

Amendment to Program Information

Swedbank AB (publ)

AMENDMENT TO PROGRAM INFORMATION

Type of Information:	Amendment to Program Information
Date of Announcement:	18 August 2020
Issuer Name:	Swedbank AB (publ) (the “ Issuer ”)
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Type of Securities:	Notes (the “ Notes ”)
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html
Name of the Main Dealer that is Expected to Subscribe for the Notes to be Drawn-Down from this Program	Nomura International plc
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Information on Original Program Information:	
Date of Announcement	29 May 2020
Scheduled Issuance Period:	30 May 2020 to 29 May 2021
Maximum Outstanding Issuance Amount:	U.S.\$40,000,000,000

This amendment, consisting of this cover page and the Supplement dated 17 July 2020, is filed to update the information included in the Program Information dated 29 May 2020. This constitutes an integral part of the Program Information dated 29 May 2020, and shall be read together with it.

Supplement dated 17 July, 2020

Swedbank AB (publ)

U.S. \$ 40,000,000,000

GLOBAL MEDIUM TERM NOTE PROGRAMME

This base prospectus supplement dated 17 July 2020 (the “**Supplement**”) to the Base Prospectus dated 13 May 2020 (the “**Base Prospectus**”) constitutes a supplement for the purposes of Article 23 under the Prospect Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), and is prepared in connection with the Global Medium Term Note Programme (the “**Programme**”) established by Swedbank AB (publ) (the “**Issuer**”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospect Regulation. Such approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Notes that are the subject to this Supplement. Investors should make their own assessment as to the suitability of investing in the Notes.

The purpose of this Supplement is to incorporate by reference into the Base Prospectus the interim report of the Issuer for the six month period ended 30 June 2020.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Publication of Interim Report for Swedbank AB (publ)

On 17 July 2020 the Issuer published its reviewed unaudited interim results for the six month period ended 30 June 2020. A copy of the interim report has been filed with the Central Bank of Ireland and, by virtue of this Supplement, the interim report is incorporated in, and forms part of, the Base Prospectus. Copies of the Base Prospectus and this Supplement are available for viewing on Euronext Dublin at <https://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/Dept-Security-Documents/?progID=620&uID=4659&FIELDSORT=fileDate>

And at <https://www.swedbank.com/investor-relations/debt-investor/funding/funding-programmes-and-prospectuses/index.htm>. The interim report and all documents incorporated by reference in the Base Prospectus can be obtained, upon request and free of charge, from the registered office of the Issuer and from the specified office of the Principal Paying Agent in London as described on page 191 of the Base Prospectus and the interim report will also be available for viewing at <https://www.swedbank.com/investor-relations/reports-and-presentations.html>.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

If documents which are incorporated by reference to this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference to the Supplement.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

There has been no significant change in the financial or trading position of the Group since 30 June 2020. There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019.

Q2 2020

Interim report January-June 2020, 17 July 2020

Swedbank 

Interim report for the second quarter 2020

Second quarter 2020 compared with first quarter 2020

- Higher net interest income due to higher business volumes
- Lower income from cards and asset management negatively affected net commission income
- Positive net gains and losses on financial items due to positive valuation effects and high customer activity
- Lower investigation related expenses due to Covid-19
- Lower provisions for expected credit impairments related to the effects of Covid-19
- Solid capital and liquidity buffers

“Swedbank posted a strong result in very uncertain times.”

Jens Henriksson,
President and CEO

Financial information SEKm	Q2 2020	Q1 2020	%	Jan-Jun 2020	Jan-Jun 2019	%
Total income	12 076	10 232	18	22 308	22 778	-2
Net interest income	6 886	6 686	3	13 572	13 028	4
Net commission income	2 925	3 223	-9	6 148	6 272	-2
Net gains and losses on financial items	1 398	-322		1 076	1 954	-45
Other income ¹⁾	867	645	34	1 512	1 524	-1
Total expenses	4 843	9 370	-48	14 213	9 271	53
<i>of which administrative fine</i>		4 000		4 000		
Profit before impairment	7 233	862		8 095	13 507	-40
Impairment of intangible and tangible assets					2	
Credit impairment	1 235	2 151	-43	3 386	327	
Tax expense	1 154	398		1 552	2 562	-39
Profit for the period attributable to the shareholders of Swedbank AB	4 845	-1 687		3 158	10 606	-70
Earnings per share, SEK, after dilution	4.31	-1.50		2.81	9.46	
Return on equity, %	13.5	-4.8		4.4	15.9	
C/I ratio	0.40	0.92		0.64	0.41	
Common Equity Tier 1 capital ratio, %	16.4	16.1		16.4	16.1	
Credit impairment ratio, %	0.28	0.51		0.40	0.04	

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

CEO Comment

Swedbank posted a strong result in very uncertain times. The last quarter was dominated by the Covid-19 pandemic. In its June report called "A crisis like no other", the International Monetary Fund (IMF) predicted that the global economy will contract by 5 per cent. The March forecast estimated the downturn at 3 per cent. The crisis appears to be getting more severe and the recovery slower.

Households and companies have been greatly impacted by Covid-19. At the beginning of the quarter savings increased while consumption fell sharply. This is a pattern typical of major economic shocks.

At the same time there are signs of a turnaround in our home markets of Estonia, Latvia, Lithuania and Sweden.

Strong financial result

Swedbank's net profit was SEK 4.8m in the quarter, compared with SEK -1.7bn in the previous quarter. It is comforting in the midst of a crisis to see Swedbank's strong position, with strong earnings and stable capital and liquidity buffers.

The bank's net interest income increased by SEK 200m compared with the first quarter. This is due to increased lending and deposit volumes.

The Swedish housing and mortgage market remains stable. Swedbank recovered market share in the period, which is very gratifying. In turbulent times customers seek security and stability, and that is what Swedbank offers.

We recognised approximately SEK 1.2bn for possible credit impairments, mainly due to the somewhat deteriorating macroeconomic outlook. It is primarily the recovery that is expected to be delayed. How the situation plays out this autumn is very hard to predict. However we are well equipped to handle the uncertain situation.

Our costs were lower than in the previous quarter, mainly due to lower investigative costs than expected. The pandemic has, in our opinion, delayed ongoing money laundering investigations by the authorities. However costs to develop and drive the bank were as planned. We see no reason to adjust the cost guidance of SEK 21.5bn for 2020 that we stated in April.

On 28 May Swedbank held its Annual General Meeting and a new Board of Directors was elected. On the Board's recommendation, the AGM declined to decide on a dividend for 2019. When the Covid-19 pandemic's consequences are better understood, the Board will return to the question of a dividend.

Swedbank has a strong financial position. The buffer to the Swedish SFA's minimum Common Equity Tier 1 capital ratio is robust. It was 3.4 percentage points at the end of the second quarter.

AML and quality assurance

During the first half of the year we saw the beginning of the end of Swedbank's money laundering crisis. The

Estonian and Swedish Financial Supervisory Authorities presented the conclusions of their investigations on 19 March, and the international law firm Clifford Chance presented its report on 23 March. The US and Estonian authorities continue to investigate us.

We now know what shortcomings the bank has and has had. We also know what our goal is: international best practises in anti-money laundering. And we know how to get there. Which is why we are implementing an action plan that at the end of the quarter comprised 245 points.

One of the issues I have wrestled with since taking over as CEO is whether there are serious problems with the bank's corporate culture. The internationally renowned consulting firm Oliver Wyman was hired to investigate this matter. Swedbank fundamentally has a good culture and strong values. Roots going back two hundred years is a strength, but there are problem areas we have to work on.

We have not been consistent enough. During the year we are reviewing the Group's governance. We need stronger oversight and control at Group level and at the same time must give subsidiaries the right conditions to meet the legal and regulatory requirements placed on them. We are also re-evaluating how we manage risks. The goal during the year is to have an updated policy on all of the Group's risks.

There has also been uncertainty about our desired position and how we should achieve it. Just before Midsummer I therefore launched a project within the bank to concretise our strategic direction. This work involves all 15 000 employees. When we clarify the road ahead, it will be easier to set long-term goals and reward good and sustainable performance.

Covid-19 and the bank

When the pandemic broke out, the bank quickly adjusted. For example, by meeting the demand for processing amortisation exemption applications. Our IT capacity was adapted so that a majority of employees could work from home.

The transition has gone well. I am proud and confident when I see the engagement, persistence and professionalism the bank's employees are showing during the coronavirus crisis.

The last quarter was unlike any we have lived through before. For me it is deeply gratifying to see how we and our customers are working to mitigate the effects of the coronavirus crisis. Together we are paving the way for a strong recovery.



Jens Henriksson
President and CEO

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

Financial overview

Income statement SEKm	Q2			Q1			Q2			Jan-Jun		Jan-Jun	
	2020	2020	%	2019	%		2020	2019	%				
Net interest income	6 886	6 686	3	6 607	4		13 572	13 028	4				
Net commission income	2 925	3 223	-9	3 202	-9		6 148	6 272	-2				
Net gains and losses on financial items	1 398	-322		768	82		1 076	1 954	-45				
Other income ¹⁾	867	645	34	839	3		1 512	1 524	-1				
Total income	12 076	10 232	18	11 416	6		22 308	22 778	-2				
Staff costs	2 868	2 870		2 782	3		5 738	5 541	4				
Other expenses	1 975	2 500	-21	1 971			4 475	3 730	20				
Administrative fine		4 000					4 000						
Total expenses	4 843	9 370	-48	4 753	2		14 213	9 271	53				
Profit before impairment	7 233	862		6 663	9		8 095	13 507	-40				
Impairment of tangible assets				2				2					
Credit impairment, net	1 235	2 151	-43	109			3 386	327					
Operating profit	5 998	-1 289		6 552	-8		4 709	13 178	-64				
Tax expense	1 154	398		1 210	-5		1 552	2 562	-39				
Profit for the period	4 844	-1 687		5 342	-9		3 157	10 616	-70				
Profit for the period attributable to the shareholders of Swedbank AB	4 845	-1 687		5 336	-9		3 158	10 606	-70				

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

Key ratios and data per share	Q2		Q1		Q2		Jan-Jun		Jan-Jun	
	2020	2020	2019	%	2020	%	2020	2019	%	2019
Return on equity, %	13.5	-4.8	16.6		4.4		15.9			
Earnings per share before dilution, SEK ¹⁾	4.33	-1.51	4.77		2.82		9.49			
Earnings per share after dilution, SEK ¹⁾	4.31	-1.50	4.75		2.81		9.46			
C/I ratio	0.40	0.92	0.42		0.64		0.41			
Equity per share, SEK ¹⁾	128.9	126.4	115.7		128.9		115.7			
Loan/deposit ratio, %	147	156	169		147		169			
Common Equity Tier 1 capital ratio, %	16.4	16.1	16.1		16.4		16.1			
Tier 1 capital ratio, %	17.8	17.6	17.9		17.8		17.9			
Total capital ratio, %	20.2	20.1	20.2		20.2		20.2			
Credit impairment ratio, %	0.28	0.51	0.03		0.40		0.04			
Share of Stage 3 loans, gross, %	0.81	0.79	0.72		0.81		0.72			
Total credit impairment provision ratio, %	0.56	0.52	0.36		0.56		0.36			
Liquidity coverage ratio (LCR), %	164	162	143		164		143			
Net stable funding ratio (NSFR), % ²⁾	125	116	119		125		119			

¹⁾ The number of shares and calculation of earnings per share are specified on page 53.

²⁾ NSFR calculated in accordance with Regulation (EU) 2019/876. Past NSFR numbers for 2019, that were based on the Basel III version, have been recalculated.

Balance sheet data SEKbn	30 Jun			31 Dec			30 Jun		
	2020	2019	%	2019	%	2020	2019	%	
Loans to the public, excl. the Swedish National Debt Office and repurchase agreements	1 625	1 606	1	1 612	1				
Deposits and borrowings from the public, excl. the Swedish National Debt Office and repurchase agreements	1 108	954	16	952	16				
Equity attributable to shareholders of the parent company	144	139	4	129	12				
Total assets	2 765	2 408	15	2 480	11				
Risk exposure amount	692	649	7	658	5				

Definitions of all key ratios can be found in Swedbank's Fact book on page 81.

Overview

Market

The second quarter continued to be dominated by uncertainty caused by Covid-19. As the contagion slowed, countries cautiously began reopening and economic activity grew. Global stock markets recovered after bottoming out in late March. At the end of the quarter, however, the contagion started spreading again, including in countries that had begun to reopen, causing increased volatility in the financial markets. Economic development now depends on further stimuli from central banks and governments. Indicators such as purchasing managers' indices and confidence surveys showed that while expectations and optimism have recovered, confidence is still much lower than before the crisis. After OPEC+ agreed on production cuts, oil prices doubled from the very low levels we saw at the beginning of the quarter. Central banks continued to pursue the measures they launched in the first quarter. Mainly through asset purchases and liquidity facilities to support their economies. During the quarter the euro strengthened slightly against the dollar.

The Swedish economy continued to slow in the first quarter and growth was up 0.4 per cent compared with the same quarter in 2019. A big contribution from foreign trade was offset by the sharpest slide in household consumption in 20 years. The pandemic somewhat affected the first quarter, but the impact was much greater in the second quarter. The economy is likely to begin recovering this autumn, but slowly, and GDP will shrink an estimated 4.9 per cent in 2020 before growing 1.9 per cent in 2021.

To more quickly assess the pandemic's impact on the economy, various new economic indicators have been developed. We at Swedbank, for example, have begun using card transaction data from Swedbank Pay. This data clearly shows that household consumption fell after restrictions were introduced in March. At most, total sales were down about 25 per cent compared with the same week in 2019. Excluding food, sales were lower by as much as 35 per cent. It was mainly consumption of various services as well as clothing and footwear that declined; while home furnishings and building materials were stronger than in previous periods. A recovery gradually took hold in the second quarter and during Midsummer week sales, for the first time since late March, reached the same level as in 2019. Other data also indicate weak economic development in the second quarter. For example, the number of new jobless claims rose and now corresponds to an unemployment rate of 9.0 per cent, while the number of corporate bankruptcies initially rose but has since fallen.

House prices fell in March and April but have since withstood the effects of the pandemic fairly well. In May Valueguard's price index rose about 2 per cent compared with April, driven by single-family homes. According to Mäklarstatistik, single-family home prices were up in June, while tenant-owner apartment prices were unchanged. Sales activity was high in June, mainly for tenant-owner apartments. Demand for mortgages grew, creating volume growth of 5.3 per cent in May. Inflation in April and May was clearly impacted by the pandemic and fell in the second quarter. Certain products and services are not being consumed at all, and their price trend was replaced by the annual CPI

rate. Because of this, the calculation of inflation is uncertain at the moment, which the Riksbank has also noted. Its main concern, however, is not inflation but supporting the economy and ensuring that the financial system functions.

The Baltic countries have also been hard hit by the pandemic, initially because their economies, like those of many other countries, shut down for a time to stop the contagion, and secondarily because international demand dried up. The latter does not apply to the same extent to Lithuania, as a fairly large share of its manufacturing industry is concentrated on wood products and furniture, where demand remained good. GDP fell 0.7 per cent in Estonia and 1.5 per cent in Latvia in the first quarter compared with the same quarter in 2019, while GDP continued to rise in Lithuania by 2.6 per cent. Inflation in May, measured as CPI, fell in Estonia and Latvia by 1.7 per cent and 0.6 per cent, respectively, compared with May 2019, at the same time that inflation in Lithuania rose 0.3 per cent.

Important to note

The interim report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 59.

Group development

Result second quarter 2020 compared with first quarter 2020

Swedbank's profit increased to SEK 4 845m (-1 687) in the second quarter, mainly because net gains and losses on financial items increased and expenses and credit impairments decreased. The first quarter's expenses included the Swedish FSA's administrative fine; however other expenses decreased. The table below shows a simplified income statement excluding the Swedish FSA's administrative fine.

Income statement, SEKm	Q2 2020	Q1 2020	Q1 2020
			Excl administrative fine
Total income	12 076	10 232	10 232
Total expenses	4 843	9 370	5 370
<i>of which administrative fine</i>		4 000	
Impairment and credit impairment	1 235	2 151	2 151
Operating profit	5 998	-1 289	2 711
Tax expense	1 154	398	398
Profit for the period attributable to the shareholders of Swedbank AB	4 845	-1 687	2 313
Non-controlling interests	-1		
Return on equity, %	13.5	-4.8	6.5
Cost/Income ratio	0.40	0.92	0.52

Foreign exchange effects increased profit by SEK 15m.

The return on equity in the quarter was 13.5 per cent (-4.8) and the cost/income ratio was 0.40 (0.92).

Income increased to SEK 12 076m (10 232). The main reason was positive net gains and losses on financial items, however higher net interest income and higher other income also contributed positively. Net commission income negatively affected income. Foreign exchange effects reduced income by SEK 13m.

Net interest income rose 3 per cent to SEK 6 886m (6 686), mainly due to higher lending and deposit volumes and lower funding costs. The resolution fund fee increased by SEK 73m after the Swedish National Debt Office and the FSAs in the Baltic countries announced the final fee level for the current year, which meant that the second quarter was also charged with a retroactive adjustment for the first quarter.

Net commission income decreased 9 per cent to SEK 2 925m (3 223), mainly due to lower income from cards and asset management. Lower income from corporate finance also had a negative effect. Income from cards was mainly affected by lower transaction volumes due to Covid-19.

Net gains and losses on financial items increased to SEK 1 398m (-322). The main reason was a positive result within Large Corporates & Institutions, which was positively affected by high customer activity as well as revaluations in the trading book and derivative value adjustments (CVA/DVA) due to lower credit spreads. The shareholdings in Visa and Asiakastieto, were also positively affected by the market's development.

Other income including the share of profit or loss of associates increased to SEK 867m (645). The increase was affected by lower provisions for insurance claims and an improved result for associated companies.

Expenses decreased to SEK 4 843m (9 370). Except for the Swedish FSA's administrative fine of SEK 4 000m charged to the first quarter, other expenses together with staff costs decreased 10 per cent. Consulting expenses to manage money laundering related investigations decreased SEK 533m to SEK 43m in the quarter. Travel expenses decreased SEK 46m due to Covid-19 but were offset by higher consulting expenses. Foreign exchange effects reduced expenses by SEK 13m.

Credit impairments decreased to SEK 1 235m (2 151) and related in large part to provisions within Large Corporates & Institutions. Provisions were allocated due to the deteriorating macroeconomic outlook.

The tax expense in the second quarter amounted to SEK 1 154m (398) and the effective tax rate was 19.2 per cent. The first quarter's adjusted effective tax rate was 20.9 per cent, excluding the administrative fine and a tax income from previous years. The lower tax rate in the second quarter was mainly affected by the tax-exempt appreciation in the value of shares held for business purposes and lower non-deductible interest expenses for subordinated loans.

Result January-June 2020 compared with January-June 2019

Swedbank's profit decreased to SEK 3 158m (10 606) due to higher expenses, including the Swedish FSA's administrative fine, higher credit impairments and lower net gains and losses on financial items. The table below shows a simplified income statement adjusted for the Swedish FSA's administrative fine.

Income statement, SEKm	Jan-Jun 2020	Jan-Jun 2020	Jan-Jun 2019
		Excl administrative fine	
Total income	22 308	22 308	22 778
Total expenses	14 213	10 213	9 271
of which administrative fine	4 000	0	
Impairment and credit impairment	3 386	3 386	329
Operating profit	4 709	8 709	13 178
Tax expense	1 552	1 552	2 562
Profit for the period attributable to the shareholders of Swedbank AB	3 158	7 158	10 606
Non-controlling interests	-1	-1	10
Return on equity, %	4.4	10.0	15.9
Cost/income ratio	0.64	0.46	0.41

Foreign exchange effects increased profit by SEK 149m.

The return on equity in the first half-year was 4.4 per cent (15.9) and the cost/income ratio was 0.64 (0.41). Adjusted for the Swedish FSA's administrative fine, the return on equity was 10.0 per cent and the cost/income ratio was 0.46.

Income decreased to SEK 22 308m (22 778) and was negatively affected mainly by lower net gains and losses on financial items, but this was offset by higher net interest income. Foreign exchange effects decreased income by SEK 1m.

Net interest income rose 4 per cent to SEK 13 572m (13 028). The increase was mainly due to a lower resolution fund fee and higher lending and deposit volumes.

Net commission income decreased 2 per cent to SEK 6 148m (6 272). Income primarily from cards decreased due to Covid-19, while income from asset management increased due to a higher average volume of assets under management.

Net gains and losses on financial items decreased to SEK 1 076m (1 954). The main reason was a lower result within Large Corporates & Institutions, which was affected by revaluations in the trading book and derivative value adjustments (CVA/DVA). The appreciation in the value of the Visa and Asiakastieto shareholdings has also been lower this year.

Other income including the share of profit or loss of associates amounted to SEK 1 512m (1 524) and was stable.

Expenses increased to SEK 14 213m (9 271), mainly due to the Swedish FSA's administrative fine of SEK 4 000m. Adjusted for the administrative fine, expenses rose 10 per cent and were mainly affected by higher consulting expenses and staff costs. Consulting expenses to manage money laundering related investigations increased by SEK 353m and other consulting expenses rose by SEK 253m. Staff costs increased by SEK 197m due to annual wage increases and a higher number of employees. Foreign exchange effects increased expenses by SEK 14m.

Credit impairments increased to SEK 3 386m (327) and related in large part to provisions within Large Corporates & Institutions. Provisions were allocated due to the deteriorating macroeconomic outlook.

The tax expense in the first half-year amounted to SEK 1 552m (2 562) and was affected by the Swedish FSA's administrative fine, which is not tax deductible, and by a tax income of SEK 168m from previous years. Excluding the administrative fine and tax income, the adjusted effective tax rate was 19.8 per cent, against 19.4 per cent in the first half of 2019. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

Volume trend by product area

Swedbank's main business is organised in three product areas: lending, payments and savings.

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, decreased by SEK 7bn to SEK 1 625bn (1 632) compared with the end of the first quarter 2020. Compared with the end of the second quarter 2019 the increase was SEK 13bn, corresponding to growth of 1 per cent. Foreign exchange effects negatively affected lending by SEK 14bn compared with the end of the first quarter 2020 and negatively by SEK 4bn compared with the end of the second quarter 2019.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2020	31 Mar 2020	30 Jun 2019
Loans, private mortgage	923	916	892
of which Swedish Banking	833	823	808
of which Baltic Banking	90	93	84
Loans, private other incl tenant-owner associations	146	147	153
of which Swedish Banking	128	128	136
of which Baltic Banking	17	18	16
of which Large Corporates & Inst.	1	1	1
Loans, corporate	556	569	567
of which Swedish Banking	243	249	257
of which Baltic Banking	81	87	82
of which Large Corporates & Inst.	232	233	228
Total	1 625	1 632	1 612

Lending to mortgage customers within Swedish Banking rose SEK 10bn to SEK 833bn (823) compared with the end of the first quarter 2020. The market share in mortgages was 23 per cent (24). Other private lending, including lending to tenant-owner associations, decreased by SEK 1bn.

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

Baltic Banking's mortgage volume increased 1 per cent in local currency to the equivalent of SEK 90bn.

The Baltic consumer credit portfolio decreased 3 per cent in local currency to the equivalent of SEK 9bn at the end of the quarter.

Corporate lending in all business segments decreased by a total of SEK 13bn in the quarter, to SEK 556bn (569). In Sweden the market share was 17 per cent (17).

For more information on lending, see page 36 of the Fact book.

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.1 million, in line with the end of the first quarter. In Sweden 4.3 million cards were in issue and in the Baltic countries 3.8 million. During the quarter corporate card issuance grew 3 per cent and private card issuance 1 per cent compared with the same quarter in 2019.

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

In the second quarter there were 282 million purchases with Swedbank cards in Sweden, a decrease of 20 per cent compared with the same quarter in 2019. In the Baltic countries there were 147 million card purchases in the quarter, a decrease of 7 per cent.

Card purchases have been greatly impacted by Covid-19. At the beginning of the quarter there was a major decrease in both the number of transactions and transaction volume, but later in the quarter there were clear signs of a recovery. By mid-June the number of card purchases by the bank's Swedish customers had returned to the same level as a year earlier. In the Baltic countries the recovery was faster than in Sweden, partly thanks to significantly stronger underlying growth.

The number of card transactions acquired by Swedbank decreased 6 per cent in the second quarter compared with the same period in 2019. In Sweden, Norway, Finland and Denmark there were 656 million transactions in the quarter, down 5 per cent compared with the same quarter in 2019. In the Baltic countries the corresponding figure was 104 million transactions, a decrease of 12 per cent despite the recovery during the quarter.

The biggest decreases were in services such as travel, hotels, transport and restaurants, while food and home electronics fell less and in certain cases even rose. In the second half of the quarter there was a gradual recovery in most sectors.

The number of domestic payments was unchanged in Sweden and rose 2 per cent in the Baltic countries compared with the first quarter of 2019. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments decreased 7 per cent in Sweden compared with the same period in 2019 and increased 8 per cent in the Baltic countries.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose to SEK 1 049bn compared with the end of the first quarter 2020 (1 009). Compared with the end of the second quarter 2019 the increase was SEK 120bn, corresponding to growth of 13 per cent. All business segments contributed to the year-over-year increase. Exchange rates negatively affected deposits by SEK 6bn compared with the end of the first quarter 2020 and negatively by SEK 3bn compared with the end of the second quarter 2019. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 1 108bn (1 046 at the end of the first quarter 2020).

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2020	31 Mar 2020	30 Jun 2019
Deposits, private	568	556	526
of which Swedish Banking	416	403	390
of which Baltic Banking	152	153	136
Deposits, corporate	540	490	426
of which Swedish Banking	197	182	182
of which Baltic Banking	107	104	88
of which Large Corporates & Inst.	177	167	133
of which Group Functions & Other	59	37	23
Total	1 108	1 046	952

Swedbank's deposits from private customers increased SEK 12bn in the quarter to SEK 568bn (556).

Corporate deposits in the business segments increased in total by SEK 28bn in the quarter.

Swedbank's market share for household deposits in Sweden was unchanged in the quarter at 19 per cent (19). For corporate deposits, the market share was also unchanged at 16 per cent (16). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	30 Jun 2020	31 Mar 2020	30 Jun 2019
Total asset management	1 499	1 381	1 446
Assets under management	1 064	958	1 000
Assets under management, Robur	1 064	951	998
of which Sweden	1 008	896	944
of which Baltic countries	59	57	55
of which eliminations	-3	-2	-1
Assets under management, Other, Baltic countries		7	2
Discretionary asset management	435	423	446

Assets under management in Swedbank Robur rose 12 per cent in the quarter to SEK 1 064bn (951) at 30 June, of which SEK 1 008bn (896) related to the Swedish business and SEK 59bn (57) to the Baltic business. The increases in both Sweden and the Baltic countries were partly due to positive value development and partly to net fund inflows.

Net flows in the Swedish fund market recovered after large outflows at the end of the previous quarter and amounted to SEK 41bn, compared with an outflow of SEK 87bn in the first quarter. The largest inflow, SEK 36bn, was to actively managed equity funds. Index and mixed funds both had net inflows, while fixed income and hedge funds accounted for outflows of SEK 5bn and SEK 7bn, respectively.

Like the rest of the market, Swedbank Robur's Swedish fund business saw inflows, which amounted to SEK 4bn (-5bn) in the quarter. The improvement is mainly due to sales through Swedbank and the savings banks, which turned from negative to positive net flows. At the same time third party distribution maintained strong net inflows, while the institutional business shifted from positive to negative net flows in the second quarter.

Index-linked equity funds and mixed funds accounted for the largest share of the inflow of SEK 2bn in each category, while the inflow to fixed income funds was SEK 1bn. Actively managed equity funds had net outflows of SEK 1bn.

The net inflow in the Baltic countries was stable at SEK 1bn (1).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 30 June the market share in Sweden was

21 per cent. The market share in Estonia and Lithuania was 40 per cent in each, while Latvia had 41 per cent.

Assets under management, life insurance SEKbn	30 Jun 2020	31 Mar 2020	30 Jun 2019
Sweden	218	194	202
of which collective occupational pensions	110	98	99
of which endowment insurance	69	61	66
of which occupational pensions	29	26	27
of which other	10	9	10
Baltic countries	6	6	6

Life insurance assets under management in the Swedish operations increased 12 per cent in the second quarter to SEK 218bn on 30 June. Premium income, consisting of premium payments and capital transfers, amounted in the second quarter to SEK 5bn (SEK 8bn in the first quarter).

For premium income excluding capital transfers Swedbank's market share in the first quarter was 6 per cent (6 per cent in the fourth quarter 2019). In the transfer market Swedbank's market share in the first quarter was 10 per cent (10 per cent in the fourth quarter 2019).

In Estonia and Lithuania Swedbank is the largest life insurance company and in Latvia it is the fourth largest. By premium payments, the market shares in the first quarter were 49 per cent in Estonia, 26 per cent in Lithuania and 17 per cent in Latvia.

Credit and asset quality

The economic impact of Covid-19 globally and in our home markets has been more extensive than most experts had suggested in the first quarter. Even though societies have now begun to reopen, it will take time for their economies to recover, so Covid-19's ultimate impact is still hard to assess. The extension action plans that governments have decided on have helped many companies to survive and will speed up the recovery.

Swedbank is continuously analysing the potential consequences for various sectors and has taken measures to assist its borrowers. For example, Swedbank has as of the end of the second quarter granted amortisation deferrals to 38 000 private customers in Sweden and 16 000 in the Baltic countries with a total exemption amount of SEK 2.3bn, as well as 3 700 corporate customers in Sweden and 5 300 in the Baltic countries with total exemptions of SEK 2.3bn. Swedbank has also supported companies in need of liquidity through new loan facilities, with the majority of the volumes going to customers of Large Corporates & Institutions.

In the second quarter Swedbank's credit impairments amounted to SEK 1 235m (SEK 2 151m in the first quarter), of which SEK 557m is increased provisions due to deteriorating macroeconomic outlook. Swedbank updated the forward-looking scenarios for its various credit portfolios back in the first quarter, but because macroeconomic forecasts now assume a more protracted recovery, the forward-looking scenarios have again been updated, which has led to additional impairments. Additional provisions for individual commitments amounted to SEK 210m in the quarter and were mainly in the shipping and offshore sector in the business area Large Corporates & Institutions. The provision for the expert credit adjustment in the first

quarter, for downgrades of large corporate customers in stages 1 and 2 not been captured by the models, has now been reversed as these customers underwent a review in the second quarter which resulted in increased model-based provisions. The remaining credit impairments of SEK 468m include other risk class migrations, stage migrations and revised exposures.

All in all, the credit impairment ratio in the second quarter was 0.28 per cent (0.51). The share of loans in stage 3 (gross) was 0.81 per cent (0.79) and the provision ratio for loans in stage 3 was 44 per cent (44). For more information on asset quality, see pages 39–44 of the Fact book and note 11.

Credit impairments, net by business segment	Q2	Q1	Q2
SEKm	2020	2020	2019
Swedish Banking	432	373	-19
Baltic Banking	56	146	25
Estonia	51	59	15
Latvia	-3	41	11
Lithuania	8	46	-1
Large Corporates & Institutions	740	1 627	106
Group Functions & Other	7	5	-3
Total	1 235	2151	109

The lower demand and decline in oil prices in the wake of the Covid-19 outbreak have affected the outlook for the oil sector in general. Swedbank's oil-related portfolio is small, and the ongoing reduction and restructuring of the portfolio is continuing. In the second quarter additional individual provisions were deemed necessary for a few oil-related exposures due to the more pessimistic outlook.

The Swedish housing market was relatively stable in the second quarter. Prices fell slightly in April, but then increased in May and June, mainly for single-family homes. The level of transactions was generally high, but slightly lower than in the same period in 2019. Increased concerns about unemployment and worsening finance among households could lead to fewer property sales, however, and lower house prices during the year.

The quality of Swedbank's mortgage portfolio, which accounts for just over half of total lending, is high and historical credit impairments are very low. Customers' long-term repayment capacity is a critical factor and ensures high quality and low risks for both the customer and the bank. To assist borrowers during Covid-19, Swedbank has granted amortisation exemptions where appropriate. In addition, measures taken by authorities strengthened the health and unemployment insurance systems, mitigating the negative effects at a household level. The average loan-to-value ratios for the mortgage portfolio are 56 per cent in Sweden, 46 per cent in Estonia, 73 per cent in Latvia and 56 per cent in Lithuania. For more information, see pages 45–46 of the Fact book.

The commercial real estate market was initially negatively affected by Covid-19 due to concerns about the financial markets, but recovered in the second quarter when the capital markets reopened. The economic contraction is expected to slow growth in rental levels and property values, depending on location and type of property.

Swedbank's lending in property management accounts for approximately 15 per cent of the total loan portfolio and is mainly to real estate companies with strong finances and good collateral with low loan-to-value

ratios. Less cyclical segments with low risk such as residential and public properties as well as logistical properties in prime locations account for about 40 per cent of the real estate portfolio. Swedbank's lending to retail and hotel properties represents a small share of the total loan volume in property management. Swedbank focuses its lending on commercial properties with stable cash flows and the customer's long-term ability to repay interest and amortisation. Loan-to-value ratios in the portfolio are generally low and average 58 per cent in Sweden.

Operational risks

The Covid-19 pandemic is considered a critical risk for the bank, its employees and customers. Despite the pandemic, the bank has fully maintained its operations. The bank has taken a number of measures to reduce the risk of the virus's spread, to protect customers and employees as well as ensure customer service. The bank has given more employees the option of working from home, allocated resources to ensure continuity in its operations, and activated a crisis management unit to manage operational risks and reduce the risk of disruptions.

A number of less serious IT incidents occurred in the second quarter which caused brief disruptions. Swedbank works continuously to ensure a high level of availability for its customers.

Funding and liquidity

Swedbank's funding in the quarter was dominated by continued growth in deposits and two benchmark issues of senior non-preferred debt in EUR and USD. In addition, the bank issued a small volume of covered bonds and completed its first public issue in the Japanese market for JPY 21bn. The bank's debt ratio increased in the quarter and liquidity improved.

Due to the Covid-19 crisis, central banks around the world have taken strong action to support liquidity and lending to businesses that have suffered. Swedbank has an important role to play by ensuring that the various forms of support reach those in need and during the quarter continued to focus on how we could best help our customers. Swedbank has therefore participated in the central banks' various programmes and depending on our customers' needs will also consider future participation. Swedbank is maintaining sufficient liquidity and does not need government support.

Maturities in the full-year 2020 amount to SEK 165bn calculated from the beginning of the year. The total issuance need for the full-year 2020 is expected to be lower compared with 2019. In the first half-year Swedbank issued SEK 62bn in long-term debt, of which SEK 31bn in the second quarter. The issuance need is affected by future maturities and changes in deposit volumes and lending growth, and is therefore adjusted over the course of the year. As of 30 June, outstanding short-term funding and commercial paper, included in debt securities in issue, amounted to SEK 185bn (SEK 185bn as of 31 March). Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 377bn (295). The liquidity reserve as of 30 June amounted to SEK 607bn (484). The Group's liquidity coverage ratio (LCR) was 164 per cent (162) and for EUR, USD and SEK was 222, 140 and 139 per cent respectively. The

net stable funding ratio (NSFR) was 125 per cent (116). For more information on funding and liquidity, see notes 14-16 on pages 55-71 of the Fact book.

Ratings

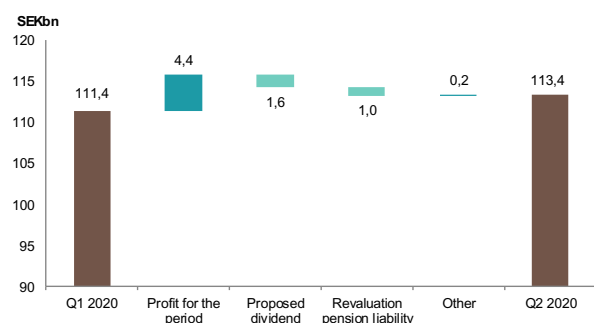
There were no changes in Swedbank's ratings in the second quarter. For more information on the ratings, see page 71 of the Fact book.

Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 16.4 per cent at the end of the quarter (16.1 per cent as of 31 March 2020). The total Common Equity Tier 1 capital requirement was 13.0 per cent (13.1) of the risk exposure amount (REA). Common Equity Tier 1 capital increased to SEK 113.4bn (111.4), mainly due to the quarterly profit after the estimated dividend of SEK 2.8bn.

Change in Common Equity Tier 1 capital, Swedbank consolidated situation

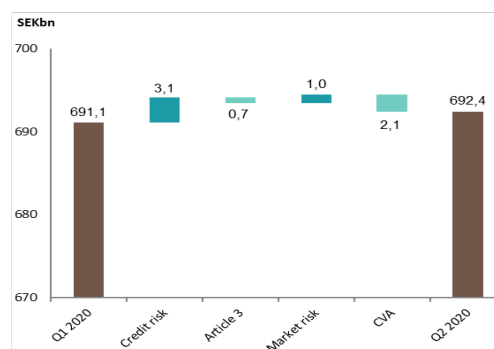


Total REA increased to SEK 692.4bn (691.1) in the second quarter.

REA for credit risk increased by SEK 3.1bn in the quarter. Higher volumes contributed to an increase in REA of SEK 5.8bn. Negative probability of default (PD) migrations raised REA by SEK 6.7bn, mainly in the manufacturing, shipping and retail sectors. This was offset by foreign exchange effects, which reduced REA by SEK 6.1bn. Other effects reduced REA by SEK 3.3bn, of which SEK 1.7bn was due to shorter average exposure maturities. The quarterly review of additional risk exposure amounts for article 3 in CRR resulted in a decrease in REA of SEK 0.7bn.

REA for market risk increased in the quarter by SEK 1.0bn to SEK 19.5bn (18.5). REA for credit value adjustments decreased SEK 2.1bn to SEK 5.0bn (7.1), mainly due to lower exposures compared with the first quarter.

Change in REA, Swedbank consolidated situation



The leverage ratio was 4.6 per cent (4.7). The ratio decreased due to slightly higher Tier 1 capital and higher total assets at the end of the second quarter 2020 compared with the first quarter.

Future capital regulations

In June 2020 the European Parliament and the European Council adopted exceptional changes to the capital requirements regulation (CRR). The amendments consist of measures to help banks manage the challenges associated with Covid-19. The new rules include revised transition rules for capital adequacy in connection with IFRS 9; the easing of capital requirements for SME exposures; earlier introduction of the rules, which reduces the deduction from Common Equity Tier 1 capital for software assets; and changes to the calculation of market risk. Most of the effects of the changes are temporary.

In January 2020 the Swedish FSA decided to increase the capital requirements on bank loans for commercial real estate. The actions were justified by the gradual increase in lending for commercial real estate to a level that represents a potential risk to financial stability. The capital requirement is expected to be introduced in the fourth quarter 2020 and means that the difference between the bank's average risk weights for commercial real estate and the risk weights that the Swedish FSA announced will be compensated through an additional capital charge in Pillar 2. For commercial real estate, the Swedish FSA set the average risk weight at 35 per cent and for commercial residential real estate at 25 per cent. According to the Swedish FSA, Swedbank's total capital requirement is thereby expected to increase 0.7 percentage points and Common Equity Tier 1 capital 0.5 percentage points.

In November 2018 the Swedish FSA published a memorandum explaining its view of the European Banking Authority's (EBA) updated guidelines on banks' internal risk rating based models. In the memorandum the Swedish FSA states that Swedish banks must analyse their internal rating based models to ensure that they continue to live up to the updated requirements. Implementation of the new guidelines must be completed by the end of 2021.

In December 2019 the committee of inquiry appointed by the Swedish Ministry for Finance presented a proposal on the implementation of a collection of EU regulations, known as the banking package. The banking package revises among other things what may serve as the basis for capital requirements in Pillar 2. This is expected to mean that the Pillar 2 requirements

can no longer be justified as a general macro supervisory action, while the option to introduce corresponding requirements in Pillar 1 is expanded. How the final law is worded and how the Swedish FSA will apply the rules in the banking package concerning capital requirements – and thus how Swedbank is affected – remains uncertain.

The committee of inquiry's proposal on the implementation of the banking package also comprises an update of the Swedish Resolution Act, to harmonise Swedish law with the EU directive, called BRRD2. When the final amended law takes effect, Swedbank's issuance of eligible liabilities (e.g. senior non-preferred liabilities) may be affected. The amended law will take effect by 28 December 2020 and the changes related to the own funds and eligible liabilities requirement will be phased in. The phase-in will be completed by 1 January 2024.

Other events

Swedbank has decided to review strategic alternatives for its merchant payment business (Swedbank Pay and Payex operations), with the objective of optimizing the offering towards its customers as well as creating value for Swedbank's shareholders. Swedbank has not set a definitive schedule to complete this review and no decision on any particular alternative has been taken at this time. It is also not certain that any alternative will be undertaken or pursued following the review.

Swedbank does not intend to make further statements regarding the review unless it concludes that such statements are warranted by the circumstances or applicable regulatory requirements.

On 2 April Mattias Persson was recruited as Chief Economist and Global Head of Macro Research. Mattias was most recently Chief Economist and Head of Economic Analysis at the Swedish National Debt Office. He will begin his new role at in Swedbank by September 2020.

On 11 May Liza Jonson, CEO of Swedbank Robur, was named Chair of the Swedish Investment Fund Association, which has 47 member companies that together manage about 90 per cent of all fund savings in Sweden.

Decisions by the Annual General Meeting on 28 May

The Annual General Meeting elected Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson as new members and re-elected Kerstin Hermansson, Josefin Lindstrand, Bo Magnusson, Anna Mossberg and Göran Persson. The Annual General Meeting elected Göran Persson as Chair of the Board of Directors.

Discharge of liability for 2019 was granted to the members of the Board of Directors and the CEOs, with the exception of former CEO Birgitte Bonnesen, who was not discharged. Shareholders representing more than 10 percent of all shares in the bank also voted against discharge of liability for the previous Chairs of the Board Lars Idermark and Ulrika Francke.

The Annual General Meeting also decided:

- To adopt the profit and loss statement and balance sheet of the bank and the consolidated profit and loss account and consolidated balance sheet for the financial year 2019.

- On the principles for appointing the Nomination Committee and the instruction for the Nomination Committee regarding the work ahead of the AGM 2021.
- On the remuneration guidelines for senior executives.
- To acquire own shares in accordance with the Securities Market Act.
- To authorise the Board of Directors to decide on the acquisition of own shares in addition to acquisition in accordance with the Securities Market Act.
- To authorise the Board of Directors to decide on the issuance of convertibles.
- To approve performance- and share-based remuneration programmes for 2020 for the Swedbank Group.

The Board of Directors proposed that a decision on the dividend will not be made at the Annual General Meeting, but instead when the consequences of Covid-19 are clearer. The bank's dividend policy remains unchanged.

Swedbank's anti-money laundering work

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 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 money laundering and has created a detailed plan to address them. It mainly consists of the bank's 245-point plan and four complementary quality assessments.

The goal is that by 2023 the bank will have achieved international best practices for anti-money laundering work based on the European regulatory framework and applicable aspects of the US regulatory framework.

This year the bank's priority is to mitigate the shortcomings that the Estonian and Swedish FSAs pointed out. In 2021 the focus will shift to achieving international best practices.

The US authorities continue to investigate Swedbank's work to combat money laundering and similar financial crime. Swedbank's US legal advisor continues to assist the bank in its contacts with regulatory authorities.

The Estonian FSA issued an injunction that the bank must act on by November. The Estonian prosecutor is investigating the issue of whether money laundering or other criminal activity has occurred in the bank.

245-point plan

Swedbank's 245-point plan to address money laundering related shortcomings is continuing according to plan. The Anti Financial Crime (AFC) unit is coordinating the work. New points are added as the bank details its plans to achieve international best practices.

In the second quarter the plan was expanded from 217 to 245 points. To date 117 of them have been completed, including 24 in the second quarter. The

majority of the 28 points added during the quarter relate to changes in the bank's regulatory framework.

Examples of activities during the quarter:

- System improvements for transaction monitoring were introduced in the Baltic countries to facilitate faster monitoring of suspicious transactions.
- The implementation of the Group's updated AML framework in all business and product areas continued according to plan.
- Swedish Banking's centre of excellence for managing high-risk customers had filled over 120 new full-time positions as of 30 June. Several procedures to centralise the KYC process have been implemented.

In total, 128 activities remained at the end of the quarter. As scheduled, 100 activities will be completed in the second half of 2020 and 28 are expected to continue in 2021. The coronavirus pandemic has led to certain delays. For example, there have been limited opportunities to bring in additional resources to implement a digital solution for managing KYC, which has delayed the timing somewhat.

Quality assurance

Earlier this year the Board of Directors decided to improve quality assurance in four areas where shortcomings were identified. Two are in progress (corporate governance and the bank's AML work), and two were completed during the quarter (compliance and corporate culture).

Compliance function

An evaluation of the Swedbank Group's overarching structure to manage compliance risks and benchmark Swedbank's processes against the leading industry standard was completed in the quarter. The evaluation pointed to a number of areas with room for improvement, which are now being addressed within the framework of a transformation project.

The bank's corporate culture

During the quarter 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 strong values. However there is room

for improvement. The bank's long-term goals and the road to get us there have to be more clearly stated. Employees should feel that they have room to grow and can speak their minds. It has not been clear enough what defines strong versus weak performance, and there has sometimes been a fear of making decisions. The bank needs to be more consistent. The evaluation is serving as the basis of comprehensive work that is currently underway and encompasses the entire bank and all employees.

Corporate governance

An evaluation of the Group's internal governance and control was conducted in 2020. Swedbank's CEO has overarching responsibility for the project, which is managed by the bank's Chief Legal Officer. To date the investigation has shown a need to strengthen oversight as well as governance and control at Group level. At the same time subsidiaries must be given the right conditions to meet their legal and regulatory requirements. The project will ensure the right balance between corporate and legal governance and contribute to effective and responsible management of the Group.

The bank's anti-money laundering (AML) work

The aim of this work is to ensure that Swedbank is doing the right things to combat money laundering, at the right time and with the right quality. Over a three-year period, external experts will conduct an annual evaluation. An initial evaluation will be completed in the fourth quarter of this year.

Events after 30 June 2020

On 9 July Swedbank announced that Charlotte Rydin was recruited as the new Chief Legal Officer and Head of Group Legal. Most recently Charlotte Rydin comes from Alecta, where she has held the position of Chief Legal Officer. Charlotte Rydin will report to the CEO, become a member of the Group Executive Committee and take up her new post in early January 2021 at the latest. At the same time Swedbank announced that the new Head of Baltic Banking will be Jon Lidfelt. He has extensive experience in the Baltic banking market, including as CFO of Swedbank's Baltic business. Jon Lidfelt has served as acting Head of Baltic Banking since the turn of the year. Jon Lidfelt continues to report to the CEO, is a member of the Group Executive Committee and takes office on 1 August.

Swedish Banking

- Solid growth in mortgages and deposits but slightly lower lending margins led to stable net interest income
- Weaker net commission income due to lower income from cards and asset management
- Swedbank and Gigstr created a job-sharing initiative to help companies meet their staffing needs

Income statement

SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Net interest income	4 178	4 184		4 023	4	8 362	8 174	2
Net commission income	1 829	1 978	-8	1 939	-6	3 807	3 796	
Net gains and losses on financial items	93	63	48	117	-21	156	221	-29
Share of profit or loss of associates and joint ventures	147	106	39	217	-32	253	350	-28
Other income ¹⁾	213	182	17	227	-6	395	429	-8
Total income	6 460	6 513	-1	6 523	-1	12 973	12 970	
Staff costs	759	763	-1	732	4	1 522	1 494	2
Variable staff costs	11	3		4		14	20	-30
Other expenses	1 664	1 514	10	1 463	14	3 178	2 876	11
Depreciation/amortisation	14	14		79	-82	28	160	-83
Total expenses	2 448	2 294	7	2 278	7	4 742	4 550	4
Profit before impairment	4 012	4 219	-5	4 245	-5	8 231	8 420	-2
Credit impairment	432	373	16	-19		805	117	
Operating profit	3 580	3 846	-7	4 264	-16	7 426	8 303	-11
Tax expense	723	766	-6	838	-14	1 489	1 643	-9
Profit for the period	2 857	3 080	-7	3 426	-17	5 937	6 660	-11
Profit for the period attributable to the shareholders of Swedbank AB	2 858	3 080	-7	3 420	-16	5 938	6 650	-11
Non-controlling interests				6		-1	10	
Return on allocated equity, %	17.0	18.8		21.0		17.9	20.6	
Loan/deposit ratio, %	196	205		210		196	210	
Credit impairment ratio, %	0.14	0.12		-0.01		0.13	0.02	
Cost/income ratio	0.38	0.35		0.35		0.37	0.35	
Loans, SEKbn ²⁾	1 204	1 200		1 201		1 204	1 201	
Deposits, SEKbn ²⁾	613	585	5	572	7	613	572	7
Full-time employees	3 843	3 713	4	3 717	3	3 843	3 717	3

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

Result

Second quarter 2020 compared with first quarter 2020

Swedish Banking reported profit of SEK 2 858m (3 080). The decrease is mainly due to lower commission income and higher credit impairments driven by Covid-19.

Net interest income was stable at SEK 4 178m (4 184). Higher lending and deposit volumes had a positive effect but were offset by lower lending margins and a retroactive adjustment of the resolution fund fee.

Household mortgage volume increased SEK 10bn to SEK 833bn at the end of the quarter. Lending to tenant-owner associations decreased SEK 1bn to SEK 97bn. Corporate lending decreased SEK 5bn to SEK 243bn, of which SEK 2bn relates to a transfer of customers with more complex needs to the business area Large Corporates & Institutions. Lending otherwise decreased, mainly in property management and other corporate lending.

Deposit volume increased to SEK 613bn (585), of which household deposits increased SEK 13bn and corporate deposits SEK 15bn.

Net commission income decreased to SEK 1 829m (1 978), mainly due to lower income from cards and asset management.

Other income including the share of profit or loss of associates increased, mainly due to higher profit shares from partly owned savings banks and higher net insurance.

Expenses increased to SEK 2 448m (2 294), partly due to higher expenses for compliance consultants.

Credit impairments increased to SEK 432m (373), mainly due to increased provisions for the deteriorating macroeconomic outlook.

January-June 2020 compared with January-June 2019

Profit decreased to SEK 5 938m (6 650), mainly due to higher expenses and credit impairments.

Net interest income increased to SEK 8 362m (8 174). Higher market interest rates and a lower resolution fund fee positively affected net interest income on deposits but were offset by slightly lower lending margins.

Net commission income was stable at SEK 3 807m (3 796). Higher income from asset management was offset by lower income from cards.

Other income including the share of profit or loss of associates decreased, mainly due to a lower profit share from Entercard and lower net insurance.

Expenses increased to SEK 4 742m (4 550), mainly due to a revised model for the cost of premises and the establishment of Swedbank Pay.

Credit impairments increased to SEK 805m (117) due to increased provisions for the deteriorating macroeconomic outlook.

Business development

Helping our customers manage the consequences of Covid-19 remained our highest priority in the quarter. We provided advice and information on the bank's services and opportunities to apply for government support. This was done in meetings with customers and our digital channels, where our information pages on www.swedbank.se had around a million visits during the period. We were also available to our customers in the channels that suit them best by expanding our branch hours for customers in risk groups and keeping our customer centre open round the clock.

Private customers were able to continue to apply for amortisation exemptions for mortgages and other loans through Swedbank's website. In June we granted 38 000 amortisation exemptions to private customers and 3 700 to corporate customers. The limit for needing a PIN with a card purchase was raised to reduce the risk of contagion. Some companies are short of liquidity and it is positive therefore that a state loan guarantee has been introduced to help the banks support companies that have been affected by the crisis. So far demand has been fairly modest, however.

During the quarter we launched "Switch jobs" in collaboration with the talent matching firm Gigstr. The initiative helps companies to share employees in order to balance their immediate needs and surpluses.

During the quarter we continued to improve and simplify the customer experience with a focus on digital products and services. A number of improvements have been made to the mobile app for private customers. Customers who want to increase their existing mortgage can now do so in the app. They can also complete credit and debit card applications and sign home insurance and auto insurance policies in the app. In addition, BankID can be registered for expanded use in the app. Companies can now order credit cards in the mobile app, and in the Internet Bank an expense tracking app, Företagskollen, has been launched. With the help of the new service, corporate customers get a better overview of incoming and outgoing payments.

Several digital events were held during the quarter. We held live Facebook events with information and analyses for our private and corporate customers, where they could also pose questions to the bank's experts. The bank participated in the digital CyberKids Expo 2020, where it provided advice on how to talk to children about money.

AML work continued during the quarter. The focus was on improving routines, systems support and processes. The activities are being carried out as part of the action plan that was previously presented.



Mikael Björknert
Head of Swedish Banking

Sweden is Swedbank's largest market, with around 4 million private customers and over 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through digital channels, the Telephone Bank and our branches, and through the cooperation with the savings banks and franchisees, we are always available. Swedbank is part of the local community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created thousands of trainee positions for young people, has played an important part in recent years. Swedbank has 160 branches in Sweden.

Baltic Banking

- Increased income and lower credit impairments in the quarter contributed to higher profit
- New digital services launched for our customers
- Swedbank was awarded the highest sustainability ranking in Latvia

Income statement

SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Net interest income	1 409	1 370	3	1 291	9	2 779	2 529	10
Net commission income	581	623	-7	657	-12	1 204	1 292	-7
Net gains and losses on financial items	99	47		104	-5	146	202	-28
Other income ¹⁾	249	184	35	217	15	433	410	6
Total income	2 338	2 224	5	2 269	3	4 562	4 433	3
Staff costs	278	268	4	260	7	546	499	9
Variable staff costs	8	8		15	-47	16	31	-48
Other expenses	495	503	-2	487	2	998	955	5
Depreciation/amortisation	43	43		44	-2	86	86	
Total expenses	824	822		806	2	1 646	1 571	5
Profit before impairment	1 514	1 402	8	1 463	3	2 916	2 862	2
Impairment of tangible assets							1	
Credit impairment	56	146	-62	25		202	-4	
Operating profit	1 458	1 256	16	1 437	1	2 714	2 865	-5
Tax expense	240	219	10	205	17	459	408	13
Profit for the period	1 218	1 037	17	1 232	-1	2 255	2 457	-8
Profit for the period attributable to the shareholders of Swedbank AB	1 218	1 037	17	1 232	-1	2 255	2 457	-8
Return on allocated equity, %	18.9	15.3		19.2		17.6	19.5	
Loan/deposit ratio, %	72	77		81		72	81	
Credit impairment ratio, %	0.11	0.30		0.06		0.21	-0.01	
Cost/income ratio	0.35	0.37		0.36		0.36	0.35	
Loans, SEKbn ²⁾	187	198	-6	182	3	187	182	3
Deposits, SEKbn ²⁾	259	257	1	224	16	259	224	16
Full-time employees	3 595	3 561		3 603		3 595	3 603	

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

Result

Second quarter 2020 compared with first quarter 2020

Profit in the second quarter amounted to SEK 1 218m (1 037). Profit increased in local currency, driven by higher income and lower credit impairments. Foreign exchange effects reduced profit by SEK 4m.

Net interest income increased 3 per cent in local currency. Mortgage margins and margins on corporate lending were both unchanged in the quarter. Deposit margins, on the other hand, increased. Foreign exchange effects negatively affected net interest income by SEK 7m.

Lending decreased 1 per cent in the quarter in local currency. Corporate lending decreased 3 per cent at the same time that household lending increased 1 per cent. Foreign exchange effects negatively contributed SEK 10bn.

Deposits increased 6 per cent in local currency due to growth in both corporate and private deposits during the quarter. Foreign exchange effects negatively affected growth by SEK 13bn.

Net commission income decreased 6 per cent in local currency in the quarter, mainly due to lower commissions from cards and asset management.

Changes in customer behaviour and lower management fees due to Covid-19 explain the decrease in income.

Net gains and losses on financial items increased 110 per cent in local currency mainly due to unrealised losses in the asset management and insurance businesses that were charged against first-quarter profit.

Other income increased 36 per cent in local currency, mainly due to lower insurance claims.

Expenses increased 1 per cent in local currency, largely due to increased staff costs, but also because the work being done to strengthen functions to prevent money laundering and improve the Know Your Customer (KYC) process continued in the quarter. Travel expenses decreased in the quarter

Credit impairments amounted to SEK 56m (146), mainly driven by model-based provisions. Underlying credit quality remains high.

January-June 2020 compared with January-June 2019

Profit decreased to SEK 2 255m (2 457), mainly due to increased expenses and credit impairments. Foreign exchange effects positively affected the result by SEK 33m.

Net interest income rose 8 per cent in local currency, largely due to increased lending volumes. Foreign

exchange effects positively affected net interest income by SEK 46m.

Lending increased 4 per cent in local currency. Household lending increased 8 per cent at the same time that corporate lending decreased 1 per cent. Foreign exchange effects reduced lending growth by SEK 2bn. Deposits grew 17 per cent in local currency. Deposits increased in all markets. Foreign exchange effects contributed to a decrease of SEK 2bn.

Net commission income decreased 8 per cent in local currency, mainly driven by lower income from cards and asset management.

Net gains and losses on financial items decreased 29 per cent in local currency. The decrease is largely due to higher unrealised losses in the asset management and insurance businesses.

Other income increased 4 per cent in local currency, mainly due to an improved result in the insurance operations.

Expenses rose 3 per cent in local currency, largely due to higher staff costs and expenses related to anti-money laundering work as well as improved customer due diligence. Consulting expenses and investments in digital solutions increased as well.

Credit impairments amounted to SEK 202m, compared with recoveries of SEK 4m in the equivalent period in 2019.

Business development

During the quarter the Covid-19 situation stabilised in all three Baltic countries and the number of cases is now on the decline. Considerable efforts were made to reach an industry-wide agreement on concessions that the banks can offer their customers due to the crisis. The final terms do not differ much from those we already offered our private customers before the agreement was signed. For corporate customers the agreement is limited to companies with loans of up to EUR 5m. We continue to offer all our corporate customers support and assistance, however. Throughout June we granted amortisation exemptions to 16 000 private customers and 5 300 corporate customers. At the start of the Covid-19 crisis we saw strong demand for amortisation exemptions from our customers, which has since decreased gradually.

We helped our corporate customers by offering a temporary exemption from monthly maintenance fees for e-commerce solutions and POS-terminal rental fees. We also created a campaign for e-commerce startups to ease their trading. For our private customers we

continued to improve our digital solutions and services to increase availability.

A number of new services were launched in the quarter, including Alias in the mobile app. Alias's functionality is similar to Sweden's Swish service, where the user's phone number is linked to their bank account which facilitates real-time transfers with the help of the recipient's phone number. More than 160 000 customers have already signed up. The My Budget tool was also introduced in the Internet Bank. My Budget categorises transactions so that customers get a better overview of their budget.

Despite Covid-19, we continued with activities that promote innovative and sustainable business, including active participation in the Global Hack initiative, the world's largest online hackathon with a total of nearly 12 000 participants from 100 countries around the world. The purpose of the initiative, where participants collaborate intensively to come up with new innovative solutions, was to generate ideas to mitigate the pandemic's impact on people and companies. Nearly 100 employees from Swedbank participated as organisers of the event and mentors to the participating teams.

For the third year in a row Swedbank was ranked highest in the Sustainability Index in Latvia. The index serves as a strategic tool to improve sustainability practices in both the public and private sectors. The first sustainable brand index ever was launched in the Baltic countries during this quarter. It is based on consumer surveys of brand perceptions and shows how the brands are seen from an environmental and social perspective. Swedbank was ranked in the survey as the most sustainable brand in the Baltic financial sector.

Our priority is to address the shortcomings that the Estonian FSA noted and we created a special plan for this purpose. We continue therefore, among other things, to focus on strengthening and developing KYC processes in the organisation in order to further improve the quality and effectiveness of our work to prevent money laundering and financial crime.



Jon Lidfelt
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.2 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most loved brand in the Baltic countries. Through digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 26 branches in Estonia, 27 in Latvia and 43 in Lithuania.

Large Corporates & Institutions

- Increased business volumes contributed to higher net interest income
- Stronger net gains and losses on financial items from positive valuation effects and increased customer activity
- Lead advisor and continued strong position in green bond issues

Income statement

SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Net interest income	1 007	960	5	956	5	1 967	1 897	4
Net commission income	541	636	-15	580	-7	1 177	1 133	4
Net gains and losses on financial items	1 033	-316		416		717	1 222	-41
Share of profit or loss of associates and joint ventures	-6	-6				-12		
Other income ¹⁾	45	29	55	28	61	74	50	48
Total income	2 620	1 303		1 980	32	3 923	4 302	-9
Staff costs	553	592	-7	546	1	1 145	1 085	6
Variable staff costs		26		70		26	119	-78
Other expenses	352	378	-7	372	-5	730	728	
Depreciation/amortisation	62	60	3	56	11	122	114	7
Total expenses	967	1 056	-8	1 044	-7	2 023	2 046	-1
Profit before impairment	1 653	247		936	77	1 900	2 256	-16
Credit impairment	740	1 627	-55	106		2 367	213	
Operating profit	913	-1 380		830	10	-467	2 043	
Tax expense	365	-552		210	74	-187	484	
Profit for the period	548	-828		620	-12	-280	1 559	
Profit for the period attributable to the shareholders of Swedbank AB	548	-828		620	-12	-280	1 559	
Return on allocated equity, %	6.6	-11.6		8.9		-1.8	11.6	
Loan/deposit ratio, %	133	140		172		133	172	
Credit impairment ratio, %	0.89	2.20		0.13		1.60	0.15	
Cost/income ratio	0.37	0.81		0.53		0.52	0.48	
Loans, SEKbn ²⁾	234	234		229	2	234	229	2
Deposits, SEKbn ²⁾	176	168	5	133	32	176	133	32
Full-time employees	2 345	2 307	2	2 240	5	2 345	2 240	5

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

Result

Second quarter 2020 compared with first quarter 2020

Profit increased to SEK 548m (-828), mainly due to a positive result from net gains and losses on financial items and lower credit impairments.

Net interest income increased to SEK 1 007m (960), mainly due to higher average business volumes. The resolution fund fee increased in the second quarter, which negatively affected net interest income.

Net commission income decreased to SEK 541m (636), mainly due to decreased income from card acquiring. Earnings from advisory commissions from M&A and share issues also decreased.

Net gains and losses on financial items increased to SEK 1 033m (-316), largely driven by bond revaluations in the trading book and derivative valuation adjustments (CVA/DVA). Underlying customer activity also contributed positively thanks to the high level of activity in the volatile market that arose in connection with Covid-19. A concern that has eased after aggressive action by central banks.

Compared with the previous quarter, expenses decreased to SEK 967 (1 056), mainly due to less travel, fewer customer activities and lower provisions for variable remuneration.

Credit impairments amounted to SEK 740m (1 627) in the second quarter. Market conditions for our oil-related counterparties remained weak, which resulted in additional provisions of SEK 144m during the quarter (801). Our updated macroeconomic forecasts indicate a slower economic recovery than previously believed. This, coupled with a comprehensive review of risk assessment in the credit portfolio, led to additional provisions of SEK 313m in the second quarter.

January-June 2020 compared with January-June 2019

Profit decreased to SEK -280m (1 559) due to higher credit impairments.

Net interest income increased to SEK 1 967 (1 897), mainly due to increased deposits and lending and a lower resolution fund fee. Lending volumes increased whilst lending margins were adversely affected, largely driven by increased funding expenses.

Net commission income increased to SEK 1 177m (1 133), driven by increased earnings from advisory commissions from M&A and share issues as well as an increase in lending commissions. Income from card acquiring decreased due to lower volumes in the wake of Covid-19.

Net gains and losses on financial items decreased to SEK 717m (1 222), largely driven by revaluations of

bond holdings as well as derivative valuation adjustments (CVA/DVA), a direct result of the market turmoil that arose in connection with the accelerating spread of Covid-19 in the first quarter.

Total expenses decreased to SEK 2 023m (2 046) due to lower provisions for variable remuneration.

As a result of the economic slowdown in the period, credit impairments increased to SEK 2 367m (213).

Business development

Large Corporates & Institutions focused during the quarter on meeting customer demand for financing solutions and advice due to the Covid-19 crisis. A number of customers have utilised the support that has been launched, including the special credit guarantees available for exporters through the Swedish Export Credit Agency and the opportunity for amortisation exemptions.

During the quarter Swedbank successfully helped customers with capital market transactions and acquisitions. Swedbank served as Joint Bookrunner in the nanotech company Nanoform's IPO on Nasdaq First North Premier Growth Market in Finland and Sweden. Swedbank was also advisor when Credit Suisse Energy Infrastructure Partners completed its acquisition of the majority of Fortum's Nordic wind power portfolio.

Swedbank's position in the green bond market remains strong and in the quarter Swedbank served as Joint Lead Manager in Sparebank 1 Boligkredit's SEK 7.5bn covered green bond issue and Sole Bookrunner in Sveaskog's SEK 1.1bn green bond issue.

Swedbank also acted as advisor to the real estate company K2A in the development of its Green Equity

Framework. The framework makes K2A the first company in the world to shade its equity, both current and future, as green. An external evaluation of the work was done by the independent research centre CICERO Shades of Green.

In the second quarter the joint venture Invidem, which uses a digital portal to simplify and enhance KYC processes, was launched. Through Invidem, companies and financial institutions will have to provide standardised KYC information only once. With the customer's approval, the information is then available to all participating banks. In 2020 Invidem is gradually beginning to offer its services to large and medium-sized companies in the Nordic market. The commercial launch will be in 2021.

During the quarter Swedbank launched RestFX, the bank's two new FX services on the Swedbank Open Banking platform. RestFX is an API that enables customers to obtain FX rates free of charge and also trade currencies digitally. The launch is the second stage in LC&I's digitisation in the FX area and follows the launch of Balance FX last year. The idea is that customers will be able to integrate the services in their own systems and business processes and in this way fully or partly automate FX management.



Ola Laurin
Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Net interest income	300	178	69	337	-11	478	428	12
Net commission income	-43	-36	19	-1		-79	0	
Net gains and losses on financial items	173	-116		131	32	57	310	-82
Share of profit or loss of associates and joint ventures	-7	-5	40	3		-12	7	
Other income ¹⁾	269	221	22	201	34	490	389	26
Total income	692	242		671	3	934	1 134	-18
Staff costs	1 239	1 179	5	1 096	13	2 418	2 200	10
Variable staff costs	24	34	-29	59	-59	58	93	-38
Other expenses	-893	-238		-718	24	-1 131	-1 544	-27
Depreciation/amortisation	268	273	-2	215	25	541	416	30
Administrative fine		4 000				4 000		
Total expenses	638	5 248	-88	652	-2	5 886	1 165	
Profit before impairment	54	-5 006		19		-4 952	-31	
Impairment of tangible assets				1			1	
Credit impairment	7	5	40	-3		12	1	
Operating profit	47	-5 011		21		-4 964	-33	
Tax expense	-174	-35		-43		-209	27	
Profit for the period	221	-4 976		64		-4 755	-60	
Profit for the period attributable to the shareholders of Swedbank AB	221	-4 976		64		-4 755	-60	
Full-time employees	5 989	5 811	3	5 515	9	5 989	5 515	9

¹⁾ Other income in the table above includes the items Net insurance and Other income from the Group income statement.

Net interest income and net gains and losses on financial items mainly stem from Group Treasury. Other income mainly refers to income from the savings banks. Expenses mainly relate to Group Financial Products & Advice and Group Staffs and are allocated to a large extent.

Result

Second quarter 2020 compared with first quarter 2020

Profit increased to SEK 221m (-4 976), mainly because net gains and losses on financial items increased and expenses decreased. The first quarter's expenses included the Swedish FSA's administrative fine.

Net interest income increased to SEK 300m (178). Net interest income within Group Treasury increased to SEK 338m (219). The main reasons were lower funding costs due to maturities as well as a one-off item that raised net interest income by SEK 73m and lowered net gains losses within the Group by a corresponding amount.

Net gains and losses on financial items increased to SEK 173m (-116). Net gains and losses on financial items within Group Treasury increased to SEK 146m (-116), mainly due to higher valuations of the holdings in Visa and Asiakastiето.

Expenses decreased to SEK 638m (5 248), mainly due to the Swedish FSA's administrative fine of SEK 4 000m in the first quarter. Consulting expenses to manage money laundering related investigations decreased SEK 533m and totalled SEK 43m in the quarter. Other expenses decreased mainly due to lower travel expenses.

January-June 2020 compared with January-June 2019

Profit decreased to SEK -4 755m (-60) due to the Swedish FSA's administrative fine and lower net gains and losses on financial items within Group Treasury.

Net interest income increased to SEK 478m (428). Group Treasury's net interest income increased to SEK 557m (483), mainly due to a one-off item that raised net interest income by SEK 73m.

Net gains and losses on financial items decreased to SEK 57m (310). Net gains and losses on financial items within Group Treasury decreased to SEK 30m (301), mainly due to lower valuations of the holdings in Visa and Asiakastiето.

Expenses increased to SEK 5 886m (1 165), mainly due to the Swedish FSA's administrative fine, higher money laundering related consulting expenses and higher staff costs. Consulting expenses to manage money laundering related investigations totalled SEK 618m (265). Staff costs increased due to annual salary increases and a higher number of employees.

Group Functions & Other consists of central business support units and the client advisory unit Group Financial Products & Advice. The central units serve as strategic and administrative support and comprise Accounting & Finance, Communication, Risk, Digital banking & IT, Compliance, Public Affairs, HR and Legal. Group Treasury is responsible for the bank's funding, liquidity and capital planning. Group Treasury sets the prices on all internal deposit and loan flows in the Group through internal interest rates, where the most important parameters are maturity, interest fixing period, currency, and need for liquidity reserves.

Eliminations

Income statement

SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Net interest income	-8	-6	33			-14		
Net commission income	17	22	-23	27	-37	39	51	-24
Net gains and losses on financial items							-1	
Other income ¹⁾	-43	-66	-35	-54	-20	-109	-111	-2
Total income	-34	-50	-32	-27	26	-84	-61	38
Staff costs	-4	-3	33			-7		
Other expenses	-30	-47	-36	-27	11	-77	-61	26
Total expenses	-34	-50	-32	-27	26	-84	-61	38

¹⁾ Other income in the table above includes the rows Net insurance and Other income from the Group income statement.

Group eliminations mainly consist of eliminations of internal transactions between Group Functions and the other business segments.

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

Income statement, condensed

Group	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
SEKm	2020	2020	%	2019	%	2020	2019	%
Interest income on financial assets at amortised cost	8 244	8 449	-2	8 533	-3	16 693	17 000	-2
Other interest income	433	347	25	520	-17	780	803	-3
Interest income	8 677	8 796	-1	9 053	-4	17 473	17 803	-2
Interest expense	-1 791	-2 110	-15	-2 446	-27	-3 901	-4 775	-18
Net interest income (note 5)	6 886	6 686	3	6 607	4	13 572	13 028	4
Commission income	4 566	4 826	-5	4 886	-7	9 392	9 431	
Commission expense	-1 641	-1 603	2	-1 684	-3	-3 244	-3 159	3
Net commission income (note 6)	2 925	3 223	-9	3 202	-9	6 148	6 272	-2
Net gains and losses on financial items (note 7)	1 398	-322		768	82	1 076	1 954	-45
Net insurance	390	296	32	361	8	686	687	
Share of profit or loss of associates and joint ventures	134	95	41	220	-39	229	357	-36
Other income	343	254	35	258	33	597	480	24
Total income	12 076	10 232	18	11 416	6	22 308	22 778	-2
Staff costs	2 868	2 870		2 782	3	5 738	5 541	4
Other general administrative expenses (note 8)	1 588	2 110	-25	1 577	1	3 698	2 954	25
Depreciation/amortisation	387	390	-1	394	-2	777	776	
Administrative fine		4 000				4 000		
Total expenses	4 843	9 370	-48	4 753	2	14 213	9 271	53
Profit before impairment	7 233	862		6 663	9	8 095	13 507	-40
Impairment of tangible assets				2			2	
Credit impairment (note 9)	1 235	2 151	-43	109		3 386	327	
Operating profit	5 998	-1 289		6 552	-8	4 709	13 178	-64
Tax expense	1 154	398		1 210	-5	1 552	2 562	-39
Profit for the period	4 844	-1 687		5 342	-9	3 157	10 616	-70
Profit for the period attributable to the shareholders of Swedbank AB	4 845	-1 687		5 336	-9	3 158	10 606	-70
Non-controlling interests	-1			6		-1	10	
SEK								
Earnings per share, SEK	4.33	-1.51		4.77		2.82	9.49	
after dilution, SEK	4.31	-1.50		4.75		2.81	9.46	

Statement of comprehensive income, condensed

Group SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Profit for the period reported via income statement	4 844	-1 687		5 342	-9	3 157	10 616	-70
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-1 178	4 247		-3 308	-64	3 069	-4 176	
Share related to associates and joint ventures, Remeasurements of defined benefit pension plans	-45	141		-108	-58	96	-130	
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value through profit and loss	2	1		5	-60	3	8	-63
Income tax	242	-875		680	-64	-633	858	
Total	-979	3 514		-2 731	-64	2 535	-3 440	
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations:								
Gains/losses arising during the period	-2 494	2 622		691		128	1 332	-90
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	1 928	-1 922		-549		6	-1 091	
Cash flow hedges:								
Gains/losses arising during the period	-502	522		142		20	276	-93
Reclassification adjustments to the income statement, Net gains and losses on financial items	489	-510		-136		-21	-267	-92
Foreign currency basis risk:								
Gains/losses arising during the period	-12	8		3		-4	-2	
Share of other comprehensive income of associates and joint ventures	-9	-77	-88	21		-86	76	
Income tax	-409	408		157		-1	245	
Total	-1 009	1 051		329		42	569	-93
Other comprehensive income for the period, net of tax	-1 988	4 565		-2 402	-17	2 577	-2 871	
Total comprehensive income for the period	2 856	2 878	-1	2 940	-3	5 734	7 745	-26
Total comprehensive income attributable to the shareholders of Swedbank AB	2 857	2 878	-1	2 934	-3	5 735	7 735	-26
Non-controlling interests	-1			6		-1	10	

For January-June 2020 a gain of SEK 3 069m (- 4 176) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. As per 30 June the discount rate, which is used to calculate the closing pension obligation, was 1.64 per cent, compared with 1.46 per cent at year end. More high quality bonds have been included in the determination of the discount rate from the first quarter 2020. The inflation assumption was 1.61 per cent compared with 1.98 per cent at year end. The changed assumptions together with gains and losses based on experience represented SEK 2 789 million of the positive result in other comprehensive income. The fair value of plan assets increased during the first six months 2020 by SEK 280m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 5 768m compared with SEK 8 798m at year end.

For January-June 2020 an exchange rate difference of SEK 128m (1 332) was recognised for the Group's foreign net investments in subsidiaries. The gain related to subsidiaries mainly arose because the Swedish krona weakened against the euro during the year. In addition, an exchange rate difference of SEK - 86m (76) for the Group's foreign net investments in associates is included in Share of other comprehensive income of associates and joint ventures. The total gain of SEK 42m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 6m (1 091) arose for the hedging instruments.

The revaluation of defined benefit pension plans and translation of net investments in foreign operations can be volatile in certain periods due to movements in the discount rate, inflation and exchange rates.

Balance sheet, condensed

Group SEKm	30 Jun 2020	31 Dec 2019	Δ		30 Jun 2019	%
			SEKm	%		
Assets						
Cash and balances with central banks	380 083	195 286	184 797	95	246 679	54
Treasury bills and other bills eligible for refinancing with central banks, etc.	158 093	137 094	20 999	15	145 381	9
Loans to credit institutions (note 10)	60 409	45 452	14 957	33	40 179	50
Loans to the public (note 10)	1 715 270	1 652 296	62 974	4	1 678 109	2
Value change of interest hedged item in portfolio hedge	2 315	271	2 044		2 702	-14
Bonds and other interest-bearing securities	90 064	57 367	32 697	57	54 823	64
Financial assets for which customers bear the investment risk	222 808	224 893	-2 085	-1	206 625	8
Shares and participating interests	4 811	6 568	-1 757	-27	4 675	3
Investments in associates and joint ventures	6 931	6 679	252	4	5 974	16
Derivatives (note 17)	53 949	44 424	9 525	21	45 703	18
Intangible assets (note 13)	18 277	17 864	413	2	17 704	3
Tangible assets	5 706	5 572	134	2	5 810	-2
Current tax assets	2 242	2 408	-166	-7	2 432	-8
Deferred tax assets	202	170	32	19	183	10
Other assets	41 402	8 859	32 543		20 819	99
Prepaid expenses and accrued income	2 301	3 025	-724	-24	2 256	2
Total assets	2 764 863	2 408 228	356 635	15	2 480 054	11
Liabilities and equity						
Amounts owed to credit institutions (note 14)	186 615	69 686	116 929		97 967	90
Deposits and borrowings from the public (note 15)	1 121 606	954 013	167 593	18	966 800	16
Financial liabilities for which customers bear the investment risk	223 516	225 792	-2 276	-1	207 427	8
Debt securities in issue (note 16)	869 229	855 754	13 475	2	914 234	-5
Short positions, securities	29 816	34 345	-4 529	-13	40 147	-26
Derivatives (note 17)	54 355	40 977	13 378	33	36 235	50
Current tax liabilities	428	836	-408	-49	693	-38
Deferred tax liabilities	2 250	1 571	679	43	1 330	69
Pension provisions	5 768	8 798	-3 030	-34	9 170	-37
Insurance provisions	1 993	1 894	99	5	1 949	2
Other liabilities and provisions	84 631	28 807	55 824		43 091	96
Accrued expenses and prepaid income	3 980	4 383	-403	-9	3 868	3
Senior non-preferred liabilities (not 16)	10 837	10 805	32			
Subordinated liabilities (note 16)	25 421	31 934	-6 513	-20	27 532	-8
Total liabilities	2 620 445	2 269 595	350 850	15	2 350 443	11
Equity						
Non-controlling interests	24	25	-1	-4	208	-88
Equity attributable to shareholders of the parent company	144 394	138 608	5 786	4	129 403	12
Total equity	144 418	138 633	5 785	4	129 611	11
Total liabilities and equity	2 764 863	2 408 228	356 635	15	2 480 054	11

Statement of changes in equity, condensed

Group SEKm	Equity attributable to shareholders of the parent company										Non- controlling Total interests	Total equity
	Share capital	Other contri- buted equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserve	Foreign currency basis reserve	Own credit risk reserve	Retained earnings				
January-June 2020												
Opening balance 1 January 2020	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633	
Share based payments to employees								55	55		55	
Deferred tax related to share based payments to employees								0	0		0	
Current tax related to share based payments to employees								-4	-4		-4	
Total comprehensive income for the period			42	4	-1	-3	2	5 691	5 735	-1	5 734	
of which reported through profit or loss								3 158	3 158	-1	3 157	
of which reported through other comprehensive income			42	4	-1	-3	2	2 533	2 577		2 577	
Closing balance 30 June 2020	24 904	17 275	6 321	-3 876	7	-36	-3	99 802	144 394	24	144 418	
January-December 2019												
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609	
Dividends								-15 878	-15 878	-15	-15 893	
Share based payments to employees								272	272		272	
Deferred tax related to share based payments to employees								-34	-34		-34	
Current tax related to share based payments to employees								13	13		13	
Business disposal										-185	-185	
Total comprehensive income for the period			771	-436	4	-14	13	16 501	16 839	12	16 851	
of which reported through profit or loss								19 697	19 697	12	19 709	
of which reported through other comprehensive income			771	-436	4	-14	13	-3 196	-2 858		-2 858	
Closing balance 31 December 2019	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633	
January-June 2019												
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609	
Dividends								-15 878	-15 878	-15	-15 893	
Share based payments to employees								169	169		169	
Deferred tax related to share based payments to employees								-32	-32		-32	
Current tax related to share based payments to employees								13	13		13	
Total comprehensive income for the period			1 408	-844	7	-2	6	7 160	7 735	10	7 745	
of which reported through profit or loss								10 606	10 606	10	10 616	
of which reported through other comprehensive income			1 408	-844	7	-2	6	-3 446	-2 871		-2 871	
Closing balance 30 June 2019	24 904	17 275	6 916	-4 288	11	-21	-12	84 618	129 403	208	129 611	

1) Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2020	Full-year 2019	Jan-Jun 2019
Operating activities			
Operating profit	4 709	24 420	13 178
Adjustments for non-cash items in operating activities	2 031	4 952	2 846
Income taxes paid	-1 899	-5 981	-4 200
Increase (-) / decrease (+) in loans to credit institutions	-14 945	-9 130	-3 746
Increase (-) / decrease (+) in loans to the public	-64 954	-27 282	-45 739
Increase (-) / decrease (+) in holdings of securities for trading	-51 707	-43 187	-45 772
Increase (+) / decrease (-) in deposits and borrowings from the public including retail bonds	166 880	33 488	39 554
Increase (+) / decrease (-) in amounts owed to credit institutions	116 832	12 249	40 010
Increase (-) / decrease (+) in other assets	-68 477	-678	-14 208
Increase (+) / decrease (-) in other liabilities	93 518	8 556	26 714
Cash flow from operating activities	181 988	-2 593	8 637
Investing activities			
Business disposal		52	
Acquisitions of and contributions to joint ventures	-11	-81	
Disposal of shares in associates	71	184	71
Dividend from associates and joint ventures	2	529	529
Acquisitions of other fixed assets and strategic financial assets	-269	-224	-187
Disposals of/maturity of other fixed assets and strategic financial assets	279	535	346
Cash flow from investing activities	72	995	759
Financing activities			
Issuance of interest-bearing securities	61 600	148 250	101 926
Redemption of interest-bearing securities	-117 241	-94 929	-67 831
Issuance of commercial paper	218 039	483 569	300 441
Redemption of commercial paper	-159 429	-487 865	-247 280
Amortisation of lease liabilities	-384	-718	370
Dividends paid		-15 893	-15 893
Cash flow from financing activities	2 585	32 414	71 733
Cash flow for the period	184 645	30 816	81 129
Cash and cash equivalents at the beginning of the period	195 286	163 161	163 161
Cash flow for the period	184 645	30 816	81 129
Exchange rate differences on cash and cash equivalents	152	1 309	2 389
Cash and cash equivalents at end of the period	380 083	195 286	246 679

No business disposals have occurred during the first six months in 2020. During the third quarter of 2019, 11 per cent of the subsidiary Ölands Bank AB was sold. Swedbank AB's ownership subsequently amounts to 49 per cent, and as a result the company is accounted for as an associated company according to the equity method from the date of disposal. Swedbank received a cash payment of SEK 52m. The capital gain was SEK 40m.

During the second quarter 2020 contributions were provided to Invidem AB of SEK 11m. During 2019, contributions were provided to the joint ventures

Invidem AB of SEK 57m and P27 Nordic Payments Platform AB of SEK 24m.

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received parts of the cash payment, SEK 71m, in the first quarter of 2020 as well as in the first quarter of 2019.

During the fourth quarter of 2019, the associated company Babs Paylink AB was sold. Swedbank received a cash payment of SEK 113m. The capital gain was SEK 25m.

Note 1 Accounting policies

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated financial statements have also been prepared in accordance with the recommendations and statements of the Swedish Financial Reporting Board, the Annual Accounts Act for Credit Institutions and Securities Companies and the directives of the SFSA.

The Parent Company report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the SFSA and recommendation RFR 2 of the Swedish Financial Reporting Board.

The accounting policies applied in the interim report conform to those applied in the Annual and Sustainability Report for 2019, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2019 Annual and Sustainability Report.

Note 2 Critical accounting estimates

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

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first half of 2020.

Other changes in accounting regulations

Other amended regulations that have been adopted from 1 January 2020 did not have a significant impact on the Group's financial position, results, cash flows or disclosures.

Standards issued but not yet adopted

The International Accounting Standards Board (IASB) has issued amendments to IFRS 17 Insurance contracts which are not yet applicable to Swedbank.

IFRS 17 was issued in May 2017 and amended in June 2020. The standard is applicable from 1 January 2023 and has not yet been approved by the EU. The new standard establishes principles for recognition, presentation, measurement and disclosure of insurance contracts issued. Insurance contracts in scope will be measured at current value, based on the current estimates of amounts expected to be collected from premiums and paid out for claims, benefits and expenses plus expected profit for providing insurance coverage. The impacts on the Group's financial reports are still being assessed by the Group.

provisions. Significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2019 related to provisions for credit impairments. The changes are described in Note 9. From the first quarter 2020 more high quality bonds have been included in the determination of the discount rate, which are used in the provision for the defined benefit pension plan. Beyond the above there have been no significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2019.

Note 4 Operating segments (business areas)

Acc Jan-Jun 2020 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	8 362	2 779	1 967	478	-14	13 572
Net commission income	3 807	1 204	1 177	-79	39	6 148
Net gains and losses on financial items	156	146	717	57		1 076
Share of profit or loss of associates and joint ventures	253		-12	-12		229
Other income ¹⁾	395	433	74	490	-109	1 283
Total income	12 973	4 562	3 923	934	-84	22 308
of which internal income	22		17	369	-408	
Staff costs	1 522	546	1 145	2 418	-7	5 624
Variable staff costs	14	16	26	58		114
Other expenses	3 178	998	730	-1 131	-77	3 698
Depreciation/amortisation	28	86	122	541		777
Administrative fine				4 000		4 000
Total expenses	4 742	1 646	2 023	5 886	-84	14 213
Profit before impairment	8 231	2 916	1 900	-4 952		8 095
Credit impairment	805	202	2 367	12		3 386
Operating profit	7 426	2 714	-467	-4 964		4 709
Tax expense	1 489	459	-187	-209		1 552
Profit for the period	5 937	2 255	-280	-4 755		3 157
Profit for the period attributable to the shareholders of Swedbank AB	5 938	2 255	-280	-4 755		3 158
Non-controlling interests	-1					-1
Net commission income						
Commission income						
Payment processing	359	327	281	42	-15	994
Cards	1 063	752	950		-203	2 562
Asset management and custody	2 802	167	661	-6	-110	3 514
Lending and Guarantees	129	121	361	5	-3	613
Other commission income ²⁾	1 038	207	447	21	-4	1 709
Total Commission income	5 391	1 574	2 700	62	-335	9 392
Commission expense	1 584	370	1 523	141	-374	3 244
Net commission income	3 807	1 204	1 177	-79	39	6 148
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	115	262	-1	380
Loans to credit institutions	6		80	205	-231	60
Loans to the public	1 204	187	324	2	-2	1 715
Interest-bearing securities		1	88	161	-2	248
Financial assets for which customers bear inv. risk	218	5				223
Investments in associates and joint ventures	5			2		7
Derivatives			66	41	-53	54
Total tangible and intangible assets	2	12	2	8		24
Other assets	4	84	36	489	-559	54
Total assets	1 440	292	711	1 170	-848	2 765
Amounts owed to credit institutions	29		198	182	-222	187
Deposits and borrowings from the public	614	259	196	61	-8	1 122
Debt securities in issue		1	7	863	-2	869
Financial liabilities for which customers bear inv. risk	218	6				224
Derivatives			74	34	-54	54
Other liabilities	511		202	-22	-562	129
Senior non-preferred liabilities				11		11
Subordinated liabilities				25		25
Total liabilities	1 372	266	677	1 154	-848	2 621
Allocated equity	68	26	34	16		144
Total liabilities and equity	1 440	292	711	1 170	-848	2 765
Key figures						
Return on allocated equity, %	17.9	17.6	-1.8	-49.7		4.4
Cost/income ratio	0.37	0.36	0.52	6.30		0.64
Credit impairment ratio, %	0.13	0.21	1.60	0.12		0.40
Loan/deposit ratio, %	196	72	133	0		147
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	9			14
Loans to the public, total, SEKbn ³⁾	1 204	187	234			1 625
Provisions for loans to the public, total, SEKbn ³⁾	2	1	6			9
Deposits from the public, SEKbn ³⁾	613	259	176	60		1 108
Risk exposure amount, SEKbn	399	95	172	26		692
Full-time employees	3 843	3 595	2 345	5 989		15 772
Allocated equity, average, SEKbn	66	26	31	19		142

¹⁾ Other income in the table above includes the items Net insurance and Other income from the Group income statement.

²⁾ Other commission income includes service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

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

Acc Jan-Jun 2019 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	8 174	2 529	1 897	428		13 028
Net commission income	3 796	1 292	1 133	0	51	6 272
Net gains and losses on financial items	221	202	1 222	310	-1	1 954
Share of profit or loss of associates	350			7		357
Other income ¹⁾	429	410	50	389	-111	1 167
Total income	12 970	4 433	4 302	1 134	-61	22 778
of which internal income	30		9	278	-317	
Staff costs	1 494	499	1 085	2 200		5 278
Variable staff costs	20	31	119	93		263
Other expenses	2 876	955	728	-1 544	-61	2 954
Depreciation/amortisation	160	86	114	416		776
Total expenses	4 550	1 571	2 046	1 165	-61	9 271
Profit before impairment	8 420	2 862	2 256	-31		13 507
Impairment of tangible assets		1		1		2
Credit impairment	117	-4	213	1		327
Operating profit	8 303	2 865	2 043	-33		13 178
Tax expense	1 643	408	484	27		2 562
Profit for the period	6 660	2 457	1 559	-60		10 616
Profit for the period attributable to the shareholders of Swedbank AB	6 650	2 457	1 559	-60		10 606
Non-controlling interests	10					10
Net commission income						
Commission income						
Payment processing	364	347	282	69	-18	1 044
Cards	1 236	815	988		-191	2 848
Asset management and custody	2 560	181	615	-1	-19	3 336
Lending and Guarantees	139	122	335	4		600
Other commission income ²⁾	1 041	199	317	53	-7	1 603
Total Commission income	5 340	1 664	2 537	125	-235	9 431
Commission expense	1 544	372	1 404	125	-286	3 159
Net commission income	3 796	1 292	1 133		51	6 272
Balance sheet, SEKbn						
Cash and balances with central banks	1	3	6	238		247
Loans to credit institutions	5		87	184	-236	40
Loans to the public	1 201	182	291	4		1 678
Interest-bearing securities		1	51	151	-3	200
Financial assets for which customers bear inv. risk	202	5				207
Investments in associates	4			2		6
Derivatives			55	36	-45	46
Total tangible and intangible assets	3	12	2	6		23
Other assets	2	54	19	453	-495	33
Total assets	1 418	257	511	1 074	-780	2 480
Amounts owed to credit institutions	29		197	98	-226	98
Deposits and borrowings from the public	572	224	153	25	-7	967
Debt securities in issue		2	11	907	-6	914
Financial liabilities for which customers bear inv. risk	202	5				207
Derivatives			55	26	-45	36
Other liabilities	550		66	-19	-496	101
Senior non-preferred liabilities						
Subordinated liabilities				28		28
Total liabilities	1 353	231	482	1 065	-780	2 351
Allocated equity	65	26	29	9		129
Total liabilities and equity	1 418	257	511	1 074	-780	2 480
Key figures						
Return on allocated equity, %	20.6	19.5	11.6	-0.7		15.9
Cost/income ratio	0.35	0.35	0.48	1.03		0.41
Credit impairment ratio, %	0.02	-0.01	0.15	0.01		0.04
Loan/deposit ratio, %	210	81	172	2		169
Loans to the public, stage 3, SEKbn ³⁾ (gross)	3	2	7			12
Loans to the public, total, SEKbn ³⁾	1 201	182	229			1 612
Provisions for loans to the public, total, SEKbn ³⁾	1	1	4			6
Deposits, SEKbn ³⁾	572	224	133	23		952
Risk exposure amount, SEKbn	390	93	152	23		658
Full-time employees	3 717	3 603	2 240	5 515		15 075
Allocated equity, average, SEKbn	64	25	27	17		133

¹⁾ Other income in the table above includes the items Net insurance and Other income from the Group income statement.

²⁾ Other commission income includes service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

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

Operating segments accounting policies

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses for Group functions and Group staffs are transfer priced at cost to the operating segments. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's Internal Capital Adequacy Assessment Process (ICAAP).

The return on allocated equity for the operating segments is calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average monthly allocated equity for the operating segment. For periods shorter than one year the key ratio is annualised.

During the first quarter 2020 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organization. Comparative figures have been restated.

Note 5 Net interest income

Group	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
SEKm	2020	2020	%	2019	%	2020	2019	%
Interest income								
Cash and balances with central banks	-190	19		111		-171	323	
Treasury bills and other bills eligible for refinancing with central banks, etc.	16	30	-47	43	-63	46	84	-45
Loans to credit institutions	80	132	-39	171	-53	212	258	-18
Loans to the public	8 350	8 302	1	8 288	1	16 652	16 435	1
Bonds and other interest-bearing securities	104	41		9		145	66	
Derivatives	209	294	-29	496	-58	503	795	-37
Other	49	53	-8	57	-14	102	110	-7
Total interest income	8 618	8 871		9 175	-6	17 489	18 071	-3
deduction of trading related interest reported in Net gains and losses on financial items	-59	75		122		16	268	-94
Total interest income according to income statement	8 677	8 796	-1	9 053	-4	17 473	17 803	-2
Interest expense								
Amounts owed to credit institutions	-78	-135	-42	-300	-74	-213	-606	-65
Deposits and borrowings from the public	-147	-328	-55	-441	-67	-475	-1 011	-53
of which deposit guarantee fees	-118	-117	1	-107	10	-235	-213	10
Debt securities in issue	-1 951	-2 315	-16	-3 087	-37	-4 266	-6 297	-32
Senior non-preferred liabilities	-29	-26	12			-55		
Subordinated liabilities	-189	-279	-32	-217	-13	-468	-456	3
Derivatives	938	1 170	-20	1 863	-50	2 108	4 156	-49
Other	-277	-205	35	-280	-1	-482	-621	-22
of which resolution fund fee	-249	-176	41	-248		-425	-561	-24
Total interest expense	-1 733	-2 118	-18	-2 462	-30	-3 851	-4 835	-20
deduction of trading related interest reported in Net gains and losses on financial items	58	-8		-16		50	-60	
Total interest expense according to income statement	-1 791	-2 110	-15	-2 446	-27	-3 901	-4 775	-18
Net interest income	6 886	6 686	3	6 607	4	13 572	13 028	4
Net investment margin before trading interest is deducted	1,01	1,05	-4	1,07	-6	1,03	1,06	-3
Average total assets	2 729 334	2 582 740	6	2 499 994	9	2 653 261	2 487 121	7
Interest expense on financial liabilities at amortised cost	2 375	3 069	-23	4 232	-44	5 444	8 917	-39
Negative yield on financial assets	268	602	-55	512	-48	870	1 077	-19
Negative yield on financial liabilities	142	85	67	136	4	227	285	-20

Note 6 Net commission income

Group	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
SEKm	2020	2020	%	2019	%	2020	2019	%
Commission income								
Payment processing	487	507	-4	531	-8	994	1 044	-5
Cards	1 233	1 329	-7	1 512	-18	2 562	2 848	-10
Service concepts	312	312		311		624	619	1
Asset management and custody	1 721	1 793	-4	1 731	-1	3 514	3 336	5
Insurance	167	191	-13	172	-3	358	339	6
Securities and corporate finance	169	202	-16	116	46	371	231	61
Lending	254	252	1	248	2	506	488	4
Guarantees	53	54	-2	58	-9	107	112	-4
Deposits	32	40	-20	41	-22	72	85	-15
Real estate brokerage	50	42	19	54	-7	92	92	
Other	88	104	-15	112	-21	192	237	-19
Total commission income	4 566	4 826	-5	4 886	-7	9 392	9 431	
Commission expense								
Payment processing	-285	-281	1	-310	-8	-566	-599	-6
Cards	-643	-626	3	-696	-8	-1 269	-1 269	
Service concepts	-36	-37	-3	-41	-12	-73	-83	-12
Asset management and custody	-433	-428	1	-424	2	-861	-802	7
Insurance	-65	-71	-8	-60	8	-136	-116	17
Securities	-91	-87	5	-81	12	-178	-155	15
Lending and guarantees	-31	-20	55	-24	29	-51	-38	34
Other	-57	-53	8	-48	19	-110	-97	13
Total commission expense	-1 641	-1 603	2	-1 684	-3	-3 244	-3 159	3
Net commission income								
Payment processing	202	226	-11	221	-9	428	445	-4
Cards	590	703	-16	816	-28	1 293	1 579	-18
Service concepts	276	275		270	2	551	536	3
Asset management and custody	1 288	1 365	-6	1 307	-1	2 653	2 534	5
Insurance	102	120	-15	112	-9	222	223	
Securities and corporate finance	78	115	-32	35		193	76	
Lending and guarantees	276	286	-3	282	-2	562	562	
Deposits	32	40	-20	41	-22	72	85	-15
Real estate brokerage	50	42	19	54	-7	92	92	
Other	31	51	-39	64	-52	82	140	-41
Total Net commission income	2 925	3 223	-9	3 202	-9	6 148	6 272	-2

Note 7 Net gains and losses on financial items

Group SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Fair value through profit or loss								
Shares and share related derivatives	333	-33		246	35	300	565	-47
of which dividend	7	9	-22	65	-89	16	127	-87
Interest-bearing securities and interest related derivatives	949	-885		170		64	499	-87
Financial liabilities	7	15	-53	13	-46	22	35	-37
Other financial instruments	-19	6		-15	27	-13	-25	-48
Total fair value through profit or loss	1 270	-897		414		373	1 074	-65
Hedge accounting								
Ineffective part in fair value hedges	-168	37		-76		-131	-106	24
of which hedging instruments	1 487	3 406	-56	4 807	-69	4 893	7 567	-35
of which hedged items	-1 655	-3 369	-51	-4 883	-66	-5 024	-7 673	-35
Ineffective part in fair values portfolio hedges	96	-11		32		85	77	10
of which hedging instruments	-1 043	-916	14	-1 609	-35	-1 959	-1 859	5
of which hedged items	1 139	905	26	1 641	-31	2 044	1 936	6
Ineffective part in cash flow hedges	-4	2		1		-2	2	
Total hedge accounting	-76	28		-43	77	-48	-27	78
Derecognition gain or loss for financial assets at amortised cost	38	34	12	50	-24	72	76	-5
Derecognition gain or loss for financial liabilities at amortised cost	-14	-76	-82	-52	-73	-90	-95	-5
Trading related interest								
Interest income	-59	75		122		16	267	-94
Interest expense	58	-8		-16		50	-60	
Total trading related interest	-1	67		106		66	207	-68
Change in exchange rates	181	522	-65	293	-38	703	719	-2
Total net gains and losses on financial items	1 398	-322		768	82	1 076	1 954	-45

Note 8 Other general administrative expenses

Group SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Premises	92	92		147	-37	184	294	-37
IT expenses	596	569	5	535	11	1 165	1 016	15
Telecommunications and postage	31	46	-33	25	24	77	55	40
Advertising, PR and marketing	83	77	8	68	22	160	131	22
Consultants	307	752	-59	296	4	1 059	452	
Compensation to savings banks	58	58		55	5	116	111	5
Other purchased services	233	231	1	228	2	464	444	5
Security transport and alarm systems	20	16	25	16	25	36	33	9
Supplies	22	23	-4	14	57	45	37	22
Travel	4	50	-92	63	-94	54	115	-53
Entertainment	2	11	-82	13	-85	13	23	-43
Repair/maintenance of inventories	24	30	-20	12		54	31	74
Other operating expenses	10	27	-63	22	-55	37	43	-14
Other administrative expenses	106	128	-17	83	28	234	169	38
Total other expenses	1 588	2 110	-25	1 577	1	3 698	2 954	25

Note 9 Credit impairment

Group SEKm	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Loans at amortised cost					
Credit impairment provisions - Stage 1	259	297	17	556	49
Credit impairment provisions - Stage 2	398	618	-431	1 016	-343
Credit impairment provisions - Stage 3	321	825	56	1 146	91
Credit impairment provisions - Credit impaired, Purchased or originated ¹⁾		-1	-2	-1	-3
Total	978	1 739	-360	0	-206
Write-offs	107	137	297	244	392
Recoveries	-31	-46	-53	-77	-100
Total	76	91	244	167	292
Total loans at amortised cost	1 054	1 830	-116	2 884	86
Commitments and financial guarantees					
Credit impairment provisions - Stage 1	79	84	-11	163	15
Credit impairment provisions - Stage 2	113	190	-58	303	-59
Credit impairment provisions - Stage 3	-11	47	293	36	284
Total	181	321	224	502	240
Write-offs			1		1
Total commitments and financial guarantees	181	321	225	502	241
Total Credit impairment	1 235	2 151	109	3 386	327
Credit impairment ratio, %	0.28	0.51	0.03	0.40	0.04

¹⁾ Of which SEK -0m (-1m) is a year to date change in the gross carrying amount of purchased or originated credit-impaired assets due to remeasurement of expected credit losses recognized as part of the gross carrying amount on initial recognition.

Credit impairment provisions are estimated using quantitative models, which incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. They reflect the effect of a range of possible probability-weighted economic outcomes. In particular, the following can have a significant impact on the level of impairment provisions:

- measurement of both 12-month and lifetime expected credit losses;

- determination of a significant increase in credit risk; and
- incorporation of forward-looking macroeconomic scenarios.

Further details on the key inputs and assumptions used as at 30 June 2020 are provided below.

Measurement of 12-month and lifetime expected credit losses

The measurement of expected credit losses is described in Note G3.1 Credit risks on pages 67-70 of the Annual and Sustainability Report 2019. There have been no significant changes during the year to the methodology. However, key portfolio risks have changed as a consequence of Covid-19. Given the shocking nature of the pandemic, as well as the huge uncertainty of the magnitude of the medium and long-term effects, the Group had pending downgrades in the internal ratings of corporate customers and a post-model expert credit adjustment was recognised as at 31 March 2020. Individual reassessments of the ratings for vulnerable industry sectors and borrowers were performed during the second quarter. Consequently, the effects of such re-ratings are captured in the models (changes in risk factors and stage transfers) as at 30 June 2020 and the post-model expert credit adjustment was reversed.

The most significant impacts of the re-ratings are reflected in the shipping and offshore, manufacturing, retail and property management industry segments.

Determination of a significant increase in credit risk

The Group uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criteria are disclosed in the Annual and Sustainability Report of 2019 on page 62 and 68 - 69. There have been no significant changes during the year to the methodology. As a way of supporting both private and corporate customers with Covid-19 related liquidity constraints, Swedbank introduced standardised and collective methods for payment respites and grace periods for principal amounts due. Generally, these measures have not automatically or individually been treated as a Stage 2 trigger or forbearance measures, in accordance with the April 2020 EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the Covid-19 crisis.

The tables below show the quantitative thresholds, namely:

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 3 to 8 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2019 Annual and Sustainability Report.
- changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, an increase of 150-300 per cent from initial recognition is considered significant.

These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high-risk end of the scale.

The Group has performed a sensitivity analysis on how credit impairment provisions would change if thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and, also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect. The tables below disclose the impacts of this sensitivity analysis on the 30 June 2020 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Impairment provision impact of						
Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating downgrade ^{1) 2) 3)}	Increase in threshold by 1 grade	Decrease in threshold by 1 grade	Recognised credit impairment provisions 30 Jun 2020	Share of total portfolio (%) in terms of gross carrying amount 30 Jun 2020
13-21	< 0.5%	3 - 8 grades	-7.3%	7.1%	1 124	37%
9-12	0.5-2.0%	1 - 5 grades	-10.5%	10.1%	658	8%
6-8	2.0-5.7%	1 - 3 grades	-7.1%	4.6%	194	3%
0-5	>5.7% and <100%	1 - 2 grades	-1.2%	0.0%	177	1%
			-7.8%	7.2%	2 153	48%
Financial instruments subject to the low credit risk exemption					18	7%
Stage 3 financial instruments					4 254	0%
Total provisions⁴⁾					6 425	55%

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

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

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

⁴⁾ Of which provisions for off-balance exposures are SEK 774m.

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

Impairment provision impact of						
Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁵⁾	Increase in threshold by 100%	Decrease in threshold by 50%	Recognised credit impairment provisions 30 Jun 2020	Share of total portfolio (%) in terms of gross carrying amount 30 Jun 2020	
13-21	100-300%	-5.2%	19.3%	694	27%	
9-12	100-200%	-3.9%	7.8%	654	7%	
6-8	50-150%	-2.5%	13.6%	188	2%	
0-5	50%	-0.2%	0.9%	314	1%	
			-3.6%	11.5%	1 850	38%
Financial instruments subject to the low credit risk exemption					41	7%
Stage 3 financial instruments					2 112	0%
Total provisions⁶⁾					4 003	45%

⁵⁾ Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

⁶⁾ Of which provisions for off-balance exposures are SEK 292m.

Incorporation of forward-looking macroeconomic scenarios

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses. The formulation and incorporation of multiple forward-looking scenarios are described in Note G3 Risks page 67 - 70 in the 2019 Annual and Sustainability Report. There have been no significant changes during the year to the methodology.

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The economic scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. A new Swedbank Economic

Outlook was published on 13 May which serves as the base scenario, with an assigned probability weight of 66.6 per cent. Aligned with the updated base scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the

expected credit losses calculations according to the Group's usual monthly process. The increase in credit impairment provisions due to changes in macroeconomic scenarios was SEK 1 028m. See the reconciliation of credit impairment provisions for loans in Note 11.

IFRS 9 scenario

30 Jun 2020	Positive scenario			Baseline scenario			Negative scenario		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Sweden									
GDP (% annual)	1.2	-3.9	3.7	1.2	-5.1	1.7	1.2	-9.9	-2.0
Unemployment (% annual) ¹⁾	6.8	8.8	8.1	6.8	9.6	10.3	6.8	10.3	14.0
House prices (% annual change)	2.3	5.1	6.0	2.3	0.5	-1.5	2.3	-4.9	-6.7
Stibor 3m (%)	-0.03	0.18	0.24	-0.03	0.18	0.17	-0.03	-0.01	-0.57
Estonia									
GDP (% annual)	4.4	-2.4	3.7	4.4	-7.0	5.0	4.4	-11.2	-1.0
Unemployment (% annual)	4.5	6.8	6.2	4.5	9.5	7.7	4.5	11.3	16.3
House prices (% annual change)	7.3	4.4	3.5	7.3	-0.9	0.5	7.3	-9.9	-16.1
Latvia									
GDP (% annual)	2.2	-2.9	4.3	2.2	-7.5	4.3	2.2	-11.3	-1.3
Unemployment (% annual)	6.3	7.2	6.6	6.3	9.5	8.5	6.3	11.8	15.3
House prices (% annual change)	7.3	4.2	4.1	7.3	-3.1	0.8	7.3	-8.3	-16.2
Lithuania									
GDP (% annual)	3.9	-1.2	3.6	3.9	-6.5	4.5	3.9	-9.7	-2.6
Unemployment (% annual)	6.3	7.2	6.4	6.3	8.9	7.2	6.3	11.9	15.5
House prices (% annual change)	6.0	6.3	2.9	6.0	1.1	-0.4	6.0	-6.4	-15.4
Global indicators									
US GDP (% annual)	2.3	-3.2	5.0	2.3	-5.8	4.1	2.3	-9.4	-2.9
EU GDP (% annual)	1.2	-5.4	2.0	1.2	-6.9	4.6	1.2	-10.8	0.1
Brent Crude Oil (USD)	64.1	48.0	54.3	64.1	39.1	39.9	64.1	32.2	30.2
Euribor 6m (%)	-0.30	-0.31	0.16	-0.30	-0.39	-0.44	-0.30	-0.58	-0.74

¹⁾ Unemployment rate, 15-74 years

31 Mar 2020	Positive scenario			Baseline scenario			Negative scenario		
	2019 ¹⁾	2020	2021	2019 ¹⁾	2020	2021	2019 ¹⁾	2020	2021
Sweden									
GDP (% annual)	1.3	0.3	1.4	1.3	-4.4	3.7	1.3	-7.4	-2.9
Unemployment (% annual) ²⁾	6.8	7.7	7.6	6.8	9.2	8.6	6.8	11.6	13.6
House prices (% annual change)	2.3	4.6	6.2	2.3	-0.6	3.3	2.3	-9.9	-2.6
Stibor 3m (%)	-0.03	0.06	0.44	-0.03	-0.04	-0.02	-0.03	-0.25	-0.60
Estonia									
GDP (% annual)	4.4	1.1	2.3	4.4	-5.0	5.0	4.4	-6.6	-2.7
Unemployment (% annual)	4.5	5.5	5.7	4.5	8.2	7.1	4.5	8.8	14.2
House prices (% annual change)	7.2	3.9	4.2	7.2	-3.3	1.0	7.2	-11.7	-14.4
Latvia									
GDP (% annual)	2.2	0.4	2.2	2.2	-4.9	4.9	2.2	-6.3	-1.8
Unemployment (% annual)	6.3	6.5	6.4	6.3	7.7	7.0	6.3	9.7	15.2
House prices (% annual change)	7.3	3.2	4.0	7.3	-3.9	-0.2	7.3	-10.2	-14.0
Lithuania									
GDP (% annual)	3.9	1.7	2.2	3.9	-5.0	5.0	3.9	-6.5	-3.2
Unemployment (% annual)	6.3	6.6	6.4	6.3	8.0	7.2	6.3	9.4	14.8
House prices (% annual change)	6.0	4.0	4.3	6.0	-2.7	0.8	6.0	-11.3	-15.5
Global indicators									
US GDP (% annual)	2.3	0.8	1.7	2.3	-3.1	3.3	2.3	-4.9	2.0
EU GDP (% annual)	1.2	-0.7	0.9	1.2	-4.0	3.7	1.2	-6.8	1.5
Brent Crude Oil (USD)	64.1	46.7	53.8	64.1	37.9	39.6	64.1	30.8	29.9
Euribor 6m (%)	-0.30	-0.26	0.34	-0.30	-0.41	-0.10	-0.30	-0.72	-0.74

¹⁾ Forecasted 2019 values, as the actual official numbers were not published when the outlook was set.

²⁾ Unemployment rate, 15-74 years

31 Dec 2019	Positive scenario			Baseline scenario			Negative scenario		
	2019 ¹⁾	2020	2021	2019 ¹⁾	2020	2021	2019 ¹⁾	2020	2021
Sweden									
GDP (% annual)	1.3	2.2	2.1	1.3	1.0	1.4	1.3	-6.3	-1.5
Unemployment (% annual) ²⁾	6.8	6.3	5.7	6.8	7.1	7.2	6.8	8.9	11.8
House prices (% annual change)	2.2	7.2	5.8	2.2	5.0	5.0	2.2	-14.9	-7.7
Stibor 3m (%)	-0.03	0.35	0.75	-0.03	0.15	0.15	-0.03	-0.53	-0.35
Estonia									
GDP (% annual)	3.2	4.2	3.2	3.2	2.1	2.5	3.2	-6.1	-4.7
Unemployment (% annual)	4.9	4.7	4.6	4.9	5.1	5.4	4.9	9.1	13.7
House prices (% annual change)	6.3	9.5	7.0	6.3	4.5	4.2	6.3	-15.2	-18.5
Latvia									
GDP (% annual)	2.3	4.1	3.4	2.3	2.0	2.4	2.3	-5.8	-4.2
Unemployment (% annual)	6.5	6.4	6.4	6.5	6.6	6.6	6.5	10.7	15.1
House prices (% annual change)	8.2	10.9	9.3	8.2	4.9	4.8	8.2	-11.2	-14.0
Lithuania									
GDP (% annual)	3.7	4.2	3.0	3.7	2.0	2.5	3.7	-5.2	-3.3
Unemployment (% annual)	6.2	5.9	5.6	6.2	6.2	6.0	6.2	9.8	14.3
House prices (% annual change)	4.7	8.3	7.2	4.7	4.8	4.8	4.7	-14.7	-16.0
Global indicators									
US GDP (% annual)	2.3	2.7	2.8	2.3	1.5	2.0	2.3	-1.1	0.3
EU GDP (% annual)	1.1	2.0	2.2	1.1	1.0	1.4	1.1	-2.0	0.5
Brent Crude Oil (USD)	62.8	61.0	70.8	62.8	50.8	55.3	62.8	32.7	39.3
Euribor 6m (%)	-0.30	-0.10	0.61	-0.30	-0.35	0.00	-0.30	-0.71	-0.61

¹⁾ Forecasted 2019 values, as the actual official numbers were not published when the outlook was set.

²⁾ Unemployment rate, 15-74 years

The world economy is in the middle of one of the worst crises in recorded history, as a result of the lockdown that is a response to Covid-19. The reopening of societies is, and will continue to be, slow and gradual. Following this, our view on the global economic outlook has become more pessimistic than our main scenario in March 2020 and we expect the world economy to shrink by 4 per cent in 2020. We expect to see a rebound after the second quarter of 2020, but the rebound will be more gradual and more muted compared to our expectation in March 2020. Particularly, we expect that trade, investments and travel are unlikely to see any strong upswing this year.

The forecast is based on a few important conditions: the virus peaked in Europe and the US at the beginning of the second quarter 2020; restrictive measures to stop the spread of the infection are now gradually being rolled back; several restrictions will remain in place for the rest of the year; and further economic measures will be introduced to support businesses and households, thus enabling a recovery.

Sweden

The decline in the Swedish economy this year is deep and extensive. Despite unprecedented fiscal and monetary policy measures, the recovery is protracted, and unemployment remains at a high level for a long time. Household consumption, investment and exports are falling steeply. Exports are declining sharply in the wake of the pandemic and severe restrictions on Sweden's important export markets, not least in Europe, and many companies are also suffering from broken supply chains. About half of households' basket of consumption, mainly within durables and services consumption, is registering a sharp decline. We expect

GDP to contract by 5 per cent this year and increase by about 2 per cent next year, compared to -4 per cent and +4 per cent in the previous forecast.

Unemployment is rising sharply and is expected to approach nearly 11 per cent this summer, after starting the year at just over 7 per cent. This corresponds to an increase in the number of unemployed persons of nearly 300,000 people and an average unemployment rate of close to 10 per cent in 2020.

The sharp slowdown in the economy and the fall in households' confidence are also affecting the housing market. With a more protracted recovery and high unemployment, we expect the housing market to remain subdued this year. Housing construction is also expected to be negatively affected this year. Later in 2020 and in 2021, we estimate that the housing market will recover. Interest rates remain low and the need for housing in an ever-growing population is high.

Baltics

Demand shock and supply chain disruptions caused by the Covid-19 pandemic are also hitting the Baltic economies, whose GDP will face a dramatic drop in 2020, most notably in the second quarter. The labour market is weakening, with unemployment rates increasing to 9-9.5 per cent on average this year. Wage growth will slow considerably or even stall this year. Households and businesses will likely spend cautiously. Housing prices will decline; however, the Baltic countries are unlikely to suffer markedly more than the rest of the euro area as all three countries have entered this crisis with relatively balanced economies. The Baltics have managed to avoid the worst of pandemic – the virus spread was quickly contained, allowing them to start to gradually ease the virus containment measures, which from the beginning have been milder than in many other European countries. Provided there is no

second wave, this gives ground for a relatively quick recovery of domestic demand.

Sensitivity

Set out below are the credit impairment provisions as at 30 June 2020 that would result from the downside and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	2 800	26%
	Upside scenario	1 870	-16%
Baltic Banking	Downside scenario	1 100	37%
	Upside scenario	617	-23%
LC&I	Downside scenario	9 657	31%
	Upside scenario	5 034	-32%
Group ¹⁾	Downside scenario	13 569	30%
	Upside scenario	7 533	-28%

¹⁾ Including Group Functions & Other.

Note 10 Loans

30 Jun 2020	Non credit-impaired						Credit impaired			Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL			
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	
<i>Loans to the public at amortised cost</i>										
Private customers	1 020 960	127	1 020 833	46 607	304	46 303	2 335	508	1 827	1 068 963
Private mortgage	885 470	47	885 423	36 514	181	36 333	1 717	305	1 412	923 168
Tenant owner associations	93 899	14	93 885	3 296	10	3 286	139	3	136	97 307
Private other	41 591	66	41 525	6 797	113	6 684	479	200	279	48 488
Corporate customers	470 101	860	469 241	82 508	2 018	80 490	11 324	5 505	5 819	555 550
Agriculture, forestry, fishing	57 887	28	57 859	8 016	101	7 915	188	29	159	65 933
Manufacturing	33 991	145	33 846	8 592	156	8 436	1 267	992	275	42 557
Public sector and utilities	21 489	36	21 453	1 459	35	1 424	96	42	54	22 931
Construction	14 485	31	14 454	5 618	158	5 460	511	183	328	20 242
Retail	22 859	71	22 788	7 437	346	7 091	616	241	375	30 254
Transportation	13 465	17	13 448	2 502	27	2 475	25	8	17	15 940
Shipping and offshore	8 539	33	8 506	5 416	486	4 930	6 970	3 490	3 480	16 916
Hotels and restaurants	5 729	9	5 720	3 952	76	3 876	128	34	94	9 690
Information and communication	9 527	26	9 501	2 958	58	2 900	19	4	15	12 416
Finance and insurance	18 197	64	18 133	836	4	832	21	8	13	18 978
Property management, including	226 098	326	225 772	29 112	391	28 721	901	220	681	255 174
Residential properties	67 176	85	67 091	9 845	125	9 720	112	46	66	76 877
Commercial	91 710	147	91 563	10 134	87	10 047	589	138	451	102 061
Industrial and Warehouse	42 844	62	42 782	3 569	23	3 546	172	31	141	46 469
Other	24 368	32	24 336	5 564	156	5 408	28	5	23	29 767
Professional services	20 070	59	20 011	4 114	126	3 988	446	214	232	24 231
Other corporate lending	17 765	15	17 750	2 496	54	2 442	136	40	96	20 288
<i>Loans to the public at fair value through profit or loss</i>										
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 491 061	987	1 490 074	129 115	2 322	126 793	13 659	6 013	7 646	1 624 697
Swedish National Debt Office	2		2							2
Repurchase agreements ¹⁾										90 571
Loans to the public	1 491 063	987	1 490 076	129 115	2 322	126 793	13 659	6 013	7 646	1 715 270
Banks and other credit institutions	50 431	38	50 393	63	2	61				50 454
Repurchase agreements ¹⁾										9 955
Loans to credit institutions	50 431	38	50 393	63	2	61				60 409
Loans to the public and credit institutions	1 541 494	1 025	1 540 469	129 178	2 324	126 854	13 659	6 013	7 646	1 775 679

¹⁾ At fair value through profit or loss

31 Dec 2019	Non credit-impaired						Credit impaired				Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL				
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net		
<i>Loans to the public at amortised cost</i>											
Private customers	1 002 000	72	1 001 928	49 132	255	48 877	2 196	479	1 717	1 052 522	
Private mortgage	864 774	26	864 748	38 657	159	38 498	1 661	301	1 360	904 606	
Tenant owner associations	95 372	6	95 366	4 131	12	4 119	126	4	122	99 607	
Private other	41 854	40	41 814	6 344	84	6 260	409	174	235	48 309	
Corporate customers	490 368	407	489 961	57 057	1 092	55 965	11 397	4 374	7 023	552 949	
Agriculture, forestry, fishing	56 898	14	56 884	8 304	89	8 215	199	38	161	65 260	
Manufacturing	38 438	91	38 347	3 794	63	3 731	1 186	808	378	42 456	
Public sector and utilities	21 901	17	21 884	850	11	839	64	14	50	22 773	
Construction	15 089	13	15 076	3 929	55	3 874	511	186	325	19 275	
Retail	26 241	28	26 213	5 714	236	5 478	460	225	235	31 926	
Transportation	13 022	8	13 014	2 174	17	2 157	32	6	26	15 197	
Shipping and offshore	10 483	28	10 455	3 982	203	3 779	6 837	2 596	4 241	18 475	
Hotels and restaurants	8 208	6	8 202	1 315	27	1 288	103	21	82	9 572	
Information and communication	11 002	18	10 984	1 583	61	1 522	9	2	7	12 513	
Finance and insurance	16 300	10	16 290	643	2	641	12	8	4	16 935	
Property management, including	233 217	144	233 073	20 515	244	20 271	1 454	239	1 215	254 559	
Residential properties	71 810	35	71 775	7 706	100	7 606	145	49	96	79 477	
Commercial	93 108	61	93 047	5 401	64	5 337	1 137	147	990	99 374	
Industrial and Warehouse	43 708	35	43 673	3 367	28	3 339	96	9	87	47 099	
Other	24 591	13	24 578	4 041	52	3 989	76	34	42	28 609	
Professional services	21 621	20	21 601	2 895	55	2 840	325	172	153	24 594	
Other corporate lending	17 948	10	17 938	1 359	29	1 330	205	59	146	19 414	
<i>Loans to the public at fair value through profit or loss</i>											
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 492 368	479	1 491 889	106 189	1 347	104 842	13 593	4 853	8 740	1 605 625	
Swedish National Debt Office Repurchase agreements ¹⁾	4		4							4	
Loans to the public	1 492 372	479	1 491 893	106 189	1 347	104 842	13 593	4 853	8 740	1 652 296	
Banks and other credit institutions Repurchase agreements ¹⁾	45 373	4	45 369	75	1	74				45 443	
Loans to credit institutions	45 373	4	45 369	75	1	74				45 452	
Loans to the public and credit institutions	1 537 745	483	1 537 262	106 264	1 348	104 916	13 593	4 853	8 740	1 697 748	

¹⁾ At fair value through profit or loss

30 Jun 2019	Non credit-impaired						Credit impaired				Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL				
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net		
<i>Loans to the public at amortised cost</i>											
Private customers	993 233	76	993 157	50 342	267	50 075	2 317	499	1 818	1 045 050	
Private mortgage	850 188	28	850 160	40 738	179	40 559	1 826	323	1 503	892 222	
Tenant owner associations	100 314	9	100 305	3 861	15	3 846	101	7	94	104 245	
Private other	42 731	39	42 692	5 743	73	5 670	390	169	221	48 583	
Corporate customers	506 852	465	506 387	55 164	1 161	54 003	9 673	3 552	6 121	566 511	
Agriculture, forestry, fishing	58 770	19	58 751	8 793	105	8 688	141	27	114	67 553	
Manufacturing	38 770	89	38 681	5 052	127	4 925	1 316	454	862	44 468	
Public sector and utilities	19 829	16	19 813	1 074	15	1 059	63	14	49	20 921	
Construction	16 279	17	16 262	3 916	83	3 833	119	28	91	20 186	
Retail	27 311	34	27 277	4 249	101	4 148	710	528	182	31 607	
Transportation	13 234	8	13 226	1 580	17	1 563	31	7	24	14 813	
Shipping and offshore	11 344	32	11 312	5 439	310	5 129	5 633	1 846	3 787	20 228	
Hotels and restaurants	7 860	7	7 853	954	16	938	104	18	86	8 877	
Information and communication	11 528	17	11 511	1 728	54	1 674	158	138	20	13 205	
Finance and insurance	16 267	11	16 256	584	5	579	10	6	4	16 839	
Property management, including	240 532	174	240 358	16 881	207	16 674	817	274	543	257 575	
Residential properties	69 496	42	69 454	6 404	75	6 329	206	91	115	75 898	
Commercial	97 722	71	97 651	5 351	56	5 295	497	149	348	103 294	
Industrial and Warehouse	47 864	42	47 822	2 094	21	2 073	42	10	32	49 927	
Other	25 450	19	25 431	3 032	55	2 977	72	24	48	28 456	
Professional services	24 957	23	24 934	3 242	88	3 154	325	143	182	28 270	
Other corporate lending	20 171	18	20 153	1 672	33	1 639	246	69	177	21 969	
<i>Loans to the public at fair value through profit or loss</i>											
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 500 085	541	1 499 544	105 506	1 428	104 078	11 990	4 051	7 939	1 611 668	
Swedish National Debt Office Repurchase agreements ¹⁾	4 004		4 004							4 004	
Loans to the public	1 504 089	541	1 503 548	105 506	1 428	104 078	11 990	4 051	7 939	1 678 109	
Banks and other credit institutions Repurchase agreements ¹⁾	35 602	8	35 594	39		39				35 633	
Loans to credit institutions	35 602	8	35 594	39		39				4 546	
Loans to the public and credit institutions	1 539 691	549	1 539 142	105 545	1 428	104 117	11 990	4 051	7 939	1 718 288	

¹⁾ At fair value through profit or loss

Ratios	30 Jun 2020	31 Dec 2019	30 Jun 2019
Share of Stage 3 loans, gross, %	0.81	0.82	0.72
Share of Stage 3 loans, net, %	0.46	0.53	0.48
Credit impairment provision ratio Stage 1 loans	0.07	0.03	0.04
Credit impairment provision ratio Stage 2 loans	1.80	1.27	1.35
Credit impairment provision ratio Stage 3 loans	44.02	35.70	33.79
Total credit impairment provision ratio	0.56	0.40	0.36

Note 11 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

The table below provides a reconciliation of credit impairment provisions for loans to the public and credit institutions at amortised cost.

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
Group				
SEKm				
Carrying amount before provisions				
Opening balance as of 1 January 2020	1 537 745	106 264	13 593	1 657 602
Closing balance as of 30 June 2020	1 541 494	129 178	13 659	1 684 331
Credit impairment provisions				
Opening balance as of 1 January 2020	483	1 348	4 853	6 684
<i>Movements affecting Credit impairment line</i>				
New and derecognised financial assets, net	200	61	-114	147
Changes in risk factors (EAD, PD, LGD)	117	159	65	341
Changes in macroeconomic scenarios	478	328	10	816
Changes due to expert credit judgement (individual assessments and manual adjustments)			989	989
Stage transfers	-239	468	286	515
<i>from 1 to 2</i>	-256	585		329
<i>from 1 to 3</i>	-2		98	96
<i>from 2 to 1</i>	18	-81		-63
<i>from 2 to 3</i>		-42	253	211
<i>from 3 to 2</i>		6	-31	-25
<i>from 3 to 1</i>	1		-34	-33
Other			-91	-91
Total movements affecting Credit impairment line	556	1 016	1 145	2 717
<i>Movements recognised outside Credit impairment line</i>				
Interest			91	91
Change in exchange rates	-14	-40	-76	-130
Closing balance as of 30 June 2020	1 025	2 324	6 013	9 362
Carrying amount				
Opening balance as of 1 January 2020	1 537 262	104 916	8 740	1 650 918
Closing balance as of 30 June 2020	1 540 469	126 854	7 646	1 674 969

Stage transfers are reflected as taking place at the end of the reporting period.

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
Group				
SEKm				
Carrying amount before provisions				
Opening balance as of 1 January 2019	1 510 787	107 664	11 239	1 629 690
Closing balance as of 30 June 2019	1 539 691	105 545	11 990	1 657 226
Credit impairment provisions				
Opening balance as of 1 January 2019	492	1 737	3 797	6 026
<i>Movements affecting Credit impairment line</i>				
New and derecognised financial assets, net	51	-185	-303	-437
Changes in risk factors (EAD, PD, LGD)	-6	-379	14	-371
Changes in macroeconomic scenarios	49	82	-2	129
Changes due to expert credit judgement (individual assessments and manual adjustments)			-135	-135
Stage transfers	-44	139	583	678
<i>from 1 to 2</i>	-70	278		208
<i>from 1 to 3</i>	-5		103	98
<i>from 2 to 1</i>	31	-94		-63
<i>from 2 to 3</i>		-81	557	476
<i>from 3 to 2</i>		36	-68	-32
<i>from 3 to 1</i>	0		-9	-9
Other	-1		-68	-69
Total movements affecting Credit impairment line	49	-343	89	-205
<i>Movements recognised outside Credit impairment line</i>				
Interest			69	69
Change in exchange rates	8	34	96	138
Closing balance as of 30 June 2019	549	1 428	4 051	6 028
Carrying amount				
Opening balance as of 1 January 2019	1 510 295	105 927	7 442	1 623 664
Closing balance as of 30 June 2019	1 539 142	104 117	7 939	1 651 198

Commitments and guarantees

The table below provides a reconciliation of credit impairment provisions for commitments and financial guarantees.

SEKm	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	Total
Nominal amount				
Opening balance as of 1 January 2020	322 384	11 325	1 248	334 957
Closing balance as of 30 June 2020	339 832	24 341	1 186	365 359
Credit impairment provisions				
Opening balance as of 1 January 2020	113	144	326	583
<i>Movements affecting Credit impairment line</i>				
New and derecognosed financial assets, net	76	30	-43	63
Changes in risk factors (EAD, PD, LGD)	62	37	4	103
Changes in macroeconomic scenarios	169	43		212
Changes due to expert credit judgement (manual adjustments and individual assessments)				
Stage transfers	-144	193	75	124
from stage 1 to stage 2	-145	214		69
from stage 1 to stage 3	-1		10	9
from stage 2 to stage 1	2	-6		-4
from stage 2 to stage 3		-15	65	50
Other				
Total movements affecting Credit impairment line	163	303	36	502
<i>Movements recognised outside Credit impairment line</i>				
Change in exchange rates	-5	-5	-9	-19
Closing balance as of 30 June 2020	271	442	353	1 066

SEKm	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	Total
Nominal amount				
Opening balance as of 1 January 2019	312 311	9 969	804	323 084
Closing balance as of 30 June 2019	323 163	11 614	1 140	335 917
Credit impairment provisions				
Opening balance as of 1 January 2019	94	208	105	407
<i>Movements affecting Credit impairment line</i>				
New and derecognosed financial assets, net	12	0	40	52
Changes in risk factors (EAD, PD, LGD)	-11	-45	-6	-62
Changes in macroeconomic scenarios	17	13		30
Changes due to expert credit judgement (manual adjustments and individual assessments)			146	146
Stage transfers	-3	-27	104	74
from 1 to 2	-5	14		9
from 1 to 3	0		28	28
from 2 to 1	2	-7		-5
from 2 to 3		-34	76	42
Total movements affecting Credit impairment line	15	-59	284	240
<i>Movements recognised outside Credit impairment line</i>				
Change in exchange rates	3	7	3	13
Closing balance as of 30 June 2019	112	156	392	660

Note 12 Credit risk exposures

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Assets					
Cash and balances with central banks	380 083	195 286	95	246 679	54
Interest-bearing securities	248 157	194 461	28	200 204	24
Loans to credit institutions	60 409	45 452	33	40 179	50
Loans to the public	1 715 270	1 652 296	4	1 678 109	2
Derivatives	53 949	44 424	21	45 703	18
Other financial assets	41 344	8 804		20 737	99
Total assets	2 499 212	2 140 723	17	2 231 611	12
Contingent liabilities and commitments					
Guarantees	52 871	52 035	2	50 492	5
Commitments	316 310	288 460	10	289 711	9
Total contingent liabilities and commitments	369 181	340 495	8	340 203	9
Total credit exposures	2 868 393	2 481 218	16	2 571 814	12

Note 13 Intangible assets

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
With indefinite useful life					
Goodwill	13 742	13 709		13 849	-1
Brand name	92	94	-2	161	-43
Total	13 834	13 803		14 010	-1
With finite useful life					
Customer base	314	336	-7	358	-12
Internally developed software	3 777	3 350	13	2 989	26
Other	352	375	-6	347	1
Total	4 443	4 061	9	3 694	20
Total intangible assets	18 277	17 864	2	17 704	3

At 30 June 2020 there was no indication of an impairment of intangible assets but due to Covid-19 and continued uncertainty about the future economic

development, the carrying amount of goodwill was reviewed for impairment. There was no need for an impairment.

Note 14 Amounts owed to credit institutions

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Amounts owed to credit institutions					
Central banks	89 735	6 306		15 570	
Banks	82 090	57 878	42	71 919	14
Other credit institutions	4 954	5 498	-10	5 861	-15
Repurchase agreements - banks	3 827	4		3 238	18
Repurchase agreements - other credit institutions	6 009			1 379	
Amounts owed to credit institutions	186 615	69 686		97 967	90

Note 15 Deposits and borrowings from the public

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Deposits from the public					
Private customers	567 876	531 139	7	526 043	8
Corporate customers	539 582	422 527	28	425 999	27
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	1 107 457	953 666	16	952 042	16
Swedish National Debt Office	53	328	-84	267	-80
Repurchase agreements - Swedish National Debt Office	0	1			
Repurchase agreements - public	14 095	18		14 491	-3
Deposits and borrowings from the public	1 121 606	954 013	18	966 800	16

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

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Commercial papers	185 191	128 772	44	184 519	
Covered bonds	541 144	589 627	-8	577 189	-6
Senior unsecured bonds	136 140	128 445	6	142 327	-4
Structured retail bonds	6 754	8 910	-24	10 199	-34
Total debt securities in issue	869 229	855 754	2	914 234	-5
Senior non-preferred liabilities	10 837	10 805			
Subordinated liabilities	25 421	31 934	-20	27 532	-8
Total debt securities in issue, senior non-preferred liabilities and subordinated liabilities	905 487	898 493	1	941 766	-4

Turnover during the period	Jan-Jun 2020	Full-year 2019	%	Jan-Jun 2019	%
Opening balance	898 493	838 544	7	838 544	7
Issued	279 639	631 819	-56	402 367	-31
Repurchased	-35 707	-21 017	70	-13 650	
Repaid	-240 963	-561 777	-57	-301 461	-20
Interest, change in fair value and fair value of hedged item in fair value hedge accounting	7 126	462		4 573	56
Changes in exchange rates	-3 101	10 462		11 393	
Closing balance	905 487	898 493	1	941 766	-4

Note 17 Derivatives

Group SEKm	Nominal amount			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	< 1 yr.	1-5 yrs.	> 5 yrs.						
Derivatives in hedge accounting	210 680	738 953	64 061	1 013 694	1 011 702	17 390	13 905	2 802	1 898
Fair value hedges, interest rate swaps	101 188	429 419	47 601	578 208	608 694	17 037	13 013	82	534
Portfolio fair value hedges, interest rate swaps	108 556	309 011	8 715	426 282	393 728	150	702	2 688	1 331
Cash flow hedges, foreign currency basis swaps	936	523	7 745	9 204	9 280	203	190	32	33
Non-hedging derivatives	7 171 817	7 111 956	3 708 580	17 992 353	16 051 211	126 164	102 832	139 017	113 311
Gross amount	7 382 497	7 850 909	3 772 641	19 006 047	17 062 913	143 554	116 738	141 819	115 209
Offset amount	-4 719 999	-6 450 339	-3 288 063	-14 458 401	-12 057 460	-89 605	-72 314	-87 464	-74 232
Total	2 662 498	1 400 570	484 578	4 547 646	5 005 453	53 949	44 424	54 355	40 977

The Group trades derivatives in the normal course of business and to hedge certain positions with regards to the value of equities, interest rates and currencies.

Note 18 Fair value of financial instruments

Group SEKm	30 Jun 2020			31 Dec 2019		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	380 083	380 083		195 286	195 286	
Treasury bills and other bills eligible for refinancing with central banks	158 112	158 093	19	137 119	137 094	25
Loans to credit institutions	60 409	60 409		45 452	45 452	
Loans to the public	1 719 275	1 715 270	4 005	1 660 659	1 652 296	8 363
Value change of interest hedged items in portfolio hedge	2 315	2 315		271	271	
Bonds and interest-bearing securities	90 066	90 064	2	57 369	57 367	2
Financial assets for which the customers bear the investment risk	222 808	222 808		224 893	224 893	
Shares and participating interest	4 811	4 811		6 568	6 568	
Derivatives	53 949	53 949		44 424	44 424	
Other financial assets	41 344	41 344		8 804	8 804	
Total	2 733 172	2 729 146	4 026	2 380 845	2 372 455	8 390
Investment in associates		6 931			6 679	
Non-financial assets		28 786			29 094	
Total		2 764 863			2 408 228	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	189 550	186 615	2 935	69 569	69 686	-117
Deposits and borrowings from the public	1 121 595	1 121 606	-11	953 996	954 013	-17
Debt securities in issue	870 937	869 229	1 708	861 883	855 754	6 129
Financial liabilities for which the customers bear the investment risk	223 516	223 516		225 792	225 792	
Senior non-preferred liabilities	10 837	10 837		10 805	10 805	
Subordinated liabilities	25 421	25 421		31 730	31 934	-204
Derivatives	54 355	54 355		40 977	40 977	
Short positions securities	29 816	29 816		34 345	34 345	
Other financial liabilities	54 362	54 359	3	28 115	28 115	
Total	2 580 389	2 575 754	4 635	2 257 212	2 251 421	5 791
Non-financial liabilities		18 677			18 174	
Total		2 594 431			2 269 595	

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

The Group uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible, and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided into three different levels:

- Level 1: Unadjusted quoted price on an active market
- Level 2: Adjusted quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair value.

Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. For any open net position, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions at ask price.

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. There were no transfers of financial instruments between valuation levels 1 and 2 during the quarter.

Financial instruments recognised at fair value

Group 30 Jun 2020 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	25 544	3 667		29 211
Loans to credit institutions		9 955		9 955
Loans to the public		90 755		90 755
Bonds and other interest-bearing securities	27 737	62 289		90 026
Financial assets for which the customers bear the investment risk	222 808			222 808
Shares and participating interests	2 913		1 898	4 811
Derivatives	64	53 885		53 949
Total	279 066	220 551	1 898	501 515
Liabilities				
Amounts owed to credit institutions		9 836		9 836
Deposits and borrowings from the public		14 096		14 096
Debt securities in issue		8 585		8 585
Financial liabilities for which the customers bear the investment risk		223 516		223 516
Derivatives	83	54 272		54 355
Short positions, securities	27 652	2 164		29 816
Total	27 735	312 469		340 204

Group 31 Dec 2019 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	12 405	4 115		16 520
Loans to credit institutions		9		9
Loans to the public		46 821		46 821
Bonds and other interest-bearing securities	22 935	34 394		57 329
Financial assets for which the customers bear the investment risk	224 893			224 893
Shares and participating interests	4 714		1 854	6 568
Derivatives	12	44 412		44 424
Total	264 959	129 751	1 854	396 564
Liabilities				
Amounts owed to credit institutions		4		4
Deposits and borrowings from the public		18		18
Debt securities in issue		10 785		10 785
Financial liabilities for which the customers bear the investment risk		225 792		225 792
Derivatives	16	40 961		40 977
Short positions, securities	31 864	2 481		34 345
Total	31 880	280 041		311 921

Level 3 primarily contains unlisted equity instruments. The unlisted equity instruments include strategic investments. Swedbank's holdings in VISA Inc. shares are subject to selling restrictions for a period of up to 9 years and under certain conditions may have to be returned. Liquid quotes are not available for the instrument, therefore its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The valuation of unlisted shares is based on executed transactions or quoted share price of similar equities.

For the shares in level 3 the price is unobservable, this implies that the sensitivity in the value to changes in the unobservable parameter is linear. To estimate the unobservable price different methods are applied depending on the type of available data. Input to these methods are primarily prices, proxy prices, market indicators and company information.

Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance to the valuation.

Changes in level 3 Group SEKm	Assets	
	Equity instruments	Total
January-June 2020		
Opening balance 1 January 2020	1 854	1 854
Purchases	8	8
Sale of assets/ dividends received	-1	-1
Gains and losses	37	37
of which changes in unrealised gains or losses for items held at closing day	43	43
Closing balance 30 June 2020	1 898	1 898

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-June 2019			
Opening balance 1 January 2019	1 264	2	1 266
Purchases	41		41
Sale of assets/ dividends received	-4		-4
Maturities		-1	-1
Gains and losses	370	-1	369
of which changes in unrealised gains or losses for items held at closing day	232		232
Closing balance 30 June 2019	1 671	0	1 671

Note 19 Pledged collateral and contingent liabilities

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Loan receivables ¹⁾	614 284	578 758	6	563 736	9
Financial assets pledged for insurance policy holders	218 503	220 589	-1	202 724	8
Other assets pledged	120 207	52 720		52 488	
Pledged collateral	952 994	852 067	12	818 948	16

¹⁾ The pledge is defined as the borrower's nominal debt including accrued interest. Refers to the loans of the total available collateral that are used as the pledge at each point in time.

Group SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Guarantees	52 871	52 035	2	50 492	5
Other	252			294	-14
Contingent liabilities	53 123	52 035	2	50 786	5

Swedbank is cooperating with authorities in the United States who are conducting investigations into Swedbank's historic AML compliance and the Group's response thereto, as well as related issues involving the Group's anti-money laundering controls and certain individuals and entities who may at some time have

been customers of the Group. The timing of the completion of the investigations is still unknown and the outcome is still uncertain. At present, it is not possible to reliably estimate the amount of any potential settlement or fines, which could be material.

Note 20 Offsetting financial assets and liabilities

The table below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do

not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions.

Group SEKm	Assets			Liabilities		
	30 Jun 2020	31 Dec 2019	%	30 Jun 2020	31 Dec 2019	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	322 760	212 597	52	250 037	163 345	53
Offset amount	-171 809	-123 222	39	-169 668	-125 140	36
Net amounts presented in the balance sheet	150 951	89 375	69	80 369	38 205	
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	29 579	15 338	93	29 579	15 338	93
Financial Instruments, collateral	86 973	46 961	85	18 494	3 264	
Cash collateral	13 731	11 897	15	23 352	16 104	45
Total amount not offset in the balance sheet	130 283	74 196	76	71 425	34 706	
Net amount	20 668	15 179	36	8 944	3 499	

The amount offset for derivative assets includes offset cash collateral of SEK 4 370m (2 783) derived from the balance sheet item Amounts owed to credit institutions.

The amount offset for derivative liabilities includes offset cash collateral of SEK 2 228m (4 701), derived from the balance sheet item Loans to credit institutions.

Note 21 Capital adequacy, consolidated situation

Capital adequacy	30 Jun	31 Dec	30 Jun
SEKm	2020	2019	2019
Shareholders' equity according to the Group's balance sheet	144 394	138 608	129 403
Non-controlling interests			77
Anticipated dividend ⁶⁾	-11 435	-9 856	-5 303
Deconsolidation of insurance companies	-977	-758	-227
Value changes in own financial liabilities	-99	-90	-109
Cash flow hedges	-4	-5	-5
Additional value adjustments ¹⁾	-752	-454	-572
Goodwill	-13 829	-13 799	-13 938
Deferred tax assets	-148	-108	-130
Intangible assets	-3 726	-3 433	-3 198
Shares deducted from CET1 capital	-27	-32	-31
Common Equity Tier 1 capital	113 397	110 073	105 967
Additional Tier 1 capital	9 582	16 153	11 525
Total Tier 1 capital	122 979	126 226	117 492
Tier 2 capital	16 959	15 328	15 590
Total own funds	139 938	141 554	133 082
Minimum capital requirement for credit risks, standardised approach	3 846	3 614	3 510
Minimum capital requirement for credit risks, IRB	22 667	21 559	22 260
Minimum capital requirement for credit risk, default fund contribution	51	47	58
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 561	1 308	1 172
Trading book	1 533	1 292	1 161
of which VaR and SVaR	1 063	1 021	901
of which risks outside VaR and SVaR	470	271	260
FX risk other operations	28	16	11
Minimum capital requirement for credit value adjustment	401	378	350
Minimum capital requirement for operational risks	5 716	5 481	5 481
Additional minimum capital requirement, Article 3 CRR ²⁾	3 268	2 451	2 845
Additional minimum capital requirement, Article 458 CRR ⁵⁾	17 878	17 101	16 972
Minimum capital requirement	55 388	51 939	52 648
Risk exposure amount credit risks, standardised approach	48 077	45 174	43 869
Risk exposure amount credit risks, IRB	283 330	269 485	278 258
Risk exposure amount default fund contribution	636	584	725
Risk exposure amount settlement risks	1	0	0
Risk exposure amount market risks	19 511	16 350	14 649
Risk exposure amount credit value adjustment	5 017	4 730	4 373
Risk exposure amount operational risks	71 454	68 514	68 514
Additional risk exposure amount, Article 3 CRR ²⁾	40 856	30 635	35 562
Additional risk exposure amount, Article 458 CRR ⁵⁾	223 470	213 765	212 147
Risk exposure amount	692 352	649 237	658 097
Common Equity Tier 1 capital ratio, %	16.4	17.0	16.1
Tier 1 capital ratio, %	17.8	19.4	17.9
Total capital ratio, %	20.2	21.8	20.2
Capital buffer requirement³⁾	30 Jun	31 Dec	30 Jun
%	2020	2019	2019
CET1 capital requirement including buffer requirements	10.0	12.0	11.6
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.0	2.0	1.6
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement ⁴⁾	11.9	12.5	11.6
Leverage ratio	30 Jun	31 Dec	30 Jun
	2020	2019	2019
Tier 1 Capital, SEKm	122 979	126 226	117 492
Leverage ratio exposure, SEKm ⁷⁾	2 693 914	2 353 631	2 468 399
Leverage ratio, %	4.6	5.4	4.8

¹⁾ Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.

²⁾ To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of Eba's Guideline on new default definition and increased safety margins. Additional risk exposure amount according to article 3 CRR per 31 December 2019 includes the mortgage floor effect for reclassification of mortgage offers of SEK 4.2bn. As of 31 March 2020 these are directly included in additional risk exposure amount according to article 458 CRR.

³⁾ Buffer requirement according to Swedish implementation of CRD IV.

⁴⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

⁵⁾ Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from the SFSA.

⁶⁾ Expected dividend based on the annual profit for 2019 and 2020.

⁷⁾ The method for calculating leverage ratio exposure has been changed from Q3 2019, the historical figures has not been revised.

Capital requirements¹⁾	30 Jun	31 Dec	30 Jun	31 Dec
SEKm / %	2020	2019	2020	2019
Capital requirement Pillar 1	93 468	100 766	13.5	15.5
of which Buffer requirements ²⁾	38 079	48 827	5.5	7.5
Total capital requirement Pillar 2 ³⁾	23 002	22 140	3.3	3.4
Total capital requirement Pillar 1 and 2	116 470	122 906	16.8	18.9
Own funds	139 938	141 554		

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

²⁾ Buffer requirements includes systemic risk buffer, capital conservation buffer and countercyclical capital buffer.

³⁾ Systemic risk buffer as of 30 June 2020. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 30 September 2019, in relation to REA as of 30 June 2020.

The consolidated situation for Swedbank as of 30 June 2020 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional

periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: <https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm>

Swedbank consolidated situation	Exposure value		Average risk weight, %		Minimum capital requirement	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
Credit risk, IRB	2020	2019	2020	2019	2020	2019
Central government or central banks exposures	556 156	362 380	1	1	553	402
Institutional exposures	58 902	53 466	20	18	925	788
Corporate exposures	551 587	544 080	32	31	14 205	13 546
Retail exposures	1 206 856	1 184 439	6	7	6 123	6 173
of which mortgage lending	1 111 871	1 070 279	4	5	3 948	3 928
of which other lending	94 985	114 160	29	25	2 175	2 245
Non credit obligation	14 902	12 581	72	65	861	650
Total credit risks, IRB	2 388 403	2 156 946	12	12	22 667	21 559

Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation

30 Jun 2020			
SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	99 072	48 077	3 846
Central government or central banks exposures	64		
Regional governments or local authorities exposures	2 497	385	31
Public sector entities exposures	1 700	207	17
Multilateral development banks exposures	4 526		
Institutional exposures	43 236	954	76
Corporate exposures	8 046	7 857	629
Retail exposures	19 754	14 243	1 139
Exposures secured by mortgages on immovable property	6 036	2 112	169
Exposures in default	711	730	58
Exposures in the form of covered bonds	520	52	4
Exposures in the form of collective investment undertakings (CIUs)	4	4	0
Equity exposures	9 629	20 070	1 606
Other items	2 349	1 463	117
Credit risks, IRB	2 388 403	283 330	22 667
Central government or central banks exposures	556 156	6 907	553
Institutional exposures	58 902	11 557	925
Corporate exposures	551 587	177 563	14 205
of which specialized lending in category 1	70	46	4
of which specialized lending in category 2	290	203	16
of which specialized lending in category 3	145	167	13
of which specialized lending in category 4	108	269	22
of which specialized lending in category 5	18		
Retail exposures	1 206 856	76 541	6 123
of which mortgage lending	1 111 871	49 355	3 948
of which other lending	94 985	27 186	2 175
Non-credit obligation	14 902	10 762	861
Credit risks, Default fund contribution		636	51
Settlement risks	0	1	0
Market risks		19 511	1 561
Trading book		19 166	1 533
of which VaR and SVaR		13 293	1 063
of which risks outside VaR and SVaR		5 873	470
FX risk other operations		345	28
Credit value adjustment	22 599	5 017	401
Operational risks		71 454	5 716
of which Standardised approach		71 454	5 716
Additional risk exposure amount, Article 3 CRR		40 856	3 268
Additional risk exposure amount, Article 458 CRR		223 470	17 878
Total	2 510 074	692 352	55 388

Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation

31 Dec 2019 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	79 511	45 174	3 614
Central government or central banks exposures	64		
Regional governments or local authorities exposures	2 583	371	30
Public sector entities exposures	1 399	161	13
Multilateral development banks exposures	2 061	3	0
Institutional exposures	28 091	659	53
Corporate exposures	5 357	5 095	408
Retail exposures	19 575	14 101	1 128
Exposures secured by mortgages on immovable property	6 608	2 312	185
Exposures in default	736	749	60
Exposures in the form of covered bonds	564	56	4
Exposures in the form of collective investment undertakings (CIUs)	6	6	0
Equity exposures	9 237	19 296	1 544
Other items	3 230	2 365	189
Credit risks, IRB	2 156 946	269 485	21 559
Central government or central banks exposures	362 380	5 021	402
Institutional exposures	53 466	9 855	788
Corporate exposures	544 080	169 325	13 546
of which specialized lending in category 1	50	29	2
of which specialized lending in category 2	284	240	19
of which specialized lending in category 3	141	162	13
of which specialized lending in category 4	116	289	23
of which specialized lending in category 5	18		
Retail exposures	1 184 439	77 162	6 173
of which mortgage lending	1 070 279	49 094	3 928
of which other lending	114 160	28 068	2 245
Non-credit obligation	12 581	8 122	650
Credit risks, Default fund contribution		584	47
Settlement risks	0	0	0
Market risks		16 350	1 308
Trading book		16 150	1 292
of which VaR and SVaR		12 763	1 021
of which risks outside VaR and SVaR		3 387	271
FX risk other operations		200	16
Credit value adjustment	19 004	4 730	378
Operational risks		68 514	5 481
of which Standardised approach		68 514	5 481
Additional risk exposure amount, Article 3 CRR		30 635	2 451
Additional risk exposure amount, Article 458 CRR		213 765	17 101
Total	2 255 461	649 237	51 939

Credit risks

The Internal Ratings-Based Approach (IRB) is applied within the Swedish part of Swedbank's consolidated situation, including the branches in New York and Oslo but excluding PayEx, EnterCard and several small subsidiaries. IRB is also applied for the majority of Swedbank's exposure classes in the Baltic countries.

When Swedbank acts as a clearing member, the bank calculates an own funds requirement for its pre-funded, qualifying and non-qualifying central counterparty default fund contributions.

For exposures, excluding capital requirement for default fund contributions, where IRB-approach is not applied, the standardized approach is used.

Market risks

Under current regulations capital adequacy for market risks can be based on either the standardised approach or an internal Value at Risk model, which requires the approval of the SFSA. The parent company has received such approval and uses its internal VaR model

for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of structural and strategic nature and are less suited to a VaR model.

These risks are instead estimated according to the standardised approach, as per the Group's internal approach to managing these risks. Strategic foreign exchange risks mainly arise through risks associated with holdings in foreign operations.

Credit value adjustment

The risk of the credit value adjustment is estimated according to the standardised method.

Operational risk

Swedbank calculates operational risk using the standardised approach. The SFSA has stated that Swedbank meets the qualitative requirements to apply this method.

Note 22 Internal capital requirement

This note provides information on the internal capital assessment according to chapter 8, section 5 of the SFSA's regulation on prudential requirements and capital buffers (2014:12). The internal capital assessment is published in the interim report according to chapter 8, section 4 of the SFSA's regulation and general advice on annual reports from credit institutions and investment firms (2008:25).

A bank must identify, measure and manage the risks with which its activities are associated and have sufficient capital to cover these risks. The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that the bank is sufficiently capitalised to cover its risks and to conduct and develop its business activities. Swedbank applies its own models and processes to evaluate its capital requirements for all relevant risks. The models that serve as a basis for the internal capital assessment evaluate the need for economic capital over a one-year horizon at a 99.9% confidence level for each type of risk. Diversification effects between various types of risks are not taken into account in the calculation of economic capital.

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is exposed to by quantifying their impact on the income

statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 30 June 2020, the internal capital assessment for Swedbank's consolidated situation amounted to SEK 35.3bn (SEK 34.7bn as of 31 December 2019). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 139.9bn (SEK 141.6bn as of 31 December 2019) (see Note 21). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly and does not consider the SFSA risk-weight floor for Swedish mortgages.

The internally estimated capital requirement for the parent company is SEK 26.4bn (SEK 27.3bn as of 31 December 2019) and the capital base is SEK 114.3bn (SEK 122.5bn as of 31 December 2019) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2018 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.com.

Note 23 Risks and uncertainties

Swedbank's earnings are affected by changes in the global marketplace over which it has no control, including macroeconomic factors such as GDP, asset prices and unemployment as well as changes in interest rates, equity prices and exchange rates. The rapid spread of Covid-19 has had and will have further major consequences for the global economy and thus affect Swedbank in the future. The impact on society, private individuals, corporates and governments, is expected to be significant and could be long-lasting. The repayment capability of our loan customers could be affected as unemployment increases and as a result of the changes in the business models. Continued turbulence on the financial markets resulting in widening credit spreads and decreased market liquidity may also affect the bank's earnings negatively.

For risks related to the ongoing investigations by authorities in United States related to the media reporting of suspected money laundering, see Note 19 Pledged collateral and contingent liabilities.

In addition to the observations reported on money laundering and terrorist financing, Swedbank has

during the year identified areas that have led to unwanted compliance risks within the bank. These are related to internal governance as noted by supervisory authorities in their investigations of money laundering as well as within the customer protection area. In both areas, work is ongoing within the bank to ensure that deficiencies identified are addressed adequately. The bank's Compliance function monitors and validates the work.

The tax area is complex and leaves room for judgement. Practices and interpretations of applicable laws are often changed, sometimes retroactively. In the event that the tax authorities and, where appropriate, the tax courts decide on a different interpretation than what Swedbank initially made, then it could impact the Group's operations, results and financial position.

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2019 Annual and sustainability report and in the annual disclosure in the Risk Management and Capital Adequacy report available at www.swedbank.com.

Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 30 Jun 2020

Group SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	610	-1 877	-563	-1 830
of which SEK	1 800	-2 682	-221	-1 103
of which foreign currency	-1 190	805	-342	-727
Of which financial instruments at fair value reported through profit or loss	-281	246	-432	-467
of which SEK	1 578	-1 590	-121	-133
of which foreign currency	-1 859	1 836	-311	-334

Note 24 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including

other related companies such as associates and joint ventures. Partly owned savings banks are important associates

Note 25 Swedbank's share

	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
SWED A					
Share price, SEK	119,40	139,45	-14	139,45	-14
Number of outstanding ordinary shares	1 119 991 695	1 118 304 389		1 118 302 788	
Market capitalisation, SEKm	133 727	155 948	-14	155 947	-14

	30 Jun 2020	31 Dec 2019	30 Jun 2019
Number of outstanding shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-12 014 027	-13 701 333	-13 702 934
Number of outstanding shares on the closing day	1 119 991 695	1 118 304 389	1 118 302 788

Within Swedbank's share-based compensation programme, Swedbank AB has during 2020 transferred 1 687 306 shares at no cost to employees.

Earnings per share	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Average number of shares					
Average number of shares before dilution	1 119 924 076	1 118 968 741	1 118 258 901	1 119 446 409	1 117 803 357
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	3 701 007	3 244 242	4 006 371	3 499 807	3 315 385
Average number of shares after dilution	1 123 625 083	1 122 212 983	1 122 265 272	1 122 946 216	1 121 118 742
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	4 845	-1 687	5 336	3 158	10 606
Earnings for the purpose of calculating earnings per share	4 845	-1 687	5 336	3 158	10 606
Earnings per share, SEK					
Earnings per share before dilution	4.33	-1.51	4.77	2.82	9.49
Earnings per share after dilution	4.31	-1.50	4.75	2.81	9.46

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Interest income on financial assets at amortised cost	3 413	3 393	1	3 222	6	6 806	6 268	9
Other interest income	1 561	1 619	-4	1 596	-2	3 180	3 064	4
Interest income	4 974	5 012	-1	4 818	3	9 986	9 332	7
Interest expense	-922	-1 268	-27	-1 503	-39	-2 190	-2 957	-26
Net interest income	4 052	3 744	8	3 315	22	7 796	6 375	22
Dividends received	2 664	2 822	-6	6 809	-61	5 486	11 353	-52
Commission income	1 816	1 967	-8	2 561	-29	3 783	4 970	-24
Commission expense	-545	-504	8	-1 015	-46	-1 049	-1 916	-45
Net commission income	1 271	1 463	-13	1 546	-18	2 734	3 054	-10
Net gains and losses on financial items	1 431	-422		125		1 009	966	4
Other income	405	351	15	317	28	756	611	24
Total income	9 823	7 958	23	12 112	-19	17 781	22 359	-20
Staff costs	2 091	2 105	-1	2 096		4 196	4 219	-1
Other expenses	1 401	1 900	-26	1 457	-4	3 301	2 769	19
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 212	1 236	-2	1 190	2	2 448	2 368	3
Administrative fine		4 000				4 000		
Total expenses	4 704	9 241	-49	4 743	-1	13 945	9 356	49
Profit before impairment	5 119	-1 283		7 369	-31	3 836	13 003	-71
Impairment of financial fixed assets				1			1	
Credit impairments	1 179	1 939	-39	124		3 118	342	
Operating profit	3 940	-3 222		7 244	-46	718	12 660	-94
Tax expense	871	64		704	24	935	1 668	-44
Profit for the period	3 069	-3 286		6 540	-53	-217	10 992	

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2020	Q1 2020	%	Q2 2019	%	Jan-Jun 2020	Jan-Jun 2019	%
Profit for the period reported via income statement	3 069	-3 286		6 540	-53	-217	10 992	
Total comprehensive income for the period	3 069	-3 286		6 540	-53	-217	10 992	

Balance sheet, condensed

Parent company SEKm	30 Jun 2020	31 Dec 2019	%	30 Jun 2019	%
Assets					
Cash and balance with central banks	277 761	107 596		173 840	60
Loans to credit institutions	591 161	537 151	10	492 652	20
Loans to the public	471 369	422 794	11	453 743	4
Interest-bearing securities	242 373	191 084	27	198 564	22
Shares and participating interests	69 650	71 632	-3	68 636	1
Derivatives	59 044	48 332	22	51 234	15
Other assets	65 216	43 321	51	45 095	45
Total assets	1 776 574	1 421 910	25	1 483 764	20
Liabilities and equity					
Amounts owed to credit institutions	252 863	161 454	57	136 133	86
Deposits and borrowings from the public	865 991	719 211	20	742 547	17
Debt securities in issue	325 070	263 181	24	333 639	-3
Derivatives	81 905	69 908	17	69 507	18
Other liabilities and provisions	110 514	61 275	80	77 441	43
Senior non-preferred liabilities	10 836	10 805			
Subordinated liabilities	25 421	31 934	-20	27 532	-8
Untaxed reserves	10 724	10 724		10 647	1
Equity	93 250	93 418		86 318	8
Total liabilities and equity	1 776 574	1 421 910	25	1 483 764	20
Pledged collateral	111 718	48 725		49 326	
Other assets pledged	8 485	3 987		3 148	
Contingent liabilities	388 248	498 891	-22	500 133	-22
Commitments	304 430	258 148	18	249 805	22

Statement of changes in equity, condensed

Parent company SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-March 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				53	53
Deferred tax related to share based payments to employees				0	0
Current tax related to share based payments to employees				-4	-4
Total comprehensive income for the period				-217	-217
Closing balance 30 June 2020	24 904	13 206	5 968	49 172	93 250
January-December 2019					
Opening balance 1 January 2019	24 904	13 206	5 968	46 974	91 052
Dividend				-15 878	-15 878
Share based payments to employees				272	272
Deferred tax related to share based payments to employees				-34	-34
Current tax related to share based payments to employees				10	10
Total comprehensive income for the period				17 996	17 996
Closing balance 31 December 2019	24 904	13 206	5 968	49 340	93 418
January-March 2019					
Opening balance 1 January 2019	24 904	13 206	5 968	46 974	91 052
Dividend				-15 878	-15 878
Share based payments to employees				169	169
Deferred tax related to share based payments to employees				-29	-29
Current tax related to share based payments to employees				12	12
Total comprehensive income for the period				10 992	10 992
Closing balance 30 June 2019	24 904	13 206	5 968	42 240	86 318

Cash flow statement, condensed

Parent company SEKm	Jan-Jun 2020	Full-year 2019	Jan-Jun 2019
Cash flow from operating activities	100 497	78 503	84 552
Cash flow from investing activities	12 378	4 644	17 289
Cash flow from financing activities	57 290	-56 454	-8 904
Cash flow for the period	170 165	26 693	92 937
Cash and cash equivalents at beginning of period	107 596	80 903	80 903
Cash flow for the period	170 165	26 693	92 937
Cash and cash equivalents at end of period	277 761	107 596	173 840

Capital adequacy

Capital adequacy, Parent company SEKm	30 Jun 2020	31 Dec 2019	30 Jun 2019
Common Equity Tier 1 capital	88 355	90 305	87 584
Additional Tier 1 capital	9 582	16 153	11 513
Tier 1 capital	97 937	106 458	99 097
Tier 2 capital	16 403	15 995	16 193
Total own funds	114 340	122 453	115 290
Minimum capital requirement	28 829	26 004	26 472
Risk exposure amount	360 362	325 056	330 895
Common Equity Tier 1 capital ratio, %	24.5	27.8	26.5
Tier 1 capital ratio, %	27.2	32.8	30.0
Total capital ratio, %	31.7	37.7	34.8
Capital buffer requirement¹⁾ %	30 Jun 2020	31 Dec 2019	30 Jun 2019
CET1 capital requirement including buffer requirements	7.1	8.9	8.5
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	0.1	1.9	1.5
CET 1 capital available to meet buffer requirement ²⁾	20.0	23.3	22.0
Leverage ratio	30 Jun 2020	31 Dec 2019	30 Jun 2019
Tier 1 Capital, SEKm	97 937	106 458	99 097
Total exposure, SEKm ³⁾	1 505 343	1 086 489	1 213 591
Leverage ratio, % ³⁾	6.5	9.8	8.2

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

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

3) The method for calculating leverage ratio exposure has been changed from Q3 2019, the historical figures has not been revised.

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

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

³⁾ The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 30 September 2019, in relation to REA as of 30 June 2020.

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

30 Jun 2020		Risk exposure amount	Minimum capital requirement
SEKm	Exposure amount		
Credit risks, STD	973 430	84 931	6 794
Regional governments or local authorities exposures	88	18	1
Public sector entities exposures	988	156	12
Multilateral development banks exposures	4 486		
Institutional exposures	890 786	2 853	228
Corporate exposures	6 330	6 187	495
Retail exposures	203	151	13
Exposures secured by mortgages on immovable property	3 174	1 111	89
Equity exposures	67 314	74 455	5 956
Other items	61		
Credit risks, IRB	1 053 528	169 392	13 551
Central government or central banks exposures	444 064	5 059	405
Institutional exposures	61 568	12 112	969
Corporate exposures	447 280	128 465	10 277
Retail exposures	95 287	18 843	1 507
of which mortgage lending	29 551	2 509	201
of which other lending	65 736	16 334	1 306
Non-credit obligation	5 329	4 913	393
Credit risks, Default fund contribution		636	51
Settlement risks	0	1	0
Market risks		19 154	1 533
Trading book		18 945	1 516
of which VaR and SVaR		13 102	1 049
of which risks outside VaR and SVaR		5 843	467
FX risk other operations		209	17
Credit value adjustment	21 201	4 974	398
Operational risks		38 189	3 055
Standardised approach		38 189	3 055
Additional risk exposure amount, Article 3 CRR		38 208	3 057
Additional risk exposure amount, Article 458 CRR		4 877	390
Total	2 048 159	360 362	28 829

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

31 Dec 2019		Risk exposure amount	Minimum capital requirement
SEKm	Exposure amount		
Credit risks, STD	1 065 332	80 766	6 461
Central government or central banks exposures	6		
Regional governments or local authorities exposures	28	6	0
Public sector entities exposures	721	104	8
Multilateral development banks exposures	1 970	3	0
Institutional exposures	987 277	820	66
Corporate exposures	4 359	4 143	331
Retail exposures	247	184	15
Exposures secured by mortgages on immovable property	3 598	1 259	101
Exposures in default	0	0	0
Equity exposures	67 123	74 247	5 940
Other items	3	0	0
Credit risks, IRB	860 044	158 540	12 683
Central government or central banks exposures	266 658	3 529	282
Institutional exposures	56 956	10 645	852
Corporate exposures	442 780	123 035	9 843
Retail exposures	90 955	19 056	1 524
of which mortgage lending	10 556	2 125	170
of which other lending	80 399	16 931	1 354
Non-credit obligation	2 695	2 275	182
Credit risks, Default fund contribution		584	47
Settlement risks	0	0	0
Market risks		16 207	1 297
Trading book		16 048	1 284
of which VaR and SVaR		12 701	1 016
of which risks outside VaR and SVaR		3 347	268
FX risk other operations		159	13
Credit value adjustment	17 628	4 644	372
Operational risks		36 815	2 945
Standardised approach		36 815	2 945
Additional risk exposure amount, Article 3 CRR		26 986	2 159
Additional risk exposure amount, Article 458 CRR		514	41
Total	1 943 004	325 056	26 004

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as adopted by the EU, as set out in Note 1. The interim report includes a number of alternative performance measures, which exclude certain items that management believes are not representative of the underlying/ongoing performance of

the business. Therefore the alternative performance measures provide more comparative information between periods. Management believes that inclusion of these measures provides information to the readers that enable comparability between periods.

Measure and definition

Purpose

Net investment margin before trading interest is deducted

Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures ¹⁾ including the prior year end. The nearest IFRS measure is Net interest income and can be reconciled in Note 5.

Considers all interest income and interest expense, independent of how it has been presented in the income statement.

Allocated equity

Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.

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

Return on allocated equity

Calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures ¹⁾ including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.

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

Income statement measures excluding expenses for the administrative fine

Amount related to expenses is presented excluding expenses for administrative fine. The amounts are reconciled to the relevant IFRS income statement lines on page 6.

Provides comparability of figures between reporting periods.

Return on equity excluding expenses for administrative fine

Represents profit for the period allocated to shareholders excluding expenses for the administrative fine in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures ¹⁾, including the prior year end.

Profit for the period allocated to shareholders excluding expenses for administrative fine are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.

Provides comparability of figures between reporting periods.

Cost/Income ratio excluding expenses for administrative fine

Total expenses excluding expenses related to administrative fine in relation to total income. Total expenses excluding expense for administrative fine is reconciled to Total expenses, the nearest IFRS measure, on page 6.

Provides comparability of figures between reporting periods.

Adjusted effective tax rate

The adjusted effective tax rate is calculated as the Tax expense excluding tax income for previous years in relation to Operating profit excluding the administrative fine. For the first quarter, tax expense excluding tax income for previous years of SEK 566m reconciles to the nearest IFRS measure, Tax expense of SEK 398m, with the previous years' tax income amount of SEK 168m. For the half year, tax expense excluding tax income for previous years of SEK 1 720m reconciles to the nearest IFRS measure, Tax expense of SEK 1 154m, with the previous years' tax income amount of SEK 168m. Operating profit excluding expense for administrative fine is reconciled on page 6.

Provides comparability and understanding of the Group's effective tax rate on underlying operations between the reporting periods.

Other alternative performance measures

These measures are defined in Fact book on page 81 and are calculated from the financial statements without adjustment.

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

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

¹⁾ The month-end figures used in the calculation of the average can be found on page 74 of the Fact book.

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the Interim report for January-June 2020 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 16 July 2020

Göran Persson
Chair

Bo Bengtsson
Board Member

Göran Bengtsson
Board Member

Hans Eckerström
Board Member

Kerstin Hermansson
Board Member

Bengt Erik Lindgren
Board Member

Josefin Lindstrand
Board Member

Bo Magnusson
Board Member

Anna Mossberg
Board Member

Roger Ljung
Board Member
Employee Representative

Åke Skoglund
Board Member
Employee Representative

Jens Henriksson
President and CEO

Review report

Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank AB as of 30 June 2020 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies, regarding the Group, and with the Annual accounts act for credit institutions and securities companies, regarding the Parent Company.

Stockholm, 17 July 2020

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Publication of financial information

The Group's financial reports can be found on www.swedbank.com/ir

Financial calendar 2020

Interim report for the third quarter

20 October 2020

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

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