 forbore exposures	
	Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	290	28	18	18	4	2	270	26
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	125	14	10	10	2	1	94	13
Households	165	14	8	8	2	1	176	13
Debt Securities								
Loan commitments given								
Total	290	28	18	18	4	2	270	26

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

Forbore exposures increased by SEK 40m compared to 30 June 2020, whereof SEK 10m was non-performing forbore loans.

Mortgage AB 17: Changes in stock of general and specific credit risk adjustments (EU CR2-A), 31 December 2020

SEKm	Accumulated Specific credit risk adjustment	Accumulated General credit risk adjustment
Opening balance	604	
Increases due to amounts set aside for estimated loan losses during the period	127	
Decreases due to amounts reversed for estimated loan losses during the period	-73	
Decreases due to amounts taken against accumulated credit risk adjustments	-3	
Transfers between credit risk adjustments		
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-162	
Closing balance	493	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss.	-4	
Specific credit risk adjustments recorded directly to the statement of profit or loss.	2	

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

The total amount of specific credit risk adjustments decreased by SEK 111m compared to 30 June 2020. The main decrease came from positive PD migrations, stage transfers and updated macro scenarios.

Mortgage AB 18: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B), 31 December 2020

SEKm	Gross carrying value defaulted exposures
Opening balance	755
Loans and debt securities that have defaulted or impaired since the last reporting period	249
Returned to non-defaulted status	-144
Amounts written off	-5
Other changes	-112
Closing balance	743

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

There was a decrease of SEK 12m of defaulted and impaired loans, mainly due to repayments and households that returned to non-default, compared to 30 June 2020.

Mortgage AB 19: Collateral obtained by taking possession and execution processes, 31 December 2020

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 20: Credit risk mitigation techniques – overview (EU CR3), 31 December 2020

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	111 803	1 049 972	1 045 488	4 484	
Total Debt securities					
Other	226				
Total all exposures	112 029	1 049 972	1 045 488	4 484	
- of which defaulted	1	578	578		

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

Unsecured exposures increased compared to 30 June 2020, mainly due to higher intragroup balances with Swedbank AB. Secured exposures increased mainly due to growth in private mortgage lending.

Mortgage AB 21: Standardised approach - Credit risk exposure and CRM effects (EU CR4), 31 December 2020

Exposure classes, SEKm	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						
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	106 208		106 220			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	106 208		106 220			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 30 June 2020 was driven by increased intercompany balances towards Swedbank AB of SEK 17.9bn.

Mortgage AB 22: RWA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2020

SEKm	RWA amounts	Capital requirements
RWA as at end of previous reporting period	41 466	3 317
Asset size	275	22
Asset quality	-877	-70
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements		
Other	187	15
RWA as at end of reporting period	41 051	3 284

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 0.4bn compared to 30 June 2020, explained by the following:

- Asset size increased REA by SEK 0.3bn driven by volume growth for retail mortgage and corporates.
- Improved asset quality decreased RWA by SEK 0.9bn, mainly due to PD and LGD changes for retail mortgage and corporates.
- Other factor which increased RWA by SEK 0.2 is due to decrease in SME preferential treatment portfolio.

Mortgage AB 23: IRB specialised lending and equities (EU CR10), 31 December 2020

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.

Leverage ratio disclosure

Swedbank Mortgage AB monitors and discloses its leverage ratio according to the requirements and will as of 28 June 2021 have to meet a minimum leverage ratio requirement of 3% under the CRR II. The leverage ratio has decreased

marginally from 4.4% to 4.3% during Q4 2020, driven by a slight decrease in Tier 1 capital versus Q3 2020, whilst the total leverage ratio exposure somewhat increased.

Mortgage AB 24: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum), 31 December 2020

Summary reconciliation of accounting assets and leverage ratio exposures, SEKm	Applicable Amounts
Total assets as per published financial statements	1 181 035
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	10 730
Adjustments for securities financing transactions "SFTs"	
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4 643
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-135 971
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
Other adjustments	-5
Total leverage ratio exposure	1 060 432

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 2020

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1 162 002
(Asset amounts deducted in determining Tier 1 capital)	-5
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	1 161 997
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19 033
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	10 730
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)	29 763
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	4 643
(Adjustments for conversion to credit equivalent amounts)	
Other off-balance sheet exposures (sum of lines 17 to 18)	4 643
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))	-135 971
(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	46 103
Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1 060 432
Leverage ratio	
Leverage ratio	4.3%
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, 25 February 2021

Bo Magnusson
Chair of Risk and Capital Committee of the
Board of Directors

Jens Henriksson
President and CEO

Rolf Marquardt
Chief Risk Officer