

Q2 2021

Interim report January-June 2021, 16 July 2021



Interim report for the second quarter 2021

Second quarter 2021 compared with first quarter 2021

- Return on equity increased to 14.2 per cent
- High growth in mortgage volumes
- Net commission income reaches record level
- Expenses according to plan
- Small net recoveries on credit impairments
- Solid capital and liquidity buffers

“Growth, better profitability and a clear business focus characterised the quarter.”

Jens Henriksson,
President and CEO

Financial information SEKm	Q2 2021	Q1 2021	%	Jan-Jun 2021	Jan-Jun 2020	%
Total income	11 870	11 402	4	23 272	22 308	4
Net interest income	6 572	6 541	0	13 113	13 572	-3
Net commission income	3 674	3 360	9	7 034	6 148	14
Net gains and losses on financial items	645	585	10	1 230	1 076	14
Other income ¹⁾	979	916	7	1 895	1 512	25
Total expenses	4 989	4 974	0	9 963	14 213	-30
<i>of which administrative fine</i>					4 000	
Profit before impairment	6 881	6 428	7	13 309	8 095	64
Impairment of intangible and tangible assets	56			56		
Credit impairment	-27	246		219	3 386	-94
Profit before tax	6 852	6 182	11	13 034	4 709	
Tax expense	1 288	1 208	7	2 496	1 552	61
Profit for the period attributable to: Shareholders of Swedbank AB	5 563	4 975	12	10 538	3 158	
Earnings per share, SEK, after dilution	4.95	4.43		9.38	2.81	
Return on equity, %	14.2	12.8		13.5	4.4	
Return on equity excl. administrative fine, %	14.2	12.8		13.5	10.0	
C/I ratio	0.42	0.44		0.43	0.64	
C/I ratio excl. administrative fine	0.42	0.44		0.43	0.46	
Common Equity Tier 1 capital ratio, %	18.5	18.0		18.5	17.5	
Credit impairment ratio, %	-0.01	0.06		0.03	0.40	

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

CEO Comment

Finally, society is beginning to reopen in our home markets. Restrictions are gradually being lifted thanks to vaccinations and lower Covid-19 infection rate. Growth and the economic outlook are getting stronger in Sweden, Estonia, Latvia and Lithuania. The debate on inflation has picked up and the significant stimulus from central banks may have to be re-evaluated.

We are growing in pace with the economy in all four of our home markets. In the Swedish mortgage market, a high level of activity spread across the country and Swedbank's market share of new lending steadily grew. In April and May, the market share was just over 17 per cent. In June, we reported our highest mortgage sales ever. The measures to reallocate employees to mortgage processing and shorten wait times are having an effect. Many of our customers live in single-family homes, where demand for mortgage loans is normally high during the spring and summer. Our ambition to return to our underlying market share in Sweden has not changed. Operations in the Baltic countries, where we are the market leader, are highly profitable with good growth prospects.

Improved result

Profit before tax improved compared with the previous quarter and amounted to SEK 6.9bn. Net interest income was stable and net commission income rose to the highest level ever. Expenses were in line with our forecast and the cost cap of SEK 20.5bn excluding investigation expenses for 2021 and 2022 remains unchanged. Credit quality continued to be good and despite the lingering uncertainty regarding the pandemic's impact, credit impairment provisions returned to low levels.

In the second quarter, Swedbank had a return on equity of 14.2 per cent. The target of 15 per cent still stands. Our capital and liquidity positions also remain strong. The buffer relative to the Swedish FSA's minimum Common Equity Tier 1 ratio requirement was approximately 6.1 percentage points.

Dividend

Our profit and strong capitalisation enabled us to pay two dividends totalling SEK 7.25 per share earlier this year. We have as our ambition to pay additional dividends this year from profits for 2019 and 2020 in accordance with our dividend policy, though that will require the Swedish FSA's consent and the right market conditions.

Sustainability

Swedbank continued to take important steps in the quarter to integrate sustainability and promote the transition to a more sustainable society. We joined the Net Zero Banking Alliance and have committed to net zero emissions – the Paris Agreement's goal – by 2050.

Our green asset portfolio continued to grow and now amounts to SEK 38 bn. Existing green mortgages were included in the asset portfolio in the quarter and accounted for most of the increase. We also issued two green bonds totalling SEK 15 bn. By issuing green bonds and offering sustainable loans, we promote sustainable development.

We have consolidated our leading position in green equities by collaborating with Nasdaq on its new framework designation for this asset class, which will be available to companies listed in Sweden, Finland and Denmark. We are also seeing continued interest from corporate customers who want a green equity designation for their shares.

Outlook

Our asset management company, Swedbank Robur, launched additional funds in Estonia, Latvia and Lithuania. We want to give the many people and businesses an opportunity for a better future by understanding the importance of long-term savings. Demand is strong and assets under management are rapidly growing.

We want to better enable our customers to make sound and sustainable financial decisions and improve their financial health. One step to get there is through the bank's largest-ever investment in digital infrastructure – a new platform for savings. The goal is to provide customised advice in all our digital channels. This is where we create opportunities for new savings and investment services. We are focused on our business and the future.



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 2021	Q1 2020	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	6 572	6 541	0	6 886	-5	13 113	13 572	-3
Net commission income	3 674	3 360	9	2 925	26	7 034	6 148	14
Net gains and losses on financial items	645	585	10	1 398	-54	1 230	1 076	14
Other income ¹⁾	979	916	7	867	13	1 895	1 512	25
Total income	11 870	11 402	4	12 076	-2	23 272	22 308	4
Staff costs	3 136	3 115	1	2 868	9	6 251	5 738	9
Other expenses	1 853	1 859	0	1 975	-6	3 712	4 475	-17
Administrative fine							4 000	
Total expenses	4 989	4 974	0	4 843	3	9 963	14 213	-30
Profit before impairment	6 881	6 428	7	7 233	-5	13 309	8 095	64
Impairment of intangible assets	56					56		
Credit impairment	-27	246		1 235		219	3 386	-94
Profit before tax	6 852	6 182	11	5 998	14	13 034	4 709	
Tax expense	1 288	1 208	7	1 154	12	2 496	1 552	61
Profit for the period	5 564	4 974	12	4 844	15	10 538	3 157	
Profit for the period attributable to: Shareholders of Swedbank AB	5 563	4 975	12	4 845	15	10 538	3 158	

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

Key ratios and data per share	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Return on equity, %	14.2	12.8	13.5	13.5	4.4
Earnings per share before dilution, SEK ¹⁾	4.96	4.44	4.33	9.40	2.82
Earnings per share after dilution, SEK ¹⁾	4.95	4.43	4.31	9.38	2.81
C/I ratio	0.42	0.44	0.40	0.43	0.64
Equity per share, SEK ¹⁾	142.1	137.1	128.9	142.1	128.9
Loan/deposit ratio, %	128	133	147	128	147
Common Equity Tier 1 capital ratio, %	18.5	18.0	17.5	18.5	17.5
Tier 1 capital ratio, %	19.8	19.2	18.7	19.8	18.7
Total capital ratio, %	22.1	21.6	21.0	22.1	21.0
Credit impairment ratio, %	-0.01	0.06	0.28	0.03	0.40
Share of Stage 3 loans, gross, %	0.42	0.47	0.81	0.42	0.81
Total credit impairment provision ratio, %	0.34	0.36	0.56	0.34	0.56
Liquidity coverage ratio (LCR), %	143	154	164	143	164
Net stable funding ratio (NSFR), %	123	123	125	123	125

¹⁾ The number of shares and calculation of earnings per share are specified on page 49.

Balance sheet data SEKbn	30 Jun 2021	31 Dec 2020	%	30 Jun 2020	%
Loans to the public, excl. the Swedish National Debt Office and repurchase agreements	1 637	1 616	1	1 625	1
Deposits from the public, excl. the Swedish National Debt Office and repurchase agreements	1 282	1 131	13	1 108	16
Equity attributable to shareholders of the parent company	159	155	3	144	10
Total assets	2 939	2 595	13	2 765	6
Risk exposure amount	689	690	0	692	-1

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

Overview

Market

Economic recovery continued in the second quarter. This was most notable in the industrial sector, which also positively affected the industry-related services sector. The rest of the service sector strengthened as well, but at a slower rate. For activity in the service sector to truly gain momentum would probably require the lifting of more pandemic-related restrictions. Vaccinations continued at a much higher rate than in the first quarter, which strengthened the prospects of a continued recovery.

In the quarter financial markets increasingly focused on the Federal Reserve's monetary policy and any signs of change in the current expansionary approach. Despite the recovery and surprisingly high inflation, a majority of voting members of the FOMC do not think the time is right to signal a tightening of monetary policy. This is because the rising inflation is largely due to temporary factors related to the reopening of the economy. US long-term yields fell slightly in the quarter and the US dollar was marginally weaker against both the euro and the krona.

In Europe, the situation is different with the recovery taking longer and vaccinations starting more slowly than in the US. It will take longer therefore before restrictions can be lifted and the recovery accelerates. As restrictions are lifted, travel is likely to increase, which should lead to an upswing in tourism-dependent southern Europe. Despite the many positive signs, there is still considerable uncertainty, and lately there have been indications that the restrictions cannot be eased at the rate that was originally planned. Inflation has also risen in Europe, but here as well it has largely been due to temporary factors. We expect the ECB to leave benchmark rates unchanged this year and next.

For the Swedish economy, we expect the recovery to continue this summer as Covid-19 cases drop and restrictions are lifted. Households are expected to consume more services again, which will be an important driver in the recovery. Card transaction data show that household consumption recovered significantly compared with 2020. While spending on services rose in the spring, it is still significantly lower than pre-pandemic. As conditions around the world improve, we also expect exports to be an important contributor to the Swedish recovery. Data that have come in since we published our latest Swedbank Economic Outlook indicate that Swedish GDP will rise more this year than the 3.5 per cent we predicted in April. This assumes, however, that there will not be a resurgence in Covid cases this autumn, which could result in tighter restrictions and lower growth.

Despite a major economic recovery, we do not think that medium-term inflation will reach the Riksbank's target. Although it is soon time for the Swedish central bank to signal when we could see tighter monetary policy, we expect it to keep the repo rate at 0 per cent in the coming years.

Swedish house prices have continued to rapidly rise. In May, prices were up 18 per cent compared with the same month in 2020. While low mortgage rates and good income growth are important reasons for the price

rise, it is largely due to increased demand for larger living spaces. We expect prices to moderate as consumer spending patterns normalise and the housing supply increases. All in all, we estimate that prices will rise by approximately 15 per cent this year compared with 2020. As prices have climbed and many people have chosen to renovate or extend their homes – and in the process increased their loans – credit growth has risen and in May was 6.2 per cent year-on-year.

A favourable mix of exports and low dependence on tourism, along with government support, contributed to a rapid recovery in the Baltic economies in 2020. During the winter, the Baltic countries were impacted by the second and third waves of the coronavirus. The economic impact was much milder than at the beginning of the pandemic, however, with only minimal effects mainly in service sectors. Vaccinations increased in the second quarter and Covid-19 cases have now dropped significantly, thanks to which many restrictions having been lifted as of May.

Households in the Baltic countries have also cut spending and increased their savings during the pandemic. We expect that at least part of these savings will be spent and add to domestic demand this autumn and next year. The positive impact should especially be felt in the parts of the economy that were inaccessible during the shutdown. We also expect companies to be well-positioned to increase their investments once restrictions are lifted and the uncertainty surrounding the pandemic eases.

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 56.

Group development

Result second quarter 2021 compared with first quarter 2021

Swedbank's profit increased in the second quarter to SEK 5 563m (4 975) due to higher income and lower credit impairments. Foreign exchange effects marginally affected profit before impairment.

The return on equity was 14.2 per cent (12.8) and the cost/income ratio was 0.42 (0.44).

Income increased to SEK 11 870m (11 403), mainly due to higher net commission income. Foreign exchange effects marginally affected income.

Net interest income was relatively unchanged in the quarter at SEK 6 572m (6 541). The second quarter had one more day than the previous quarter, which positively affected net interest income. Underlying net interest income was negatively affected by slightly lower margins on mortgages, partly because customers in Sweden had chosen fixed rates to a greater extent than before. This was partly offset by higher lending volumes. The resolution fund fee decreased by SEK 57m after an

adjustment to the annual fee in the quarter, while the deposit guarantee fee was SEK 101m higher. The change in the deposit guarantee is due to a positive retroactive adjustment in the first quarter relating to previous annual payments. The Baltic countries met the terms for increased corporate lending associated with the European Central Bank's targeted long-term refinancing operation (TLTRO3). The corresponding terms for the Riksbank's liquidity support were not met. All in all, this positively affected net interest income by SEK 73m.

Net commission income increased by 9 per cent to SEK 3 674m (3 360). Income from cards and payments increased due to the easing restrictions. The card operations were also affected by a positive seasonal pattern. Asset management income rose due to the rising equity markets and a higher volume of assets under management, but was partly offset by lower compensation from the Swedish Pensions Agency. Corporate finance income was also positively affected by fees for an IPO in Finland in the first quarter.

Net gains and losses on financial items increased to SEK 645m (585). The result was positively affected by a valuation effect from Fastighetsbyråns shareholding in Hemnet in connection with its IPO. Customer activity within Large Corporates & Institutions decreased slightly due to lower market activity in the second quarter.

Other income increased by 7 per cent to SEK 979m (916). Profit from Entercard increased due to increased card usage. Profit from the insurance operations and the savings banks increased as well.

Expenses increased slightly to SEK 4 989m (4 974), mainly due to higher IT and staff costs. Staff costs rose due to salary increases and a higher number of employees. Consulting expenses to manage money laundering related investigations increased to SEK 90m (77) in the quarter. Quarterly expenses also include SEK 17m for a fine from Nasdaq Stockholm AB of SEK 47m, following a provision of SEK 30m in the first quarter. Foreign exchange marginally affected expenses.

Impairment of intangible assets amounted to SEK 56m in the quarter attributable to proprietary software.

Credit impairments decreased to SEK -27m (246). Additional individual provisions were allocated for a few oil-related commitments. Reversals were made due to positive rating migrations for several large customers as well as improved macroeconomic projections, although the latter was largely offset by additional expert adjustments since the uncertainty surrounding the pandemic's impact remains high.

Credit impairments by business segment SEKm	Q2 2021	Q1 2021	Q2 2020
Swedish Banking	-34	7	432
Baltic Banking	-23	220	56
Estonia	3	105	51
Latvia	-16	81	-3
Lithuania	-10	34	8
Large Corporates & Institutions	31	19	740
Group Functions & Other	-1		7
Total	-27	246	1 235

The tax expense amounted to SEK 1 288m (1 208), corresponding to an effective tax rate of 18.8 per cent (19.5). The comparatively lower tax rate in the second

quarter is mainly due to deferred tax assets attributable to previous periods.

Result January-June 2021 compared with January-June 2020

Swedbank's profit increased to SEK 10 538m (3 158) due to higher income and lower credit impairments, as well as the Swedish FSA's administrative fine charged in the first quarter 2020. The table below shows a simplified income statement adjusted for the Swedish FSA's administrative fine.

Income statement, SEKm	Jan-Jun 2021	Jan-Jun 2020 Excl administrative fine	Jan-Jun 2020
Total income	23 272	22 308	22 308
Total expenses	9 963	10 213	14 213
of which administrative fine		0	4 000
Credit impairment and impairment	275	3 386	3 386
Profit before tax	13 034	8 709	4 709
Tax expense	2 496	1 552	1 552
Profit for the period attributable to the shareholders of Swedbank AB	10 538	7 158	3 158
Non-controlling interests	0	-1	-1
Return on equity, %	13.5	10.0	4.4
Cost/Income ratio	0.43	0.46	0.64

Foreign exchange effects negatively affected profit before impairment by SEK 135m.

The return on equity was 13.5 per cent (4.4) and the cost/income ratio was 0.43 (0.64).

Income increased to SEK 23 272m (22 308) and was positively affected primarily by higher net commission income. Other income also increased, while net interest income decreased. Foreign exchange effects reduced income by SEK 244m.

Net interest income decreased by 3 per cent to SEK 13 113m (13 572). The decrease was mainly the result of lower deposit margins and higher expenses for surplus liquidity after deposits increased faster than lending. The second quarter 2020 was also positively affected by a one-time effect of SEK 103m. A stronger SEK compared with the first half of 2020 negatively affected profit.

Net commission income increased by 14 per cent to SEK 7 034m (6 148). Income primarily increased from asset management, due to the higher average assets under management, while income from cards was largely unchanged.

Net gains and losses on financial items increased to SEK 1 230m (1 076). The main reason was a positive valuation effect from Fastighetsbyråns shareholding in Hemnet in connection with its IPO.

Other income increased to SEK 1 895m (1 512), mainly because associated companies were charged last year with provisions for credit impairments tied to the pandemic outbreak.

Expenses decreased to SEK 9 963m (14 213) mainly because of the Swedish FSA's administrative fine of SEK 4 000m which affected the first quarter 2020. Adjusted for the administrative fine, expenses decreased by 2 per cent, mainly due to lower money

laundering related consulting expenses. Staff costs were higher, however. Foreign exchange effects reduced expenses by SEK 110m.

Credit impairments decreased to SEK 219m (3 386) since credit impairments in the first half of 2020 were strongly impacted by the pandemic. The first half of 2021 included additional individual provisions for a few oil-related commitments. Credit impairments were positively affected by rating migrations for a few large customers and improved macro forecasts, which were partly offset by expert adjustments due to uncertainty about the pandemic's impact on vulnerable sectors.

The tax expense amounted to SEK 2 496m (1 552), corresponding to an effective tax rate of 19.1 per cent (33). The corresponding period in 2020 was charged with the Swedish FSA's fine, which is not tax deductible. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, increased by SEK 16bn to SEK 1 637bn (1 621) compared with the end of the first quarter 2021. Compared with the end of the second quarter 2020 lending increased by SEK 12bn, corresponding to an increase of 1 per cent. Foreign exchange effects negatively affected lending volumes by SEK 4bn compared with the end of the first quarter 2021 and negatively by SEK 9bn compared with the end of the second quarter 2020.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2021	31 Mar 2021	30 Jun 2020
Loans, private mortgage	960	947	923
of which Swedish Banking	867	854	833
of which Baltic Banking	93	93	90
Loans, private other incl tenant-owner associations	142	139	146
of which Swedish Banking	123	122	128
of which Baltic Banking	17	16	17
of which Large Corporates & Inst.	2	1	1
Loans, corporate	535	535	556
of which Swedish Banking	238	239	243
of which Baltic Banking	77	79	81
of which Large Corporates & Inst.	220	217	232
Total	1 637	1 621	1 625

Lending to mortgage customers within Swedish Banking increased by SEK 13bn to SEK 867bn compared with the end of the first quarter 2021. The market share in mortgages was 23 per cent (23). Other private lending, including lending to tenant-owner associations, increased by SEK 1bn in the quarter.

Swedish consumer credit volume amounted to SEK 32bn (31), corresponding to a market share of about 8 per cent. Consumer credit includes unsecured loans as well as loans secured by a car or a boat.

Baltic Banking's mortgage volume increased by 4 per cent in local currency to the equivalent of SEK 94bn at the end of the quarter.

The Baltic consumer credit portfolio increased by SEK 2bn in local currency to the equivalent of SEK 8bn at the end of the quarter.

Corporate lending in all business segments was unchanged in the quarter at SEK 535bn (535). In Sweden, the market share was 16 per cent (16).

Lending volume in Swedbank's green asset portfolio amounted to SEK 38bn (20), corresponding to an increase of 92 per cent. Lending volume increased largely because existing mortgage loans with energy classes A and B in Sweden qualified as green and were included in the portfolio. The green asset portfolio consists of qualified green loans according to Swedbank's green bond framework. For more information on the green asset portfolio, see page 55 of the Fact book.

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, 4.4 million cards were in issue and in the Baltic countries 3.7 million. Compared with the previous quarter, corporate card issuance in Sweden grew by 1 per cent and private card issuance by 1 per cent.

	30 Jun 2021	31 Mar 2021	30 Jun 2020
Number of cards			
Issued cards, million	8.1	8.1	8.1
of which Sweden	4.4	4.3	4.3
of which Baltic countries	3.7	3.8	3.8

The number of purchases with Swedbank cards increased in Sweden by 8 per cent in the quarter compared with the same quarter in the previous year. The total of 330 million card purchases was positively affected by the slowing spread of Covid-19. In the Baltic countries, the number of card purchases increased by 21 per cent in the same period to 179 million in the quarter.

The number of card transactions acquired by Swedbank increased by 10 per cent in the quarter compared with the year-earlier period. In Sweden, Norway, Finland and Denmark, 716 million card transactions were acquired, an increase of 9 per cent against the equivalent period of 2020. In the Baltic countries, the corresponding figure was 112 million transactions, up 18 per cent from the previous year.

Card transactions acquired in Sweden, Norway, Finland and Denmark amounted to SEK 201bn, an increase of 10 per cent in the quarter compared with the equivalent period in 2020. Transaction volume in the Baltic countries amounted to SEK 21bn, corresponding to an increase of 18 per cent.

The easing restrictions have primarily benefitted transaction volumes in the transport, hotel, restaurant and travel sectors. Volumes also increased for groceries and consumer staples, both in physical stores and e-commerce.

In Sweden, there were 232 million domestic payments in the second quarter, an increase of 5 per cent against the second quarter of 2020. In the Baltic countries, 89 million domestic payments were processed, up 15 per cent compared with the same period in 2020. Swedbank's market share of payments through the

Bankgiro system was 35 per cent. The number of international payments in Sweden increased by 12 per cent compared with the same quarter in 2020 to 1.6 million. The Baltic countries saw an increase in international payments of 28 per cent to 4.3 million.

Savings

Total deposits within the business segments increased to SEK 1 203bn (1 174). Compared with the end of the second quarter 2020 the increase was SEK 154bn, corresponding to growth of 15 per cent. All business segments contributed to the increase compared to the equivalent period of 2020. Exchange rates negatively affected deposits by SEK 5bn compared with the end of the first quarter 2021 and negatively by SEK 9bn compared with the end of the second quarter 2020. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 1 282bn (1 216).

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2021	31 Mar 2021	30 Jun 2020
Deposits, private	624	604	568
of which Swedish Banking	445	430	416
of which Baltic Banking	179	174	152
Deposits, corporate	658	612	540
of which Swedish Banking	237	220	197
of which Baltic Banking	116	126	107
of which Large Corporates & Inst.	226	224	177
of which Group Functions & Other	79	42	59
Total	1 282	1 216	1 108

Swedbank's deposits from private customers increased by SEK 20bn in the quarter to SEK 624bn (604).

Corporate deposits in the business segments increased in total by SEK 9bn in the quarter.

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

Asset management, SEKbn	30 Jun 2021	31 Mar 2021	30 Jun 2020
Total asset management	1 868	1 791	1 499
Assets under management	1 394	1 326	1 064
Assets under management, Robur	1 386	1 324	1 064
of which Sweden	1 325	1 265	1 008
of which Baltic countries	71	68	59
of which eliminations	-10	-9	-3
Assets under management, Other, Baltic countries	8	2	0
Discretionary asset management	474	465	435

Assets under management in Swedbank Robur rose by 5 per cent in the quarter to SEK 1 386bn (1 324) as of 30 June, of which SEK 1 325bn (1 265) related to the Swedish operations and SEK 71bn (68) to the Baltic operations. The growth in both Sweden and the Baltic countries was mainly due to positive market trends and net inflows.

The Swedish fund market had net inflows of SEK 50bn (38) in the quarter. Nearly half of the inflow, SEK 23bn, was to index funds, followed by mixed funds and fixed income funds with inflows of SEK 11bn and SEK 10bn respectively. Actively managed equity funds and other funds accounted for inflows of SEK 5bn and SEK 2bn respectively, while hedge funds had outflows corresponding to SEK 1bn. Swedbank's market share of

inflows in the Swedish fund market for Swedish-registered distributors was 4 per cent (14) in the quarter.

Swedbank Robur's Swedish fund business had net inflows of SEK 2bn (7) in the quarter. Distribution via Swedish Banking and the savings banks continued to generate positive net flows. In third party distribution, withdrawals from short-term fixed income funds have continued. Inflows to this type of investment were high in 2020. Together with the outflows from equity funds, this led to negative net flows. The largest decline was in institutional asset management, partly caused by seasonally high inflows in the first quarter 2021.

In the quarter, Robur's Swedish fund business saw the largest inflows to mixed funds at SEK 4bn. Index funds had net inflows of SEK 2bn, at the same time that there were outflows from both actively managed equity funds and fixed income funds of SEK 3bn and SEK 1bn respectively.

The net inflow in the Baltic countries amounted to SEK 1bn (0). The high level of withdrawals in the previous quarter in Estonia, where a pension reform permitted savers to make a one-time withdrawal, has stopped. Latvia and Lithuania still have stable net inflows.

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 shares in Estonia, Latvia and Lithuania were 40, 41 and 37 percent respectively.

Assets under management, life insurance, SEKbn	30 Jun 2021	31 Mar 2021	30 Jun 2020
Sweden	289	274	218
of which collective occupational pensions	148	140	110
of which endowment insurance	94	88	69
of which occupational pensions	36	35	29
of which other	11	11	10
Baltic countries	8	7	6

Life insurance assets under management in the Swedish operations rose by 5 per cent in the second quarter to SEK 289bn on 31 March. Premium income, consisting of premium payments and capital transfers, amounted to SEK 8bn (10) in the second quarter.

For premium income excluding capital transfers, Swedbank's market share in the first quarter was 7 per cent (6). In the transfer market, Swedbank's market share in the first quarter was 8 per cent (8).

In Estonia and Lithuania, Swedbank is the largest life insurance company and in Latvia it is the third largest. The market share for premium payments in the first 5 months of the year was 46 per cent in Estonia, 25 per cent in Lithuania and 27 per cent in Latvia.

Credit and asset quality

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

The total share of loans in stage 2, gross, decreased in the second quarter to 6.0 per cent (6.6), of which 3.7 per cent (3.9) was for private loans and 11.2 per cent (12.4) for corporate loans.

The share of loans in stage 3, gross, was 0.4 per cent (0.5) in the second quarter. The decrease in loans in stage 3 was due to reclassifications to stage 2, loan repayments and write-offs. The provision ratio for loans in stage 3 was 39 per cent (34).

The quality of Swedbank's mortgage portfolio, which accounts for just over half of total lending, is high and historical credit impairments are very low. Customers' long-term repayment capacity is a critical factor which leads to low risks for both the customer and the bank. The average loan-to-value ratios for the mortgage portfolio were 51 per cent in Sweden, 46 per cent in Estonia, 72 per cent in Latvia and 54 per cent in Lithuania.

Swedbank's lending to the property management sector accounts for approximately 15 per cent of the total loan portfolio and is mainly to companies with resilient net operating income, strong finances and good collateral with low loan-to-value ratios. Geographically, just over 80 per cent of the lending is in Sweden while the rest is in the other Nordic countries and the Baltic countries. The average loan-to-value ratio in Sweden was 54 per cent (54) at the end of the second quarter. Stable cash flows and the customer's long-term ability to repay interest and amortisation are the key lending factors.

Swedbank's oil-related portfolio is small and lending to the offshore industry amounted to SEK 5bn as of 30 June. The reduction and restructuring of the portfolio are continuing. Investments in the oil and offshore industries remain low and the market situation challenging despite oil prices returning to the level of summer 2018. The recovery in the sector is expected to be uneven with additional risks due to the global energy transformation.

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

Operational risks

A number of IT incidents in the second quarter caused disruptions and affected the availability of payment services. Measures were taken in the quarter to increase IT stability, including improvements related to external suppliers. Swedbank has several ongoing initiatives to further improve operational resilience and ensure a high level of availability for its customers.

Despite the strains caused by the pandemic, the bank has been able to fully maintain its operations. To protect

customers and employees and to ensure that customer service is maintained, the bank has taken a number of measures to reduce the risk of spreading Covid-19. The bank has improved its preparedness by updating continuity plans. In addition, the bank has increased opportunities for remote work and digital customer meetings and allocated resources to ensure operational continuity. Plans have been prepared for various Covid-19 scenarios to manage operational risks and reduce the risk of disruptions.

Funding and liquidity

Swedbank's funding in the quarter was dominated by increased deposit volumes, and by issues of senior non-preferred debt, including two green bonds in EUR and GBP. In total, long-term debt of SEK 33bn was issued in the second quarter.

The issuance need for the full-year 2021 is expected to be in line with issuance volume in 2020. The total issuance need is affected by the current liquidity situation, future maturities and changes in deposit and lending volumes, as well as by regulatory requirements and is therefore adjusted over the course of the year. Maturities in 2021 amount to SEK 124bn calculated from the beginning of the year. As of 30 June, short-term funding and commercial paper included in debt securities in issue amounted to SEK 318bn (245). Available cash and balances with central banks and reserves with the Swedish National Debt Office amounted to SEK 596bn (496) and the liquidity reserve amounted to SEK 783bn (646). The Group's liquidity coverage ratio (LCR) was 143 per cent (154) and for USD, EUR and SEK was 153, 198 and 115 per cent respectively. The net stable funding ratio (NSFR) was 123 per cent (123).

For more information on funding and liquidity, see notes 14-16 and pages 56-68 of the fact book.

Ratings

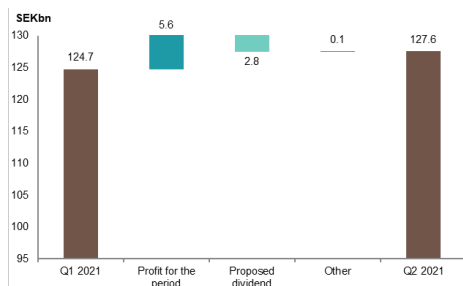
There were no changes in Swedbank's ratings in the second quarter. For more information on the ratings, see page 68 of the fact book.

Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 18.5 per cent at the end of the quarter (18.0). The total Common Equity Tier 1 capital requirement was 12.4 per cent (12.4) of the risk exposure amount (REA). Common Equity Tier 1 capital increased to SEK 127.6bn (124.7), mainly due to the quarterly profit after the estimated dividend of SEK 2.8bn.

Change in Common Equity Tier 1 capital¹



¹ Refers to Swedbank consolidated situation

Total REA decreased to SEK 688.5bn (694.6) in the second quarter.

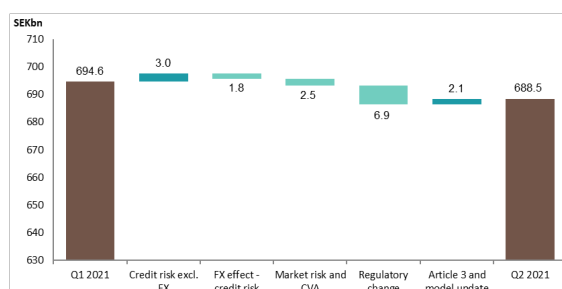
REA for credit risk increased due to increased exposures, which was offset mainly by improved ratings and collateral.

REA for market risk and credit value adjustments decreased mainly through lower specific interest rate risk and lower REA from internal models within market risk.

The implementation of the new SME loan supporting factor reduced REA for credit risk by SEK 6.9bn.

Additional REA for article 3 of the EU's Capital Requirements Regulation (CRR) resulted in an increase of SEK 2.1bn, mainly due to a change in the probability of default in the model for large corporates.

Change in REA¹



¹ Refers to Swedbank consolidated situation

The leverage ratio was unchanged compared with the end of the first quarter at 4.8 per cent (4.8).

Future capital and resolution regulations

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

from the implementation of new EU regulations, the banking package.

The new application will result in changes in how the Pillar 2 requirement is determined. According to the new regulation, the Swedish FSA will set a Pillar 2 requirement and announce guidance on the additional capital that the bank should hold to cover risks and manage future financial stresses. The Pillar 2 requirement is expected to remain unchanged, while the guidance is expected to be circa 1 to 1.5 per cent.

In its approval, the Swedish FSA also gives its view of how a leverage ratio requirement should be introduced. The minimum requirement is 3 per cent of the exposure amount for the leverage ratio. In addition, the Swedish FSA will announce another leverage ratio requirement in the form of guidance. The leverage ratio requirement will be met in parallel with the risk-based requirements, and for Swedbank the Swedish FSA estimates that the total leverage ratio requirement will be lower than the risk-based capital requirements and hence not limiting.

All in all, the Swedish FSA expects the changes in the banking package to essentially leave the capital requirements unchanged.

A decision on Pillar 2 requirements and information on Pillar 2 guidance will be announced after the next evaluation and review, which in Swedbank's case means the end of the third quarter 2021.

On 1 July 2021, an amended Resolution Act took effect. The amendments are based on the EU's Bank Recovery and Resolution Directive (BRRD II), which among other things contains provisions on the minimum requirement for own funds and eligible liabilities (MREL). Due to the amended law, the Swedish National Debt Office published a new policy on how to implement the MREL on 1 January 2022. The phase-in will be completed by 1 January 2024. Part of the requirement will be met with own funds and subordinated eligible liabilities while the rest can be met with eligible liabilities.

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 was supposed to be completed by the end of 2021, but could be delayed according to the Swedish FSA. The implementation is expected to increase the REA.

In December 2017, the Basel Committee presented the finalised Basel III framework, usually called Basel IV. The reforms contain a number of policy and supervisory actions to strengthen the reliability and comparability of risk-weighted capital ratios and reduce unjustified differences in capital requirements between banks and countries. The actions include revisions to the standardised approaches used to estimate the banks' capital requirements for credit risk. A floor was introduced for banks that use internal models to calculate risk-weighted assets. The floor means that risk-weighted assets may not fall below 72.5 per cent of the amount calculated using the standardised approach. The proposed changes would be introduced gradually starting in 2023 and be fully implemented by 2028.

Investigations

In May, the Disciplinary Committee at Nasdaq Stockholm ordered Swedbank to pay a fine of twelve annual fees, or a total of SEK 46.6m. As Swedbank stated in the interim report on 27 April 2021, this applied to historical shortcomings in the period December 2016 to February 2019.

In September 2020, Swedbank was notified by the Swedish FSA that it was also investigating the bank for suspected breaches of the Market Abuse Regulation in the period September 2018 – March 2019. The investigation concerns disclosures of insider information and the obligation to establish an insider list in connection with the disclosure of suspected money laundering within the bank. During the quarter, the bank dialogued with the Swedish FSA and provided it with additional information.

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

The US authorities continue to investigate Swedbank's historical AML/CTF work and historical information disclosure. The investigations are progressing and Swedbank is holding discussions with relevant authorities through our US legal advisors. The bank cannot at this point predict when the investigations will be finalised or the results.

The Swedish Economic Crime Authority (EBM) stated that the investigation of historical information disclosures was in its final stage. The bank has no further information as to when the investigation will be completed.

Other events

On 21 April, for the fifth year in a row, the Lipper Fund Awards named Swedbank Robur Real Estate the best fund for 3, 5 and 10 years, and Swedbank Robur New Technology the best fund for 5 and 10 years in their respective categories. For 30 years, the ratings agency

Lipper has presented awards to the best funds in over 20 countries around the world. The Lipper Fund Awards are given to the funds that have shown consistently strong risk-adjusted returns in relation to similar funds over a three-, five- and ten-year period.

On 18 May, Swedbank announced that it had recruited Pål Bergström as the new Head of Large Corporates & Institutions. He will take up the position on 18 August at the latest and will become a member of Swedbank's Group Executive Committee. Pål Bergström has extensive experience from the banking sector and has held several leading positions at Handelsbanken, most recently as Head of Markets.

On 19 May, Swedbank Insurance was awarded Trophy of the Year 2021 for its automated fund trading process and efficient operations, which resulted in increased customer satisfaction. The award is presented by the Swedish software company Lumera, which develops enterprise systems for the life and pension insurance industry.

On 1 June, Swedbank joined Nordic Energy Efficient Mortgages (NEEM), a consortium to promote energy-effective renovations of the Nordic building stock. The consortium comprises experts from the financial sector, behavioural scientists, mortgage specialists and authorities on digital technologies from across the Nordic countries, under the leadership of Copenhagen Economics.

On 16 June, Swedbank appointed Tomas Hedberg, who was previously Head of the Special Task Force unit, as deputy President and deputy CEO. He will take on his new role as of 1 July and will become a permanent member of the Group Executive Committee. Tomas Hedberg's responsibilities include the important partnership with the savings banks and supporting the CEO with the continued implementation of Swedbank's updated strategic direction. His previous responsibility for the U.S. investigations remains unchanged.

Events after 30 June 2021

No significant events have occurred after 30 June 2021.

Swedish Banking

- Strong volume growth and higher market shares in mortgages
- Increased net commission income with higher income from asset management and card commissions
- Improved availability for mortgage customers through more advisors and shorter processing times

Income statement

SEKm	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	3 765	3 921	-4	4 178	-10	7 686	8 362	-8
Net commission income	2 302	2 103	9	1 829	26	4 405	3 807	16
Net gains and losses on financial items	218	119	83	93		337	156	
Other income ¹⁾	497	484	3	355	40	981	643	53
Total income	6 782	6 627	2	6 455	5	13 409	12 968	3
Staff costs	790	811	-3	747	6	1 601	1 504	6
Variable staff costs	14	19	-26	11	27	33	14	
Other expenses	1 829	1 790	2	1 684	9	3 619	3 233	12
Depreciation/amortisation	11	10	10	14	-21	21	28	-25
Total expenses	2 644	2 630	1	2 456	8	5 274	4 779	10
Profit before impairment	4 138	3 997	4	3 999	3	8 135	8 189	-1
Credit impairment	-34	7		432		-27	805	
Profit before tax	4 172	3 990	5	3 567	17	8 162	7 384	11
Tax expense	774	749	3	722	7	1 523	1 482	3
Profit for the period	3 398	3 241	5	2 845	19	6 639	5 902	12
Profit for the period attributable to:								
Shareholders of Swedbank AB	3 397	3 242	5	2 846	19	6 639	5 903	12
Non-controlling interests	1	-1		-1		0	-1	
Return on allocated equity, %	21.1	19.8		16.9		20.4	17.8	
Loan/deposit ratio, %	180	187		196		180	196	
Credit impairment ratio, %	-0.01	0.00		0.14		0.00	0.13	
Cost/income ratio	0.39	0.40		0.38		0.39	0.37	
Loans, SEKbn ²⁾	1 228	1 215	1	1 204	2	1 228	1 204	2
Deposits, SEKbn ²⁾	682	650	5	613	11	682	613	11
Full-time employees	3 926	3 950	-1	3 794	3	3 926	3 794	3

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

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

Result

Second quarter 2021 compared with first quarter 2021

Swedish Banking's profit increased to SEK 3 397m (3 242), mainly due to higher net commission income and increased net gains and losses on financial items.

Net interest income decreased by 4 per cent to SEK 3 765m (3 921). Lower average market interest rates negatively affected net interest income. Lending income decreased mainly due to a larger share of mortgages with longer fixed-rate periods. A higher deposit guarantee fee also had a negative effect.

Household mortgage volume increased by SEK 13bn (5) to SEK 867bn. Lending to tenant-owner associations was stable at SEK 91bn. Corporate lending was also unchanged, at SEK 238bn. During the quarter, SEK 1bn related to customers with more complex needs, mainly within property management, was transferred to the business area Large Corporates & Institutions.

Deposit volume increased to SEK 682bn (650), of which household deposits increased by SEK 15bn and corporate deposits increased by SEK 17bn.

Net commission income increased to SEK 2 302m (2 103), mainly through higher income from asset management and increased card commissions.

Net gains and losses on financial items increased to SEK 218m (119), mainly due to a positive valuation effect on the shareholding in Hemnet, which went public in the quarter.

Other income increased to SEK 497m (484), mainly due to higher income from Entercard.

Expenses increased slightly to SEK 2 644m (2 630), largely due to higher expenses for compliance, which were offset by lower staff costs.

Credit impairments amounted to SEK -34m (7) in the quarter.

January-June 2021 compared with January-June 2020

Profit increased to SEK 6 639m (5 903), mainly due to higher net commission income and lower credit impairments.

Net interest income decreased to SEK 7 686m (8 362). Lower average market interest rates negatively affected

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

Net commission income increased to SEK 4 405m (3 807). Higher income from asset management was offset by lower card commissions.

Net gains and losses on financial items increased mainly due to a positive valuation effect on the shareholding in Hemnet, which went public in the second quarter 2021.

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

Expenses increased by 10 per cent to SEK 5 274m (4 779), mainly due to increased expenses related to compliance.

Credit impairments amounted to SEK -27m (805).

Business development

Consumption in Sweden increased in the second quarter despite the Swedish economy continuing to be affected by the pandemic. The number of companies and individuals who applied for amortisation exemptions decreased in the quarter.

To increase availability for our mortgage customers and more quickly meet their needs, we increased the number of employees who work with mortgages. Activities to reach out to new mortgage customers increased as well through both physical and digital channels. We also took several measures to shorten processing times by improving our technological solutions and processes.

During the quarter, a new CRM system was launched as part of a process that will enable the customer and advisor to execute transactions in the same technological environment.

In June, Swedbank announced that it was making one of the largest investments in digital infrastructure in its history in the form of a new savings platform. The investment is part of a long-term focus by Swedbank and the savings banks on the financial health of our private customers and SMEs in Sweden. The platform will provide the necessary infrastructure to support continuous, personalised advice and create opportunities for new savings and investment services in all channels.

For our private customers, we launched a service called Advice & Guidance in the Internet Bank and mobile app. It provides an improved, personalised customer experience and helps each customer based on their needs and financial situation. The Internet Bank now also provides information on the customer's debit and credit cards as well as card functionality and settings. Account information from other banks is also available

in the Internet Bank and mobile app, giving customers an overview of their accounts. We will gradually expand the number of available banks in this service.

Private customers who do not have contracts with the Internet Bank can now access information for minors through the service portal, which was launched in autumn 2020. The service portal is simplifying things for the customer and reducing the amount of printed mail.

Now all corporate customers with leasing and instalment payment contracts can receive electronic invoices instead of a printed invoice. To further reduce the number of mailings, account statements, international payment documentation and annual statements will normally be distributed digitally to corporate customers. In response to high demand from corporate customers for more automated FX management, we launched new services during the quarter to manage foreign exchange, currency risks and reporting.

According to a survey of Swedish small businesses that Kantar Sifo conducted on behalf of Swedbank and the savings banks, there is a conviction that sustainable businesses create new opportunities and strengthen a company's brand and profitability. A majority of small businesses say their customers are demanding a greater sustainability commitment, and one out of three also feels that it has to speed up its transformation.

In May, our annual entrepreneurs' competition called Swedbank Rivstart ("Flying Start") was completed. The contest awards companies that contribute to society's sustainable transformation. In total, five winners were selected from among 912 participating companies.

Together with six other banks, Swedbank is part of a collaboration that is contributing to a more sustainable construction industry. The banks have agreed on common guidelines and tighter requirements on lending to construction and real estate companies in order to contribute to this. The common guidelines will be implemented by each bank in 2021.

In our AML work, the focus has been on improving efficiency and digitising routines, system support and processes. In April, we stopped international payments from the corporate Internet Bank to a number of high-risk countries. Customers can continue to make these payments through our branches after a more comprehensive review.



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 154 branches in Sweden.

Baltic Banking

- Increased lending in local currency and stable margins
- Higher income from cards and asset management
- Expanded range of Robur funds well received in all three Baltic markets

Income statement

SEKm	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	1 383	1 238	12	1 409	-2	2 621	2 779	-6
Net commission income	651	595	9	581	12	1 246	1 204	3
Net gains and losses on financial items	93	91	2	99	-6	184	146	26
Other income ¹⁾	203	208	-2	261	-22	411	454	-9
Total income	2 330	2 132	9	2 350	-1	4 462	4 583	-3
Staff costs	352	330	7	342	3	682	668	2
Variable staff costs	13	17	-24	9	44	30	19	58
Other expenses	543	496	9	455	19	1 039	924	12
Depreciation/amortisation	42	43	-2	44	-5	85	89	-4
Total expenses	950	886	7	850	12	1 836	1 700	8
Profit before impairment	1 380	1 246	11	1 500	-8	2 626	2 883	-9
Credit impairment	-23	220		56		197	202	-2
Profit before tax	1 403	1 026	37	1 444	-3	2 429	2 681	-9
Tax expense	234	172	36	237	-1	406	453	-10
Profit for the period	1 169	854	37	1 207	-3	2 023	2 228	-9
Profit for the period attributable to: Shareholders of Swedbank AB	1 169	854	37	1 207	-3	2 023	2 228	-9
Return on allocated equity, %	19.4	14.1		18.8		16.8	17.4	
Loan/deposit ratio, %	63	63		72		63	72	
Credit impairment ratio, %	-0.05	0.48		0.11		0.21	0.21	
Cost/income ratio	0.41	0.42		0.36		0.41	0.37	
Loans, SEKbn ²⁾	187	188	-1	187	0	187	187	0
Deposits, SEKbn ²⁾	295	300	-2	259	14	295	259	14
Full-time employees	4 281	4 279	0	4 234	1	4 281	4 234	1

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

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

Result

Second quarter 2021 compared with first quarter 2021

Profit in the second quarter increased to SEK 1 169m (854). Profit in local currency increased due to higher income and lower credit impairments, which was partly offset by higher expenses. Foreign exchange effects increased profit by SEK 4m.

Net interest income increased by 11 per cent in local currency, mainly due to the positive effect when Swedbank qualified for the European Central Bank's targeted longer-term refinancing operations (TLTRO3). The margins on mortgages and corporate loans were largely unchanged in the quarter. Deposit margins were also unchanged. Foreign exchange effects positively affected net interest income by SEK 3m.

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

Deposit volume was unchanged in local currency. Corporate deposits decreased while private deposits continued to rise. Foreign exchange effects negatively contributed SEK 4bn.

Net commission income increased by 9 per cent in local currency in the quarter. Card income benefitted from seasonally higher card usage and changing consumption patterns following a drop in Covid-19 cases. An increase in assets under management thanks to favourable market conditions positively affected income from asset management.

Net gains and losses on financial items increased by 2 per cent in local currency, mainly thanks to higher income from customer-driven FX transactions.

Other income decreased by 3 per cent in local currency, mainly due to higher life insurance claims in the quarter.

Expenses increased by 7 per cent in local currency, largely due to annual salary increases and seasonal fluctuations. Work to strengthen AML functions and improve KYC processes continued in the quarter.

Credit impairments amounted to SEK -23m (220). Negative rating migrations and individual assessed provisions for several large counterparties were offset by a decrease in expert adjustments for them.

January-June 2021 compared with January-June 2020

Profit amounted to SEK 2 023m (2 228) in the period. Profit decreased compared with the same period in 2020 in local currency, mainly due to higher expenses

while income increased. Foreign exchange effects negatively affected profit by SEK 99m.

Net interest income decreased by 1 per cent in local currency. Lower deposit margins and income from high-margin lending products were partly offset by a positive effect when Swedbank qualified for the European Central Bank's targeted longer-term refinancing operations (TLTRO3). Foreign exchange effects negatively affected net interest income by SEK 134m.

Lending increased by 3 per cent in local currency. Household lending increased by 7 per cent while corporate lending decreased by 1 per cent. Foreign exchange effects reduced lending growth by SEK 7bn.

Deposits increased by 18 per cent in local currency. Deposits increased in all markets. Foreign exchange effects negatively affected deposits by SEK 10bn.

Net commission income increased by 9 per cent in local currency, mainly due to higher income from the card operations, asset management and other fees.

Net gains and losses on financial items increased by 32 per cent in local currency, largely due to high unrealised losses in asset management and the insurance businesses in 2020.

Other income decreased by 5 per cent in local currency due to a lower result in the insurance business.

Expenses increased by 14 per cent in local currency, mainly due to higher staff costs and expenses related to AML work as well as increased expenses for risk management and compliance. Expenses for and investments in digital solutions increased as well.

Credit impairments amounted to SEK 197m (202), mainly as a result of additional expert adjustments due to the uncertainty surrounding the pandemic's economic impact on vulnerable sectors.

Business development

Economic activity recovered in the Baltic countries due to the gradual lifting of restrictions and improved outlook among both consumers and businesses. This trend is expected to continue as vaccinations increase and service sectors reopen. The number of new applications for amortisation exemptions was low in all three countries and their outstanding volume decreased after a large share of them matured in the quarter.

Due to the economic recovery, the mortgage market performed strongly. Swedbank's mortgage offering is competitive and we have been able to maintain our leading position in a growing market. On the other hand,

demand for consumer loans remained low and various campaigns were therefore launched during the quarter to promote them.

The share of sustainable lending continued to grow and at the end of the quarter exceeded EUR 460m (400). We are working to stimulate growth in sustainable lending, including through better pricing. For the third year in a row we qualified for the platinum level in Latvia's national sustainability index, which serves as a strategic tool to promote a green transformation in both the public and private sectors.

The fund offering for private customers was further expanded in the quarter through the launch of two additional Robur funds: Robur Corporate Bond Europe and Robur Corporate Bond Europe High Yield. The expanded offering has been well received and assets under management continue to increase.

As a result of the pandemic, demand for virtual services has rapidly grown, and to improve our availability we launched an advisory service by video call. The service has been well received and we plan to expand it. To help customers make better informed decisions, consent for personalised advice has been requested from customers. This is the first step in the launch of a more personalised service offering, planned for later this year.

The product range was improved in the quarter by adding insurance protection for medical assistance and trip cancellations related to the pandemic to travel insurance policies and credit card insurance – totally free of charge. A payment offering for small businesses in Estonia has been launched as well. It includes a debit card and a limited number of payments.

Swedbank has continued to provide students and young children with financial literacy education in all three Baltic countries. The live video series called Investing School was launched in the quarter on Facebook in Estonia. A book on money was presented as a gift to school libraries in Latvia and a new edition of the Class of Economics magazine was published in Lithuania.



Jon Lidefelt
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.3 million private customers and nearly 300 000 corporate customers. According to surveys, Swedbank is also the most popular 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 17 branches in Estonia, 21 in Latvia and 42 in Lithuania.

Large Corporates & Institutions

- Business activity remains high in the bond and equity markets
- Strong demand for sustainable financing
- Leading position in green equities

Income statement

SEKm	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	909	904	1	1 007	-10	1 813	1 967	-8
Net commission income	781	720	8	541	44	1 501	1 177	28
Net gains and losses on financial items	284	349	-19	1 032	-72	633	717	-12
Other income ¹⁾	28	26	8	39	-28	54	62	-13
Total income	2 002	1 999	0	2 619	-24	4 001	3 923	2
Staff costs	623	628	-1	552	13	1 251	1 142	10
Variable staff costs	33	65	-49			98	26	
Other expenses	357	308	16	351	2	665	731	-9
Depreciation/amortisation	73	65	12	62	18	138	122	13
Total expenses	1 086	1 066	2	965	13	2 152	2 021	6
Profit before impairment	916	933	-2	1 654	-45	1 849	1 902	-3
Impairment of intangible assets	13					13		
Credit impairment	31	19	63	740	-96	50	2 367	-98
Profit before tax	872	914	-5	914	-5	1 786	-465	
Tax expense	177	180	-2	176	1	357	-376	
Profit for the period	695	734	-5	738	-6	1 429	-89	
Profit for the period attributable to: Shareholders of Swedbank AB	695	734	-5	738	-6	1 429	-89	
Return on allocated equity, %	8.3	9.0		8.9		8.7	-0.6	
Loan/deposit ratio, %	98	98		133		98	133	
Credit impairment ratio, %	0.04	0.03		0.89		0.03	1.60	
Cost/income ratio	0.54	0.53		0.37		0.54	0.52	
Loans, SEKbn ²⁾	222	218	2	234	-5	222	234	
Deposits, SEKbn ²⁾	226	224	1	176	28	226	176	28
Full-time employees	2 444	2 404	2	2 334	5	2 444	2 334	5

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

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

Result

Second quarter 2021 compared with first quarter 2021

Stable income but increased expenses in the quarter reduced profit to SEK 695m (734).

Net interest income increased by 1 per cent to SEK 909m (904), mainly due to higher average business volumes and the transfer of a client from the business area Swedish Banking. Lower deposit margins and a higher resolution fund fee negatively affected net interest income.

Net commission income increased by 8 per cent to SEK 781m (720), mainly due to increased income from advisory commissions related to equity issues. Income from card acquiring increased due to the lifting of restrictions and drop in Covid-19 cases.

Net gains and losses on financial items decreased to SEK 284m (349), mainly due to lower fixed income and bond trading. Income from FX trading and bond issues remained high.

Expenses increased by 2 per cent to SEK 1 086m (1 066) driven by higher IT and consulting expenses.

Credit impairments amounted to SEK 31m (19). Additional provisions for a few oil-related commitments were offset by positive rating migrations for several large clients.

January-June 2021 compared with January-June 2020

Profit increased to SEK 1 429m (-89), mainly due to lower credit impairments.

Net interest income decreased by 8 per cent to SEK 1 813m (1 967), which was mainly due to lower deposit margins.

Net commission income increased by 28 per cent to SEK 1 501m (1 177), mainly due to increased lending commissions as well as income related to asset management and custodial services. Other income from advisory commissions related to equity issues and increased income from bond issues contributed as well.

Net gains and losses on financial items decreased to SEK 633m (717). Decreased income from FX trading was offset by revaluations of bond holdings in the trading book and derivative valuation adjustments (CVA/DVA).

Expenses increased by 6 per cent to SEK 2 152m

(2 021), mainly due to a higher number of employees and annual salary increases.

Credit impairments amounted to SEK 50m (2 367).

Business development

Hopes of a rapid economic recovery increased in the quarter and the financial markets were clearly more optimistic at the start of the year. Business activity was also high in the second quarter in both the bond and equity markets as well as in corporate finance.

Demand for M&A related corporate lending and bridge financing remained high. Swedbank has among other things provided SEK 4.3bn in bridge financing in connection with Dustin's acquisition of Centralpoint.

Swedbank served as an advisor in a number of equity and bond deals in the quarter. We consolidated our leading position in green equities by collaborating with Nasdaq on its new designation for this asset class, which will be available to companies listed in Sweden, Finland and Denmark. Swedbank also assisted Wästbygg and Magnolia Bostad with their green equity frameworks.

Favourable conditions in the bond market with attractive terms compared with traditional bank financing led to a record number of issues in the high yield segment, where Swedbank assisted Storskogen Group and Stillfront. In the real estate sector, we assisted Fastighets AB Balder with an EUR issue. Swedbank also served as advisor in Samhällsbyggnadsbolaget i Norden's social bond issue and in green bond issues by among others Vattenfall, Kojamo of Finland and Latvenergro. In addition, Swedbank arranged a bond for the European Investment Bank to finance renewable

energy and energy efficiency. This is the first sustainable bond in NOK from the European Investment Bank in line with the new EU taxonomy.

Swedbank served as advisor in directed share issues by the real estate companies Nyfosa, Amasten and Heimstaden, as well as the digital games and media company Media & Games Invest. We also participated in the Norwegian company Lytix Biopharma's IPO and as advisor in SBB's offer for Offentliga Hus and Corem Property's offer for Klöver.

To strengthen our offering in the growing area of renewable energy, Swedbank established a new department with sector responsibility for Power, Utilities & Renewables, through which we offer expertise, advice and financing solutions to clients in this sector, in line with the bank's updated strategic direction, where sustainability is a cornerstone.

Swedbank continued to develop its digital offering and in the quarter started "Swedbank Global Insights", a series of webinars hosted by Chief Economist Mattias Persson and Head of Forecasting Andreas Wallström. Swedbank Global Insights is available to all clients and provides a broad perspective on macroeconomic and geopolitical issues. Experts from various parts of the world debate and share insights and thoughts on current trends and themes.



Björn Meltzer
Acting Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	519	482	8	300	73	1 001	478	
Net commission income	-50	-69	-28	-43	16	-119	-79	51
Net gains and losses on financial items	50	26	92	174	-71	76	57	33
Other income ¹⁾	290	258	12	261	11	548	474	16
Total income	809	697	16	692	17	1 506	930	62
Staff costs	1 278	1 233	4	1 188	8	2 511	2 317	8
Variable staff costs	37	15		23	61	52	55	-5
Other expenses	-1 243	-1 087	14	-866	44	-2 330	-1 101	
Depreciation/amortisation	290	284	2	267	9	574	538	7
Administrative fine							4 000	
Total expenses	362	445	-19	612	-41	807	5 809	-86
Profit before impairment	447	252	77	80		699	-4 879	
Impairment of intangible assets	43					43		
Credit impairment	-1			7		-1	12	
Profit before tax	405	252	61	73		657	-4 891	
Tax expense	103	107	-4	19		210	-7	
Profit for the period	302	145		54		447	-4 884	
Profit for the period attributable to: Shareholders of Swedbank AB	302	145		54		447	-4 884	
Full-time employees	5 705	5 673	1	5 410	5	5 705	5 410	5

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

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 2021 compared with first quarter 2021

Profit increased to SEK 302m (145) and was mainly affected by lower expenses. This was offset by impairment of intangible assets.

Net interest income increased to SEK 519m (482). Net interest income within Group Treasury increased to SEK 557m (524), mainly driven by lower expenses for long-term financing. Net interest income was charged with a one-time expense of SEK 50m for the Riksbank's liquidity loan.

Net gains and losses on financial items increased to SEK 50m (26). Net gains and losses on financial items within Group Treasury decreased to SEK 33m (43), mainly due to negative valuation changes for currency swaps.

Expenses decreased to SEK 362m (445), mainly due to higher cost allocations to the business areas.

January-June 2021 compared with January-June 2020

Profit increased to SEK 447m (-4 884), largely due to the Swedish FSA's administrative fine in the first quarter 2020.

Net interest income increased to SEK 1 001m (478). Group Treasury's net interest income increased to SEK 1 081m (557), mainly because short-term market interest rates were lower in the first half of the year, and that the funding cost for long-term financing fell.

Net gains and losses on financial items increased to SEK 76m (57). Net gains and losses on financial items within Group Treasury increased to SEK 76m (30), mainly due to lower bond repurchase volumes in the first half of 2021.

Expenses decreased to SEK 807m (5 809), mainly due to the Swedish FSA's administrative fine and high money laundering related consulting costs in the first quarter 2020.

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

Eliminations

Income statement

SEKm	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Net interest income	-4	-4	0	-8	-50	-8	-14	-43
Net commission income	-10	11		17		1	39	-97
Other income ¹⁾	-39	-60	-35	-49	-20	-99	-121	-18
Total income	-53	-53	0	-40	33	-106	-96	10
Staff costs	-4	-3	33	-4	0	-7	-7	0
Other expenses	-49	-50	-2	-36	36	-99	-89	11
Total expenses	-53	-53	0	-40	33	-106	-96	10

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

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	2021	2021	2020	2021	2020
Interest income on financial assets at amortised cost	7 373	7 463	8 244	14 836	16 693
Other interest income	317	365	433	682	780
Interest income	7 690	7 828	8 677	15 518	17 473
Interest expense	-1 118	-1 287	-1 791	-2 405	-3 901
Net interest income (note 5)	6 572	6 541	6 886	13 113	13 572
Commission income	5 535	5 108	4 566	10 643	9 392
Commission expense	-1 861	-1 748	-1 641	-3 609	-3 244
Net commission income (note 6)	3 674	3 360	2 925	7 034	6 148
Net gains and losses on financial items (note 7)	645	585	1 398	1 230	1 076
Net insurance	396	374	390	770	686
Share of profit or loss of associates and joint ventures	247	237	134	484	229
Other income	336	305	343	641	597
Total income	11 870	11 402	12 076	23 272	22 308
Staff costs	3 136	3 115	2 868	6 251	5 738
Other general administrative expenses (note 8)	1 437	1 457	1 588	2 894	3 698
Depreciation/amortisation of tangible and intangible assets	416	402	387	818	777
Administrative fine					4 000
Total expenses	4 989	4 974	4 843	9 963	14 213
Profit before impairment	6 881	6 428	7 233	13 309	8 095
Impairment of intangible assets	56			56	
Credit impairment (note 9)	-27	246	1 235	219	3 386
Profit before tax	6 852	6 182	5 998	13 034	4 709
Tax expense	1 288	1 208	1 154	2 496	1 552
Profit for the period	5 564	4 974	4 844	10 538	3 157
Profit for the period attributable to:					
Shareholders of Swedbank AB	5 563	4 975	4 845	10 538	3 158
Non-controlling interests	1	-1	-1	0	-1
Earnings per share, SEK	4.96	4.44	4.33	9.40	2.82
Earnings per share after dilution, SEK	4.95	4.43	4.31	9.38	2.81

Statement of comprehensive income, condensed

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Profit for the period reported via income statement	5 564	4 974	4 844	10 538	3 157
Items that will not be reclassified to the income statement					
Remeasurements of defined benefit pension plans	296	1 584	-1 178	1 880	3 069
Share related to associates and joint ventures:					
Remeasurements of defined benefit pension plans	16	26	-45	42	96
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value through profit and loss			2		3
Income tax	-61	-326	242	-387	-633
Total	251	1 284	-979	1 535	2 535
Items that may be reclassified to the income statement					
Exchange rate differences, foreign operations:					
Gains/losses arising during the period	-583	846	-2 494	263	128
Hedging of net investments in foreign operations:					
Gains/losses arising during the period	490	-729	1 928	-239	6
Cash flow hedges:					
Gains/losses arising during the period	-101	149	-502	48	20
Reclassification adjustments to the income statement, Net gains and losses on financial items	98	-145	489	-47	-21
Foreign currency basis risk:					
Gains/losses arising during the period	-2	-3	-12	-5	-4
Share of other comprehensive income of associates and joint ventures	-34	103	-9	69	-86
Income tax	-103	153	-409	50	-1
Total	-235	374	-1 009	139	42
Other comprehensive income for the period, net of tax	16	1 658	-1 988	1 674	2 577
Total comprehensive income for the period	5 580	6 632	2 856	12 212	5 734
Total comprehensive income attributable to:					
Shareholders of Swedbank AB	5 579	6 633	2 857	12 212	5 735
Non-controlling interests	1	-1	-1	0	-1

For January-June 2021 a gain of SEK 1 880m (3 069) 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 1.97 per cent, compared with 1.41 per cent at year end. The inflation assumption was 1.80 per cent compared with 1.48 per cent at year end. The changed assumptions together with gains and losses based on experience represented SEK 1 284m of the positive result in other comprehensive income. The fair value of plan assets increased during the first six months 2021 by SEK 596m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 1 688m compared with SEK 3 665m at year end.

For January-June 2021 an exchange rate difference of SEK 263m (128) 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 period. In addition, an exchange rate difference of SEK 69m (-86) for the Group's foreign net investments in associates and joint ventures is included in Share of other comprehensive income of associates and joint ventures. The total gain of SEK 332m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 239m (6) 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 2021	31 Dec 2020	30 Jun 2020
Assets			
Cash and balances with central banks	598 926	293 811	380 083
Treasury bills and other bills eligible for refinancing with central banks, etc.	152 265	137 191	158 093
Loans to credit institutions (note 10)	39 070	47 954	60 409
Loans to the public (note 10)	1 667 988	1 680 987	1 715 270
Value change of interest hedged item in portfolio hedge	401	1 774	2 315
Bonds and other interest-bearing securities	70 966	59 975	90 064
Financial assets for which customers bear the investment risk	294 920	252 411	222 808
Shares and participating interests	19 307	17 215	4 811
Investments in associates and joint ventures	7 303	7 287	6 931
Derivatives (note 17)	36 413	52 177	53 949
Intangible assets (note 13)	18 836	18 361	18 277
Tangible assets	5 376	5 421	5 706
Current tax assets	1 619	1 554	2 242
Deferred tax assets	156	124	202
Other assets	22 529	16 483	41 402
Prepaid expenses and accrued income	3 301	1 917	2 301
Total assets	2 939 376	2 594 642	2 764 863
Liabilities and equity			
Amounts owed to credit institutions (note 14)	146 119	150 313	186 615
Deposits and borrowings from the public (note 15)	1 307 980	1 148 240	1 121 606
Financial liabilities for which customers bear the investment risk	295 842	253 229	223 516
Debt securities in issue (note 16)	881 433	732 814	869 229
Short positions, securities	14 330	23 300	29 816
Derivatives (note 17)	26 886	54 380	54 355
Current tax liabilities	699	424	428
Deferred tax liabilities	3 219	2 784	2 250
Pension provisions	1 688	3 665	5 768
Insurance provisions	1 891	1 859	1 993
Other liabilities and provisions	36 835	30 610	84 631
Accrued expenses and prepaid income	4 748	4 038	3 980
Senior non-preferred liabilities (note 16)	34 614	10 359	10 837
Subordinated liabilities (note 16)	23 699	23 434	25 421
Total liabilities	2 779 983	2 439 449	2 620 445
Equity			
Non-controlling interests	25	25	24
Equity attributable to shareholders of the parent company	159 368	155 168	144 394
Total equity	159 393	155 193	144 418
Total liabilities and equity	2 939 376	2 594 642	2 764 863

Statement of changes in equity, condensed

Group SEKm	Equity attributable to shareholders of Swedbank AB										
	Share capital	Other contri- buted equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserves	Foreign currency basis reserves	Own credit risk reserves	Retained earnings	Total	Non- controlling interests	Total equity
January-June 2021											
Opening balance 1 January 2021	24 904	17 275	4 355	-2 669	1	-62	0	111 364	155 168	25	155 193
Dividends								-8 124	-8 124		-8 124
Share based payments to employees								105	105		105
Deferred tax related to share based payments to employees								8	8		8
Current tax related to share based payments to employees								-1	-1		-1
Total comprehensive income for the period			332	-190	1	-4	0	12 073	12 212	0	12 212
of which reported through profit or loss								10 538	10 538	0	10 538
of which reported through other comprehensive income			332	-190	1	-4	0	1 535	1 674		1 674
Closing balance 30 June 2021	24 904	17 275	4 687	-2 859	2	-66	0	115 425	159 368	25	159 393
January-December 2020											
Opening balance 1 January 2020	24 904	17 275	6 279	-3 880	8	-33	-5	94 060	138 608	25	138 633
Share based payments to employees								178	178		178
Deferred tax related to share based payments to employees								7	7		7
Current tax related to share based payments to employees								-8	-8		-8
Total comprehensive income for the period			-1 924	1 211	-7	-29	5	17 127	16 383	0	16 383
of which reported through profit or loss								12 929	12 929	0	12 929
of which reported through other comprehensive income			-1 924	1 211	-7	-29	5	4 198	3 454		3 454
Closing balance 31 December 2020	24 904	17 275	4 355	-2 669	1	-62	0	111 364	155 168	25	155 193
January-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

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2021	Full-year 2020	Jan-Jun ¹⁾ 2020
Operating activities			
Profit before tax	13 034	16 780	4 709
Adjustments for non-cash items in operating activities	-2 840	447	2 031
Income taxes paid	-2 294	-4 331	-1 899
Increase (-) / decrease (+) in loans to credit institution	8 974	-2 708	-14 945
Increase (-) / decrease (+) in loans to the public	13 883	-39 022	-64 954
Increase (-) / decrease (+) in holdings of securities for trading	-29 105	-15 081	-51 707
Increase (-) / decrease (+) in other assets	10 412	-17 957	-68 477
Increase (+) / decrease (-) in amounts owed to credit institutions	-4 533	82 381	116 832
Increase (+) / decrease (-) in deposits and borrowings from the public	158 120	203 526	166 880
Increase (+) / decrease (-) in debt securities in issue	140 503	-104 629	10 432
Increase (+) / decrease (-) in other liabilities	-21 123	-10 169	93 518
Cash flow from operating activities	285 031	109 237	192 420
Investing activities			
Acquisitions of and contributions to joint ventures	-32	-54	-11
Disposal of shares in associates		76	71
Dividend from associates and joint ventures	587	2	2
Acquisitions of other fixed assets and strategic financial assets	-134	-364	-269
Disposals of/maturity of other fixed assets and strategic financial assets	43	1 723	279
Cash flow from investing activities	464	1 383	72
Financing activities			
Amortisation of lease liabilities	-370	-723	-384
Issuance of senior non-preferred liabilities	24 407		
Redemption of senior non-preferred liabilities	-5	-95	
Redemption of subordinated liabilities	-246	-7 880	-7 463
Dividends paid	-4 871		
Cash flow from financing activities	18 915	-8 698	-7 847
Cash flow for the period	304 410	101 922	184 645
Cash and cash equivalents at the beginning of the period	293 811	195 286	195 286
Cash flow for the period	304 410	101 922	184 645
Exchange rate differences on cash and cash equivalents	705	-3 397	152
Cash and cash equivalents at end of the period	598 926	293 811	380 083

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

2021

During the year contributions were provided to joint ventures P27 Nordic Payments Platform AB of SEK 25m and Invidem AB of SEK 7 m.

2020

During the year contributions were provided to joint ventures Invidem AB of SEK 23m and P27 Nordic Payments Platform AB of SEK 31m.

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

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

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

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

Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual and Sustainability Report for 2020, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies, except for the change as set out below.

Amendments for Interest Rate Benchmark Reform (phase 2)

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

The amendments address the accounting issues that arise when financial instruments that reference an IBOR interest rate transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest Rate Benchmark Reform (the Reform), to be treated as changes to a floating interest rate. They also permit changes required by the Reform to be implemented in hedge designations and hedge documentation without the hedging relationship being discontinued. The adoption did not have any impact on the Group's financial position, results, cash flows or disclosures.

Other changes in accounting regulations

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

Note 2 Critical accounting estimates

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

goodwill, deferred taxes and defined benefit pension provisions.

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

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first half year of 2021.

Note 4 Operating segments (business areas)

January-June 2021

SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	7 686	2 621	1 813	1 001	-8	13 113
Net commission income	4 405	1 246	1 501	-119	1	7 034
Net gains and losses on financial items	337	184	633	76		1 230
Other income ¹⁾	981	411	54	548	-99	1 895
Total income	13 409	4 462	4 001	1 506	-106	23 272
Staff costs	1 601	682	1 251	2 511	-7	6 038
Variable staff costs	33	30	98	52		213
Other expenses	3 619	1 039	665	-2 330	-99	2 894
Depreciation/amortisation	21	85	138	574		818
Total expenses	5 274	1 836	2 152	807	-106	9 963
Profit before impairment	8 135	2 626	1 849	699		13 309
Impairment of intangible assets			13	43		56
Credit impairment	-27	197	50	-1		219
Profit before tax	8 162	2 429	1 786	657		13 034
Tax expense	1 523	406	357	210		2 496
Profit for the period	6 639	2 023	1 429	447		10 538
Profit for the period attributable to:						
Shareholders of Swedbank AB	6 639	2 023	1 429	447		10 538
Non-controlling interests	0					0
Net commission income						
Commission income						
Payment processing	359	320	311	54	-14	1 030
Cards	942	731	1 067		-170	2 570
Asset management and custody	3 607	197	885	-8	-151	4 530
Lending	105	75	415	1	-4	592
Other commission income ²⁾	1 100	270	537	19	-5	1 921
Total Commission income	6 113	1 593	3 215	66	-344	10 643
Commission expense	1 708	347	1 714	185	-345	3 609
Net commission income	4 405	1 246	1 501	-119	1	7 034
Balance sheet, SEKbn						
Cash and balances with central banks	2	3	156	439	-1	599
Loans to credit institutions	7		275	356	-599	39
Loans to the public	1 228	187	253			1 668
Interest-bearing securities		1	81	144	-3	223
Financial liabilities for which customers bears the investment risk	288	7				295
Investments in associates and joint ventures	5			2		7
Derivatives			50	27	-41	36
Tangible and intangible assets	2	12	2	8		24
Other assets	3	117	34	399	-505	48
Total assets	1 535	327	851	1 375	-1 149	2 939
Amounts owed to credit institutions	28		381	324	-587	146
Deposits and borrowings from the public	683	295	259	79	-8	1 308
Debt securities in issue		1	6	878	-4	881
Financial liabilities for which customers bears the investment risk	289	7				296
Derivatives			48	20	-41	27
Other liabilities	471		125	-24	-509	63
Senior non-preferred liabilities				35		35
Subordinated liabilities				24		24
Total liabilities	1 471	303	819	1 336	-1 149	2 780
Allocated equity	64	24	32	39		159
Total liabilities and equity	1 535	327	851	1 375	-1 149	2 939
Key figures						
Return on allocated equity, %	20.4	16.8	8.7	2.6		13.5
Cost/income ratio	0.39	0.41	0.54	0.54		0.43
Credit impairment ratio, %	0.00	0.21	0.03	-0.01		0.03
Loan/deposit ratio, %	180	63	98	0		128
Loans to the public, stage 3, SEKbn ³⁾ (gross)	2	2	3			7
Loans to the public, total, SEKbn ³⁾	1 228	187	222			1 637
Provisions for loans to the public, total, SEKbn ³⁾	2	1	3			6
Deposits from the public, SEKbn ³⁾	682	295	226	79		1 282
Risk exposure amount, SEKbn	399	99	162	29		689
Full-time employees	3 926	4 281	2 444	5 705		16 356
Allocated equity, average, SEKbn	65	24	33	34		156

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

²⁾ Other commission income includes Service concepts, Insurance, Securities and corporate finance and Other, see note 6.

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

January-June 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
Other income ¹⁾	643	454	62	474	-121	1 512
Total income	12 968	4 583	3 923	930	-96	22 308
Staff costs	1 504	668	1 142	2 317	-7	5 624
Variable staff costs	14	19	26	55		114
Other expenses	3 233	924	731	-1 101	-89	3 698
Depreciation/amortisation	28	89	122	538		777
Administrative fine				4 000		4 000
Total expenses	4 779	1 700	2 021	5 809	-96	14 213
Profit before impairment	8 189	2 883	1 902	-4 879		8 095
Credit impairment	805	202	2 367	12		3 386
Profit before tax	7 384	2 681	-465	-4 891		4 709
Tax expense	1 482	453	-376	-7		1 552
Profit for the period	5 902	2 228	-89	-4 884		3 157
Profit for the period attributable to:						
Shareholders of Swedbank AB	5 903	2 228	-89	-4 884		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	113	85	306	5	-3	506
Other commission income ²⁾	1 054	243	502	21	-4	1 816
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 liabilities for which customers bears the investment risk	218	5				223
Investments in associates	5			2		7
Derivatives			66	41	-53	54
Tangible and intangible assets	2	11	2	8		23
Other assets	4	85	36	489	-559	55
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 bears the investment 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, %	17.8	17.4	-0.6	-51.1		4.4
Cost/income ratio	0.37	0.37	0.52	6.25		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, SEKbn ³⁾	613	259	176	60		1 108
Risk exposure amount, SEKbn	399	95	172	26		692
Full-time employees	3 794	4 234	2 334	5 410		15 772
Allocated equity, average, SEKbn	66	26	31	19		142

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

²⁾ Other commission income includes Service concepts, Insurance, Securities and corporate finance and Other, see note 6.

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

Operating segments accounting policies

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

The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital

requirements based on the bank's Internal Capital Adequacy Assessment Process (ICAAP).

The return on allocated equity for the operating segments is calculated based on profit for the period attributable to the shareholders for the operating segment, in relation to average monthly allocated equity for the operating segment. For periods shorter than one year the key ratio is annualised.

During the first quarter 2021, minor changes between Swedbank's operating segments were made to coincide with the organisational changes. Comparative figures have been restated.

Note 5 Net interest income

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Interest income					
Cash and balances with central banks	-290	-232	-190	-522	-171
Treasury bills and other bills eligible for refinancing with central banks, etc.	17	14	16	31	46
Loans to credit institutions	47	37	80	84	212
Loans to the public	7 634	7 659	8 350	15 293	16 652
Bonds and other interest-bearing securities	47	47	104	94	145
Derivatives ¹⁾	262	244	209	506	503
Other assets	41	42	49	83	102
Total	7 758	7 811	8 618	15 569	17 489
Deduction of trading-related interests reported in Net gains and losses on financial items	68	-17	-59	51	16
Total interest income	7 690	7 828	8 677	15 518	17 473
Interest expense					
Amounts owed to credit institutions	92	5	-78	97	-213
Deposits and borrowings from the public	-126	-37	-147	-163	-475
of which deposit guarantee fees	-136	-35	-118	-171	-235
Debt securities in issue	-1 158	-1 258	-1 951	-2 416	-4 266
Senior non-preferred liabilities	-48	-28	-29	-76	-55
Subordinated liabilities	-170	-170	-189	-340	-468
Derivatives ¹⁾	570	503	938	1 073	2 108
Other liabilities	-197	-247	-277	-444	-482
of which resolution fund fee	-172	-229	-249	-401	-425
Total	-1 037	-1 232	-1 733	-2 269	-3 851
Deduction of trading-related interests reported in Net gains and losses on financial items	81	55	58	136	50
Total interest expense	-1 118	-1 287	-1 791	-2 405	-3 901
Net interest income	6 572	6 541	6 886	13 113	13 572
Net investment margin before trading-related interests are deducted	0.94	0.96	1.01	0.95	1.03
Average total assets	2 854 333	2 750 011	2 729 334	2 798 259	2 653 261
Interest expense on financial liabilities at amortised cost	1 464	1 502	2 375	2 966	5 444
Negative yield on financial assets	348	282	268	630	870
Negative yield on financial liabilities	300	147	142	447	227

¹⁾ Derivatives include net interest income related to hedged assets and liabilities. These may have both a positive and negative impact on interest income and interest expense.

Note 6 Net commission income

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Commission income					
Payment processing	526	504	487	1 030	994
Cards	1 393	1 177	1 233	2 570	2 562
Service concepts	318	313	312	631	624
Asset management and custody	2 323	2 207	1 721	4 530	3 514
Insurance	174	171	167	345	358
Securities and corporate finance	248	193	169	441	371
Lending	299	293	254	592	506
Other	254	250	223	504	463
Total commission income	5 535	5 108	4 566	10 643	9 392
Commission expense					
Payment processing	-331	-310	-285	-641	-566
Cards	-645	-609	-643	-1 254	-1 269
Service concepts	-40	-42	-36	-82	-73
Asset management and custody	-585	-518	-433	-1 103	-861
Insurance	-83	-79	-65	-162	-136
Securities and corporate finance	-84	-81	-91	-165	-178
Lending	-39	-32	-31	-71	-51
Other	-54	-77	-57	-131	-110
Total commission expense	-1 861	-1 748	-1 641	-3 609	-3 244
Net commission income					
Payment processing	195	194	202	389	428
Cards	748	568	590	1 316	1 293
Service concepts	278	271	276	549	551
Asset management and custody	1 738	1 689	1 288	3 427	2 653
Insurance	91	92	102	183	222
Securities and corporate finance	164	112	78	276	193
Lending	260	261	223	521	455
Other	200	173	166	373	353
Total Net commission income	3 674	3 360	2 925	7 034	6 148

Note 7 Net gains and losses on financial items

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Fair value through profit or loss					
Shares and share related derivatives	258	42	333	300	300
of which dividend	71	58	7	129	16
Interest-bearing securities and interest related derivatives	-91	177	949	86	64
Financial liabilities	1	6	7	7	22
Other financial instruments	1	-2	-19	-1	-13
Total fair value through profit or loss	169	223	1 270	392	373
Hedge accounting					
Ineffectiveness, one-to one fair value hedges	-10	-16	-168	-26	-131
of which hedging instruments	-1 271	-3 026	1 487	-4 297	4 893
of which hedged items	1 261	3 010	-1 655	4 271	-5 024
Ineffectiveness, portfolio fair value hedges	0	21	96	21	85
of which hedging instruments	478	916	-1 043	1 394	-1 959
of which hedged items	-478	-895	1 139	-1 373	2 044
Ineffectiveness, cash flow hedges	0	0	-4	0	-2
Total hedge accounting	-10	5	-76	-5	-48
Amortised cost					
Derecognition gain or loss for financial assets	67	43	38	110	72
Derecognition gain or loss for financial liabilities	-1	-11	-14	-12	-90
Total amortised cost	66	32	24	98	-18
Trading related interest					
Interest income	68	-17	-59	51	16
Interest expense	81	55	58	136	50
Total trading related interest	149	38	-1	187	66
Change in exchange rates	271	287	181	558	703
Total net gains and losses on financial items	645	585	1 398	1 230	1 076

Note 8 Other general administrative expenses

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Premises	95	105	92	200	184
IT expenses	581	568	596	1 149	1 165
Telecommunications and postage	27	31	31	58	77
Consultants	217	214	307	431	1 059
Compensation to savings banks	58	57	58	115	116
Other purchased services	212	213	233	425	464
Travel	2	1	4	3	54
Entertainment	3	4	2	7	13
Supplies	9	21	22	30	45
Advertising, PR and marketing	56	39	83	95	160
Security transport and alarm systems	16	18	20	34	36
Repair/maintenance of inventories	30	24	24	54	54
Other administrative expenses	102	114	106	216	234
Other operating expenses	29	48	10	77	37
Other general administrative expenses	1 437	1 457	1 588	2 894	3 698

Note 9 Credit impairment

Group SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Loans at amortised cost					
Credit impairment provisions - Stage 1	-14	-133	259	-147	556
Credit impairment provisions - Stage 2	-295	246	398	-49	1 016
Credit impairment provisions - Stage 3	147	-2 538	321	-2 391	1 146
Credit impairment provisions - Credit-impaired purchased or originated	0	-2		-2	-1
Total	-162	-2 427	978	-2 589	2 717
Write-offs	244	2 860	107	3 104	244
Recoveries	-71	-64	-31	-135	-77
Total	173	2 796	76	2 969	167
Total loans at amortised cost	11	369	1 054	380	2 884
Other assets at amortised cost	-3	-4		-7	
Loan commitments and guarantees					
Credit impairment provisions - Stage 1	23	-54	79	-31	163
Credit impairment provisions - Stage 2	-70	-61	113	-131	303
Credit impairment provisions - Stage 3	12	-4	-11	8	36
Total Loan commitments and guarantees	-35	-119	181	-154	502
Total credit impairment	-27	246	1 235	219	3 386
Credit impairment ratio, %	-0.01	0.06	0.28	0.03	0.40

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

Calculation of credit impairment provisions

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

Measurement of 12-month and lifetime expected credit losses

The onset of Covid-19 in 2020 brought a deterioration of macroeconomic indicators – inter alia GDP growth, housing and property prices, unemployment, oil prices and interest rates – that would typically have contributed to increased credit risk. The downturn has, however, not resulted in the increased credit losses or default rates that one would expect from historical experience of similar economic shocks. Government and regulator support measures have been successful in suppressing the economic impacts of Covid-19 but there is a risk that credit quality may start to deteriorate as such measures end. There are also continued uncertainties which could further delay the recovery, namely relating to vaccination progress and effectiveness and to the potential for further outbreaks sparked by new variants. As the quantitative risk models do not appropriately incorporate these dynamics, post-model adjustments to increase the credit impairment provisions continue to be deemed necessary.

The post-model expert credit adjustments were increased to SEK 1,972m (SEK 1,533m as of 31 December 2020), attributable primarily to continued uncertainty in Covid-19 affected sectors. The post-model expert credit adjustments are allocated as SEK 583m in Stage 1, SEK 1 373m in Stage 2 and SEK 16m in Stage 3. The most significant impacts are reflected in the shipping and offshore, hotels and restaurants, manufacturing, retail and property management sectors.

Determination of a significant increase in credit risk

The tables below show the quantitative thresholds used by the Group for assessing a significant increase in credit risk, namely:

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 3 to 8 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2020 Annual and Sustainability Report.

- changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, an increase of 100-300 per cent from initial recognition is considered significant.

These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high-risk end of the scale. The Group has performed a sensitivity analysis on how credit impairment provisions would change if thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and, also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect.

The tables below disclose the impacts of this sensitivity analysis on the credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating downgrade ^{1) 2) 3)}	Impairment provision impact of		Recognised credit impairment provisions 30 Jun 2021	Share of total portfolio (%) in terms of gross carrying amount 30 Jun 2021	Impairment provision impact of		Recognised credit impairment provisions 31 Dec 2020	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2020
			Increase in threshold by 1 grade	Decrease in threshold by 1 grade			Increase in threshold by 1 grade	Decrease in threshold by 1 grade		
13-21	< 0.5%	3 - 8 grades	-7.4%	6.7%	349	30%	-7.7%	7.0%	514	35%
9-12	0.5-2.0%	1 - 5 grades	-17.8%	14.8%	184	6%	-13.5%	13.0%	330	7%
6-8	2.0-5.7%	1 - 3 grades	-11.7%	6.5%	60	2%	-11.5%	4.0%	84	3%
0-5	>5.7% and <100%	1 - 2 grades	-1.3%	0.1%	67	1%	-0.9%	0.0%	141	1%
			-10.3%	8.5%	660	39%	-9.0%	7.7%	1 069	46%
Financial instruments with low risk					2	16%			17	8%
Stage 3 financial instruments					1 703	0%			2 207	0%
Post model expert credit adjustment ⁴⁾					813				673	
Total⁵⁾					3 178	55%			3 966	54%

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

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

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

⁴⁾ Represents post-model expert credit adjustments for stages 1 and 2.

⁵⁾ Of which provisions for off-balance exposures are SEK 436m (499).

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

Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD ⁶⁾	Impairment provision impact of		Recognised credit impairment provisions 30 Jun 2021	Share of total portfolio (%) in terms of gross carrying amount 30 Jun 2021	Impairment provision impact of		Recognised credit impairment provisions 31 Dec 2020	Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2020
		Increase in threshold by 100%	Decrease in threshold by 50%			Increase in threshold by 100%	Decrease in threshold by 50%		
13-21	100-300%	-2.3%	10.4%	264	32%	-3.1%	5.8%	340	31%
9-12	100-200%	-4.0%	5.9%	288	8%	-4.8%	2.2%	413	8%
6-8	50-150%	0.7%	1.7%	143	2%	-0.7%	0.9%	143	3%
0-5	50%	0.0%	0.3%	190	1%	0.0%	0.1%	299	1%
		-1.9%	5.4%	885	43%	-2.6%	2.5%	1 195	43%
Financial instruments with low risk					15	2%		15	3%
Stage 3 financial instruments					1 242	0%		2 952	0%
Post model expert credit adjustment ⁷⁾					1 130			847	
Total⁸⁾					3 272	45%		5 009	46%

⁶⁾ Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

⁷⁾ Represents post-model expert credit adjustments for stages 1 and 2.

⁸⁾ Of which provisions for off-balance exposures are SEK 233m (307).

Incorporation of forward-looking macroeconomic scenarios

A new Swedbank Economic Outlook was published on 20 April which serves as the base scenario, with an assigned probability weight of 66.6 per cent. Aligned with the updated base scenario, new alternative scenarios were developed, with assigned probability

weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to the Group's usual monthly process.

IFRS 9 scenarios

30 June 2021	Positive scenario			Baseline scenario			Negative scenario		
	2021	2022	2023	2021	2022	2023 ¹⁾	2021	2022	2023
Sweden									
GDP (% annual growth)	4.3	4.1	1.8	3.7	3.5	1.9	-3.2	-0.1	3.8
Unemployment (%) ²⁾	8.7	7.3	7.1	8.8	7.7	7.4	9.8	11.3	10.3
House prices (% annual change)	9.6	3.4	5.4	9.2	2.6	4.9	3.6	-3.8	1.7
Stibor 3m (%)	-0.01	0.10	0.36	-0.01	0.08	0.23	-0.10	-0.20	-0.26
Estonia									
GDP (% annual growth)	3.7	5.8	3.0	3.0	5.0	3.2	-2.4	1.4	3.7
Unemployment (%)	7.8	6.6	6.1	8.0	6.9	6.5	10.4	11.8	10.7
House prices (% annual change)	10.4	10.8	5.8	9.4	7.9	5.0	1.4	-1.9	4.1
Latvia									
GDP (% annual growth)	3.8	6.2	3.6	3.1	5.5	3.5	-2.7	2.6	3.8
Unemployment (%)	8.2	6.4	5.6	8.4	6.7	6.0	11.0	12.8	11.3
House prices (% annual change)	4.7	7.0	6.4	3.8	5.2	5.4	-3.9	-4.4	4.7
Lithuania									
GDP (% annual growth)	4.1	4.4	3.7	3.4	3.5	3.4	-1.1	0.8	3.8
Unemployment (%)	8.3	6.9	6.4	8.5	7.3	6.8	11.0	12.3	11.0
House prices (% annual change)	11.1	7.0	5.8	10.1	4.5	4.9	2.0	-5.1	4.1
Global indicators									
US GDP (% annual)	7.3	4.5	1.7	6.8	3.9	2.3	2.0	-3.3	2.2
EU GDP (% annual)	5.0	4.4	2.0	4.0	4.0	2.2	-0.9	1.1	2.5
Brent Crude Oil (USD/Barrel)	65.8	64.1	61.8	63.9	61.1	58.8	47.3	24.9	31.8
Euribor 6m (%)	-0.50	-0.40	0.16	-0.50	-0.46	-0.38	-0.08	-0.33	-0.44

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

²⁾ Unemployment rate, 16-64 years

The revised global forecast mainly reflects the more rapid vaccine rollout and massive fiscal stimulus, especially in the US. In addition, many economies showed a surprising resilience at the end of last year and beginning of this year, despite the still-serious pandemic situation. This better-than-expected development over the past few months lifts the growth rates this year. The world economy is expected to grow by 5.9 per cent in 2021 and by 4.4 per cent in 2022.

The recovery in the Swedish economy has continued during the beginning of 2021, although the pandemic is still weighing on parts of the services sector. Vaccination is ongoing, and Growth is expected to pick up in the second half of this year and in 2022 as society

gradually reopens, with a revised growth outlook for this year to 3.5 per cent. Growth in 2022 is estimated to be around 3.6 per cent. Unemployment is expected to fall at a fairly rapid pace, from around 8.9 per cent to 7.3 per cent by the end of 2022. The baseline scenario assumes that seasonal effects over the summer will lead to a decline in Covid-19 cases in Europe, together with a gradual increase in vaccination rates. Further, it is assumed that a high rate of immunisation will be reached by the fall, when the benign seasonal effects wane. In the US, a better vaccine outlook contributes to an earlier acceleration of the recovery than in the EU.

Sensitivity

Set out below are the credit impairment provisions that would result from the negative and positive scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent. Post-model expert credit adjustments are assumed to be constant in the results.

Business area	30 Jun 2021				31 Dec 2020			
	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario	Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
Swedish Banking	1 659	494	1 791	1 601	1 788	424	1 969	1 690
Baltic Banking	920	412	1 025	833	754	242	872	669
LC&I	3 862	1 066	4 691	3 190	6 423	867	7 471	5 640
Group ¹⁾	6 450	1 972	7 517	5 633	8 975	1 533	10 323	8 010

¹⁾ Including Group Functions & Other.

Note 10 Loans

30 June 2021	Stage 1			Stage 2			Stage 3			
Group SEKm	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Total
Loans to the public at amortised cost										
Private customers	1 059 862	112	1 059 750	40 601	262	40 339	1 912	492	1 420	1 101 509
Private mortgage	925 405	45	925 360	33 840	148	33 692	1 368	260	1 108	960 160
Tenant owner associations	89 586	3	89 583	1 531	4	1 527	13	1	12	91 122
Private other	44 871	64	44 807	5 230	110	5 120	531	231	300	50 227
Corporate customers	473 931	594	473 337	60 714	2 028	58 686	5 124	2 280	2 844	534 867
Agriculture, forestry, fishing	57 120	9	57 111	6 848	57	6 791	138	26	112	64 014
Manufacturing	30 846	127	30 719	4 272	148	4 124	192	83	109	34 952
Public sector and utilities	24 579	12	24 567	853	15	838	38	8	30	25 435
Construction	17 381	28	17 353	4 114	98	4 016	140	34	106	21 475
Retail and wholesale	25 039	66	24 973	5 410	244	5 166	118	44	74	30 213
Transportation	11 142	21	11 121	2 310	48	2 262	22	4	18	13 401
Shipping and offshore	6 341	29	6 312	4 223	666	3 557	3 481	1 844	1 637	11 506
Hotels and restaurants	3 596	70	3 526	4 599	315	4 284	471	74	397	8 207
Information and communication	12 985	12	12 973	1 333	18	1 315	6	1	5	14 293
Finance and insurance	20 618	12	20 606	779	4	775	14	3	11	21 392
Property management, including	231 369	180	231 189	19 844	315	19 529	269	92	177	250 895
Residential properties	70 640	47	70 593	6 908	64	6 844	16	8	8	77 445
Commercial	103 602	96	103 506	7 391	152	7 239	170	70	100	110 845
Industrial and Warehouse	38 027	22	38 005	2 708	12	2 696	41	8	33	40 734
Other	19 100	15	19 085	2 837	87	2 750	42	6	36	21 871
Professional services	17 753	12	17 741	2 908	34	2 874	158	44	114	20 729
Other corporate lending	15 162	16	15 146	3 221	66	3 155	77	23	54	18 355
Loans to the public at fair value through profit or loss										142
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 533 793	706	1 533 087	101 315	2 290	99 025	7 036	2 772	4 264	1 636 518
Swedish National Debt Office	3		3							3
Repurchase agreements ¹⁾										31 467
Loans to the public	1 533 796	706	1 533 090	101 315	2 290	99 025	7 036	2 772	4 264	1 667 988
Banks and other credit institutions	37 511	13	37 498	41	0	41				37 539
Repurchase agreements ¹⁾										1 531
Loans to credit institutions	37 511	13	37 498	41		41				39 070
Loans to the public and credit institutions	1 571 307	719	1 570 588	101 356	2 290	99 066	7 036	2 772	4 264	1 707 058

¹⁾ At fair value through profit or loss

31 December 2020

31 December 2020	Stage 1			Stage 2			Stage 3			
Group SEKm	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Total
Loans to the public at amortised cost										
Private customers	1 036 489	118	1 036 371	42 251	291	41 960	2 152	505	1 647	1 079 978
Private mortgage	902 233	51	902 182	35 323	171	35 152	1 531	290	1 241	938 575
Tenant owner associations	91 286	4	91 282	1 582	5	1 577	109	2	107	92 966
Private other	42 970	63	42 907	5 346	115	5 231	512	213	299	48 437
Corporate customers	468 798	709	468 089	66 009	2 025	63 984	8 378	4 493	3 885	535 958
Agriculture, forestry, fishing	57 258	11	57 247	7 283	57	7 226	204	33	171	64 644
Manufacturing	32 876	133	32 743	5 910	141	5 769	298	97	201	38 713
Public sector and utilities	24 821	13	24 808	990	16	974	53	12	41	25 823
Construction	14 952	32	14 920	4 643	122	4 521	159	40	119	19 560
Retail and wholesale	23 019	67	22 952	5 955	244	5 711	531	216	315	28 978
Transportation	11 480	8	11 472	1 483	28	1 455	19	4	15	12 942
Shipping and offshore	6 634	32	6 602	4 251	560	3 691	6 235	3 917	2 318	12 611
Hotels and restaurants	4 339	49	4 290	4 655	313	4 342	323	27	296	8 928
Information and communication	11 041	10	11 031	2 569	35	2 534	13	3	10	13 575
Finance and insurance	20 083	29	20 054	744	12	732	22	10	12	20 798
Property management, including	224 852	272	224 580	22 533	376	22 157	244	62	182	246 919
Residential properties	65 530	74	65 456	8 517	99	8 418	22	11	11	73 885
Commercial	92 881	125	92 756	7 123	118	7 005	162	40	122	99 883
Industrial and Warehouse	42 009	47	41 962	2 721	18	2 703	33	7	26	44 691
Other	24 432	26	24 406	4 172	141	4 031	27	4	23	28 460
Professional services	17 896	35	17 861	3 283	76	3 207	169	44	125	21 193
Other corporate lending	19 547	18	19 529	1 710	45	1 665	108	28	80	21 274
Loans to the public at fair value through profit or loss										101
Loans to the public excluding the Swedish National Debt Office and repurchase agreements										
	1 505 287	827	1 504 460	108 260	2 316	105 944	10 530	4 998	5 532	1 616 037
Swedish National Debt Office	25 003		25 003							25 003
Repurchase agreements ¹⁾										39 947
Loans to the public	1 530 290	827	1 529 463	108 260	2 316	105 944	10 530	4 998	5 532	1 680 987
Banks and other credit institutions	46 367	28	46 339	33	0	33				46 372
Repurchase agreements ¹⁾										1 582
Loans to credit institutions	46 367	28	46 339	33		33				47 954
Loans to the public and credit institutions	1 576 657	855	1 575 802	108 293	2 316	105 977	10 530	4 998	5 532	1 728 941
¹⁾ At fair value through profit or loss										

¹⁾ At fair value through profit or loss

30 June 2020

30 June 2020	Stage 1			Stage 2			Stage 3			
Group SEKm	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Total
Loans to the public at amortised cost										
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 and wholesale	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
Loans to the public at fair value through profit or loss										184
Loans to the public excluding the Swedish National Debt Office and repurchase agreements										
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

Ratios, %	30 Jun 2021	31 Dec 2020	30 Jun 2020
Share of Stage 1 loans, gross	93.55	92.99	91.52
Share of Stage 2 loans, gross	6.03	6.39	7.67
Share of Stage 3 loans, gross	0.42	0.62	0.81
Credit impairment provision ratio Stage 1 loans	0.05	0.05	0.07
Credit impairment provision ratio Stage 2 loans	2.26	2.14	1.80
Credit impairment provision ratio Stage 3 loans	39.40	47.46	44.02
Total credit impairment provision ratio	0.34	0.48	0.56

Note 11 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

The tables below provide a reconciliation of credit impairment provisions for loans to the public and credit institutions at amortised cost. Stage transfers are reflected as taking place at the end of the reporting period.

Loans to the public and credit institutions	2021				2020			
Group SEKm	Stage 1	Stage 2	Stage 3 ¹⁾	Total	Stage 1	Stage 2	Stage 3 ¹⁾	Total
Carrying amount before provisions								
Opening balance 1 January	1 576 657	108 293	10 530	1 695 480	1 537 745	106 264	13 593	1 657 602
Closing balance 30 June	1 571 307	101 356	7 036	1 679 699	1 541 494	129 178	13 659	1 684 331
Credit impairment provisions								
Opening balance 1 January	855	2 316	4 998	8 169	483	1 348	4 853	6 684
Movements affecting Credit impairment line								
New and derecognised financial assets, net	28	-40	-3 033	-3 045	200	61	-114	147
Changes in risk factors (EAD, PD, LGD)	5	-254	32	-217	117	159	65	341
Changes in macroeconomic scenarios	-137	-232	0	-369	478	328	10	816
Post-model expert credit adjustments	42	374	3	419				
Individual assessments			445	445			989	989
Stage transfers	-85	103	204	222	-239	468	286	515
from 1 to 2	-94	212		118	-256	585		329
from 1 to 3	-1		32	31	-2		98	96
from 2 to 1	10	-47		-37	18	-81		-63
from 2 to 3		-67	203	136		-42	253	211
from 3 to 2		5	-24	-19		6	-31	-25
from 3 to 1	0		-7	-7	1		-34	-33
Other			-43	-43		0	-91	-91
Total movements affecting Credit impairment line	-147	-49	-2 392	-2 588	556	1 016	1 145	2 717
Movements recognised outside Credit impairment line								
Interest			43	43			91	91
Change in exchange rates	11	23	123	157	-14	-40	-76	-130
Closing balance 30 June	719	2 290	2 772	5 781	1 025	2 324	6 013	9 362
Carrying amount								
Opening balance 1 January	1 575 802	105 977	5 532	1 687 311	1 537 262	104 916	8 740	1 650 918
Closing balance 30 June	1 570 588	99 066	4 264	1 673 918	1 540 469	126 854	7 646	1 674 969

¹⁾ Including purchased or originated credit-impaired

Loan commitments and financial guarantees

The tables below provide a reconciliation of credit impairment provisions for loan commitments and financial guarantees. Stage transfers are reflected as taking place at the end of the reporting period.

SEKm	2021				2020			
	Stage 1	Stage 2	Stage 3 ¹⁾	Total	Stage 1	Stage 2	Stage 3 ¹⁾	Total
Nominal amount								
Opening balance 1 January	358 988	17 341	542	376 871	322 384	11 325	1 248	334 957
Closing balance 30 June	384 154	14 513	415	399 082	339 832	24 341	1 186	365 359
Credit impairment provisions								
Opening balance 1 January	249	396	161	806	113	144	326	583
Movements affecting Credit impairment line								
New and derecognised financial assets, net	15	-7	-21	-13	76	30	-43	63
Changes in risk factors (EAD, PD, LGD)	-18	-62	31	-49	62	37	4	103
Changes in macroeconomic scenarios	-47	-44		-91	169	43		212
Post-model expert credit adjustments	19	-12	0	7				
Individual assessments								
Stage transfers	0	-6	-1	-7	-144	193	75	124
from 1 to 2	-4	11		7	-145	214		69
from 1 to 3	0		1	1	-1		10	9
from 2 to 1	4	-17		-13	2	-6		-4
from 2 to 3		0	1	1		-15	65	50
from 3 to 2		0	-2	-2				
from 3 to 1	0		-1	-1				
Other			-1	-1				
Total movements affecting Credit impairment line	-31	-131	8	-154	163	303	36	502
Movements recognised outside Credit impairment line								
Change in exchange rates	4	9	4	17	-5	-5	-9	-19
Closing balance 30 June	222	274	173	669	271	442	353	1 066

¹⁾ Including purchased or originated

Note 12 Credit risk exposures

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets			
Cash and balances with central banks	598 926	293 811	380 083
Interest-bearing securities	223 231	197 166	248 157
Loans to credit institutions	39 070	47 954	60 409
Loans to the public	1 667 988	1 680 987	1 715 270
Derivatives	36 413	52 177	53 949
Other financial assets	22 497	16 451	41 344
Total	2 588 125	2 288 546	2 499 212
Contingent liabilities and commitments			
Guarantees	55 039	50 696	52 871
Loan commitments	344 043	326 175	316 310
Total	399 082	376 871	369 181
Total credit risk exposures	2 987 207	2 665 417	2 868 393

Note 13 Intangible assets

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
With indefinite useful life			
Goodwill	13 383	13 327	13 742
Brand name	93	92	92
Total	13 476	13 419	13 834
With finite useful life			
Customer base	272	293	314
Internally developed software	4 744	4 319	3 777
Other	344	330	352
Total	5 360	4 942	4 443
Total intangible assets	18 836	18 361	18 277

During the second quarter 2021, an impairment was recognised for internally developed software of SEK 56m.

Note 14 Amounts owed to credit institutions

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Amounts owed to credit institutions			
Central banks	50 782	79 715	89 735
Banks	80 650	60 110	82 090
Other credit institutions	4 877	7 195	4 954
Repurchase agreements - banks	9 810	3 293	9 836
Amounts owed to credit institutions	146 119	150 313	186 615

Note 15 Deposits and borrowings from the public

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Deposits from the public			
Private customers	624 400	588 487	567 876
Corporate customers	657 860	542 860	539 582
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	1 282 260	1 131 347	1 107 458
Swedish National Debt Office	37	69	53
Repurchase agreements - Swedish National Debt Office	0	0	0
Repurchase agreements - public	25 683	16 824	14 095
Deposits and borrowings from the public	1 307 980	1 148 240	1 121 606

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

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Commercial papers	317 880	127 209	185 191
Covered bonds	445 690	471 491	541 144
Senior unsecured bonds	113 186	128 437	136 140
Structured retail bonds	4 677	5 677	6 754
Total debt securities in issue	881 433	732 814	869 229
Senior non-preferred liabilities	34 614	10 359	10 837
Subordinated liabilities	23 699	23 434	25 421
Total debt securities in issue, senior non-preferred liabilities and subordinated liabilities	939 746	766 607	905 487

	Jan-Jun 2021	Full-year 2020	Jan-Jun 2020
Turnover			
Opening balance	766 607	898 493	898 493
Issued	392 716	498 084	279 639
Repurchased	-25 526	-54 877	-35 707
Repaid	-202 531	-555 811	-240 963
Interest	1 734	6 498	2 835
Change in market values or in hedged item in hedge accounting at fair value	-2 542	2 689	4 291
Changes in exchange rates	9 288	-28 469	-3 101
Closing balance	939 746	766 607	905 487

Note 17 Derivatives

Group SEKm	Nominal amount			Positive fair value			Negative fair value		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Derivatives in hedge accounting									
One-to-one fair value hedges, interest rate swaps	499 816	514 849	578 208	10 898	14 953	17 037	410	37	82
Portfolio fair value hedges, interest rate swaps	491 274	457 647	426 282	672	137	150	1 544	2 412	2 688
Cash flow hedges, cross currency basis swaps	8 102	8 500	9 204	25	19	203	220	256	32
Total	999 192	980 996	1 013 694	11 595	15 109	17 390	2 174	2 705	2 802
Non-hedge accounting derivatives	22 761 308	19 302 025	17 992 353	130 321	126 813	126 164	131 298	143 547	139 017
Gross amount	23 760 500	20 283 021	19 006 047	141 916	141 922	143 554	133 472	146 252	141 819
Offset amount	-19 394 022	-16 771 805	-14 458 401	-105 503	-89 745	-89 605	-106 586	-91 872	-87 464
Total	4 366 478	3 511 216	4 547 646	36 413	52 177	53 949	26 886	54 380	54 355

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

Note 18 Fair value of financial instruments

Group SEKm	30 Jun 2021			31 Dec 2020		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	598 926	598 926		293 811	293 811	
Treasury bills and other bills eligible for refinancing with central banks	152 276	152 265	11	137 206	137 191	15
Loans to credit institutions	39 070	39 070	0	47 954	47 954	0
Loans to the public	1 669 935	1 667 988	1 947	1 684 884	1 680 987	3 897
Value change of interest hedged items in portfolio hedge	401	401		1 774	1 774	
Bonds and interest-bearing securities	70 966	70 966	0	59 976	59 975	1
Financial assets for which the customers bear the investment risk	294 920	294 920		252 411	252 411	
Shares and participating interest	19 307	19 307		17 215	17 215	
Derivatives	36 413	36 413		52 177	52 177	
Other financial assets	22 497	22 497		16 451	16 451	
Total	2 904 711	2 902 753	1 958	2 563 859	2 559 946	3 913
Investment in associates		7 303			7 287	
Non-financial assets		29 320			27 409	
Total		2 939 376			2 594 642	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	146 119	146 119	0	150 313	150 313	
Deposits and borrowings from the public	1 307 973	1 307 980	-7	1 148 231	1 148 240	-9
Debt securities in issue	886 006	881 433	4 573	738 196	732 814	5 382
Financial liabilities for which the customers bear the investment risk	295 842	295 842		253 229	253 229	
Senior non-preferred liabilities	35 242	34 614	628	10 545	10 359	186
Subordinated liabilities	24 185	23 699	486	23 688	23 434	254
Derivatives	26 886	26 886		54 380	54 380	
Short positions securities	14 330	14 330		23 300	23 300	
Other financial liabilities	36 755	36 755		30 536	30 536	
Total	2 773 338	2 767 658	5 680	2 432 418	2 426 605	5 813
Non-financial liabilities		12 325			12 844	
Total		2 779 983			2 439 449	

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

The methods are divided into three different levels:

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

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair value. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. For any open net position, a bid/ask

adjustment is applied to ensure that long positions are recognised at bid price and short positions - at ask price.

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

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

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

Financial instruments recognised at fair value

Group 30 June 2021 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	38 815	6 641		45 456
Loans to credit institutions		1 531		1 531
Loans to the public		31 601	8	31 609
Bonds and other interest-bearing securities	25 118	45 812		70 930
Financial assets for which the customers bear the investment risk	294 920			294 920
Shares and participating interests	18 094		1 213	19 307
Derivatives	126	36 287		36 413
Total	377 073	121 872	1 221	500 166
Liabilities				
Amounts owed to credit institutions		9 810		9 810
Deposits and borrowings from the public		25 684		25 684
Debt securities in issue		4 814		4 814
Financial liabilities for which the customers bear the investment risk		295 842		295 842
Derivatives	127	26 759		26 886
Short positions, securities	13 677	653		14 330
Total	13 804	363 562		377 366

Group 31 December 2020 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills etc.	18 968	3 300		22 268
Loans to credit institutions		1 582		1 582
Loans to the public		40 049		40 049
Bonds and other interest-bearing securities	22 676	37 264		59 940
Financial assets for which the customers bear the investment risk	252 411			252 411
Shares and participating interests	16 088		1 127	17 215
Derivatives	85	52 092		52 177
Total	310 228	134 287	1 127	445 642
Liabilities				
Amounts owed to credit institutions		3 294		3 294
Deposits and borrowings from the public		16 824		16 824
Debt securities in issue		6 767		6 767
Financial liabilities for which the customers bear the investment risk		253 229		253 229
Derivatives	69	54 311		54 380
Short positions, securities	22 307	993		23 300
Total	22 376	335 418		357 794

Level 3 primarily contains unlisted equity instruments, where the price is unobservable and the sensitivity in the value to changes in the unobservable parameter is linear in the model applied. To estimate the unobservable price different methods are applied

depending on the type of available data. The primary method is based on executed transactions or quoted share price of similar equities. Other inputs to these methods are primarily prices, proxy prices, market indicators and company information.

Changes in level 3 Group SEKm	2021 Assets			2020 Assets	
	Equity instruments	Loans	Total	Equity instruments	Total
Opening balance 1 January	1 127		1 127	1 854	1 854
Purchases	8		8	8	8
Sale of assets/ dividends received	-10		-10	-1	-1
Maturities	-1		-1		
Issues		8	8		
Gains or losses	89		89	37	37
of which changes in unrealised gains or losses for items held at closing day	92		92	43	43
Closing balance 30 June	1 213	8	1 221	1 898	1 898

The level 3 unlisted equity instruments include strategic investments. Swedbank's holdings in VISA Inc. C shares are subject to selling restrictions for a period of up to 8 years and under certain conditions may have to be returned. Liquid quotes are not available for these shares, therefore the fair value is established with significant elements of Swedbank's own internal assumptions. As of 30 June 2021, the carrying amount for the holdings in Visa Inc. C amounts to SEK 676m.

Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have

changed in significance to the valuation. There were no transfers of financial instruments to or from level 3 during the period.

During the second quarter Swedbank received a dividend consisting of shares in Hemnet Group AB, related to the shareholding in Care of Hemnet AB, which is reported as Level 3. The new shareholding in Hemnet Group AB is reported as Level 1, as the company is listed on the stock exchange.

Note 19 Assets pledged, contingent liabilities and commitments

Group SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Loans used as collateral for covered bonds ¹⁾	502 293	561 209	614 284
Financial assets pledged for insurance policy holders	289 467	247 632	218 503
Other assets pledged	67 487	117 257	120 207
Assets pledged	859 247	926 098	952 994
Nominal amounts			
Guarantees	55 039	50 696	52 871
Other	158	172	252
Contingent liabilities	55 197	50 868	53 123
Nominal amounts			
Loans granted not paid	279 725	259 683	247 303
Overdraft facilities granted but not utilised	64 318	66 492	69 007
Commitments	344 043	326 175	316 310

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

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

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

Note 20 Offsetting financial assets and liabilities

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

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

Group SEKm	Assets			Liabilities		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Financial assets and liabilities, which have been offset or are subject to netting						
Gross amount	212 115	224 363	322 760	204 388	207 455	250 037
Offset amount	-141 495	-133 010	-717 809	-142 919	-135 137	-169 668
Net amounts presented in the balance sheet	70 620	91 353	150 951	61 469	72 318	80 369
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	18 214	19 688	29 579	20 357	19 688	29 579
Financial Instruments, collateral	28 760	39 949	86 973	33 570	24 313	18 494
Cash collateral	11 434	15 278	13 731	7 539	15 551	23 352
Total amount not offset in the balance sheet	58 408	74 915	130 283	61 466	59 552	71 425
Net amount	12 212	16 438	20 668	3	12 766	8 944

The amount offset for derivative assets includes offset cash collateral of SEK 2 235m (3 934) derived from the balance sheet item Amounts owed to credit institutions. The amount offset for derivative liabilities includes offset cash collateral of SEK 3 319m (6 061), derived from the balance sheet item Loans to credit institutions. The amount offset for reverse repurchase agreements

includes offset security settlements liabilities of SEK 1 239m, which derive from the balance sheet item Other liabilities. The amount offset for repurchase agreements includes offset security settlement claims of SEK 1 580m, which derive from the balance sheet item's Other assets.

Note 21 Capital adequacy, consolidated situation

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: www.swedbank.com/investor-relations/reports-and-presentations/risk-reports

In the consolidated situation the Group's insurance companies are consolidated according to the equity method instead of full consolidation. The EnterCard Group is consolidated by proportional method instead of the equity method. Otherwise, same principles for consolidations are applied as for the Group.

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Consolidated situation, SEKm					
Available own funds					
Common Equity Tier 1 (CET1) capital	127 551	124 725	120 496	116 418	113 397
Tier 1 capital	136 146	133 548	128 848	125 636	122 979
Total capital	151 840	149 711	144 737	142 350	139 938
Risk-weighted exposure amounts					
Total risk exposure amount	688 517	694 625	689 594	691 535	692 352
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	18.5	18.0	17.5	16.8	16.4
Tier 1 ratio (%)	19.8	19.2	18.7	18.2	17.8
Total capital ratio (%)	22.1	21.6	21.0	20.6	20.2
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.0	2.0	2.0	3.3	3.3
of which: to be made up of CET1 capital (percentage points)	1.4	1.4	1.4	3.0	3.0
of which: to be made up of Tier 1 capital (percentage points)	1.7	1.7	1.7	3.1	3.1
Total SREP own funds requirements (%)	10.0	10.0	10.0	11.3	11.3
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	n/a	n/a	n/a	n/a	n/a
Institution specific countercyclical capital buffer (%)	0.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	3.0	3.0	3.0	3.0	3.0
Global Systemically Important Institution buffer (%)	n/a	n/a	n/a	n/a	n/a
Other Systemically Important Institution buffer (%)	1.0	1.0	1.0	0.0	0.0
Combined buffer requirement (%)	6.5	6.5	6.5	5.5	5.5
Overall capital requirements (%)	16.5	16.5	16.5	16.9	16.8
CET1 available after meeting the total SREP own funds requirements (%)	8.5	8.0	7.5	5.5	5.1
Leverage ratio					
Total exposure measure	2 838 534	2 779 915	2 526 721	2 636 884	2 693 914
Leverage ratio (%)	4.8	4.8	5.1	4.8	4.6
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.0	n/a	n/a	n/a	n/a
of which: to be made up of CET1 capital (percentage points)	0.0	n/a	n/a	n/a	n/a
Total SREP leverage ratio requirements (%)	3.0	n/a	n/a	n/a	n/a
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	3.0	n/a	n/a	n/a	n/a
Overall leverage ratio requirement (%)	3.0	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio (LCR)¹⁾					
Total high-quality liquid assets (HQLA) (Weighted value -average)	609 652	574 930	537 572	502 144	474 821
Cash outflows - Total weighted value	453 480	433 130	413 139	398 318	383 533
Cash inflows - Total weighted value	58 464	69 439	77 124	82 229	82 000
Total net cash outflows (adjusted value)	395 016	363 691	336 015	316 089	301 533
Liquidity coverage ratio (%)	155.3	158.5	160.7	159.9	158.3
Net Stable Funding Ratio (NSFR)					
Total available stable funding	1 605 176	1 616 476	1 652 303	1 642 142	1 667 078
Total required stable funding	1 308 168	1 316 805	1 316 918	1 325 509	1 335 832
Net stable funding ratio (%)	123.0	123.0	125.0	124.0	125.0

¹⁾LCR based on the twelve-month average as in the Pillar 3 disclosure.

Common Equity Tier 1 capital	30 Jun	31 Dec	30 Jun
Consolidated situation, SEKm	2021	2020	2020
Shareholders' equity according to the Group's balance sheet	159 368	155 168	144 394
Anticipated dividend	-13 466	-16 320	-11 435
Deconsolidation of insurance companies			-977
Value changes in own financial liabilities	-73	-77	-99
Cash flow hedges	2	2	-4
Additional value adjustments	-785	-478	-752
Goodwill	-13 471	-13 414	-13 829
Deferred tax assets	-121	-78	-148
Intangible assets	-3 755	-4 116	-3 726
Deductions of CET1 capital due to Article 3 CRR	-112	-158	
Shares deducted from CET1 capital	-36	-33	-27
Total Common Equity Tier 1 capital	127 551	120 496	113 397

Risk exposure amount	30 Jun	31 Dec	30 Jun
Consolidated situation, SEKm	2021	2020	2020
Risk exposure amount credit risks, standardised approach	49 017	48 309	48 077
Risk exposure amount credit risks, IRB	286 913	299 652	283 330
Risk exposure amount default fund contribution	664	556	636
Risk exposure amount settlement risks	0	0	1
Risk exposure amount market risks	19 546	17 314	19 511
Risk exposure amount credit value adjustment	3 258	4 398	5 017
Risk exposure amount operational risks	73 521	73 521	71 454
Additional risk exposure amount, Article 3 CRR	21 692	19 800	40 856
Additional risk exposure amount, Article 458 CRR	233 906	226 044	223 470
Total risk exposure amount	688 517	689 594	692 352

	SEKm			%		
Capital requirements¹⁾	30 Jun	31 Dec	30 Jun	30 Jun	31 Dec	30 Jun
Consolidated situation, SEKm / %	2021	2020	2020	2021	2020	2020
Capital requirement Pillar 1	99 835	99 991	93 468	14.5	14.5	13.5
of which Buffer requirements ²⁾	44 754	44 824	38 079	6.5	6.5	5.5
Total capital requirement Pillar 2 ³⁾	13 712	13 712	23 002	2.0	2.0	3.3
Total capital requirement Pillar 1 and 2	113 547	113 703	116 470	16.5	16.5	16.8
Own funds	151 840	144 737	139 938			

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

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

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

Note 22 Internal capital requirement

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

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

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

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

As of 30 June 2021, the internal capital assessment for Swedbank's consolidated situation amounted to SEK 34.4bn (SEK 37.0bn as of 31 December 2020). The capital to meet the internal capital assessment, i.e. the Common Equity Tier 1, amounted to SEK 151.8bn (SEK 144.7bn as of 31 December 2020) (see Note 21). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly and does not consider the SFSA risk-weight floor for Swedish mortgages.

The internally estimated capital requirement for the parent company is SEK 23.9bn (SEK 25.7bn as of 31 December 2020) and the Common Equity Tier 1 capital amounted to SEK 120.8bn (SEK 118.1bn as of 31 December 2020) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2020 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.se.

Note 23 Risks and uncertainties

Swedbank's earnings are affected by changes in the global marketplace over which it has no control, including macroeconomic factors such as GDP, asset prices and unemployment as well as changes in interest rates, equity prices and exchange rates. Covid-19 has had and may continue to have further consequences for the global economy and on Swedbank. Despite the roll-out of vaccines and overall positive economic forecasts in our home markets, uncertainty remains in terms of longer-term impacts for many businesses in impacted sectors.

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

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

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

protection area. Those compliance risks are now addressed. Swedbank has identified other elevated compliance risks in the customer protection area, and in the market surveillance area. Work is ongoing within the bank to ensure that the deficiencies identified are addressed. Swedbank's Compliance function monitors this work.

Interest Rate Benchmark Reform

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

To manage the transition for the benchmark rates which will cease, Swedbank adhered to the ISDA 2020 Benchmark Supplement Protocol for its

derivative exposures, which came into effect on 25 January 2021. The Group's current bilateral derivative exposures where counterparties did not adhere to the ISDA 2020 Benchmark Supplement Protocol are insignificant and the Group plans to ensure voluntary transition to alternative benchmark rates ahead of the cessation dates. In addition, Swedbank updated its bond issuance programs with proper fallback language for the benchmark rates expected to cease.

Tax

The tax area is complex and leaves room for judgement. Practices and interpretations of

applicable laws can be changed, sometimes retroactively. In the event that the tax authorities and, where appropriate, the tax courts decide on a different interpretation than what Swedbank initially made, it could impact the Group's operations, results and financial position.

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2020 Annual and sustainability report and in the disclosure in the Risk Management and Capital Adequacy reports available at www.swedbank.com.

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

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

30 June 2021	< 5 yrs	5-10 yrs	> 10 yrs	Total
SEK	241	-997	449	-307
Foreign currency	728	385	208	1 321
Total	969	-612	657	1 014
31 December 2020				
SEK	1 190	-1 202	530	518
Foreign currency	1 355	-13	41	1 383
Total	2 545	-1 215	571	1 901

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

30 June 2021	< 5 yrs	5-10 yrs	> 10 yrs	Total
SEK	320	-696	336	-40
Foreign currency	-1 310	878	-221	-653
Total	-990	182	115	-693
31 December 2020				
SEK	1 131	-1 047	484	568
Foreign currency	-369	341	-224	-252
Total	762	-706	260	316

Note 24 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including other related companies such as associates and joint ventures. The five partly owned savings banks are important associates.

Note 25 Swedbank's share

	30 Jun 2021	31 Dec 2020	30 Jun 2020
Number of outstanding ordinary shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-10 575 660	-12 013 947	-12 014 027
Number of outstanding ordinary shares on the closing day	1 121 430 062	1 119 991 775	1 119 991 695
SWED A			
Last price, SEK	159.24	144.12	119.40
Market capitalisation, SEKm	178 577	161 413	133 727

Within Swedbank's share-based compensation programme, Swedbank AB has during 2021 transferred 1 438 287 shares at no cost to employees.

	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Earnings per share					
Average number of shares					
Average number of shares before dilution	1 121 383 230	1 120 203 756	1 119 924 076	1 120 796 751	1 119 446 409
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	2 075 334	2 745 747	3 701 007	2 500 646	3 499 807
Average number of shares after dilution	1 123 458 564	1 122 949 503	1 123 625 083	1 123 297 397	1 122 946 216
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	5 563	4 975	4 845	10 538	3 158
Earnings for the purpose of calculating earnings per share	5 563	4 975	4 845	10 538	3 158
Earnings per share, SEK					
Earnings per share before dilution	4.96	4.44	4.33	9.40	2.82
Earnings per share after dilution	4.95	4.43	4.31	9.38	2.81

Note 26 Changed presentation, cash-flow statement

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

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

January-June 2020	Previous reporting	Change	New reporting
Operating activities			
Operating profit	4 709		4 709
Adjustments for non-cash items in operating activities	2 031		2 031
Taxes paid	-1 899		-1 899
Increase (-) /decrease (+) in loans to credit institution	-14 945		-14 945
Increase (-) /decrease (+) in loans to the public	-64 954		-64 954
Increase (-) /decrease (+) in holdings of securities for trading	-51 707		-51 707
Increase (-) /decrease (+) in other assets	-68 477		-68 477
Increase (+) /decrease (-) in amounts owed to credit institutions	116 832		116 832
Increase (+) /decrease (-) in deposits and borrowings from the public	166 880		166 880
Increase (+) /decrease (-) in debt securities in issue		10 432	10 432
Increase (+) /decrease (-) in other liabilities	93 518		93 518
Cash flow from operating activities	181 988	10 432	192 420
Investing activities			
Disposals of shares in associates	71		71
Acquisition of other fixed assets and strategic financial assets	-269		-269
Disposals of/maturity of other fixed assets and strategic financial asset	279		279
Cash flow from investing activities	72		72
Financing activities			
Amortisation of lease liabilities	-384		-384
Issuance of interest-bearing securities	61 600	-61 600	
Redemption of interest-bearing securities	-117 241	117 241	
Issuance of commercial papers	218 039	-218 039	
Redemption of commercial papers	-159 429	159 429	
Redemption of subordinated liabilities		-7 463	-7 463
Cash flow from financing activities	2 585	-10 432	-7 847
Cash flow for the year	184 645		184 645
Cash and cash equivalents at the beginning of the year	195 286		195 286
Cash flow for the year	184 645		184 645
Exchange rate differences on cash and cash equivalents	152		152
Cash and cash equivalents at end of the year	380 083		380 083

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Interest income on financial assets at amortised cost	2 466	2 541	3 413	5 007	6 806
Other interest income	1 551	1 534	1 561	3 085	3 180
Interest income	4 017	4 075	4 974	8 092	9 986
Interest expense	-421	-497	-922	-918	-2 190
Net interest income	3 596	3 578	4 052	7 174	7 796
Dividends received	3 809	3 996	2 664	7 805	5 486
Commission income	2 164	2 015	1 816	4 179	3 783
Commission expense	-527	-566	-545	-1 093	-1 049
Net commission income	1 637	1 449	1 271	3 086	2 734
Net gains and losses on financial items	299	268	1 431	567	1 009
Other income	506	453	405	959	756
Total income	9 847	9 744	9 823	19 591	17 781
Staff costs	2 402	2 363	2 091	4 765	4 196
Other expenses	1 384	1 390	1 401	2 774	3 301
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 242	1 242	1 212	2 484	2 448
Administrative fine					4 000
Total expenses	5 028	4 995	4 704	10 023	13 945
Profit before impairment	4 819	4 749	5 119	9 568	3 836
Credit impairment, net	33	48	1 179	81	3 118
Operating profit	4 786	4 701	3 940	9 487	718
Tax expense	888	852	871	1 740	935
Profit for the period	3 898	3 849	3 069	7 747	-217

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020
Profit for the period reported via income statement	3 898	3 849	3 069	7 747	-217
Total comprehensive income for the period	3 898	3 849	3 069	7 747	-217

Balance sheet, condensed

Parent company SEKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets			
Cash and balance with central banks	453 948	167 121	277 761
Loans to credit institutions	686 305	669 495	591 161
Loans to the public	396 180	428 997	471 369
Interest-bearing securities	217 023	192 488	242 373
Shares and participating interests	84 360	82 321	69 650
Derivatives	41 928	59 644	59 044
Other assets	45 969	48 538	65 216
Total assets	1 925 713	1 648 604	1 776 574
Liabilities and equity			
Amounts owed to credit institutions	215 526	246 804	252 863
Deposits and borrowings from the public	1 016 501	869 222	865 991
Debt securities in issue	434 135	259 922	325 070
Derivatives	41 863	74 236	81 905
Other liabilities and provisions	45 526	50 512	110 514
Senior non-preferred liabilities	34 614	10 359	10 836
Subordinated liabilities	23 699	23 434	25 421
Untaxed reserves	10 682	10 682	10 724
Equity	103 167	103 433	93 250
Total liabilities and equity	1 925 713	1 648 604	1 776 574
Pledged collateral	58 266	110 092	111 718
Other assets pledged	10 272	7 149	8 485
Contingent liabilities	301 456	315 206	388 248
Commitments	336 624	324 052	304 430

Statement of changes in equity, condensed

Parent company SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-June 2021					
Opening balance 1 January 2021	24 904	13 206	5 968	59 355	103 433
Dividend				-8 124	-8 124
Share based payments to employees				105	105
Deferred tax related to share based payments to employees				8	8
Current tax related to share based payments to employees				-2	-2
Total comprehensive income for the period				7 747	7 747
Closing balance 30 June 2021	24 904	13 206	5 968	59 089	103 167
January-December 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				178	178
Deferred tax related to share based payments to employees				7	7
Current tax related to share based payments to employees				-6	-6
Total comprehensive income for the period				9 836	9 836
Closing balance 31 December 2020	24 904	13 206	5 968	59 355	103 433
January-June 2020					
Opening balance 1 January 2020	24 904	13 206	5 968	49 340	93 418
Share based payments to employees				53	53
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

Cash flow statement, condensed

Parent company SEKm	Jan-Jun 2021	Full-year 2020	Jan-Jun 2020
Cash flow from operating activities	258 863	58 388	165 250
Cash flow from investing activities	11 932	9 112	12 378
Cash flow from financing activities	16 032	-7 975	-7 463
Cash flow for the period	286 827	59 525	170 165
Cash and cash equivalents at beginning of period	167 121	107 596	107 596
Cash flow for the period	286 827	59 525	170 165
Cash and cash equivalents at end of period	453 948	167 121	277 761

The cash flow for the period January to June 2020 have been restated for changed presentation of statement of cash flow. Parent company cash flow from operating

activities has increased by SEK 64 754m and cash flow from financing activities has decreased by SEK 64 754m. Refer to note 26 in Group for further information.

Capital adequacy

Parent company, SEKm	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Available own funds					
Common Equity Tier 1 (CET1) capital	96 366	95 020	93 880	89 317	88 355
Tier 1 capital	104 962	103 843	102 232	98 535	97 937
Total capital	120 808	119 845	118 091	115 108	114 340
Risk-weighted exposure amounts					
Total risk exposure amount	349 604	360 259	358 278	358 186	360 362
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	27.6	26.4	26.2	24.9	24.5
Tier 1 ratio (%)	30.0	28.8	28.5	27.5	27.2
Total capital ratio (%)	34.6	33.3	33.0	32.1	31.7
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.2	2.2	2.2	1.5	1.5
of which: to be made up of CET1 capital (percentage points)	1.4	1.4	1.4	1.0	1.0
of which: to be made up of Tier 1 capital (percentage points)	1.8	1.8	1.8	1.2	1.2
Total SREP own funds requirements (%)	10.2	10.2	10.2	9.5	9.5
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	n/a	n/a	n/a	n/a	n/a
Institution specific countercyclical capital buffer (%)	0.1	0.1	0.1	0.1	0.1
Systemic risk buffer (%)	0.0	0.0	0.0	0.0	0.0
Global Systemically Important Institution buffer (%)	n/a	n/a	n/a	n/a	n/a
Other Systemically Important Institution buffer (%)	n/a	n/a	n/a	n/a	n/a
Combined buffer requirement (%)	2.6	2.6	2.6	2.6	2.6
Overall capital requirements (%)	12.8	12.8	12.8	12.1	12.0
CET1 available after meeting the total SREP own funds requirements (%)	17.4	16.2	16.0	15.4	15.0
Leverage ratio					
Total exposure measure	1 486 600	1 454 485	1 263 146	1 377 674	1 505 343
Leverage ratio (%)	7.1	7.1	8.1	7.2	6.5
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.0	n/a	n/a	n/a	n/a
of which: to be made up of CET1 capital (percentage points)	0.0	n/a	n/a	n/a	n/a
Total SREP leverage ratio requirements (%)	3.0	n/a	n/a	n/a	n/a
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	3.0	n/a	n/a	n/a	n/a
Overall leverage ratio requirement (%)	3.0	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio (LCR)¹⁾					
Total high-quality liquid assets (HQLA) (Weighted value -average)	474 877	445 488	420 572	401 975	379 179
Cash outflows - Total weighted value	507 401	490 377	471 021	442 336	402 080
Cash inflows - Total weighted value	93 156	111 442	109 926	100 914	87 479
Total net cash outflows (adjusted value)	414 245	378 935	361 095	341 422	314 601
Liquidity coverage ratio (%)	115.1	117.6	116.7	118.1	120.9
Net Stable Funding Ratio (NSFR)					
Total available stable funding	935 457	n/a	n/a	n/a	n/a
Total required stable funding	549 105	n/a	n/a	n/a	n/a
Net stable funding ratio (%)	170.4	n/a	n/a	n/a	n/a

¹⁾ LCR based on the twelve-month average as in the Pillar 3 disclosure.

Risk exposure amount	30 Jun	31 Dec	30 Jun
Parent company, SEKm	2021	2020	2020
Risk exposure amount credit risks, standardised approach	86 271	85 062	84 931
Risk exposure amount credit risks, IRB	174 313	189 909	169 392
Risk exposure amount default fund contribution	664	556	636
Risk exposure amount settlement risks	0	0	1
Risk exposure amount market risks	19 602	17 004	19 154
Risk exposure amount credit value adjustment	3 219	4 362	4 974
Risk exposure amount operational risks	39 068	39 068	38 189
Additional risk exposure amount, Article 3 CRR	19 558	17 658	38 208
Additional risk exposure amount, Article 458 CRR	6 909	4 659	4 877
Total risk exposure amount	349 604	358 278	360 362

	SEKm			%		
Capital requirements¹⁾	30 Jun	31 Dec	30 Jun	30 Jun	31 Dec	30 Jun
Parent company, SEKm / %	2021	2020	2020	2021	2020	2020
Capital requirement Pillar 1	37 058	37 977	38 198	10.6	10.6	10.6
of which Buffer requirements ²⁾	9 090	9 315	9 369	2.6	2.6	2.6
Total capital requirement Pillar 2 ³⁾	8 035	8 035	5 266	2.2	2.2	1.5
Total capital requirement Pillar 1 and 2	45 093	46 012	43 464	12.8	12.8	12.0
Own funds	120 808	118 091	114 340			

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

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

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

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
<p>Net investment margin before trading interest is deducted</p> <p>Calculated as Net interest income before trading-related interest is deducted, in relation to average total assets. The average is calculated using month-end figures ¹⁾ including the prior year end. The nearest IFRS measure is Net interest income and can be reconciled in Note 5.</p>	<p>Considers all interest income and interest expense, independent of how it has been presented in the income statement.</p>
<p>Allocated equity</p> <p>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.</p>	<p>Used by Group management for internal governance and operating segment performance management purposes.</p>
<p>Return on allocated equity</p> <p>Calculated based on profit for the period (annualised) attributable to the shareholders for the operating segment, in relation to average allocated equity for the operating segment. The average is calculated using month-end figures ¹⁾ including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.</p>	<p>Used by Group management for internal governance and operating segment performance management purposes.</p>
<p>Income statement measures excluding expenses for the administrative fine</p> <p>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.</p>	<p>Provides comparability of figures between reporting periods.</p>
<p>Return on equity excluding expenses for administrative fine</p> <p>Represents profit for the period (annualised) attributable to shareholders excluding expenses for the administrative fine in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures ¹⁾, including the prior year end. Profit for the period attributable to shareholders excluding expenses for administrative fine are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.</p>	<p>Provides comparability of figures between reporting periods.</p>
<p>Cost/Income ratio excluding expenses for administrative fine</p> <p>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.</p>	<p>Provides comparability of figures between reporting periods.</p>

Other alternative performance measures

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

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

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

¹⁾ The month-end figures used in the calculation of the average can be found on page 71 of the Fact book.

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the Interim report for January-June 2021 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 15 July 2021

Göran Persson
Chair

Bo Bengtsson
Board Member

Göran Bengtsson
Board Member

Annika Creutzer
Board Member

Hans Eckerström
Board Member

Kerstin Hermansson
Board Member

Bengt Erik Lindgren
Board Member

Josefin Lindstrand
Board Member

Bo Magnusson
Board Member

Anna Mossberg
Board Member

Per Olof Nyman
Board Member

Biljana Pehrsson
Board Member

Roger Ljung
Board Member
Employee Representative

Åke Skoglund
Board Member
Employee Representative

Jens Henriksson
President and CEO

Review report

Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank AB as of 30 June 2021 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, 16 July 2021

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2021 and 2022

Interim report for the third quarter 2021	21 October 2021
Year-end report 2021	2 February 2022
Annual and sustainability report 2021	23 February 2022
Annual General Meeting	30 March 2022
Interim report for the first quarter 2022	28 April 2022
Interim report for the second quarter 2022	19 July 2022
Interim report for the third quarter 2022	27 October 2022

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

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