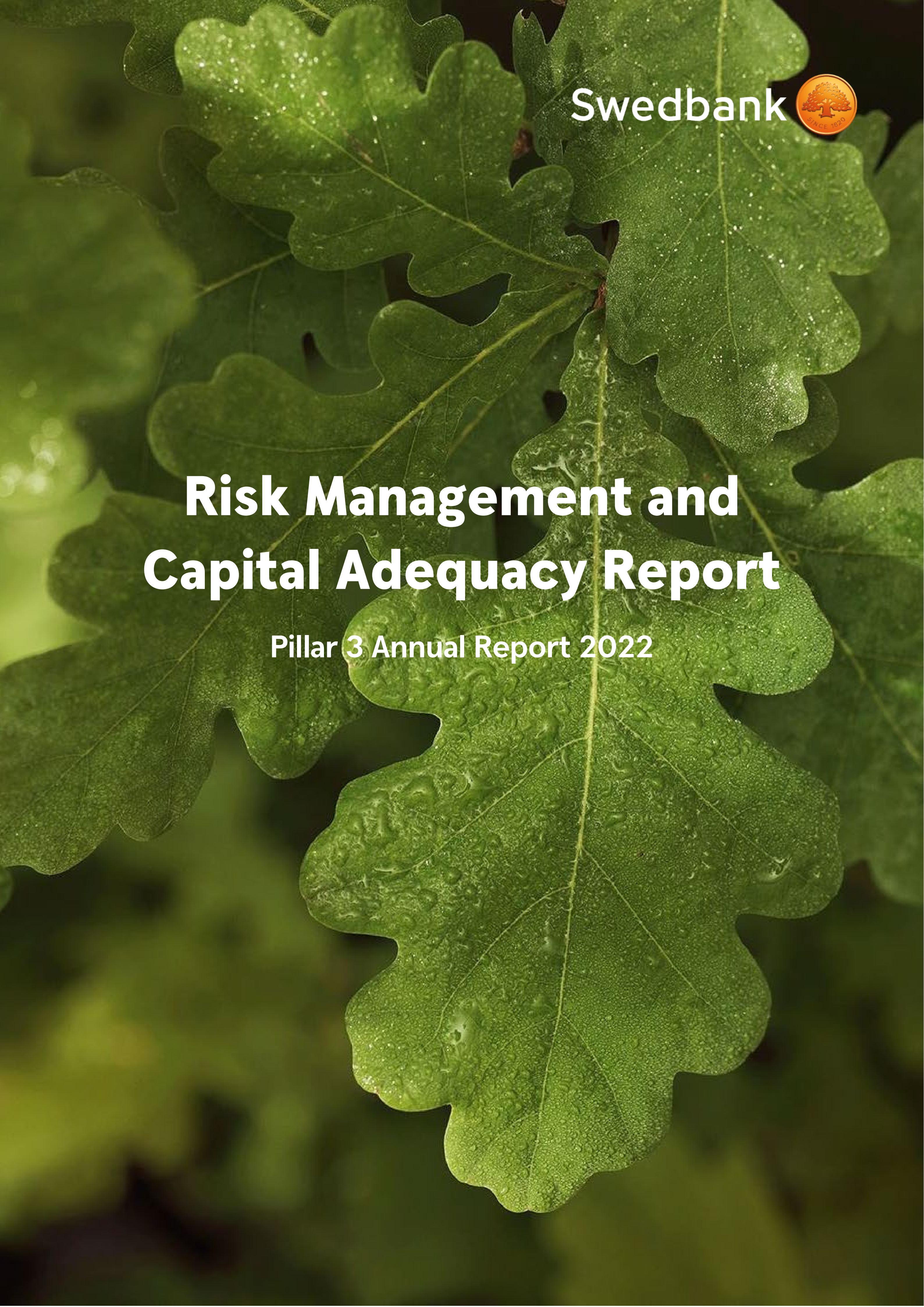

Swedbank

Risk Management and Capital Adequacy Report

Pillar 3 Annual Report 2022

Introduction

This Risk Management and Capital Adequacy Report Q4 2022 provides information on Swedbank's risk management and capital adequacy. The report is based on regulatory disclosure requirements set out in the Regulation (EU) 575/2013 "Capital Requirements Regulation" (CRR) and the Swedish Financial Supervisory Authority (SFSA) regulation FFFS 2014:12.

Information in this report pertains to the conditions for Swedbank Consolidated Situation as of period end if not otherwise stated. Disclosures are made annually in conjunction with the publication of Swedbank's Annual Report and quarterly in conjunction with the quarterly reports.

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

The capital adequacy framework builds on three pillars:

Pillar 1 capital requirements represent minimum requirements calculated according to prescribed rules for credit risk, market risk and operational risk. For credit risk and market risk, the calculations can be done either by using prescribed standardised risk measures or by using the bank's own internal models. Swedbank must fulfil certain requirements in order to apply its own internal risk measures and must seek approval from relevant supervisors in countries where Swedbank operates.

Pillar 2 ensures that institutions have adequate capital and liquidity to cover all the risks to which they are exposed. The identification and measurement of risks shall be documented in the internal capital and liquidity assessment process (ICAAP and ILAAP respectively). All significant sources of risks must be taken into account in the ICAAP, that is, not only those already included in Pillar 1. Similarly, the analysis in the ILAAP should go beyond the minimum liquidity requirements. The Supervisory College assesses the bank in the Supervisory Review and Evaluation Process (SREP) and may impose additional measures.

Pillar 3 enables market participants to access information through regulatory disclosure requirements in order to increase transparency and confidence about an institution's exposure to risk and the overall adequacy of its regulatory capital. This report constitutes the required disclosure for Swedbank.

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

Swedbank in brief

Swedbank is a full-service bank available to households and businesses having 7.1 million private customers and 620 000 corporate and organisational customers. The customers are served through 216 branches in Swedbank's four home markets – Sweden, Estonia, Latvia and Lithuania – and through presence in neighbouring markets in Denmark, Finland and Norway. Swedbank also operates in the United States, China and the South Africa (It was decided during 2022 to close bank operations Denmark and South African representative office). Swedbank's vision is a financially sound and sustainable society where Swedbank empowers the many people and businesses to create a better future.

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

Regulatory scope

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1. Risk management

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

EU OVA - Institution risk management approach & EU OVB - Disclosure on governance arrangements

Risk exposure

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

A strengthened and a more holistic view on risk management was adopted by the Board of Directors through a revised Policy on Enterprise Risk Management (ERM Policy) in 2020. The Policy was implemented during 2021. The measures taken have led to improved oversight and control across the Group and has strengthened risk culture. The Enterprise Risk Management Policy defines and communicates the Group's Risk Strategy and Risk Appetite as well as the foundation of a sound Risk Culture and Risk Awareness throughout the organisation. Swedbank's strategy is to maintain a low-risk profile and the Board of Directors articulates the desired risk level by outlining the Group's low risk appetite. Risk appetite statements are defined by the Board for the main risk types defined in the Group's Risk Taxonomy. The risk appetites are expressed qualitatively and, where possible, quantitatively in the Risk Appetite Statement Policy and further implemented by the CEO through a risk limit framework. The risk limit framework consists of limits decided on CEO level, executive management level and, where applicable, lower management levels, as well as Key Risk Indicators (KRI), where required from a risk perspective. Limits and KRIs are tools for monitoring and controlling risk exposures and risk concentrations. Combined, their purpose is to ensure that the risks are kept within the Risk Appetite.

Swedbank's customer base, which mainly consists of private individuals and small and medium-sized companies in the four home markets, but also large corporates primarily in Sweden, is the foundation for the low risk. Despite the challenging macro-economic situation, the credit quality remained strong and key credit indicators such as past due loans remained at low levels in 2022. However, high inflation, rising interest rates and a weakening economy have created challenges that are expected to impact credit quality, which is reflected in credit impairments. The credit impairments in 2022 increased to 0.08%, mainly due to revised macroeconomic scenarios, while credit impairment provisions for individually assessed exposures decreased. Swedbank's liquidity position remained strong, due to proactive funding activities and stable demand from debt investors and substantial increase in deposits.

In terms of operational risks, in 2022, the amount of material incidents remained stable compared to 2021. Following these incidents, a proactive implementation of mitigating actions and other preventive measures have been performed. The ongoing digital transformation, evolving technological trends, remote access as well as organised crime and geopolitical tensions, have raised information security threats, including cyber and external fraud risk, which constantly requires improved ways of protection. Swedbank's capacity to manage these risks is good. Internal and external stress tests confirmed adequate capitalisation and strong capacity to manage severe negative scenarios.

In order to continuously secure a low risk level, Swedbank's operations are based on structured risk management and control. The Enterprise Risk Management framework aims to ensure risk awareness, support a robust risk culture, accountability and business acumen within all parts of Swedbank. The framework is integrated in Swedbank's strategy and business planning process, in which risks are unified part of the outcome of strategic initiatives. Internal regulations and guidelines are developed to secure strong risk control and steering. Swedbank's Enterprise Risk Management framework includes risk limits and KRIs applied for individual risk types, starting from the Board´s risk appetite is cascaded to the business areas for appropriate steering. The framework also includes well-developed origination standards for prudent lending.

The Swedish and Estonian supervisory authorities concluded their investigations of Swedbank in March 2020. The investigations showed that Swedbank had deficiencies in its internal governance and controls related to the prevention of money laundering. In order to remediate the deficiencies and strengthen Swedbank´s capability to identify and control risks related to money laundering, Swedbank initiated a number of strategic programs: AML/CTF program, culture assessment, governance initiative and compliance transformation program. These programs are currently in an ongoing transformation phase but have however to a large extent mitigated the identified deficiencies and are now focusing on reaching the target state which is to be in the forefront in combatting financial crime. In addition, an external consultancy firm has been assigned to conduct a yearly maturity assessment of Swedbank's AML/CTF programs for three years. The first report of 2020 demonstrated the high pace of Swedbank remediation programs to remediate its historical deficiencies. The progress of the program was confirmed also in the second report issued during the fall 2021 and in the third report in 2022. Extensive sanctions from multiple regimes, both financial and sectorial, have been imposed on the Russian Federation and Belarus following Russia`s invasion of Ukraine. This has impacted the Swedbank Group elevating the financial sanctions risk. A specific task force was activated, in combination with allocation of resources and properly governed decision-making processes, for prompt action and response.

Internal control and risk management framework

Risk arises in all financial operations; hence a profound understanding and solid management of risks is central for any successful business. A robust risk culture throughout Swedbank is important for efficient risk management and, consequently, for a strong long-term risk-adjusted return. The Board of Directors has the ultimate responsibility to set the risk appetite to limit Swedbank's risk-taking and to ensure minimum capital and liquidity levels. Through the ERM Policy, the Board provides the key principles on risk management and control in order to support the business strategy. Furthermore, the ERM Policy stipulates Swedbank's risk strategy and risk appetite, the concept of three lines of defence and the fundamental principles of risk management.

The activities of the risk organisation and compliance organisation are regulated in separate policies adopted by the Board. The Board has established a Risk and Capital Committee (RCC), an Audit Committee (AC), a Remuneration Committee (RC) and a Governance Committee (GC). The committees support the Board in matters related to risk management, governance, capital requirements and remuneration. For further information on these committees, see the Swedbank Corporate Governance Report available on:

www.swedbank.com/about-swedbank/management-and-corporate-governance/

Swedbank's risk organisation and compliance organisation are responsible for independently ensuring key risks are identified, assessed and properly managed by business operations. Decisions made, should always be in line with Swedbank's risk appetite. The Board and the CEO are regularly informed on risks and changes in Swedbank's risk limit framework structure, the overall risk and the exposures for all risk types. Furthermore, the Board and the CEO are also provided with information, in case of a limit breach, and the actions needed to be taken to mitigate the breach. Swedbank's risk organisation and compliance organisation are responsible for providing the business operations with guidance and support by developing and maintaining, for example, internal regulations and guidelines.

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

The CRO and CCO safeguards the CEO but are independently reporting to Board and the Board committee, RCC. The Group Risk and Compliance Committee (GRCC), chaired by the CRO, gives recommendations to the CEO and supports senior management in decisions about management of non-financial risk and compliance matters. This includes reviewing, monitoring, and challenging of the Group's risks in terms of significant exposures, risk trends, losses, management actions, and performance versus risk appetite. The GRCC supports the accurate management of findings by Group Internal Audit, Group Risk and Group Compliance. In order to further strengthen the risk management arrangements, in Group functions, business areas and product area, the GRCC is supported by Business Area Risk and Compliance Committees (BARCCs). Individual BARCCs are established in all business areas and relevant Group functions and have similar setup as the GRCC.

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

In the Group Policy on Diversity & Inclusion the bank sets a high standard for equality, diversity and inclusion to be inherent parts of the organisation. Both the Board, the Subsidiary Boards and the top management shall, with due consideration to local regulations, consist of sufficient diversity concerning for example gender, educational- and professional background. Swedbank aims for a 40/60 gender balance either way in all decision-making bodies. The Board members are proposed by the Nomination Committee and elected at the Annual Shareholder Meeting. The Board meets the aspiration of gender balance, as it consists of 41% women (5) and 59% men (7), without Employee Representatives included in the calculation, as they are nominated by the Trade Unions, which the bank cannot affect. The instruction for the Nomination Committee work sets out that an even gender representation is to be attained/maintained, meaning that at least 40% of the members of the Board of Directors shall be of either gender.

Risk based planning

The yearly Risk based planning (RBP) process includes identifying and considering risks using a top-down as well as a bottom-up perspective and having a long- as well as a short-term view. Risk-based planning supports the organisation in proactively considering relevant risks to better perform in line with the Group's strategy and goals, and to stay within the Risk Appetite. The process also ensures that senior management proactively plans and prioritises management of actions to mitigate risks as well as allocates adequate resources. Further, the process communicates an overarching risk view throughout the organisation. RBP also helps to improve coordination and information-sharing between Group Risk, Group Compliance and Group Internal Audit towards aligned and efficient assurance. The RBP process is an integrated part of Swedbank's annual Activity planning and is re-assessed on a quarterly basis.

Recovery planning

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

Three lines of defence

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

Swedbank's risk management

Board of Directors

CEO

Risk Management
First line of defence

Owns and manages risks in the day-to-day operations
- **Business and product areas**
- **Support functions**

Monitor and Control
Second line of defence

Establishes infrastructure, including risk management framework, monitors and assesses risks
- **Group Risk and Group Compliance**

Evaluation
Third line of defence

Evaluates the governance, risk management and internal controls by the first and second lines of defence
- **Group Internal Audit**

First line of defence

First line of defence is accountable for the risks and risk management within their business and activities. It refers to all risk management activities carried out by the business operations within the business areas, product areas and Group functions. Management, within their respective area of responsibility, are responsible to ensure that there are appropriate processes and internal control structures in place safeguarding that risks are identified, assessed, managed, monitored, reported and kept within the boundaries of the Group´s risk appetite and in accordance with the risk management framework. First line responsibilities also include establishing a relevant governance structure and to secure that activity comply with external and internal requirements. The risk management framework clarifies the ultimate risk management responsibility by the first line of defence.

Second line of defence

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

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

Third line of defence

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

Risk appetite

The ERM Policy states that Swedbank shall aim for low risk compared with major peers. The Board of Directors establishes the fundamental principles for Swedbank's risk management and decides on the overall risk appetite as well as risk appetites for each main risk type (see below). The risk appetites are further implemented by limits and complementary KRIs set by the CEO and Executive management and, where applicable, lower management level. The limits and KRIs are independently assessed and approved by second line.

The risk appetite and limits are designed to secure that Swedbank sustains its low-risk exposure. The risk limit framework structure includes escalation principles in the event of any breaches of the risk appetite or limits.

Credit risk

Swedbank maintains a well-diversified credit portfolio with a low risk profile. All credit activities strive for long-term customer relationships and rest on strong business acumen to achieve solid profitability and a sound credit expansion for long-term stability. The low-risk exposure is maintained through sustainable lending to customers with high debt-service capabilities, by maintaining a strong collateral position and by portfolio diversification within and between sectors and geographies. The customers are present in Swedbank's four home markets, and in the other Nordic countries where Swedbank has branches and are mainly private individuals and small and medium-sized companies, but also large corporates.

Counterparty credit risk

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

Market risk

The majority of Swedbank's market risk is structural or strategic in nature and emerges within Group Treasury. Market risk also arises in the daily market-making and client facilitation activities of the trading book. The Group has a low risk appetite for market risk and is willing to accept it only as part of managing the Group's own financial risks and to support customer needs. Market risks shall be managed with the aim to have low earnings volatility and to preserve the long-term value of the Group.

Capital risk

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

Liquidity risk and Funding

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

Swedbank strives to have a long-term, stable, well-diversified funding and investor base with a wholesale funding operation that is well diversified across markets, instruments and currencies. Furthermore, Swedbank shall strive to avoid maturity mismatch risk in assets funded by unsecured funding. All non-liquid assets, not eligible for covered bond issuance, shall be funded either through customer deposits or through wholesale funding with a maturity, to the largest extent, matching or exceeding that of the assets.

Group Treasury has the overall responsibility to manage the Group's liquidity, including identifying, measuring, analysing, reporting, monitoring and management of the liquidity risk exposure across Swedbank.

Operational risk

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

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

ESG risk

The impact of ESG factors on existing Risk Types shall be considered throughout the Risk Management process. When setting risk appetite, ESG factors shall be included to a degree commensurate with their impact on the Risk Type. The potential for negative reputational impacts stemming from ESG factors shall be considered in all relevant operations.

The Group's direct greenhouse Gas (GHG) emissions shall decline each year and be in line with the goal to be reduced by 60% from 2019 to 2030 and be in line with the net zero target for GHG emissions by 2050 at the latest.

The Group's financed emissions shall decline each year and be aligned to achieve net zero emissions by 2050 at the latest.

Strategic risk

Strategic risk is inherent in all banking activities such as risk arising from changes in the business environment and from business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment that might lead to failure in reaching the bank's strategic goals. The Group's risk appetite for strategic risk is low. This means that the Group shall have in place robust and effective risk management and processes that supports and ensures that the Group´s material strategic decisions, responses to a changing business environment and governance are aligned with the Group's strategic direction and supports the Group in reaching its strategic targets.

Compliance risk

Swedbank has a low risk appetite for compliance risk and is committed to comply with the letter, spirit and intent of all applicable regulations, laws and standards of good market practice in every jurisdiction in which it operates. Compliance risk encompasses financial crime risk, conduct risk, and regulatory compliance risks. Financial crime risk and conduct risk are further divided into sub-types in order to provide clarity in roles and responsibilities. The sub-types have clear qualitative risk appetite statements which are aligned with the overall strategy of the bank and supplemented with qualitative and quantitative ways of measuring the risk exposure in order to provide active steering and oversight for each sub-type. Risk appetites shall be coupled with robust and effective compliance risk management processes to uphold the conduct of the Group, which enables management of the compliance risks in accordance with the principles set in relevant rules, regulations, and frameworks.

For governing, controlling, and supporting the proper handling of compliance matters, Swedbank has established Group Compliance that is responsible for monitoring compliance risks and providing assurance to the CEO and the Board of Directors that Swedbank's business is being conducted in accordance with the compliance risk appetite.

The Board of Directors’ risk statement and risk declaration

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

Risk statement

Swedbank strives to meet customers' expectations and financial needs, why taking and managing risks is fundamental to the Group’s business model and value creation. As part of the risk strategy, the Group aims to build long-term relationships with customers in the Group’s home markets. Hence, the Group assumes risks in a conscious and controlled manner when supporting its customers. The work associated with ESG risks is a natural component in the bank’s capability to assume risk in accordance with the business model.

The Group’s risk appetite is decided by the Board of Directors and implemented by the CEO through internal rules and a risk management framework. The framework establish low risk appetite which is supported by a strong risk culture, rooted in the Group’s values and ethical standards and clear goals that supports the low risk appetite. A continually good administrative order is an essential foundation to the Group’s effective risk management and enables the Group to make sound and informed decisions.

To ensure that Swedbank is well capitalised and has a strong liquidity position in relation to its risk position and regulatory requirements there are risk appetite statements in place for capitalisation and liquidity. In 2022, the capital remained stable and above regulatory requirements. The CET1 capital ratio was by year end 17.8% of REA and the leverage ratio was 5.6%.

The Group has a low risk appetite for liquidity risk to ensure that the Group always can continue to serve its customers and shall therefore maintain resilience towards both short-term and long-term liquidity stress without relying on forced asset sales or other business disrupting activities. For the purpose of ensuring that liquidity risk stays within appetite, and ultimately for supporting the Group’s strategic goals, the maintenance of a liquidity-generating capacity together with funding planning and risk identification, are central processes within Swedbank’s liquidity risk management. Throughout 2022, Swedbank’s liquidity position was strong with all key metrics remaining well above internal and regulatory requirements.

In addition, capital and liquidity stress tests are continuously conducted to increase the awareness of potential effects from disruptions in the financial markets. The stress tests focused on both Swedbank specific and market related disruptions, and considered combined effects, i.e. scenarios where multiple disruptions occur simultaneously. A key objective of Swedbank’s ICAAP stress testing programme is to ensure that the Group’s business model remains viable in different scenarios, ranging from adverse to severely adverse developments. In addition to stress testing scenarios, the economic capital calculations consistently demonstrate the Group’s capital strength.

Credit risk is Swedbank’s most material risk and comprises over 85% of Swedbank’s total Risk Exposure Amount (REA). Swedbank’s credit exposures have low risk and are well diversified. The low risk is confirmed in stress tests and 83% of all risk classified exposures have an internal rating corresponding to investment grade. Swedbank’s customer base, which mainly consists of private individuals and small and medium-sized companies in Sweden and the Baltic countries, but also large corporates, primarily in Sweden, is the foundation for the low risk. Private mortgage is Swedbank’s largest loan segment and amounted at the end of 2022 to SEK 1 031bn, 57% of Swedbank’s total loans to the public. The diversification in terms of number of customers is large and the geographical distribution wide. Property management is the second largest loan concentration, 16% of total loans to the public or SEK 293bn. The property management portfolio is of high quality, supported by strict origination criteria with focus on stable cash-flows and long-term repayment capacity, and is well collateralised with low average loan-to-value ratios. Lending is diversified to different segments, where offices and residential rental properties are the largest. Lending to Swedish companies constitute a large share and geographical diversification within the country is wide with focus on growth areas.

Market risk represents a limited part of the total REA for Swedbank, and in Q4 2022 it constituted 2.9%. Swedbank keeps a low risk exposure including limited risks in the financial markets. The Group’s activity is designed to satisfy the long-term needs of customers. The low risk exposure is manifested through the risk appetites for Trading Book and Banking Book respectively.

Operational risk is the second largest risk for Swedbank, from the Pillar 1 perspective, and represent 9.9% of total REA as of 31 December 2022. As a bank for the many households and companies, key operational risks are often those related to the availability of Swedbank’s services, and the integrity and confidentiality of the data entrusted to Swedbank. The risk appetite for operational risk is expressed in terms of tolerance for levels and types of risks with respect to Swedbank's overall low risk exposure. During the year, total operational risk losses amounted to SEK 94m. Swedbank identified during 2022 elevated operational risk in the IT risk area. Several initiatives are ongoing to further improve Swedbank's operational resilience and to ensure acceptable levels of residual risks and a high level of availability for the bank's customers.

The Group has a low risk appetite for compliance risk. As stated in the Code of Conduct, the Group is committed to comply with the letter, spirit and intent of all applicable regulations, laws and standards of good market practice in every jurisdiction in which it operates. The previously identified shortcomings related to the governance of anti-money laundering within Swedbank are assessed to be remediated. Elevated financial crime risks are continuously handled and closely monitored. Work is ongoing within the bank to address the elevated compliance risks previously identified in the market surveillance area.

Moreover, during 2022 there has been no transaction of material enough nature to impact Swedbank´s overall risk exposure.

Risk declaration

Swedbank has established adequate risk management processes to meet the bank's risk appetite and strategic goals and will continuously, depending on external and internal changes, enhance the processes. Swedbank continues to be a financially sustainable and well balanced bank with low risk appetite in an economically uncertain world.

Board of Directors

	Göran Persson	Biörn Riese	Bo Bengtsson[2)]	Göran Bengtsson
Background	Göran Persson has extensive experience leading the boards of both state-owned and private enterprises. He contributes through his social engagement and large network as well as broad experience of national and international economic issues and sustainable development.	Biörn Riese contributes a deep knowledge of corporate governance and the law in general. He has his own law firm, where he specialises in providing advice and support relating to corporate governance and sustainability with particular focus on anti-corruption and risk management.	Bo Bengtsson brings to the Board a wealth of experience in banking and finance and has held a number of senior positions in the Swedish savings bank movement, including many years as CEO. He is Chair of Sparbanken Skåne.	Göran Bengtsson brings to the Board his extensive experience in banking and finance. He has held a number of senior positions at Swedbank and is currently CEO of Falkenbergs Sparbank.
Education	University studies in sociology and political science	Master of Laws, Stockholm University MBA, Economics/Business Economic, Stockholm University	University studies in auditing, (licensed auditor), strategic business management at Stockholm School of Economics, EFL leadership training	Bachelor's Programme in Business and Economics, University of Borås
Bank specific experience	Board: 8 years (2015)	Board: 1 year (2022)	Operative: 32 years Board: 3 years (2020)	Operative: 33 years Board: 3 years (2020)
Number of directorships[1)]	Three Board of Directors assignments.	Eight Board of Directors assignments (one in own company and four in organisations with no predominant commercial objective).	Three Board of Directors assignments (one in an organisation with no predominant commercial objective).	CEO and four Board of Directors assignments (three in organisations with no predominant commercial objective, of which two are part of role as CEO).

1) As per 31 Dec 2022. Includes directorships in Swedbank.

2) Bo Bengtsson will take over the role of Head of Large Corporates and Institutions on 1 March 2023; accordingly, he stepped down from Swedbank's Board of Directors on 18 January 2023.

Board of Directors

	Annika Creutzer	Hans Eckerström	Kerstin Hermansson	Helena Liljedahl
Background	Annika Creutzer contributes with her extensive experience in finance and the media, with a focus on business journalism and public education.	Hans Eckerström, who has an extensive background as a partner and employee of Nordic Capital as well as a director of investment companies, brings to the Board his business acumen and experience in the financial industry.	Kerstin Hermansson mainly contributes to the Board her expertise in securities and in compliance issues relating to the financial markets. She is an attorney with many years of experience in the European securities market.	Helena Liljedahl has extensive knowledge and experience of development and management in the real estate sector and consumer-facing companies. She also contributes her experience with developing and implementing business strategies, and experience in asset management (real estate portfolio) and the insurance industry.
Education	Economics degree in national, economics, Stockholm University	M.Sc. Mechanical Engineering, Chalmers University of Technology M.Sc. Business Administration, University of Gothenburg School of Business	LLM, Lund University	M.Sc, Business Administration, University of Örebro
Bank specific experience	Operative: 5 years Board: 2 years (2021)	Board: 3 years (2020)	Operative: 9 years Board: 4 years (2019)	Board: 3 years (2020)
Number of directorships[1)]	CEO and two Board of Directors assignments (one in role as CEO in own company).	Three Board of Directors assignments.	Four Board of Directors assignments (three in organisations with no predominant commercial objective).	CEO and two Board of Directors assignments

1) As per 31 Dec 2022. Includes directorships in Swedbank.

Board of Directors

	Bengt Erik Lindgren	Roger Ljung	Anna Mossberg	Per Olof Nyman
Background	Bengt Erik Lindgren has many years of experience as a director in the banking and real estate sectors. He has also held many senior positions at Swedbank, Föreningssparbanken and in the Swedish savings bank movement.	Roger Ljung is an employee representative and has broad experience in banking from both the private and corporate sectors.	Anna Mossberg contributes her experience and expertise in digital change. She has along background in the internet and telecom industries, including as Business Area Manager at Google, and held senior roles for many years at Telia and Deutsche Telecom AG.	Per Olof Nyman has been CEO and Group CEO of Lantmännen, Northern Europe's leader in agriculture, machinery, bioenergy and food products. He has extensive knowledge of the agricultural and forestry sector as well as long operational experience from the food and white goods sectors.
Education	Uppsala University, 2-year combined education (business administration, sociology, human resource management)	Upper secondary education	Executive MBA, IE University, Spain Executive MBA, Stanford University, USA M.Sc. in Industrial Economics, Luleå University of Technology, Sweden	M.Sc. Industrial Economics (Investment and Finance Theory), Linköping University IFL School of Economics, Accounting & Financing IT and Commercial Law, Örebro University
Bank specific experience	Operative. 35 years Board: 11 years (2012)	Operative: 36 years	Board: 5 years (2018)	Board: 2 years (2021)
Number of directorships[1)]	Two Board of Directors assignments (one in own company).	Five Board of Directors assignments (all related to union assignment and within organisations with no predominant commercial objective).	Four Board of Directors assignments.	Three Board of Directors assignments. (one within organisations with no predominant commercial objective).

1) As per 31 Dec 2022. Includes directorships in Swedbank.

Board of Directors

Chief executive officer

	Biljana Pehrsson	Åke Skoglund	Jens Henriksson
Background	Biljana Pehrsson has an extensive background as a senior executive and director in real estate and private equity. Biljana brings to the Board her expertise and experience in strategy and business, leadership and change as well as in real estate and financial industries.	Åke Skoglund is an employee representative with many years of experience from various positions within Swedbank.	Jens Henriksson has extensive experience from leading roles in government, public institutions and private companies. He has in depth knowledge of financial markets, international economic affairs and public finances, with a broad network within and over several industries.
Education	M.Sc. Engineering, Stockholm Royal Institute of Technology	Business administration, Stockholm University	BA Economics, MSc Electrical Engineering, Control Theory, and Fil. Lic. Economics
Bank specific experience	Board: 3 years (2020)	Operative: 33 years	Operative: 3 years
Number of directorships[1)]	CEO and two Board of Directors assignments.	Three Board of Directors assignment (all related to union assignment and within organisations with no predominant commercial objective).	Four Board of Directors assignments related to his role as CEO of Swedbank (all within organisations with no predominant commercial objective).

1) As per 31 Dec 2022. Includes directorships in Swedbank.

EU REMA – Remuneration Policy

The Remuneration Policy states the foundations and principles for establishing remuneration within the Group, how the policy should be applied and followed-up as well as how the Group identifies which employees whose professional activities, have a material impact on the risk profile (Material Risk Takers). In order for the bank to be able to identify, measure, direct and report internally and to control the risks its business is involved in, remunerations within the bank should be designed so that it is compatible with and encourages efficient risk management and counteracts excessive risk taking. Remuneration to individual employees shall be aligned with the bank's long term strategy and shall not counteract the bank's long-term interests.

The Remuneration Policy is reviewed on an annual basis and at other times if necessary. The bank's Board of Directors' decision to introduce the Remuneration Policy was preceded by and based on an analysis of the risks associated with the Group's remuneration system. The most recent Remuneration Policy was adopted on 1 February 2022. The adjustments mainly concerned (i) changes to Swedbank´s variable remuneration program - Eken (ii) regulatory changes in EBA Guidelines on Sound Remuneration Policies 2021/04, UE Regulation 575/2013 and EU Regulation 2021/923. Based on Swedbank's current remuneration practices, variable remuneration levels and practices for identifying Material Risk Takers, the changes are not anticipated to lead to significant changes for Swedbank's remuneration practices.

The CEO of the bank and those executives who are members of the Group Executive Committee, are subject to the Guidelines for remuneration of top executives. These guidelines are adopted by the shareholders meeting in Swedbank AB pursuant to chapter 7 section 61 of the Companies Act.

Decision making process

The principles for variable remuneration are set out in the Remuneration Policy, which covers all employees within the Group. Group HR & Infrastructure is responsible for preparing Remuneration Policy proposals. The CEO together with GEC recommends proposals for submission to the Board's Remuneration Committee. The Remuneration Policy is prepared by the Remuneration Committee prior to a decision by the Board of Directors.

The Remuneration Committee is the committee of the Board of Directors which deals with matters concerning remuneration. The Board of Directors appoints the members of the committee. It consists of a minimum of two and a maximum of five board members. The committee's members shall be independent from Swedbank and the Group's executive management. The Chair of the committee should have knowledge and experience from risk analysis and the committee's members shall have requisite knowledge of and experience in matters regarding remuneration of top executives and risk management. The Remuneration Committee prepares matters concerning remuneration prior to discussion and decisions by the Board of Directors. The Remuneration Committee also prepares matters concerning remuneration to be decided by the Annual General Meeting. The Remuneration Committee had nine meetings during 2022.

The CEO together with GEC evaluate the fulfilment of targets that form the basis of variable remuneration in each business area and prepare and recommend proposals on payments, policies and guidelines for submission to the Board's Remuneration Committee.

The Business Area Heads provide the CEO with supporting information for decisions in each business area.

Group functions consist of among others of HR, Finance, Risk, Legal and Compliance. Their aim is to support the CEO and other decision makers in composing instructions and detailed provisions for variable remuneration within the Group. Some of the functions are also responsible for monitoring and reporting.

Remuneration in Swedbank

All employees in Swedbank are to be encouraged to perform according to Swedbank's goals and strategic direction. The remuneration shall also encourage employees to act according to Swedbank's values (open, simple and caring) since this is considered to be the foundation for a successful, sustainable and long-term business. Further, the total remuneration shall be designed in a way that makes Swedbank attract employees with the needed skills within the existing margins of cost.

Most of the Material Risk Takers have remuneration with one fixed and one variable part which, together with other benefits, make up the employee's total remuneration. The goal is to reach a healthy balance between the variable and the fixed part of the remuneration. Benefits including pension are granted in accordance with collective bargaining agreements, the bank's principles and market practice in the country where each employee is permanently resident.

Variable remuneration in Swedbank

Variable remuneration is a component of remuneration which aims to incentivise specific behaviours and desired results, create an alignment between the rewards and risk exposure to those of the shareholders and provide motivation and foster a performance driven culture in the Group.

Variable remuneration is tied to individual performance, the Group's total result and the business area result during the performance year. Variable remuneration is based on relevant, predetermined, and measurable criteria, set with the purpose of increasing the Group's long-term value. Both current and future risks will be taken into consideration as well as actual costs for capital and liquidity. Further, a multiple-year perspective shall be applied to ensure long-term sustainability of profits considering underlying business cycles and risks at the time of pay-out. In the event when subjective assessments are used for adjusting profit based on risk, factors forming the basis for the adjustment must be well balanced and documented. Variable remuneration will primarily be based on a common risk-adjusted measure of profit. Allotments of variable remuneration are contingent on a positive economic profit (operating profit after deducting company tax and the cost of capital) at the business area and Group levels.

Within Swedbank's Performance Development process, individual performance criteria are set to contribute and support Swedbank's overall strategic direction, in which sustainability is an important part. The individual performance criteria will include desired results as well as a behavioural part to ensure that individual behaviours are consistent with Swedbank's values (open, simple and caring). Further, sustainability risks are integrated in Swedbank's remuneration practices by including qualitative individual performance criteria as basis for allotment of variable remuneration for all employees, e.g. as adherence with Swedbank's values, as well as applying deferral periods and the delivery of variable remuneration in instruments for the majority of the employees. Lack of compliance with external or internal regulations or deficiencies in risk management capabilities are such circumstances that are considered inconsistent with Swedbank's values.

Swedbank currently has two variable remuneration programs in which Material Risk Takers may participate. A) For the majority of the Material Risk Takers and other employees included in the Group common performance and share based program, Eken 2022, 100% of the variable remuneration will be deferred for three years, whereas five years (including one year retention period) is applicable for Material Risk Takers with higher levels of remuneration and paid out in Swedbank AB shares. Shares is chosen as the financial instrument as it contributes to the alignment between the rewards and risk exposure of shareholders and employees. B) For employees included in the individual program, IP 2022, the variable remuneration is either based on Swedbank AB shares and cash or solely on cash. For Material Risk Takers half of the variable remuneration is based on Swedbank AB shares and half is cash based. At least 40% of the variable remuneration will be deferred for three years, followed by an additional one-year retention period for the share-based part. For Material Risk Takers with higher levels of remuneration, the deferral period amounts to four years, followed by an additional one-year retention period for the share-based part. For other IP participants the variable remuneration is fully cash based and deferral is applied in certain cases.

Any variable remuneration, to employees in control functions will be determined based on objectives set in the respective control function, independently of the earnings in the business areas they oversee. Employees in control functions are not eligible for individual program (IP) 2022.

Eken is primarily based on the capital cost and risk-adjusted result for the Group. Eken for 2022 is based on the target level of 15% Return on Equity (ROE) for Swedbank Group and if achieved, 0.5 monthly salaries to Swedish employees were committed to be allocated. Further the maximum salary allocation committed in Eken 2022 is 0.8 monthly salaries in Sweden, based on 18% ROE or more is reached. The outcome for Eken 2022, the target fulfilment for ROE is 13.3%, which gave an average allocation of 0.3 monthly salaries in Sweden. The Board can withhold variable remuneration if the Group's financial position has been greatly weakened or there is a significant risk of this occurring, or if improper actions by individuals have adversely affected Swedbank's or a business area's results.

Variable remuneration will only be delivered provided that delivery is justified considering: A) The financial health of the Group and, if relevant, the subsidiary in which the employee is employed and the relevant business unit where the employee works; and B) The relevant employee's performance against the individual performance criteria. Further, deferred variable remuneration may be cancelled during the deferral period for the aforementioned reasons. The bank or the employer has the right to reclaim any variable remuneration paid or delivered on the basis of information which is later turned out to be clearly erroneous or the result of fraudulent activities.

The maximum ratio between variable and fixed remuneration is set in accordance with legislation in force and may never exceed the variable remuneration cap as decided by the Annual General Meeting and/or applicable regulations. The variable remuneration shall not exceed 100% of the yearly fixed remuneration for each individual.

Material Risk Takers are defined in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2011:1, which implements Directive 2013/36/EU Art. 92.3 in Sweden, and the Commission Delegated Regulation (EU) No 2021/923 based on Art. 94.2 in Directive 2013/36/EU with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of employees whose professional activities have a material impact on an institution's risk profile. Material Risk Takers in Swedbank have been identified based on evaluated positions as of 31 December 2022. Identified staff based on other sectorial regulations covering employees within asset management, is not included in the definition of Material Risk Takers.
In addition to the limitations outlined above, some categories of employees are not eligible to participate in the Group's variable remuneration programs, including members of the Group Executive Committee, employees in the PayEx group and employees in EnterCard.

Guaranteed variable remuneration and severance pay

Guaranteed variable remuneration is only permitted in connection with new employment, and if exceptional reasons apply, in the form of sign-on remuneration and shall be paid during the first year of employment. Guaranteed variable remuneration may only be granted subject to prior approval from GEC.

Severance pay should not be awarded if a Material Risk Taker voluntarily and unilaterally resigns from his/her position and leaves his/her employment within the Group, unless severance pay is required by national labour law. Severance pay can be awarded to Material Risk Takers in order to comply with national labour laws and employment contracts and/or in order to avoid a potential or actual labour dispute and to therefore avoid a decision by the courts. Severance pay to Material Risk Takers should be determined based on objective criteria such as job level and length of employment. Severance pay shall also be in line with national labour laws and market practice and determined in accordance with the bank's internal severance pay practices.

Table 1.1: EU REM1 - Remuneration awarded for the financial year, 31 December 2022

SEKm		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	12	2	14	318
	Total fixed remuneration	15	25	90	539
	Of which: cash-based	15	25	90	539
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: other instruments				
	(Not applicable in the EU)				
	Of which: other forms				
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff				268
	Total variable remuneration				37
	Of which: cash-based				15
	Of which: deferred				6
	Of which: shares or equivalent ownership interests				23
	Of which: deferred				15
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: deferred				
	Of which: other instruments				
	Of which: deferred				
	Of which: other forms				
	Of which: deferred				
Total remuneration		**15**	**25**	**90**	**575**

Table 1.2: EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff), 31 December 2022

SEKm	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff				1
Guaranteed variable remuneration awards -Total amount				0.5
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				0.5
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff				4
Severance payments awarded during the financial year - Total amount				7
Of which paid during the financial year				3
Of which deferred				4
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				3
Of which highest payment that has been awarded to a single person				1

Table 1.3: EU REM3 - Deferred remuneration, 31 December 2022

SEKm Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function								
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
MB Management function	**0**	**0**	**0**			**0**	**0**	
Cash-based								
Shares or equivalent ownership interests	0	0	0			0	0	
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Other senior management	**2**	**0**	**2**			**0**	**0**	
Cash-based								
Shares or equivalent ownership interests	2	0	2			0	0	
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Other identified staff	**116**	**47**	**69**			**-2**	**26**	**5**
Cash-based	50	29	21				15	
Shares or equivalent ownership interests	65	18	48			-2	11	5
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Total amount	**118**	**47**	**72**			**-2**	**26**	**5**

Table 1.4: EU REM4 - Remuneration of 1 million EUR or more per year, 31 December 2022

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	1
1 500 000 to below 2 000 000	1
2 000 000 to below 2 500 000	
2 500 000 to below 3 000 000	
3 000 000 to below 3 500 000	
3 500 000 to below 4 000 000	
4 000 000 to below 4 500 000	
4 500 000 to below 5 000 000	
5 000 000 to below 6 000 000	
6 000 000 to below 7 000 000	
7 000 000 to below 8 000 000	
To be extended as appropriate if further payment bands are needed.	

Table 1.5: EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff), 31 December 2022

	Management body remuneration			Business areas						
SEKm	**MB Supervisory function**	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
Total number of identified staff										**346**
Of which: members of the MB	12	2	**14**							
Of which: other senior management				1	2		4	3	4	
Of which: other identified staff				74	55	8	42	48	92	
Total remuneration of identified staff	**15**	**25**	**40**	**222**	**115**	**10**	**99**	**80**	**138**	
Of which: variable remuneration			**0**	22	6	0	4	2	3	
Of which: fixed remuneration	15	25	**40**	201	109	10	95	79	135	

2. Capital position

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

Capital risk

The risk of insufficient level or composition of capital to cover applicable capital requirements and support business activities under normal economic environments or stressed conditions.

Highlights 2022

Swedbank's Common Equity Tier 1 (CET1) capital ratio was 17.8% of Risk Exposure Amount (REA) as of year-end. It represents a management buffer towards the Swedish Financial Supervisory Authority's (SFSA) requirement and the Pillar 2 Guidance of 3.4 percentage points and makes Swedbank well-positioned to meet both current and future capital requirements. It has been a challenging year with high inflation, volatile markets and deteriorating economic sentiment. Still, the capital position of Swedbank has remained resilient, owing to a strong capital generation, and continued satisfactory asset quality resulting in low credit impairments. By being profitable, Swedbank can continue to support its customers through these difficult times and contribute to an economically sound and sustainable society.

The Board of Directors has proposed to distribute an ordinary dividend of SEK 9.75 per share for the financial year of 2022, in line with the dividend policy of 50% pay-out ratio. Swedbank has issued three Tier 2 capital instruments of JPY 7 000 million, EUR 750 million and GBP 400 million during 2022 to optimise the capital structure.

The internal stress testing, conducted through the Internal Capital Adequacy Assessment Process (ICAAP), showed a satisfactory resilience against severe economic downturns. Also, the bank demonstrated considerable robustness against the adverse scenario in the macro-based stress test conducted by the SFSA during the year.

Through the yearly decision in the Supervisory Review and Evaluation Process (SREP), Swedbank received a Pillar 2 Requirement (P2R) of 2.3% REA, compared to 1.7% REA in SREP 2021, and a Pillar 2 Guidance (P2G) of 1.0% REA, compared to 1.5% REA in SREP 2021. The P2G for leverage ratio remains at 0.45% of Leverage Ratio Exposure (LRE).

The SFSA decided to raise the Countercyclical Capital Buffer (CCyB) rate to 1.0% in September 2021, which entered into force in September 2022. The SFSA decided to further raise the CCyB rate to 2.0% in June 2022, to enter into force in June 2023.

Due to new guidelines from the European Banking Authority (EBA), Swedbank has applied to have new internal models for risk classification approved. The application process is expected to continue until 2024. The assessment process for the models is underway and implementation began in the third quarter with the introduction of a new default definition. Swedbank has decided on a voluntary Article 3 add-on amounting to SEK 35.8bn REA, which corresponds to the bank's estimate of the remaining REA effect from the introduction of the EBA's guidelines.

Key figures

At year-end 2022, the CET1 capital ratio was 17.8% of REA (31 December 2021: 18.3% of REA). This can be compared with the capital requirement of 14.4% of REA (13.7% of REA).

During 2022, Swedbank's CET1 capital increased by SEK 14.5bn, to SEK 144.1bn. The change was mainly driven by growth in profit after anticipated dividend. The changes in the CET1 capital are shown in Figure 2.2 below.

The REA increased during 2022 by SEK 101.6bn to SEK 809.4bn (31 December 2021: SEK 707.8bn). Increased exposures including FX has increased credit risk REA by SEK 51.0bn, mainly due to increased exposures towards corporate customers within Swedish Banking, LC&I and Baltic Banking and retail mortgage in Baltic Banking. FX effect increased REA by SEK 10.4bn.

Increase in Article 3 with SEK 42.1bn, whereof SEK 35.8bn corresponds to the bank's estimate of the remaining REA effect of the introduction of the EBA's guidelines.

Other credit risk increased REA effects by SEK 7.1bn which was mainly due to calibration of the Baltic models according to the new default definition and which was partly offset by shorter corporate maturities (SEK -4.7bn) and SME decrease (SEK -1.1bn).

LGD decreased credit risk REA by SEK 4.3bn. Improved LGD levels from increased collaterals within corporate customers in Swedish Banking and LC&I as well as towards retail mortgage customers within Baltic Banking.

PD migrations contributed with an increase in credit risk REA of SEK 1.1bn, mainly towards corporates within Baltic Banking and Swedish Banking as well as towards retail customers within Baltic Banking and Swedish Banking. The increase was partially offset by a decrease due to upgrade of PD rating for corporate customers within LC&I.

Counterparty credit risk (CCR) decreased REA by SEK 2.3bn, primarily due to decreased exposures towards corporate within LC&I.

REA for market risks increased by SEK 1.1bn in 2022, partly explained by increase in internal models.

In 2022, REA for credit valuation adjustment increased by SEK 1.5bn mainly due to hedging effect and increased EAD.

The annual update of the operational risk calculation increased REA by SEK 4.4bn during the year. The increase in REA was mainly due to rolling three-year average of total income was higher this year compared to last year.

On 31 December 2022, Swedbank's leverage ratio was 5.6% (31 December 2021: 5.4%). The Tier 1 capital increased by SEK 10.3bn to SEK 153.3bn. The change was mainly driven by growth in profit after anticipated dividend. Please see Tables 2.16 and 2.17 for a full reconciliation of the leverage ratio.

Figure 2.1: Link between shareholders' equity and total capital

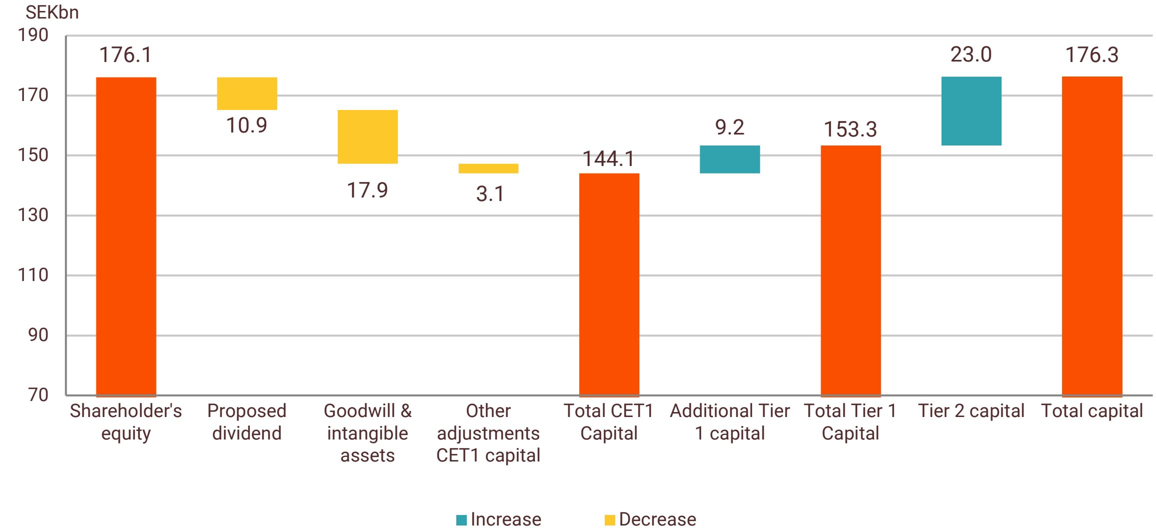


Figure 2.2: CET1 capital, changes during 2022, Swedbank Consolidated Situation

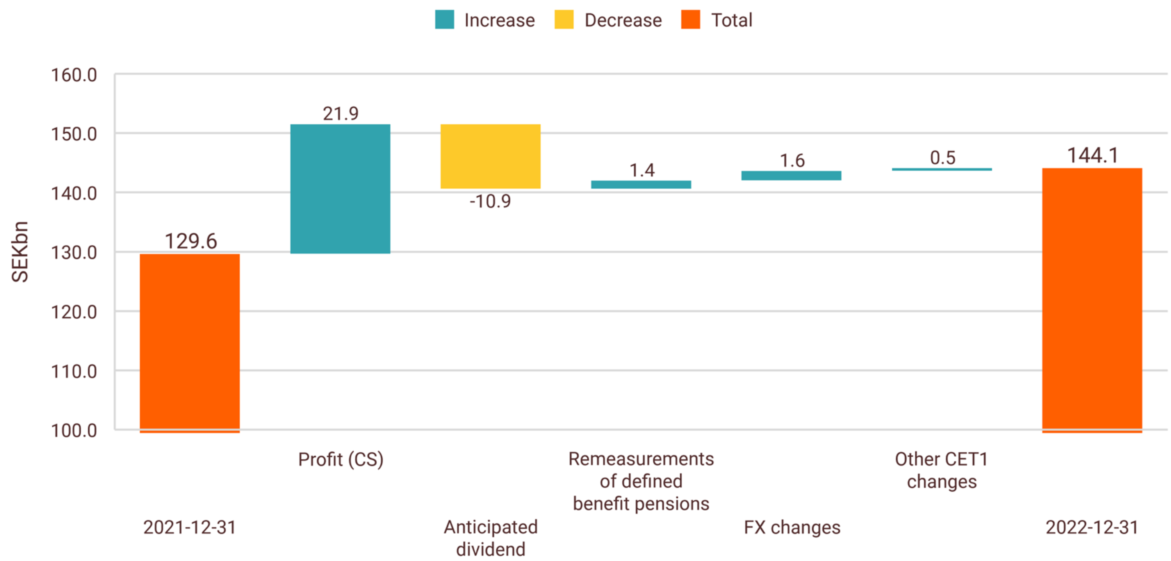


Figure 2.3: REA, changes during 2022, Swedbank Consolidated Situation

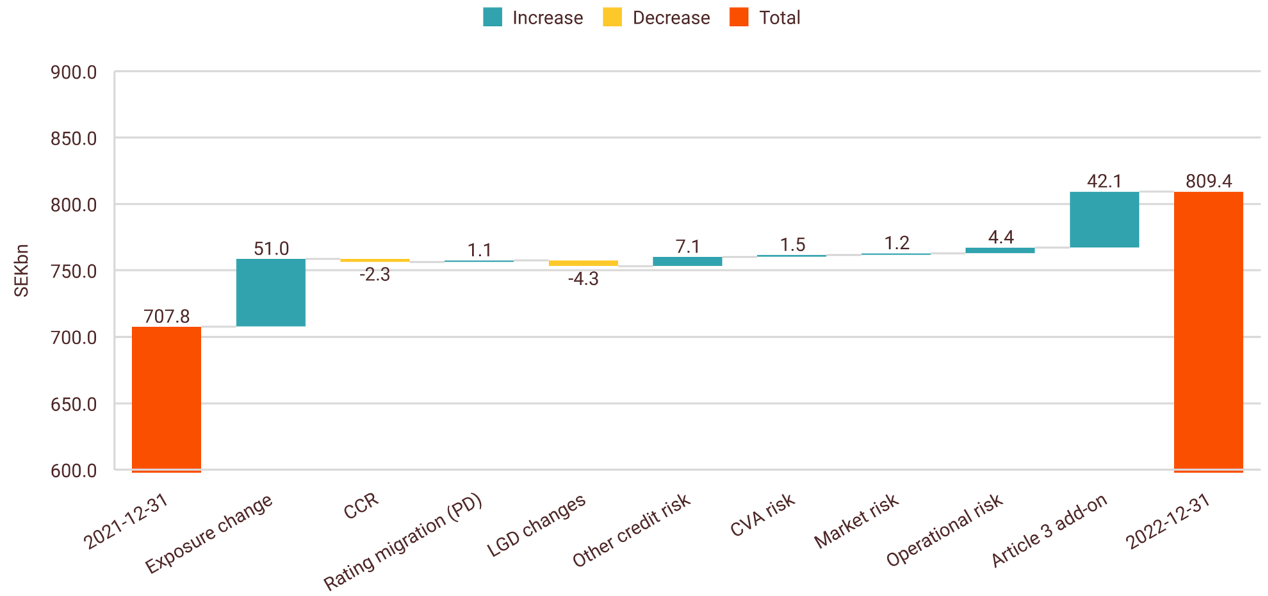


Figure 2.4: CET1 capital ratio

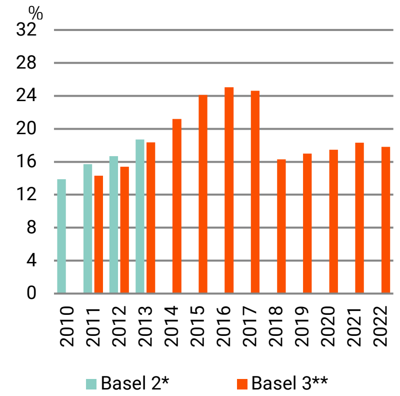
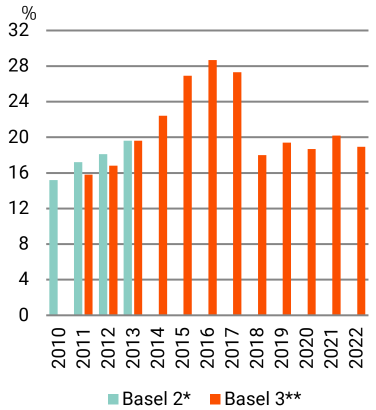
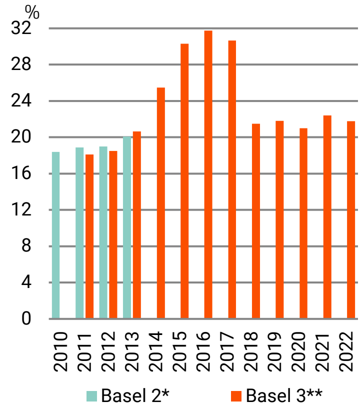


Figure 2.5: Tier 1 capital ratio





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

	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
SEKm	31 Dec 2022	30 Sep 2022	31 Dec 2022
Credit risk (excluding CCR)	**692 272**	**637 451**	**55 382**
Of which the standardised approach	52 377	53 065	4 190
Of which the foundation IRB (FIRB) approach	102 010	86 026	8 161
Of which slotting approach	406	407	32
Of which equities under the simple riskweighted approach			
Of which the advanced IRB (AIRB) approach	224 962	221 467	17 997
Counterparty credit risk - CCR	**15 643**	**14 928**	**1 251**
Of which the standardised approach	10 103	9 387	808
Of which internal model method (IMM)			
Of which exposures to a CCP	531	889	42
Of which credit valuation adjustment - CVA	3 809	3 328	305
Of which other CCR	1 200	1 324	96
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Settlement risk			
Securitisation exposures in the non-trading book (after the cap)	**68**	**66**	**5**

Of which SEC-IRBA approach			
Of which SEC-ERBA (including IAA)			
Of which SEC-SA approach	68	66	5
Of which 1250%/ deduction			
Position, foreign exchange and commodities risks (Market risk)	**21 461**	**24 996**	**1 717**
Of which the standardised approach	4 213	4 765	337
Of which IMA	17 248	20 231	1 380
Large exposures			
Operational risk	**79 995**	**75 618**	**6 400**
Of which basic indicator approach			
Of which standardised approach	79 995	75 618	6 400
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	**25 937**	**25 585**	**2 075**
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Empty set in the EU			
Total	**809 439**	**753 059**	**64 755**

The Risk Exposure Amount (REA) increased by SEK 56.4bn to SEK 809.4bn (753.0bn for Q3 2022), mainly due to increase in credit risk including risk weight floors and add-on. Credit risk REA increased by SEK 54.8bn as compared to Q3 2022.

The increase in IRB REA was mainly driven by the new definition of default (NDoD) calibration effect which was implemented in Baltic Banking and increased REA by SEK 10.9bn. Foundation IRB (FIRB) REA (SEK 16.0bn increase) primarily impacted by increased corporate exposures (SEK 14.7bn) mainly driven by the NDoD calibration effect (SEK 10.9bn), asset growth (SEK 1.8bn) and FX effects (SEK 1.1bn). Advanced IRB (AIRB) REA changes were primarily driven by increased REA for retail mortgage (SEK 4.1bn) and corporate (SEK 1.2bn) exposures due to increased asset growth (SEK 3.6bn) and FX effects (SEK 1.1bn), which was offset by decreased retail other exposures (SEK 1.8bn) and shorter maturities (SEK 0.8bn).

Credit risk (excluding CCR) also includes the other risk exposure amounts, that is the REA for the mortgage floor add-on, the add-on for corporate real estate exposures in Norway (Article 458 CRR) and Article 3 add-on. The mortgage floor was SEK 241.1bn at the end of the Q4 2022 and decreased by SEK 2.2bn during the quarter due to decreased Mortgage floor for off-balance.

Article 3 add-on reported under Credit Risk REA increased due to frontloading of IRB Overhaul by SEK 35.8bn and comprised SEK 71.4bn in the end of Q4 2022, where SEK 26.3bn increased for LC&I, SEK 7.6bn for Baltic Banking and SEK 1.9bn for Swedish Banking. Review of the regular add-on for probability of default (PD) underestimations increased REA by SEK 2.4bn in Baltic Banking it increased by SEK 1.4bn, in LC&I by SEK 0.9bn and in Swedish Banking by SEK 0.1bn.

CCR REA increased by SEK 0.7bn, of which SEK 0.5bn increased REA in derivatives. Credit valuation adjustment (CVA) increased REA by SEK 0.5bn mainly due to increased exposure at default (EAD).

Total Market risk REA decreased by SEK 3.5bn due to a decrease in internal models (SEK 3.0bn) and decrease in specific interest rate risk (SEK 0.6bn).

Annual review of Operational Risk increased REA by SEK 4.4bn, caused by higher average income for the last three years.

Amounts below the thresholds for deduction (subject to 250% risk weight) increased by SEK 0.4bn mainly due to an increase in equity holdings of insurance undertakings.

Table 2.2: EU KM1 - Key metrics

SEKm	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	144 107	139 624	135 943	132 601	129 644
Tier 1 capital	153 320	149 435	145 312	141 306	143 022
Total capital	176 331	174 137	161 879	156 954	158 552
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	809 438	753 060	743 767	724 472	707 753
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	17.8%	18.5%	18.3%	18.3%	18.3%
Tier 1 ratio (%)	18.9%	19.8%	19.5%	19.5%	20.2%
Total capital ratio (%)	21.8%	23.1%	21.8%	21.7%	22.4%
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 (%)	2.3%	2.3%	1.7%	1.7%	1.7%
of which: to be made up of CET1 capital (percentage points)	1.5%	1.5%	1.2%	1.2%	1.2%
of which: to be made up of Tier 1 capital (percentage points)	1.8%	1.8%	1.3%	1.3%	1.3%
Total SREP own funds requirements (%)	10.3%	10.3%	9.7%	9.7%	9.7%

Combined buffer 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 (%)					
Institution specific countercyclical capital buffer (%)	0.9%	0.8%	0.1%	0.0%	0.0%
Systemic risk buffer (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Global Systemically Important Institution buffer (%)					
Other Systemically Important Institution buffer	1.0%	1.0%	1.0%	1.0%	1.0%
Combined buffer requirement (%)	7.4%	7.3%	6.6%	6.5%	6.5%
Overall capital requirements (%)	17.7%	17.6%	16.3%	16.2%	16.2%
CET1 available after meeting the total SREP own funds requirements (%)	11.2%	12.1%	12.0%	11.9%	12.6%
Leverage ratio					
Total exposure measure	2 735 019	2 844 556	2 796 534	2 774 716	2 626 642
Leverage ratio (%)	5.6%	5.3%	5.2%	5.1%	5.4%
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 (%)					
of which: to be made up of CET1 capital (percentage points)					
Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)					
Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value -average)	716 743	725 870	753 524	743 708	717 469
Cash outflows - Total weighted value	578 133	570 543	572 353	553 356	528 742
Cash inflows - Total weighted value	80 684	69 997	61 307	55 603	53 820
Total net cash outflows (adjusted value)	497 449	500 545	511 046	497 752	474 922
Liquidity coverage ratio (%)	145.4%	146.4%	148.7%	151.0%	151.8%
Net Stable Funding Ratio					
Total available stable funding	1 663 231	1 664 570	1 668 633	1 657 266	1 644 050
Total required stable funding	1 404 092	1 420 778	1 402 804	1 359 706	1 331 522
NSFR ratio (%)	118.5%	117.2%	119.0%	122.0%	123.0%

Table 2.3: EU INS1 - Insurance participations, 31 December 2022

SEKm	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds		

Swedbank does not deduct investments in insurance undertakings as the sum of such investments is less than 10% of the Common Equity Tier 1. This is in accordance with CRR Article 48 (1)(b) and not from a permission in accordance with Article 49 (1) of the CRR.

Table 2.4: EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio, 31 December 2022

SEKm	
Supplementary own fund requirements of the financial conglomerate (amount)	187 456
Capital adequacy ratio of the financial conglomerate (%)	118.2%

EU OVC - Internal Capital Adequacy Assessment Process (ICAAP)

The internal capital adequacy assessment considers all relevant risks that arise within the Group. In addition to Pillar 1 risks, all other relevant risk types are evaluated in the ICAAP stress tests under Pillar 2 framework. Additionally, Swedbank's solvency and capital need is captured by economic capital (EC) models where it prepares and documents its own methods and processes to evaluate its capital requirement. Strategic and reputational risks are managed indirectly within the capital adequacy assessment, as the capital buffer implicitly protects against such risks, and they are carefully monitored and managed. Liquidity constraints may arise because of an imbalance between risk and capital. Additionally, there are risk categories that receive no explicit capital allocation but are nevertheless closely monitored e.g. liquidity risk and strategic risk. Table 2.5 below depicts significant risks identified within the Group.

Table 2.5: Risk types according to the ICAAP process

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

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

1) Holdings in insurance companies are risk weighted at 250%
2) The insurance companies in Swedbank Group perform an Own Risk and Solvency Assessment (ORSA). The aim of this process is to assess risks (both qualitatively and quantitatively) and the solvency position over a business planning period of three years. The calculations are performed by projecting the risk metrics under the base and adverse scenarios. Depending on the outcome of ORSAs, Swedbank might choose to set aside capital within its Economic Capital framework
3) Reputational risk is considered as part of the operation risk in the ICAAP context. The Scenario Simulation parameters can be adjusted to reflect reputational risk
4) For information regarding liquidity risk in ILAAP and other stress tests and sensitivity analysis for liquidity risk, please see Chapter 5
5) Strategic and business risks are covered within the scope of the management buffer as part of the normal capital planning process. Economic Capital and adverse Scenario Simulation calculations can be adjusted to reflect forward looking perspective.

Stress tests

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

The Group-wide stress test methodology takes its starting point in the identification of macroeconomic, systemic and geopolitical risks that may have an adverse impact on Swedbank's capital position. The identified risks are transformed into quantitative effects on key macroeconomic variables to build macroeconomic scenarios. The scenarios include variables for Swedbank's four home markets and can thereby be used both on a Group level and for the subsidiaries. When stressing credit risk, Swedbank uses statistical models that transform the adverse macroeconomic scenarios into loss levels for relevant balance sheet items. Profit and loss items such as net interest income and fees and commissions are also stressed in the scenario. After REA changes are accounted for, the total impact on capital adequacy is estimated. Finally, the stress test outcomes and the methodology are evaluated and discussed by Swedbank's experts and management to ensure consistency and reliability. The scenarios are presented to the Board of Directors for approval along with an assessment of the effects on the main risk types.

Economic Capital

Economic Capital (EC) models are used in conjunction with stress tests to provide an objective internal view of the capital required to manage potential risks affecting Swedbank. In contrast to the capital assessment within Pillar 1, the estimation of Swedbank's EC is not limited by assumptions applied in the capital adequacy framework. Consequently, the EC generates a more accurate assessment of the risk to which Swedbank is exposed.

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

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

EC models by risk type

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

The operational loss model is a statistical and mathematical approach based on extreme value theory where historical operational loss data is used. The model has been developed primarily using internal loss data and is complemented with scenario information to capture areas where additional input is required beyond loss data. The main cause for internal operational losses is process risk followed by personnel risk. Since Swedbank is heavily dependent on solid IT-solutions, one of the main drivers for operational risk is also low frequency high impact losses related to information and technology risk which, together with external risk, creates an impact on clients, products and business practices.

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

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

At year-end 2022, Swedbank's total EC amounted to SEK 41.5bn, which is an increase of 13% compared to 36.6bn in 2021. All of the significant risk types moved in a consistent manner demonstrating a positive growth rate except for market risk. For market risk, the EC decreased by 40% (SEK 2.1bn) to 3.1bn in 2022 vs. 2021 mainly due to lower interest rate risk in banking book and reduction in trading book exposure. Credit risk, being the major contributor to the total EC, added SEK 3.5bn (13%). EC for operational risk amounted to SEK 5.9bn, which is 8% higher than a year ago (5.5bn). The operational risk charge mirrors the development of the Pillar 1 capital requirement, although the two approaches are driven by different underlying factors. Post-employment benefit risks as of 2022 year-end contributed SEK 3.1bn to EC. The EC is a crucial component for and serves as primary input to the ICAAP.

Table 2.6: EC by risk type

Risk type, SEKbn	2022	2021
Credit risk	29.3	25.8
Market risk	3.1	5.2
Operational risk	5.9	5.5
Risks in post-employment benefits	3.1	0.0
Total	**41.5**	**36.6**

Table 2.7: EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories, 31 December 2022

				Carrying values of items				
	SEKm	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements								
1	Cash and balances with central banks	365 992	365 992	365 992				
2	Treasury bills and other bills eligible for refinancing with central banks, etc.	151 483	151 112	151 112				
3	Loans to public and credit institutions	56 589	39 856	16 381	23 475			
4	Loans to the public	1 842 811	1 859 040	1 825 115	33 925			
5	Value change of interest hedged item in portfolio hedge	-20 369	-20 369	-20 369				
6	Bonds and other interest-bearing securities	61 298	61 097	11 169			49 928	
7	Financial assets for which the customers bear the investment risk	290 678						
8	Shares and participating interests	8 184	5 788	1 453			4 335	
9	Investments in associates	7 830	4 933	4 908				25
10	Investments subsidiaries		5 964	5 279				685
11	Derivatives	50 504	50 504		50 504		45 495	
12	Intangible fixed assets	19 886	19 274	1 149				18 125
13	Tangible assets	5 449	5 512	5 512				
14	Current tax assets	1 449	1 437	1 437				
15	Deferred tax assets	159	131	25				106
16	Pension assets	2 431	2 431					2 431
17	Other assets	8 474	8 920	5 170				3 750
18	Prepaid expenses and accrued income	2 028	2 152	2 152				
19	**Total assets**	**2 854 876**	**2 563 774**	**2 376 485**	**107 904**		**99 758**	**25 122**
Breakdown by liability classes according to the balance sheet in the published financial statements								
1	Amounts owed to credit institutions	72 826	71 592					
2	Deposits and borrowings from the public	1 305 948	1 310 276		90 349			
3	Financial liabilities for which the customers bear the investment risk	291 993						
4	Debt securities in issue	784 206	784 206					
5	Short positions securities	27 134	27 134					
6	Derivatives	68 679	68 679					
7	Current tax liabilities	1 811	1 720					
8	Deferred tax liabilities	3 599	3 500					
9	Pension provisions	168	191					
10	Insurance provisions	2 041						
11	Other liabilities and provisions	26 945	26 847					
12	Accrued expenses and prepaid income	4 664	4 767					
13	Senior non - preferred liabilities	57 439	57 439					
14	Subordinated liabilities	31 331	31 331					
15	**Total liabilities**	**2 678 784**	**2 387 682**		**90 349**			

Table 2.8: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements, 31 December 2022

SEKm	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	**2 584 147**	**2 376 485**		107 904	99 758
Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	**90 349**			90 349	
Total net amount under the regulatory scope of consolidation	**2 674 496**	**2 376 485**		**198 253**	**99 758**
Off-balance-sheet amounts	**387 827**	**387 376**	451		
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2	**-1 204 528**			-1 204 528	
Differences due to consideration of provisions	**5 918**	5 918			
Differences due to the use of credit risk mitigation techniques (CRMs)	**-22 508**			-22 508	
Differences due to credit conversion factors	**-218 046**	-218 046			
Differences due to Securitisation with risk transfer					
Other differences	**1 040 129**	-31		1 081 420	-41 260
Exposure amounts considered for regulatory purposes	**2 663 288**	**2 551 702**	**451**	**52 637**	**58 498**

Table 2.9: EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity), 31 December 2022

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Swedbank AB	Full consolidation	X					Credit institution
Swedbank Mortgage AB	Full consolidation	X					Credit institution
Swedbank Robur AB	Full consolidation	X					Financial institution
Swedbank Robur Fonder AB	Full consolidation	X					Mutual fund company
Swedbank Investeerimisfondid AS	Full consolidation	X					Investment firm
Swedbank Ieguldijumu Parvaldes Sabierdiba AS	Full consolidation	X					Investment firm
Swedbank investiciju valdymas UAB	Full consolidation	X					Investment firm
SwedLux S A	Full consolidation	X					Credit institution
Sparframjandet Aktiebolag	Full consolidation	X					
Sparia Group Forsakrings AB	Full consolidation			X			Insurance company
Swedbank Fastighetsbyrå AB	Full consolidation	X					Financial institution
Fastighetsbyran The Real Estate Agency S L	Full consolidation	X					Ancillary company - Real estate
Bankernas Kontantkort CASH Sverige AB	Full consolidation	X					
Swedbank PayEx Holding AB	Full consolidation	X					Financial institution
PayEx Norge AS	Full consolidation	X					Ancillary company - Payments
PayEX Danmark AS	Full consolidation	X					Ancillary company - Payments
Swedbank PayEx Collection AB	Full consolidation	X					
PayEx Sverige AB	Full consolidation	X					Ancillary company - Payments
PayEx Suomi OY	Full consolidation	X					Ancillary company - Payments
PayEx Invest AB	Full consolidation	X					Ancillary company - Real estate
Faktab B1 AB	Full consolidation	X					Ancillary company - Real estate
Faktab V1 AB	Full consolidation	X					Ancillary company - Real estate
Faktab S1 AB	Full consolidation	X					Ancillary company - Real estate
Ektornet AB	Full consolidation	X					Holding company
Swedbank Försäkring AB	Full consolidation			X			Insurance company
ATM Holding AB	Full consolidation	X					Financial institution
Bankomat AB	Equity method			X			Ancillary company - Other
FRoR Invest AB	Full consolidation	X					Ancillary company - Other
First Securities AS	Full consolidation	X					Financial institution
Swedbank Management Company SA ManCo	Full consolidation	X					Financial institution
Swedbank AS Latvia	Full consolidation	X					Credit institution
Swedbank Lizings SIA	Full consolidation	X					Financial institution - Leasing
Swedbank Atklatais Pensiju Fonds AS	Full consolidation	X					Financial holding company
Swedbank AB Lithuania	Full consolidation	X					Credit institution
Swedbank Lizingas UAB	Full consolidation	X					Financial institution - Leasing
Swedbank AS Estonia	Full consolidation	X					Credit institution
Swedbank Liising AS	Full consolidation	X					Financial institution - Leasing
Ektornet Project Estonia 1 OU	Full consolidation	X					Ancillary company - Real estate
Swedbank Life Insurance SE	Full consolidation			X			Insurance company
Swedbank PoC Insurance AS	Full consolidation			X			Insurance company
Swedbank Support OU	Full consolidation	X					Ancillary company - IT
SK ID Solutions AS	Equity method			X			Ancillary company - Other
EnterCard Group AB	Equity method		X				Financial institution
Sparbanken Sjuhärad AB	Equity method			X			Credit institution
Sparbanken Rekarne AB	Equity method			X			Credit institution
Sparbanken Skåne AB	Equity method			X			Credit institution
Vimmerby Sparbank AB	Equity method			X			Credit institution
Ölands Bank AB	Equity method			X			Credit institution
Finansiell IDTeknik BID AB	Equity method			X			Ancillary company - IT
BGC Holding AB	Equity method			X			Ancillary company - Payments
Getswish AB	Equity method			X			Ancillary company - Payments
USE Intressenter AB	Equity method			X			Holding company
P27 Nordic Payments Platform AB	Equity method		X				Ancillary company - Payments
Invidem AB	Equity method		X				Ancillary company - Other
Swedbank Baltics AS	Full consolidation	X					Holding company
Tibern AB	Equity method			X			Ancillary company - Other
Thylling Insight AB	Equity method			X			

EU LIA - Explanations of differences between accounting and regulatory exposure amounts

The regulatory consolidation as of 31 December 2022 comprised the Swedbank Group except for a different consolidation method for EnterCard Group, P27 Nordic Payments Platform, Invidem AB and Insurance undertakings that are consolidated according to the equity method. The EnterCard Group, P27 Nordic Payments Platform AB, Invidem AB are included through the proportionate consolidation method for regulatory purposes, compared to the equity method in Swedbank Group. The total difference between the regulatory and accounting consolidation is SEK 291.1 bn.

Difference between the regulatory and accounting framework as presented in Table 2.8 are explained by different rules set out in IFRS and CRR. The exposure amounts considered for regulatory purposes are original exposures before credit risk mitigation. The main differences for the items subject to credit risk framework are:

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

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

EU LIB - Other qualitative information on the scope of application

Impediment to the prompt transfer of own funds or to the repayment of liabilities within the Group

Currently, there is no known or foreseen impediment to the prompt transfer of own funds or to the repayment of liabilities within the Group.

Subsidiaries not included in the consolidation with own funds less than required

All subsidiaries are included in consolidation of the Group in accordance with equity method, proportional or full consolidation as presented in Table 2.9.

Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

The Group does not use derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR.

Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

All subsidiaries are included in consolidation of the Group in accordance with equity method, proportional or full consolidation as presented in Table 2.9.

Table 2.10: EU PV1 - Prudent valuation adjustments (PVA), 31 December 2022

SEKm	Risk category					Category level AVA - Valuation uncertainty				
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	32	140	0	302		19	0	247	201	46
Set not applicable in the EU										
Close-out cost	15	190		1		32	0	119	111	8
Concentrated positions	2			88				91	5	86
Early termination										
Model risk		59	0			2	0	31	31	0
Operational risk	3	18	0	16				37	31	6
Set not applicable in the EU										
Set not applicable in the EU										
Future administrative costs	11	16	13	13				52	45	7
Set not applicable in the EU										
Total Additional Valuation Adjustments (AVAs)								**576**	**424**	**152**

Prudent valuation is a regulatory requirement which takes into account uncertainties in the valuation of assets and liabilities carried at fair value. The prudent valuation adjustment is deducted from the CET1 capital in accordance with the CRR Article 105. In addition to the fair value adjustments made in the accounts, Swedbank calculates Additional Valuation Adjustments (AVAs) for fair valued positions in the trading and banking book. The purpose of the prudent valuation adjustment is to ensure, with an appropriate degree of certainty, that the valuations are sufficiently prudent taking into account the factors corresponding to the AVAs.

Table 2.11: EU CC1 - Composition of regulatory own funds, 31 December 2022

SEKm		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	38 110	26 (1), 27, 28, 29
	of which: Instrument type 1		EBA list 26 (3)
	of which: Instrument type 2		EBA list 26 (3)
	of which: Instrument type 3		EBA list 26 (3)
2	Retained earnings	78 783	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	38 365	26 (1)
EU-3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		486 (2)
5	Minority interests (amount allowed in consolidated CET1)		84
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	10 911	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**166 169**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-576	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-17 868	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-106	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-13	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)

15	Defined-benefit pension fund assets (negative amount)	-1 930	36 (1) (e), 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-1 073	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
EU-20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
EU-20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 17,65% threshold (negative amount)		48 (1)
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a)
EU-25a	Losses for the current financial year (negative amount)	0	36 (1) (a)
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		36 (1) (l)
26	Empty set in the EU		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		36 (1) (j)
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	-496	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-22 062**	
29	**Common Equity Tier 1 (CET1) capital**	**144 107**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	9 263	51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		486 (3)
EU-33a	Amount of qualifying items referred to in Article 494a (1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b (1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**9 263**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		56 (d), 59, 79
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		56 (e)
42a	Other regulatory adjustments to AT1 capital	-50	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-50**	
44	**Additional Tier 1 (AT1) capital**	**9 213**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**153 320**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	21 734	62, 63
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		486 (4)
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)
50	Credit risk adjustments	1 327	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**23 060**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67

53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79
54a	Empty set in the EU		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)
56	Empty set in the EU		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital	-50	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-50**	
58	**Tier 2 (T2) capital**	**23 010**	
59	**Total capital (TC = T1 + T2)**	**176 330**	
60	**Total Risk exposure amount**	**809 438**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	17.8%	92 (2) (a)
62	Tier 1 capital	18.9%	92 (2) (b)
63	Total capital	21.8%	92 (2) (c)
64	Institution CET1 overall capital requirements	13.4%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.9%	
67	of which: systemic risk buffer requirement	3.0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.0%	
EU 67-b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.5%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	11.2%	CRD 128
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1 102	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	10 350	36 (1) (i), 45, 48
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	25	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	1 326	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3 466	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

During Q4 2022, Swedbank's CET1 capital increased by SEK 4.5bn, to SEK 144.1bn as compared to Q3 2022. The change was mainly affected by quarterly profits and anticipated dividend. Own funds in Swedbank are calculated in accordance with CRR.

Table 2.12: EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements, 31 December 2022

SEKm		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash and balances with central banks	365 992	365 992	
2	Treasury bills and other bills eligible for refinancing with central banks, etc.	151 483	151 112	
3	Loans to credit institutions	56 589	39 856	
4	Loans to the public	1 842 811	1 859 040	
5	Value change of interest hedged item in portfolio hedge	-20 369	-20 369	
6	Bonds and other interest-bearing securities	61 298	61 097	
7	Financial assets for which the customers bear the investment risk	290 678	0	
8	Shares and participating interests	8 184	5 788	
9	Investments in associates and joint ventures	7 830	4 933	
10	Investments subsidiaries	0	5 964	
11	Derivatives	50 504	50 504	
12	Intangible assets	19 886	19 274	
	of which: goodwill	13 774	13 863	8
	of which: other intangible assets	6 112	4 970	8
13	Tangible assets	5 449	5 512	
14	Current tax assets	1 449	1 437	
15	Deferred tax assets	159	131	
16	Pension assets	2 431	2 431	15[1]
17	Other assets	8 474	8 920	
18	Prepaid expenses and accrued income	2 028	2 152	
	Total assets	**2 854 876**	**2 563 774**	
Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Amounts owed to credit institutions	72 826	71 592	
2	Deposits and borrowings from the public	1 305 948	1 310 276	
3	Financial liabilities for which the customers bear the investment risk	291 993	0	
4	Debt securities in issue	784 206	784 206	
5	Short positions, securities	27 134	27 134	
6	Derivatives	68 679	68 679	
7	Current tax liabilities	1 811	1 720	
8	Deferred tax liabilities	3 599	3 500	
	of which: deferred tax liabilities associated to other intangible assets	965	965	8
9	Pension provisions	168	191	
10	Insurance provisions	2 041	0	
11	Other liabilities and provisions	26 945	26 847	
12	Accrued expenses and prepaid income	4 664	4 767	
13	Senior non-preferred liabilities	57 439	57 439	
14	Subordinated liabilities	31 331	31 331	
	of which: Capital instruments and the related share premium accounts AT1	9 263	9 263	30
	of which: Capital instruments and the related share premium accounts AT2	21 734	21 734	46
	Total liabilities	**2 678 784**	**2 387 682**	
Shareholders' Equity				
1	Equity attributable to shareholders of the parent company	176 064	176 064	
	of which: capital instruments and the related share - premium accounts	38 110	38 110	1
	of which retained earnings	77 886	78 783	2
	of which: accumulated other comprehensive income (and other reserves)	39 263	38 365	3
	of which: profit or loss	21 877	21 877	5a
	of which: less anticipated dividends for the year	10 967	10 967	5a
	of which: fair value reserves related to gains or losses on cash flow hedges	-13	-13	11
	of which: direct holdings by an institution of own CET1 instruments (negative amount)	-1 073	-1 073	16
2	Non-controlling interests	28	28	
	Total shareholders' equity	**176 092**	**176 092**	

[1]Adjusted with deferred tax liability

Table 2.13: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments, 31 December 2022

1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000242455	XS2377291963
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	Swedish	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/ solo& (sub-) consolidated	Solo & consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28	Additional Tier 1 as published in Regulation (EU) No 575/2013 art 52
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 24 904m	SEK 4 376m
9	Nominal amount of instrument	SEK 24 904m	USD 500m
EU-9a	Issue price	N/A	100 per cent
EU-9b	Redemption price	N/A	100 per cent of Nominal amount
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	N/A	25.Aug.21
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	17-SEP-29 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	Any Reset Date after first call date
Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	Fixed 4.0 per cent per annum to call date (equivalent to USD Swap Rate +2.864 per cent per annum), thereafter reset Fixed rate equivalent to USD Swap Rate +2.864 per cent per annum
19	Existence of a dividend stopper	N/A	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	N/A	Non cumulative
23	Convertible or non-convertible	N/A	Convertible
24	If convertible, conversion trigger(s)	N/A	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level
25	If convertible, fully or partially	N/A	Fully
26	If convertible, conversion rate	N/A	The greater of the current market price of an Ordinary Share, the Quota value of an Ordinary Share and the Floor Price, all as of the Conversion Date. Floor price means USD 12.92 (subject to limited anti-dilution adjustments)
27	If convertible, mandatory, or optional conversion	N/A	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary Share
29	If convertible, specify issuer of instrument it converts into	N/A	Swedbank AB (publ)
30	Write-down features	N/A	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	Link

'N/A' if the item is not applicable

1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2046625765	XS1796813589
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English/Swedish	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo& (sub-) consolidated	Solo & consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 art 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 4 887m	SEK 386m
9	Nominal amount of instrument	USD 500m	JPY 5 000m
EU-9a	Issue price	100 per cent	100 per cent
EU-9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.Aug.19	28.Mar.18
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	28.Mar.33
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-SEP-24 100 per cent of Nominal amount In addition, Tax/Regulatory call	28-MAR-28 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	Any Reset Date after first call date	N/A
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.625 per cent per annum to call date (equiv. to USD Swap Rate +4.134 per cent per annum), thereafter reset Fixed rate equiv. to USD Swap Rate +4.134 per cent per annum	Fixed 0.9 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.6425 per cent per annum
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Non-convertible
24	If convertible, conversion trigger(s)	8% CET1 ratio on consolidated level, 5.125% CET1 ratio on solo level	N/A
25	If convertible, fully or partially	Fully	N/A
26	If convertible, conversion rate	The greater of the current market price of an Ordinary Share, the Quota value of an Ordinary Share and the Floor Price, all as of the Conversion Date. Floor price means USD 8.75 (subject to limited anti-dilution adjustments)	N/A
27	If convertible, mandatory or optional conversion	Mandatory	N/A
28	If convertible, specify instrument type convertible into	Ordinary Share	N/A
29	If convertible, specify issuer of instrument it converts into	Swedbank AB (publ)	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	3	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Senior debt
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Link	Link

'N/A' if the item is not applicable

1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1807179277	XS1816641937
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English/Swedish	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
Regulatory treatment			
4	Current treatment taking into account, Where applicable, transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo & consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 631m	SEK 1 190m
9	Nominal amount of instrument	JPY 8 000m	SEK 1 200m
EU-9a	Issue price	100 per cent	100 per cent
EU-9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	12.Apr.18	08.May.18
12	Perpetual or dated	Dated	Dated
13	Original maturity date	12.Apr.28	08.May.28
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	12-APR-23 100 per cent of Nominal amount In addition, Tax/Regulatory call	08-MAY-23 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Fixed 0.75 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.64625 per cent per annum	Fixed 1.55875 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Floating rate 3-month STIBOR +1.03 per cent per annum
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	4	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Link	Link

'N/A' if the item is not applicable

1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1848755358	XS1880928459
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English/Swedish	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 867m	SEK 5 437m
9	Nominal amount of instrument	JPY 11 000m	EUR 500m
EU-9a	Issue price	100 per cent	99.523 per cent
EU-9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.Jun.18	18.Sep.18
12	Perpetual or dated	Dated	Dated
13	Original maturity date	29.Jun.28	18.Sep.28
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29-JUN-23 100 per cent of Nominal amount In addition, Tax/Regulatory call	18-SEP-23 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Fixed 0.95 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +0.85125 per cent per annum	Fixed 1 per cent per annum to call date (equivalent to Euro Swap Rate +0.82 per cent per annum), thereafter reset Fixed rate equivalent to Euro Swap Rate +1.28 per cent per annum
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	4	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Link	Link

'N/A' if the item is not applicable

1	Issuer	Swedbank AB (publ)	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS12491158866	XS2522879654
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English/Swedish	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 542m	SEK 7 696m
9	Nominal amount of instrument	JPY 7 000m	EUR 750m
EU-9a	Issue price	100 per cent	100 per cent
EU-9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	16.Jun22	23.Aug.22
12	Perpetual or dated	Dated	Dated
13	Original maturity date	16.Jun.32	23.Aug.32
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	16-JUN-27 100 per cent of Nominal amount In addition, Tax/Regulatory call	23-AUG-27 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Fixed 1.45 per cent per annum payable in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to JPY 6M Swap Rate +1.46 per cent per annum	Fixed 3.625 per cent per annum to call date (equivalent to Euro Swap Rate +1.545 per cent per annum), thereafter reset Fixed rate equivalent to Euro Swap Rate +2.150 per cent per annum
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	4	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Link	Link

'N/A' if the item is not applicable

1	Issuer	Swedbank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2555706337
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English/Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	SEK 4 986m
9	Nominal amount of instrument	GBP 400m
EU-9a	Issue price	100 per cent
EU-9b	Redemption price	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15.Nov.22
12	Perpetual or dated	Dated
13	Original maturity date	15.Nov.32
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	15-NOV.27 100 per cent of Nominal amount In addition, Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Fixed 7.272 per cent per annum payable semi-annually in arrear on each Interest Payment Date, thereafter reset Fixed rate equivalent to UK Gilt Rate +3.8 per cent per annum
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Link

'N/A' if the item is not applicable

Table 2.14: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer, 31 December 2022

Breakdown by country	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
SEKm	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Sweden	43 741	1 567 037	34 269			1 645 047	34 631	250		34 880	436 000	71.1%	1.0%
Estonia	6 752	107 262	1			114 015	4 005	0		4 005	50 063	8.2%	1.0%
Latvia	1 414	48 068				49 482	2 356			2 356	29 450	4.8%	
Lithuania	4 018	90 841	279		451	95 589	3 306	0	5	3 311	41 388	6.8%	
Norway	9 394	54 453	2 454			66 301	1 788	17		1 805	22 563	3.7%	2.0%
Finland	401	34 853	442			35 696	960	8		968	12 100	2.0%	
Denmark	4 651	6 464	163			11 278	340	1		341	4 263	0.7%	2.0%
USA	425	5 252				5 677	229			229	2 863	0.5%	
Great Britain	122	2 570	0			2 692	78	0		78	975	0.2%	1.0%
Luxemburg	774	9 587				10 361	258			258	3 225	0.5%	0.5%
Other countries	2 131	17 695	73			19 899	800	0		801	10 013	1.6%	
Total	**73 823**	**1 944 082**	**37 681**		**451**	**2 056 037**	**48 751**	**276**	**5**	**49 032**	**612 900**	**100.00%**	

Institution specific CCyB rate increased to 0.8849% during the Q4 2022, mostly due to entered into force CCyB requirement in Estonia from 0% to 1%.

Table 2.15: EU CCyB2 - Amount of institution-specific countercyclical capital buffer, 31 December 2022

SEKm	
Total risk exposure amount	809 438
Institution specific countercyclical capital buffer rate	0.88%
Institution specific countercyclical capital buffer requirement	7 163

Institution specific CCyB rate increased to 0.8849% during the Q4 2022, mostly due to entered into force CCyB requirement in Estonia from 0% to 1%.

Table 2.16: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures, 31 December 2022

SEKm	Applicable amount
Total assets as per published financial statements	2 854 876
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-291 102
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
(Adjustment for temporary exemption of exposures to central bank (if applicable))	
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of point (i) of Article 429a (1) CRR)	
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
Adjustment for eligible cash pooling transactions	
Adjustments for derivative financial instruments	-3 317
Adjustment for securities financing transactions (SFTs)	88 014
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	157 436
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a (1) CRR)	
Other adjustments	-70 888
Total exposure measure	**2 735 019**

Leverage ratio exposure measure increased by SEK 108.4bn as compared to Q2 2022, the main driver was other assets which increased by SEK 125.9bn mainly due to increased cash and balances with central banks and loans to the public.

Table 2.17: EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31 Dec 2022	30 June 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2 476 879	2 501 098
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-42 464	-30 452
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-21 762	-21 738
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2 412 653**	**2 448 908**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	11 120	13 512
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	36 774	35 748
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-707	-812
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**47 187**	**48 448**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	114 627	132 667
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets	3 988	3 987
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e (5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**	**118 615**	**136 654**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	387 803	416 729
20	(Adjustments for conversion to credit equivalent amounts)	-230 367	-253 610
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		

22	**Off-balance sheet exposures**	**157 436**	**163 119**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-871	-595
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**	**-871**	**-595**
Capital and total exposure measure			
23	**Tier 1 capital**	**153 320**	**145 312**
24	**Total exposure measure**	**2 735 019**	**2 796 534**
Leverage ratio			
25	Leverage ratio (%)	5.6%	5.2%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.6%	5.2%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.6%	5.2%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	of which: to be made up of CET1 capital		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.0%	3.0%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	129 728	129 494
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	114 627	132 667
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2 750 121	2 791 361
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2 750 121	2 791 361
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.6%	5.2%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.6%	5.2%

The leverage ratio has slightly increased to 5.6% during Q4 2022 (5.2% as of Q2 2022) and exceeded the leverage ratio requirement including Pillar 2 guidance of 3.45%, which is due to lower total assets and higher Tier 1 capital.

Table 2.18: EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures), 31 December 2022

SEKm	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**2 434 414**
Trading book exposures	33 514
Banking book exposures, of which:	2 400 900
Covered bonds	15 726
Exposures treated as sovereigns	524 614
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	3 536
Institutions	15 430
Secured by mortgages of immovable properties	1 161 309
Retail exposures	97 532
Corporates	527 650
Exposures in default	4 692
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	50 411

Increase in corporates had the highest impact on the increase of on-balance sheet exposures excluding SFTs and derivatives as compared to Q2 2022.

EU LRA - Disclosure of LR qualitative information

Swedbank takes the risk of excessive leverage into account in the forward-looking capital planning process by forecasting the leverage ratio at least on a quarterly basis. Other business steering or asset-and-liability management tools are also considered as means to affect the total exposure measure and may be accessed, should such a need arise. Swedbank assesses if the entire Group, as well as the parent company and its subsidiaries, are adequately capitalised. In case of a deterioration, Swedbank Group can also increase the Tier 1 capital by issuing Additional Tier 1 capital. Likewise, a capital injection to support subsidiaries may be performed. In addition to the injection of equity capital, the total capital in a subsidiary may also be strengthened through subordinated loans within the Group. To the extent that non-restricted equity is available in subsidiaries, funds can be transferred back to the parent company as dividends. Swedbank regularly reviews the capitalisation of the Group and the individual legal entities. The outcome of such reviews may trigger adjustments deemed necessary to ensure compliance with regulatory requirements and an efficient capital management within the Group. Further, there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities to or from the parent company and its subsidiaries.

The leverage ratio increased by 0.15 percentage points from 5.4% percent to 5.6% percent during 2022. The Tier 1 capital increased by SEK 10.3bn, whereof CET1 capital increased by SEK 14.5bn and AT1 capital decreased by SEK 4.2bn. The leverage ratio exposure amount increased by SEK 108.4bn, whereof the main driver was other assets which increased by SEK 125.9bn mainly due to increased cash and balances with central banks and loans to the public. Other drivers which increased the leverage ratio exposure amount were SFTs by 27.0bn, which was offset by derivatives which decreased it by 35.7bn.

3.Credit risk

Swedbank's credit exposures are concentrated to low-risk segments such as private mortgages, tenant-owner associations, and residential property management. Conservative lending standards and close dialogue with customers are key to the sustained high credit quality. Despite the challenging macro-economic situation, credit quality remained strong in 2022.

Credit risk

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

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

Highlights 2022

Swedbank's credit quality remained strong in 2022, despite the challenging macro-economic situation. Credit quality indicators, such as past-due loans, remained largely unchanged. High inflation, rising interest rates and a weakening economy, however, have created challenges that are expected to impact credit quality, which is reflected in credit impairments.

The credit impairments in 2022 were SEK 1 479m (170m) and the credit impairment ratio was 0.08% (0.01%). Weaker macro-economic scenarios and negative rating and stage migrations were the main drivers for the credit impairment provisions. Few new individual provisions were made, which together with reversals due to decreased exposures within oil and offshore lead to net reversals of individually assessed exposures.

The post-model expert credit adjustments, to cover potential future credit impairments, amounted to SEK 1 738m at the end of 2022 (1 796m at the end of 2021). During 2022 reviews of sectors and customers were made resulting in decreases mainly in sector shipping and offshore and increases mainly in sectors property management, manufacturing, and retail and wholesale.

The total share of loans in stage 2, gross, increased to 7.4% (5.7%), the private loan share to 5.8% (3.7%) and the corporate loan share to 11.2% (10.3%), which was mainly explained by weaker macro scenarios and negative rating migrations.

The share of loans in stage 3, gross, decreased to 0.31% (0.37%), mainly explained by decreased exposures within oil and offshore. The provision ratio for loans in stage 3 was 37% (38%).

Swedbank's total lending, carrying amount, increased to SEK 1 799bn in 2022 (SEK 1 679bn), with growth in both corporate and private mortgage loans.

Swedbank's growth in private mortgage loans in Sweden was 2.6%, which was lower than previous year, impacted by lower housing market activity and lower prices. Swedbank's mortgage growth in the Baltic countries was 8.2% in local currency. The housing market slowed also in Estonia, Latvia and Lithuania, but prices remained stable due to underlying demand for modern housing.

Private mortgage loans constitute 57% of Swedbank's total loan portfolio, where 89% is in Sweden and 11% in the Baltic countries. The private mortgage portfolio is of high quality with low historical loan losses and low average loan-to-value (LTV) ratios. Lending is based on the borrower's repayment capacity, including the ability to manage a significantly increased interest rate and still be able to afford relevant loan amortisation and other costs of living.

Property management constitutes the second largest loan concentration, 16% of the total loan portfolio. The growth of 12% in 2022 was mainly to existing large clients in Sweden and Norway. The lending is diversified to different segments with 45% relating to mainly offices and 29% to residential properties. The main part, 80%, is in Sweden, 12% is in other Nordic countries, and 8% in the Baltic countries. Swedbank's underwriting criteria is focused on stable cash-flows and the customer's long-term ability to make interest payments and amortisations on the loan. In addition, customers should be financially strong, and collateral should have sound LTV ratios. The average LTV ratio in total property management lending was 53%, of which 55% for residential properties and 52% for other properties.

Disclosure of exposures to credit risk, dilution risk and credit quality

EU CRA - General qualitative information about credit risk

Credit risk appetite

Swedbank's credit risk appetite is aligned with the overall risk strategy and risk appetite, which is described in "EU OVA - Institution risk management approach".

The credit risk appetite states that Swedbank shall maintain a well-diversified credit portfolio with a low risk exposure. The focus is on long-term customer relationships and credit exposures are mainly concentrated to customers in Swedbank's four home markets, including the other Nordic countries where Swedbank has branches. Exposures outside the home markets shall have a direct link to the home market business or be necessary for supporting this business.

The credit risk appetite statement governs the credit portfolio through four principles: (i) Strong asset quality, (ii) Sound loan growth, (iii) Prevent risk drivers, and (iv) Avoid concentration. Risk limits and complementary key risk indicators (KRIs) for credit risk are based on these four principles and are defined on Group level and business area level.

A sustainable repayment ability and an adequate financial position of the customer or counterparty are key factors when granting credits. ESG considerations shall be an integrated part of all credit operations in order to identify and avoid undesired risk, and to assume risk in support of Swedbank's strive for an environmentally, socially, and financially sustainable society.

Processes to manage credit risk

Swedbank's overall risk management processes are described in "EU OVA - Institution risk management approach". Within credit risk, the most important processes are outlined below.

Credit policy – The credit policy establishes and describes the high-level principles and rules within the Group on credit risk management and credit operations.

It provides basis for the Group´s business and credit strategy and serves as a guide to create long-term customer relationship and maintain a low risk exposure in the credit portfolio as well as good risk-adjusted profitability.

Prudent banking is one of the main governing factors. It means sound and reasonable risk management practices in line with Swedbank values and low risk appetite. It also considers responsible lending from a consumer protection perspective as well as from a societal perspective.

The credit portfolio shall be well-diversified with a low risk exposure. Diversification is obtained by geographical and industrial spread, a diversified customer base and by avoiding undesirable risk concentrations of any kind. Low risk is developed and maintained through relevant credit risk steering principles as well as clear credit strategy and appropriate targets within each business unit that are in line with the strategy and risk appetite of the Group. A continuous and structured monitoring of the credit portfolio is essential to maintain a desired risk level and long-term quality of the business relations.

The credit operations shall strive towards long-term customer relationships and rest on sound business acumen to achieve solid profitability. A customer's sustainable cash flow, solvency and collateral are always key lending variables. Credits should only be granted to customers with a demonstrated repayment ability and a sufficient financial situation.

Duality and segregation of duties are essential in all credit operations within the Group to ensure sound credit operations including well-founded decisions. It shall be reflected in the organisation of the credit risk management with an independent credit function and applied in decision-making and otherwise in the credit process.

The credit framework should always be read in conjunction with policies, position statements and other internal guidelines in the ESG area.

Swedbank shall play an active role in contributing to a more sustainable society. In the credit area this could be achieved by the choice of customers that Swedbank finances and by providing and promoting sustainable lending products, such as loans for green investments, as well as by assessing and managing ESG risks and opportunities linked to borrowers. An ESG perspective shall be an integrated part of all credit risk assessments in order to mitigate risk and identify opportunities.

Credit operations processes – The principle of essentiality and risk is important within all parts of the credit operations. The main processes of the credit operations include credit risk assessment, decision on credit risk, and credit monitoring and review, as described below.

Credit risk assessment, including business analysis, is the basis for a credit decision. Relevant environmental, social and governance aspects shall be included in the analysis of the counterparty´s opportunities and risks. The credit assessment covers the counterparty's capacity to repay. It also includes collateral considerations and other risk mitigating actions, as well as terms and conditions for the credit arrangement. Risk-classification of the counterparty is an important part of the credit risk assessment.

Decisions on credit proposals are made according to an established structure of credit decision-making bodies. The primary credit decision is made in a credit decision-making body within the business area responsible for the borrower and its credit risk. Credit proposals implying higher risks are reassessed and finally decided by an upper credit committee. For smaller standardised credits automated solutions for credit assessment and decision-making may be used.

Credit monitoring and review of individual credit risk exposures is performed continuously to early identify any change in credit risk. In addition to continuous monitoring, corporate customers, financial institutions and sovereigns are also reviewed at least annually. If a counterparty's risk has deteriorated, several corrective measures are considered and implemented, with the objective to avoid impairment, and/or minimise the risk of loss in case of default. A key component in management of exposures with materially increased risk is the watch list process.

Hedging and mitigation of credit risk – There are several ways to mitigate credit risk, including mainly:

- The credit policy and credit strategy with a clear guidance on the low risk appetite for the bank.
- The credit risk limit framework including key risk indicators to monitor and protect against unwanted risk-taking.
- The use of financial and physical collateral valued using Group common valuation methodologies, risk transfer mechanisms such as guarantees and insurance, and covenants in credit documentation.
- The use of hedging strategies, netting agreements, and clearing through central counterparties.
- Diversification or increasing the portfolio mix of customers.

The main types of collateral, collateral valuation and netting policies are described in "EU CRC – Qualitative disclosure requirements related to CRM techniques".

Credit risk limits – The purpose of the risk limit framework is to integrate the risk appetite into the Group's daily operations and to facilitate effective and structured monitoring and reporting to keep the Group's risk exposure within the established Group risk appetite.

The risk limit framework consists of limits decided by the CEO and by executive management. The framework also includes KRIs where required from a risk perspective. The limits and KRIs are tools for controlling and monitoring that the risks stay within the appetite.

The credit risk limits are organised in four categories:

- Strong asset quality – These measures monitor the risk development of the portfolios.
- Sound loan growth –These limits control growth versus capital situation and credit strategy thus preventing unsustainable growth.
- Prevent risk drivers – These measures aim at controlling parts of the portfolio with higher risk, higher volatility or which have potential increased risk in the future.
- Avoid risk concentration – Limits here aim to safeguard from unwanted concentration of larger exposures and single sectors.

The CRO has an overall responsibility for the risk limit framework, which is reviewed annually to secure that the limits and levels are relevant, up to date, and sufficiently reflects that Swedbank operates within the risk appetite.

Monitoring and reporting of credit risk – The Credit Risk unit within the Group Risk organisation oversees the Group's credit risk development and reports monthly to the CRO, who informs the CEO and the Board. Important parts of the monthly risk reports are credit portfolio trends and findings from stress tests and other analysis. The control and monitor of credit exposures against risk limits and KRIs are also performed monthly and reported to the CRO in a credit risk limit report.

The Credit Risk unit conducts stress tests on selected sectors, typically the largest sectors, and specific segments or exposure types with potentially increased risks. For relevant sectors, stress tests using climate scenarios are made to assess climate risk exposure at the portfolio level. Furthermore, the Credit Risk unit performs annual reviews of all sectors including portfolio risk profiles and industry outlook.

Group Risk annually performs a thorough and comprehensive stress test of the entire Group, the ICAAP (see "EU OVC - Internal Capital Adequacy Assessment Process (ICAAP)"), which includes a credit loss stress of the total credit portfolio.

Credit governance structure and responsibilities

Swedbank's governance structure for risk management including the three lines of defence is described in "EU OVA - Institution risk management approach". In the credit risk area, the governance structure details as follows.

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

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

The Group Compliance organisation, also within the second line of defence is, in the credit risk area, responsible for screening and control of regulatory compliance.

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

EU CRB - Additional disclosure related to the credit quality of assets

Past-due and impaired exposures

Past-due exposures refer to exposures where amounts due for payment have not been paid in accordance with the payment terms of the credit agreements.

Credit-impaired exposures are exposures for which it is unlikely that the payments will be received in accordance with the contractual terms and where there is a risk that Swedbank will not receive full payment. Credit-impaired exposures are moved to stage 3 according to the accounting framework IFRS 9.

Swedbank's IFRS 9 definitions of default and credit-impaired exposures are aligned to its regulatory definition of default.

A credit exposure is regarded to be in default, and credit-impaired, if any of the following criteria are met:

- The borrower is past-due more than 90 days on any material credit obligation to Swedbank Group.
- The Group considers that the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security.

When assessing whether a borrower is unlikely to pay its obligations, Swedbank assesses both qualitative and quantitative factors, including but not limited to, overdue status, non-payment on other obligations of the same borrower, bankruptcy filing, and breaches of financial covenants.

For sovereign and financial institutions exposure classes, the trigger of default and credit-impaired status is based on manual decisions rather than strictly 90 days past-due.

Methods for determining credit risk adjustments

Credit impairment provisions are measured according to an expected credit loss model in line with the accounting standard IFRS 9. All exposures, performing as well as non-performing, will carry a credit impairment provision (loss allowance) depending on their stage allocation.

The exposures are allocated to one of three stages:

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

Regardless of which stage an exposure is allocated to, provisions will be calculated according to Swedbank's models. The key inputs used in the quantitative models are probability of default (PD), loss given default (LGD), exposure at default (EAD) and expected lifetime. Expected credit losses reflect both historical data and probability weighted forward-looking scenarios. For large exposures in stage 3, the provisioning will be assessed manually by using scenario-based cash flows and then decided by the relevant credit decision-making body.

More details about credit impairment provisions are found in the Annual Report, note G2 (3.4.3) and note G3 (3.1.4).

Forborne exposures

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

Depending on when the forbearance measures are taken and the severity of the financial difficulties of the borrower, the forborne exposure could either be classified as performing or non-performing.

Table 3.1: EU CR1 - Performing and non-performing exposures and related provisions, 31 December 2022

SEKm	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**367 876**	**367 876**													
Loans and advances	**1 871 363**	**1 730 981**	**140 072**	**7 549**		**7 498**	**4 400**	**1 768**	**2 629**	**3 150**		**3 148**		**1 671 155**	**3 030**
Central banks	90	90												0	
General governments	16 404	16 404	0				1	1						1 155	
Credit institutions	18 469	18 339	130				7	6	0					11 972	
Other financial corporations	38 109	38 025	84	0		0	51	49	1	0		0		11 420	0
Non-financial corporations	624 729	560 804	63 697	3 502		3 502	2 950	1 252	1 698	1 414		1 414		525 603	1 904
Of which SMEs	331 532	288 609	42 705	1 498		1 498	1 137	376	760	412		412		324 315	1 079
Households	1 173 562	1 097 319	76 161	4 047		3 996	1 391	460	930	1 736		1 734		1 121 005	1 126
Debt securities	**165 090**	**132 693**												**120**	
Central banks	132 693	132 693													
General governments	8 946													120	
Credit institutions	5 696														
Other financial corporations	15 782														
Non-financial corporations	1 973														
Off-balance-sheet exposures	**387 058**	**309 628**	**23 518**	**138**		**121**	**693**	**394**	**300**	**33**		**33**		**33 177**	**45**
Central banks															
General governments	22 675	22 632	5				0	0	0					8	
Credit institutions	9 416	9 254	162				9	3	6					2	
Other financial corporations	17 612	16 853	724				21	20	1					667	
Non-financial corporations	242 031	215 061	21 311	131		114	633	353	281	31		31		29 811	44
Households	95 324	45 828	1 316	7		7	30	18	12	2		2		2 689	1
Total	**2 791 387**	**2 541 178**	**163 590**	**7 687**		**7 619**	**5 093**	**2 162**	**2 929**	**3 183**		**3 181**		**1 704 452**	**3 075**

Total exposures decreased by SEK 52bn compared to June 2022, mainly explained by decreased off-balance sheet exposures to households and non-financial corporations. Performing loans and advances increased by SEK 21bn, mainly explained by growth in non-financial corporations (SEK 26bn) and private mortgages within households (SEK 12bn). Decreased placements at SNDO explained the decrease of SEK 9bn in general governments. Stage 2 (significantly increased credit risk) loans and advances increased by SEK 45bn, with increases in both households and non-financial corporations, explained by weaker macro-economic scenarios in IFRS 9 model calculations and negative rating migrations. Non-performing loans and advances decreased by SEK 0.4bn, mainly due to write-offs of restructured stage 3 oil- and offshore exposures within non-financial corporations. Accumulated impairments increased by SEK 1.1bn, of which SEK 0.9 in Stage 2. The quality of Swedbank's credit exposures is high with less than 1% of non-performing exposures.

Table 3.2: EU CR1-A - Maturity of exposures, 31 December 2022

SEKm	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	967	247 212	276 688	1 346 495		1 871 362
Debt securities	0	157 887	7 134	69		165 090
Total	**967**	**405 099**	**283 822**	**1 346 564**		**2 036 452**

A major part of loans and advances, 72% (66% in June 2022), has a maturity over five years, mainly explained by private mortgage loans.

Table 3.3: EU CR2 - Changes in the stock of non-performing loans and advances, 31 December 2022

SEKm	Gross carrying amount
Initial stock of non-performing loans and advances	**8 443**
Inflows to non-performing portfolios	3 239
Outflows from non-performing portfolios	-4 133
Outflows due to write-offs	-1 531
Outflow due to other situations	-2 602
Final stock of non-performing loans and advances	**7 549**

Non-performing loans and advances decreased by SEK 0.9bn compared to December 2021, mainly due to write-offs of exposures in oil- and offshore. Other outflows, including repayments of loans and loans returning to non-default, were offset by inflows.

Table 3.4: EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries, 31 December 2022

SEKm	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances		
Inflows to non-performing portfolios		
Outflows from non-performing portfolios		
Outflow to performing portfolio		
Outflow due to loan repayment, partial or total		
Outflow due to collateral liquidations		
Outflow due to taking possession of collateral		
Outflow due to sale of instruments		
Outflow due to risk transfers		
Outflows due to write-offs		
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances		

According to CRR, EU CR2a is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank's NPL ratio is below 5%.

Table 3.5: EU CQ1 - Credit quality of forborne exposures, 31 December 2022

SEKm	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits								
Loans and advances	6 490	3 642	3 642	3 642	375	1 384	7 682	1 801
Central banks								
General governments	0							
Credit institutions								
Other financial corporations								
Non-financial corporations	5 080	2 810	2 810	2 810	341	1 226	6 076	1 345
Households	1 410	832	832	832	34	158	1 606	456
Debt Securities								
Loan commitments given	110	7	7	4	1	1	10	5
Total	**6 600**	**3 649**	**3 649**	**3 646**	**376**	**1 385**	**7 692**	**1 806**

Total forborne loans remained at a low level. Performing forborne loans and advances increased by SEK 0.4bn compared to June 2022, both in non-financial corporations and households. Non-performing forborne decreased by SEK 0.2bn, mainly non-financial corporations.

Table 3.6: EU CQ2 - Quality of forbearance, 31 December 2022

SEKm	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	

According to CRR, EU CQ2 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank's NPL ratio is below 5%.

Table 3.7: EU CQ3: Credit quality of performing and non-performing exposures by past due days, 31 December 2022

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
SEKm		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	367 876	367 876										
Loans and advances	1 871 363	1 869 915	1 449	7 549	4 407	403	679	913	1 020	37	90	7 549
Central banks	90	90										
General governments	16 404	16 404										
Credit institutions	18 469	18 469										
Other financial corporations	38 109	38 109		0	0							0
Non-financial corporations	624 729	624 657	72	3 502	3 228	53	66	80	46	3	26	3 502
Of which SMEs	331 532	331 461	71	1 498	1 225	52	66	80	46	3	26	1 498
Households	1 173 562	1 172 186	1 377	4 047	1 179	350	613	833	974	34	64	4 047
Debt securities	165 090	165 090										
Central banks	132 693	132 693										
General governments	8 946	8 946										
Credit institutions	5 696	5 696										
Other financial corporations	15 782	15 782										
Non-financial corporations	1 973	1 973										
Off-balance-sheet exposures	387 058			138								138
Central banks												
General governments	22 675											
Credit institutions	9 416											
Other financial corporations	17 612											
Non-financial corporations	242 031			131								131
Households	95 324			7								7
Total	**2 791 387**	**2 402 881**	**1 449**	**7 687**	**4 407**	**403**	**679**	**913**	**1 020**	**37**	**90**	**7 687**

Performing exposures with past due days more than 30 but less or equal to 90 increased by SEK 0.3bn compared to December 2021, mainly in household exposures. The total exposures that are past due remained on a low level with less than 1% of total exposures past due more than 30 days. Most of the exposures that are non-performing are less than 90 days past due.

Table 3.8: EU CQ4 - Quality of non-performing exposures by geography, 31 December 2022

SEKm	Gross carrying/nominal amount	Of which non-performing	Of which defaulted	Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On-balance-sheet exposures	**2 044 005**		**7 549**		**7 548**		
-Sweden	1 672 839		3 810		4 208		
-Norway	52 709		2 181		1 313		
-Denmark	10 546		106		191		
-Finland	28 047		3		215		
-Estonia	106 475		769		598		
-Latvia	47 030		170		263		
-Lithuania	89 189		356		478		
-USA	9 041		0		3		
-Other countries	28 129		154		279		
Off-balance-sheet exposures	**387 193**		**137**			**727**	
-Sweden	260 285		37			394	
-Norway	27 187		30			133	
-Denmark	2 699		15			8	
-Finland	28 114		1			48	
-Estonia	16 639		29			24	
-Latvia	10 275		2			11	
-Lithuania	15 027		19			20	
-USA	4 679					1	
-Other countries	22 288		4			88	
Total	**2 431 198**		**7 686**		**7 548**	**727**	

Swedbank's total exposures are concentrated to the four home markets. As of end December 2022, 80% of total exposures were in Sweden, 12% in the Baltic countries, and the rest mainly in other Nordic countries. The total amount of defaulted exposures is below 1%. The somewhat higher share of defaulted exposures in Norway is explained by oil- and offshore exposures. Defaulted exposures decreased compared to December 2021, mainly due to write-offs of oil- and offshore exposures in Norway and Other countries.

According to CRR, the columns "of which non-performing" and "of which subject to impairment" in EU CQ4, are applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank's NPL ratio is below 5%.

Table 3.9: EU CQ5 - Credit quality of loans and advances by industry, 31 December 2022

SEKm	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	14 819		123		106	
Mining and quarrying	3 762		1 890		999	
Manufacturing	48 152		264		639	
Electricity, gas, steam and air conditioning supply	21 727		2		35	
Water supply	2 733		1		15	
Construction	17 763		95		198	
Wholesale and retail trade	38 852		132		471	
Transport and storage	20 920		48		317	
Accommodation and food service activities	5 921		278		211	
Information and communication	20 878		4		69	
Financial and insurance activities	13 380		21		38	
Real estate activities	381 101		475		1 077	
Professional, scientific and technical activities	15 845		20		74	
Administrative and support service activities	9 008		15		27	
Public administration and defence, compulsory social security	6		0		0	
Education	1 021		2		6	
Human health services and social work activities	5 433		7		40	
Arts, entertainment and recreation	4 999		121		39	
Other services	1 912		3		3	
Total	**628 232**		**3 501**		**4 364**	

Industry distribution in EU CQ5 is according to NACE industry classification and differs from the sector distribution used by Swedbank in annual and interim reports.

Loans and advances to non-financial corporations increased by SEK 26bn compared to June 2022. The largest increase was to corporates with activities in the industries Real estate SEK 10.7bn, Manufacturing SEK 5.8bn and Wholesale and retail trade SEK 5.5bn.

The largest industry concentration is Real estate activities (including tenant-owner associations), 61% of gross carrying amount of loans and advances to non-financial corporations. The large part of defaulted loans in Mining and quarrying is within oil- and offshore exposures, which decreased by SEK 0.5bn compared to June 2022 due to write-offs.

Accumulated impairments increased by SEK 0.6bn, with increases mainly in Real estate activities, Manufacturing and Wholesale and retail and decrease mainly in Mining and quarrying.

According to CRR, the columns “of which non-performing” and “of which loans and advances subject to impairment” in EU CQ5, are applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank’s NPL ratio is below 5%.

Table 3.10: EU CQ6 - Collateral valuation - loans and advances, 31 December 2022

SEKm	Loans and advances											
		Performing		Non-performing								
					Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
			Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount												
Of which secured												
Of which secured with immovable property												
Of which instruments with LTV higher than 60% and lower or equal to 80%												
Of which instruments with LTV higher than 80% and lower or equal to 100%												
Of which instruments with LTV higher than 100%												
Accumulated impairment for secured assets												
Collateral												
Of which value capped at the value of exposure												
Of which immovable property												
Of which value above the cap												
Of which immovable property												
Financial guarantees received												
Accumulated partial write-off												

According to CRR, EU CQ6 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank's NPL ratio is below 5%.

Table 3.11: EU CQ7 - Collateral obtained by taking possession and execution processes, 31 December 2022

SEKm	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E	57	12
Residential immovable property	14	4
Commercial Immovable property	14	8
Movable property (auto, shipping, etc.)	29	
Equity and debt instruments		
Other collateral	0	
Total	**57**	**12**

The amount of collateral obtained by taking possession remained low with no significant changes compared to June 2022.

Table 3.12: EU CQ8 - Collateral obtained by taking possession and execution processes – vintage breakdown, 31 December 2022

SEKm	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E												
Collateral obtained by taking possession other than that classified as PP&E												
Residential immovable property												
Commercial immovable property												
Movable property (auto, shipping, etc.)												
Equity and debt instruments												
Other collateral												
Total												

According to CRR, EU CQ8 is applicable to institutions with a threshold ratio on non-performing loans and advances (NPL ratio) of 5% or above. Swedbank's NPL ratio is below 5%.

Disclosure of the use of credit risk mitigation techniques

EU CRC – Qualitative disclosure requirements related to CRM techniques

Netting policies

Swedbank enters into master netting agreements (MNAs) with counterparties with whom derivatives or securities financing transactions are made. The main types of MNAs are the ISDA master agreement, used for derivatives, the global master repurchase agreement (GMRA), used for repurchase agreements, and the global master securities lending agreement (GMSLA), used for securities financing transactions. All are global standards commonly used for documenting transactions of respective type.

The use of MNAs allows for novation of individual transactions into one single contract instead of treating all transactions individually.

Management and valuation of eligible collateral

Swedbank has internal policies stipulating the eligibility requirements of different types of credit protection that need to be fulfilled in order to achieve credit risk mitigation in the calculation of capital requirements. These requirements are aligned with the regulatory requirements stipulated in CRR. Every type of collateral has specific requirements, however in general all types of credit protection arrangement must have their legal certainty verified by obtaining a legal opinion. This legal opinion should verify that the credit protection agreement is legally effective and enforceable in the relevant jurisdictions and whether the credit protection arrangement meet the specific conditions for each specific type of credit protection.

For collateral types which are eligible as part of Swedbank's permissions to use own estimates of loss given default (LGD) parameter, the effect of those collateral types may be recognised through the use of modelled LGD. For other cases and collateral types where own LGD estimates are not used, the method for recognition used is the prescribed regulatory approach as set out by the CRR.

Collateral is valuable from a risk perspective even if the credit protection is not eligible for capital adequacy purposes. When granting credits, Swedbank applies adequate credit protection, e.g., pledged collateral and guarantees. The collateral, its value and risk mitigating effect are considered through the credit process.

The valuation of collateral is based on a thorough review and analysis of the pledged assets and is an integrated part of the credit risk assessment. The establishment of the collateral value is part of the credit decision. The value of the collateral is reassessed as part of periodic credit reviews and in situations where Swedbank has reason to believe that the value has deteriorated, or the exposure has become non-performing. For financial collateral, such as debt securities and equities, valuation is normally performed daily and reduced by haircuts when applicable.

The established value of the collateral shall correspond to the most likely sales price at the date of valuation estimated in a qualitative process and characterised by prudence. The risk mitigating effect of the collateral shall be considered. If the risk mitigating effect is limited, the value shall be reduced accordingly.

Real estate valuation shall be based on facts concerning the object, circumstances in the local market and an adequate estimation of all relevant factors which may affect the market value in a situation where the collateral is sold. The estimated value shall correspond to the market value and be based on fair assumptions, a conservative approach, and a reliable outlook. Uncertain conditions that may have an impact on the value must be reported in a sensitivity analysis that illustrates the impact that changes in these conditions may have on the proposed market value. Risks associated with sustainability and environmental issues, such as pollutions or contamination of a property, shall be taken into consideration when setting market value of the property.

For commercial real estate (cash-flow generating properties), the cash-flow shall be analysed to ensure that the property over time generates a positive net operating income that covers the financial costs. Cash-flow calculations shall be based on market rents and complemented with current rental agreements for the contract period.

For private residential real estate, including tenant-owner rights, the market valuation is normally based on sales comparison. This can be made either by an individual analysis and valuation, or by using an automatic valuation support system based on qualitative and quantitative information about the objects and the sales. A market value proposed by a valuation support system shall always be assessed by an appointed valuer with special notice to location, standard and condition.

Main types of collateral

The most common types of pledged collateral used by Swedbank are residential real estate including tenant-owner rights, commercial real estate, floating charge, and financial instruments.

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

Collaterals used to mitigate counterparty credit risk exposures are described in EU CCRA.

Guarantors and credit derivative counterparties

Main types of guarantees used in the credit risk mitigation are guarantees provided by parent companies to subsidiaries. Other types of guarantees used are those received from export credit agencies as part of the trade finance activities and sovereign guarantees provided to particular types of loans. For a guarantee to be effective in the credit risk mitigation, the credit worthiness of the guarantor must be superior to the obligor and the guarantor cannot be in default state.

In special circumstances, Swedbank may buy credit derivatives or financial guarantees to hedge the credit risk, but this is not part of Swedbank's normal lending operations. Credit derivatives are currently not being used as a risk mitigation technique for credit risk.

Credit risk concentrations within mitigation instruments

Approximately 57% of Swedbank's total loans have private housing mortgages as collateral indicating a high concentration risk. However, the composition of the portfolio, with a large number of customers, in all four home markets and a variation between customers in larger city areas and countryside as well as relatively small amounts on each borrower, mitigates the risks. Another 23% of the loans have other types of real estate as collateral. This portfolio is spread over a large number of customers, several geographies and different property segments.

The use of guarantees does not provide significant additional concentration. As mentioned, the main types of guarantees are group internal guarantees within a group of connected clients, where the parent and subsidiary normally are of same type.

Table 3.13: EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques, 31 December 2022

SEKm	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	572 604	1 674 186	1 591 173	83 013	
Debt securities	164 970	120		120	
Total	**737 574**	**1 674 306**	**1 591 173**	**83 133**	
Of which non-performing exposures	4 496	3 031	2 871	160	
Of which defaulted	4 496	3 031			

In table EU CR3, the item Loans and advances includes cash balances at central banks of SEK 368bn. Excluding the cash balances, 85% of Swedbank's loans and advances were secured by collaterals in December 2022, which is the same level as in June 2022. The major part is secured by private housing mortgages or other real estate collateral.

Disclosure of the use of the standardised approach

EU CRD – Qualitative disclosure requirements related to standardised model

External ratings used

Swedbank uses ratings assigned by Standard & Poor's, and in the Baltic subsidiaries also ratings assigned by Moody's and Fitch.

Exposure classes using external ratings

Ratings are required to be used in the calculation of risk weights for central governments and central banks, regional governments and local authorities, institutions, and corporate exposure classes. Swedbank uses this methodology for exposures in the Baltic countries for central governments and central banks, regional governments and local authorities.

Process used to determine the risk weight

In the standardised approach, fixed risk weights are applied to each exposure class split into credit quality steps, based on ratings assigned by external credit rating agencies. Each exposure is assigned to a credit quality step, and dependent on exposure class, a risk weight associated with the credit quality step. The risk weights are in some cases also affected by maturity. When an external credit rating is not available, a default treatment is applied.

Mapping of external ratings to credit quality steps

External ratings for the nominated external credit assessment institutions (ECAI) and corresponding credit quality steps and risk weights are shown in the tables below.

Table 3.14: Credit quality steps and external credit ratings

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

Table 3.15: Credit quality steps and risk weights

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

Table 3.16: EU CR4 - Standardised approach - Credit risk exposure and CRM effects, 31 December 2022

Exposure classes SEKm	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	49		49			-
Regional government or local authorities	3 531	91	3 553	35	581	16.2%
Public sector entities	331	1 688	331	827	232	20.0%
Multilateral development banks	4 704	30	4 706	6		0.0%
International organisations						
Institutions	655	8	655	8	101	15.2%
Corporates	3 472	3 428	3 409	979	4 259	97.1%
Retail	23 436	24 235	22 957	396	16 810	72.0%
Secured by mortgages on immovable property	3 373	25	3 373	25	1 189	35.0%
Exposures in default	916	45	916	22	980	104.5%
Exposures associated with particularly high risk						
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings	2		2		28	1400.0%
Equity	11 804		11 804		27 358	231.8%
Other items	871		871		840	96.4%
Total	**53 144**	**29 550**	**52 626**	**2 298**	**52 378**	**95.4%**

The exposures in the standardised approach constitute a small part of Swedbank's total credit risk exposure. REA under standardised approach increased by SEK 2.7bn compared to Q2 2022, of which SEK 2.2bn due to an increase in equity exposures.

Table 3.17: EU CR5 - Standardised approach, 31 December 2022

Exposure classes	Risk weight															Total	Of which unrated
SEKm	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	49															**49**	
Regional government or local authorities	683				2 905											**3 588**	
Public sector entities	198				828		132									**1 158**	
Multilateral development banks	4 712															**4 712**	
International organisations																	
Institutions	163				498		3									**664**	
Corporates										4 388						**4 388**	
Retail exposures									23 353							**23 353**	
Exposures secured by mortgages on immovable property						3 398										**3 398**	
Exposures in default										857	82					**939**	
Exposures associated with particularly high risk																	
Covered bonds																	
Exposures to institutions and corporates with a short-term credit assessment																	
Units or shares in collective investment undertakings														2		**2**	
Equity exposures										1 452		10 350		3		**11 805**	
Other items	32									840						**872**	
Total	**5 837**				**4 231**	**3 398**	**135**		**23 353**	**7 537**	**82**	**10 350**		**5**		**54 928**	

The exposures in the standardised approach constitute a small part of Swedbank's total credit risk exposure. This table shows exposures post CCF and post CRM (EAD) distributed by exposure class and risk-weight.

Disclosure of the use of the IRB approach to credit risk

EU CRE – Qualitative disclosure requirements related to IRB approach

Scope of IRB approaches

The IRB approach is applied for a vast majority, 98%, of Swedbank's credit risk exposures. Swedbank has approval from the SFSA to use the IRB approach as described below.

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

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

The scope of the use of IRB and standardised approaches is disclosed in table EU CR6-A. This table also disclose the parts under IRB roll-out plans.

Control mechanisms for the risk classification system

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

Tests are conducted during the model development to ensure that the model design is robust and minimises future model performance risks. The evaluation procedures are used when determining if models are acceptable to model developers, model owners and model users. In addition, the validation function reviews new models when they are finalised.

Existing models are reviewed according to each model's individual review cycle. Regular calibration of models is done on a periodic basis. The models are also regularly monitored, assessing performance of models and their stability over time. The outcome of the monitoring process is part of the regular review of estimates for credit risk.

Quantitative and qualitative validations of the models are performed regularly and at least yearly. The validation is prepared by an independent validation function within Group Risk, which is separated from the functions responsible for model development and calibration. All validation reports shall be approved by the CRO.

Risk-based reviews of the implementation, use and adequacy of the risk classification system is made by a credit risk control function within Group Risk. As a second line of defence unit, it is independent from the functions responsible for originating and renewing exposures, in line with Article 190 of the CRR.

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

Responsibilities for the risk classification system

The CRO is responsible for the credit risk models and related methods used in Swedbank's risk classification system and set detailed Group standards for credit risk model development, validation, and risk control in relation to the risk classification system. The CRO appoints responsible units within Group Risk to manage the different stages in the model life cycle for credit risk models, as described below.

The unit Credit Risk and Modelling is the owner of credit risk models and the associated risks. It has the responsibility to set up and monitor the model life cycle management of credit risk models and coordinate that models are developed, validated, implemented, and used appropriately and in line with relevant regulatory requirements. The unit Credit Risk and Modelling is also responsible for the model development as well as model implementation.

The sub-unit Credit Risk Control is responsible for performing risk-based reviews of the implementation, use and adequacy of the risk classification system.

The validation function within Group Risk Control and Validation is an independent risk control function responsible for model validation. The responsibility also includes to secure that model validation methods are compliant with regulatory requirements.

The Board of Directors approves major changes of the risk classification systems. Subsequent changes to the models are handled by the unit Credit Risk and Modelling and are approved by the CRO.

Management reporting on risk classification system

Each year the Board of Directors receives an evaluation of the risk classification system in the form of a written report on the design and performance of the risk classification system, as well as areas of improvement. It also includes an assessment of to what extent internal principles are fulfilled and relevant information about measures taken to further develop the risk classification system.

The CRO is responsible for ensuring that all risk classification systems and sub-systems are operating properly and that the Board of Directors regularly receives information in these matters, in line with article 189 in CRR.

Characteristics of the risk classification models

Swedbank's internal risk classification system is a central component in the credit process. The system aims to measure the risk that a customer or a contract will default and, in that case, what the losses would be for Swedbank.

Swedbank uses a number of internal rating systems for different exposures classes, which can be grouped into systems relying on expert models and systems relying on statistical models. The models are adapted to the geography in which the customer operates. In addition, for private persons and small-sized companies in the retail segment there are different models for existing customers (portfolio scoring) and for new customers (application scoring system). The systems used for different exposure types are summarised in the tables below.

Table 3.18: Risk classification systems in Sweden

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

System relying on expert models

System relying on statistical models

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

Table 3.19: Risk classification systems in the Baltic countries

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

System relying on expert models

System relying on statistical models

* SME PD Models are not pure statistical models, but also incorporate expert judgement.

Rating systems (expert-based) – A rating system generates a risk rating for counterparty with the help of an expert-based system, through which each selected criterion is weighted and converted into a risk grade. Rating systems are mainly used for large exposures where a thorough understanding of the risks is needed to ensure sound credit decisions. In these cases, Swedbank always conducts an extensive individual analysis before granting credits and updates the ratings at least annually.

The main characteristics of Swedbank's different rating systems can be described as follows:

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

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

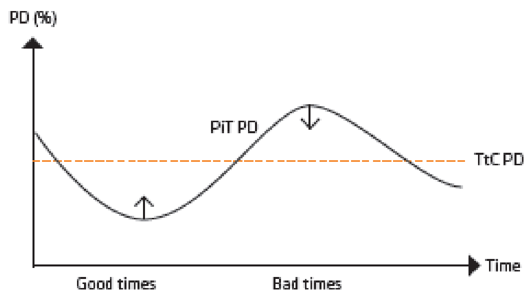
Swedbank's scoring systems are organised as follows:

- **Medium-sized companies** comprises a combination of different scoring models and an expert component. In the statistical component, the risk assessment is based on information regarding the borrower's financial status and behaviour. Market conditions and the borrower's strategy are considered through the expert component.
- **Retail exposures** (private individuals and small companies) comprises a number of different statistical scoring models where each model is designed to provide an effective instrument in its area. The risk assessment is based on information regarding the borrower's financial status and credit behaviour.

Probability of default (PD) – PD estimates the risk that a counterparty or contract will default within a twelve-month period. PD is measured through Swedbank's different rating and scoring systems.

When calculating capital requirements, Swedbank uses a through-the-cycle (TtC) perspective, aiming at producing PD values that indicate the average twelve-month default frequency across a full business cycle. PD values also include a safety margin to account for the statistical uncertainty in the estimates. Thus, TtC-adjusted PD figures should remain stable across a business cycle at the portfolio level, while reflecting underlying long-term trends in the credit risk of the portfolio and taking a conservative view in estimated level of defaults. If the cyclical aspect is ignored, the result is a point-in-time PD (PiT), which is not used in capital requirement calculations, but when calculating the present risk level in a credit portfolio.

Figure 3.1: PD over economic cycles



Swedbank uses a scale of 22 grades to classify the risk that a customer defaults, where grade 21 represents the lowest risk of default and grade 0 represents the highest risk. In addition, there is a default grade. Based on the PD estimate calculated using the TtC method, Swedbank assigns the customer, or exposure, a value on this risk scale.

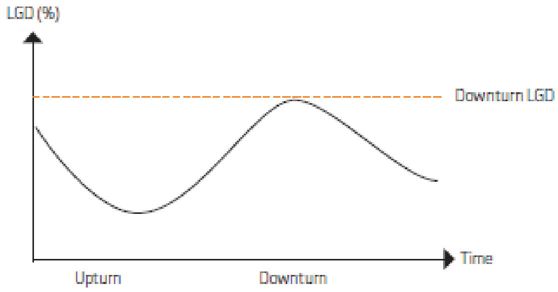
Table 3.20: Risk scale in the IRB approach

Internal risk grade	PD,%	Indicative rating Standard & Poor's
18–21	<0.1	A- to AAA
13–17	0.1–0.5	BBB- to BBB+
9–12	>0.5–2.0	BB to BB+
6–8	>2.0–5.7	B+ to BB-
0–5	>5.7–99.9	C to B
Default	100	D

Loss given default (LGD) - LGD measures what proportion of the exposure amount would be lost in case of default. Swedbank uses its own LGD estimates for retail exposures. Swedbank has an approval to apply its own LGD estimates to corporate exposures in Sweden and Norway. These estimates are in turn based on internal historic loss data. The LGD estimate depends on factors such as the counterparty's financial status, the value of the collateral, and on assumptions of how much can be recovered through the sale of any collateral based on historical outcomes and other factors. For corporate exposures not covered by the advanced IRB approval as well as for institutions and sovereign exposures, prescribed LGD values are used.

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

Figure 3.2: LGD over economic cycles



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

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

Table 3.21: EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range, 31 December 2022

A-IRB SEKm	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Exposure classes AIRB													
Corporate: SME													
	0.00 to <0.15	6 906	241	68.8%	7 029	0.1%	119	12.0%	4.1	518	7.4%	1	-4
	0.00 to <0.10	2 333	111	65.0%	2 369	0.1%	71	14.6%	4.0	192	8.1%	0	-4
	0.10 to <0.15	4 573	130	72.1%	4 660	0.1%	48	10.6%	4.2	326	7.0%	1	0
	0.15 to <0.25	18 793	2 959	62.8%	21 608	0.2%	372	18.9%	2.9	3 152	14.6%	8	-4
	0.25 to <0.50	45 664	4 107	68.1%	48 767	0.4%	1 727	15.8%	3.1	8 395	17.2%	28	-29
	0.50 to <0.75	21 325	1 524	60.6%	22 004	0.6%	1 606	14.9%	3.0	4 141	18.8%	20	-25
	0.75 to <2.50	61 247	5 873	65.6%	59 438	1.3%	4 775	16.0%	3.1	16 051	27.0%	128	-229
	0.75 to <1.75	52 357	4 987	66.8%	51 796	1.2%	3 974	15.7%	3.1	13 403	25.9%	95	-167
	1.75 to <2.5	8 890	886	55.7%	7 642	2.4%	801	18.1%	3.0	2 648	34.7%	33	-62
	2.50 to <10.00	16 544	2 390	64.6%	12 718	4.8%	1 320	16.7%	2.9	5 052	39.7%	103	-222
	2.5 to <5	12 811	1 604	64.0%	9 637	3.9%	971	16.1%	3.0	3 603	37.4%	61	-134
	5 to <10	3 733	786	66.4%	3 081	7.6%	349	18.3%	2.8	1 449	47.0%	42	-88
	10.00 to <100.00	1 836	456	51.1%	1 282	22.4%	191	18.7%	3.4	932	72.7%	54	-145
	10 to <20	1 322	410	51.0%	780	16.8%	92	18.6%	3.1	530	67.9%	25	-92
	20 to <30	337	25	64.5%	330	27.2%	80	18.5%	4.1	261	79.1%	17	-28
	30.00 to <100.00	177	20	34.4%	172	38.4%	19	19.9%	3.4	141	82.0%	13	-25
	100.00 (Default)	826	24	62.4%	451	100.0%	78	21.3%	3.4	262	58.1%	85	-106
Corporate: SME - Subtotal		**173 141**	**17 574**	**64.8%**	**173 298**	**1.4%**	**10 188**	**16.1%**	**3.1**	**38 502**	**22.2%**	**426**	**-764**
Corporate: Other													
	0.00 to <0.15	57 834	73 927	42.7%	91 906	0.1%	330	28.7%	2.2	14 997	16.3%	146	-47
	0.00 to <0.10	27 384	57 076	41.6%	53 447	0.1%	253	29.8%	2.0	7 397	13.8%	135	-14
	0.10 to <0.15	30 450	16 851	46.7%	38 459	0.1%	77	27.3%	2.5	7 600	19.8%	11	-34
	0.15 to <0.25	80 599	48 632	41.6%	101 343	0.2%	238	25.2%	2.3	23 331	23.0%	45	-253
	0.25 to <0.50	69 451	28 713	43.8%	83 743	0.4%	319	21.7%	2.7	25 001	29.9%	65	-397
	0.50 to <0.75	32 086	8 919	44.7%	36 775	0.6%	139	23.7%	2.3	14 446	39.3%	52	-206
	0.75 to <2.50	26 590	8 797	44.7%	30 469	1.1%	263	25.8%	2.4	16 668	54.7%	87	-555
	0.75 to <1.75	25 969	8 710	44.7%	29 837	1.1%	240	25.8%	2.4	16 294	54.6%	83	-492
	1.75 to <2.5	621	87	45.8%	632	2.4%	23	27.8%	2.6	374	59.2%	4	-63
	2.50 to <10.00	2 048	251	43.8%	2 080	4.5%	41	28.4%	2.6	1 935	93.0%	26	-185
	2.5 to <5	1 518	211	43.3%	1 610	3.6%	26	28.7%	2.7	1 473	91.5%	16	-118
	5 to <10	530	40	50.8%	470	7.8%	15	27.4%	2.0	461	98.1%	9	-67
	10.00 to<100.00	875	163	60.0%	920	22.3%	14	27.6%	3.2	1 224	133.0%	53	-212
	10 to <20	490	39	40.3%	533	18.7%	9	35.7%	2.0	822	154.2%	36	-155
	20 to <30	305	125	66.6%	387	27.2%	4	16.4%	4.9	402	103.9%	17	-49
	30.00 to <100.00	80					1	32.1%	1.8				-8
	100.00 (Default)	1 893	30	96.4%	1 922	100.0%	6	42.6%	1.3	430	22.4%	993	-994
Corporate: Other - Subtotal		**271 377**	**169 433**	**42.8%**	**349 157**	**1.0%**	**1 350**	**25.3%**	**2.4**	**98 032**	**28.1%**	**1 467**	**-2 848**

A-IRB SEKm	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Secured by real estate property SME													
	0.00 to <0.15	69 026			68 632	0.1%	13 983	17.7%		1 840	2.7%	9	-2
	0.00 to <0.10	47 425			47 147	0.1%	9 641	17.0%		1 002	2.1%	5	-1
	0.10 to <0.15	21 601			21 485	0.1%	4 342	19.4%		838	3.9%	4	-1
	0.15 to <0.25	4 683			4 593	0.2%	1 491	21.7%		310	6.7%	2	0
	0.25 to <0.50	7 573			7 279	0.4%	2 609	19.8%		751	10.3%	5	-2
	0.50 to <0.75	3 644			3 602	0.6%	1 099	21.4%		554	15.4%	5	-3
	0.75 to <2.50	5 621	7	71.1%	5 585	1.5%	3 077	21.2%		1 602	28.7%	18	-19
	0.75 to <1.75	4 418	3	70.8%	4 385	1.2%	2 422	20.7%		1 092	24.9%	11	-12
	1.75 to <2.5	1 203	4	71.3%	1 200	2.4%	655	22.8%		510	42.5%	7	-6
	2.50 to <10.00	1 730	10	69.0%	1 734	5.1%	1 272	21.6%		1 113	64.2%	19	-24
	2.5 to <5	1 254	8	69.0%	1 260	4.0%	944	21.5%		725	57.5%	11	-13
	5 to <10	476	3	69.0%	474	8.2%	328	22.0%		387	81.6%	9	-12
	10.00 to <100.00	210	3	69.0%	212	19.9%	180	21.6%		233	109.9%	10	-12
	10 to <20	152			152	15.6%	124	19.6%		140	92.1%	5	-6
	20 to <30	39	3	69.0%	41	27.2%	33	27.2%		65	158.5%	3	-5
	30.00 to <100.00	19	0	69.0%	19	38.4%	23	25.4%		28	147.4%	2	-1
	100.00 (Default)	34	0	69.0%	35	100.0%	43	25.9%		37	105.7%	7	-7
Secured by real estate property SME - Subtotal		**92 521**	**20**	**69.7%**	**91 671**	**0.4%**	**23 754**	**18.5%**		**6 439**	**7.0%**	**75**	**-69**
Secured by real estate property Non-SME													
	0.00 to <0.15	858 980	41 194	34.9%	873 340	0.1%	1 538 570	8.3%		11 492	1.3%	42	-36
	0.00 to <0.10	707 813	37 019	34.6%	720 638	0.0%	1 293 997	8.3%		7 877	1.1%	27	-23
	0.10 to <0.15	151 167	4 176	36.8%	152 702	0.1%	244 573	8.6%		3 615	2.4%	15	-13
	0.15 to <0.25	48 072	6 724	40.5%	50 796	0.2%	90 050	13.3%		2 596	5.1%	12	-13
	0.25 to <0.50	49 165	5 715	44.7%	51 719	0.4%	83 122	14.9%		5 054	9.8%	29	-16
	0.50 to <0.75	25 250	1 905	38.3%	25 979	0.6%	38 453	17.8%		4 223	16.3%	28	-16
	0.75 to <2.50	66 262	2 843	45.8%	67 576	1.4%	96 167	16.8%		17 601	26.0%	159	-159
	0.75 to <1.75	55 803	2 656	44.7%	57 003	1.2%	81 066	16.7%		13 541	23.8%	115	-107
	1.75 to <2.5	10 459	187	61.1%	10 573	2.4%	15 101	17.1%		4 060	38.4%	44	-52
	2.50 to <10.00	14 425	481	57.1%	14 700	5.1%	22 760	17.3%		8 473	57.6%	129	-124
	2.5 to <5	10 203	311	57.1%	10 380	3.9%	15 635	17.6%		5 458	52.6%	73	-73
	5 to <10	4 222	170	57.0%	4 319	7.9%	7 125	16.5%		3 014	69.8%	57	-51
	10.00 to <100.00	3 805	226	46.8%	3 911	24.2%	7 529	15.5%		3 525	90.1%	153	-91
	10 to <20	2 068	93	56.0%	2 120	16.3%	3 745	15.1%		1 782	84.1%	53	-41
	20 to <30	758	36	45.9%	774	27.2%	1 531	15.2%		722	93.3%	33	-21
	30.00 to <100.00	979	97	38.2%	1 016	38.4%	2 253	16.5%		1 021	100.5%	67	-28
	100.00 (Default)	1 268	1	61.6%	1 269	100.0%	2 854	13.7%		730	57.5%	270	-247
Secured by real estate property Non-SME - Subtotal		**1 067 227**	**59 090**	**37.3%**	**1 089 289**	**0.4%**	**1 879 505**	**9.8%**		**53 693**	**4.9%**	**821**	**-702**

A-IRB SEKm	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Retail other SME													
	0.00 to <0.15	359	177	99.0%	532	0.1%	1 120	44.2%		49	9.2%	0	0
	0.00 to <0.10	59	44	97.4%	102	0.1%	175	46.2%		6	5.9%	0	0
	0.10 to <0.15	300	133	99.5%	431	0.1%	945	43.8%		43	10.0%	0	0
	0.15 to <0.25	1 351	2 211	99.9%	3 535	0.2%	7 781	41.9%		485	13.7%	3	-1
	0.25 to <0.50	2 570	1 615	94.7%	4 007	0.4%	9 030	39.8%		823	20.5%	6	-4
	0.50 to <0.75	2 265	1 344	97.0%	3 555	0.6%	6 849	40.7%		945	26.6%	9	-6
	0.75 to <2.50	12 634	4 741	83.4%	16 504	1.6%	54 717	34.0%		5 682	34.4%	88	-65
	0.75 to <1.75	8 935	3 446	84.5%	11 787	1.3%	33 395	35.0%		3 887	33.0%	52	-36
	1.75 to <2.5	3 698	1 295	80.3%	4 717	2.4%	21 322	31.6%		1 796	38.1%	36	-29
	2.50 to <10.00	8 011	1 579	68.2%	9 054	5.0%	50 151	31.2%		3 801	42.0%	141	-115
	2.5 to <5	5 831	1 227	69.3%	6 653	4.0%	40 642	30.8%		2 689	40.4%	81	-65
	5 to <10	2 181	352	64.4%	2 401	7.8%	9 509	32.2%		1 112	46.3%	60	-50
	10.00 to <100.00	1 235	213	55.2%	1 342	21.8%	5 175	29.9%		843	62.8%	87	-68
	10 to <20	776	132	56.9%	847	15.2%	3 100	30.4%		487	57.5%	39	-32
	20 to <30	217	39	56.4%	237	27.2%	823	29.8%		169	71.3%	19	-13
	30.00 to <100.00	241	43	48.8%	258	38.4%	1 252	28.6%		187	72.5%	28	-23
	100.00 (Default)	374	38	86.0%	401	100.0%	1 165	42.0%		1 044	260.3%	87	-89
Retail other SME - Subtotal		**28 798**	**11 918**	**87.2%**	**38 929**	**3.7%**	**135 988**	**35.3%**		**13 673**	**35.1%**	**421**	**-347**
Retail other Non-SME													
	0.00 to <0.15	11 867	5 056	87.8%	16 287	0.1%	509 583	37.6%		1 085	6.7%	4	-10
	0.00 to <0.10	8 166	4 360	92.5%	12 192	0.1%	398 481	38.3%		696	5.7%	2	-6
	0.10 to <0.15	3 701	696	58.0%	4 095	0.1%	111 102	35.6%		389	9.5%	2	-4
	0.15 to <0.25	6 340	1 281	57.5%	7 009	0.2%	210 775	45.3%		1 254	17.9%	6	-19
	0.25 to <0.50	6 694	1 039	58.8%	7 166	0.4%	203 463	41.6%		1 872	26.1%	11	-30
	0.50 to <0.75	3 872	539	63.7%	4 141	0.6%	99 635	28.9%		1 002	24.2%	7	-12
	0.75 to <2.50	12 024	1 663	61.6%	12 583	1.5%	465 904	33.9%		5 408	43.0%	61	-78
	0.75 to <1.75	9 597	1 458	61.4%	10 086	1.2%	402 856	34.5%		4 187	41.5%	43	-56
	1.75 to <2.5	2 427	205	62.4%	2 497	2.4%	63 048	31.1%		1 222	48.9%	19	-21
	2.50 to <10.00	4 401	561	56.0%	4 321	5.1%	268 258	36.0%		2 669	61.8%	81	-89
	2.5 to <5	3 312	418	56.7%	3 182	4.0%	228 746	34.8%		1 872	58.8%	45	-49
	5 to <10	1 089	143	54.2%	1 138	8.0%	39 512	39.4%		796	69.9%	36	-40
	10.00 to <100.00	1 020	74	58.9%	1 027	22.7%	28 627	39.5%		1 028	100.1%	92	-101
	10 to <20	627	45	60.0%	639	16.1%	16 655	39.5%		581	90.9%	41	-53
	20 to <30	166	11	62.6%	171	27.2%	3 771	39.2%		188	109.9%	18	-20
	30.00 to <100.00	227	18	53.5%	217	38.4%	8 201	39.6%		259	119.4%	33	-27
	100.00 (Default)	754	2	89.4%	753	100.0%	9 099	52.1%		304	40.4%	419	-420
Retail other Non-SME - Subtotal		**46 972**	**10 215**	**73.7%**	**53 287**	**2.8%**	**1 795 344**	**37.7%**		**14 622**	**27.4%**	**681**	**-759**
Total all exposures AIRB		**1 680 036**	**268 250**	**46.0%**	**1 795 631**	**0.8%**	**3 846 129**	**15.3%**	**0.8**	**224 962**	**12.5%**	**3 891**	**-5 489**

F-IRB SEKm	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Exposure classes FIRB													
Central governments or central banks													
	0.00 to <0.15	518 193	23 821	66.6%	545 010	0.0%	351	45.0%	1.6	6 952	1.3%	6	-2
	0.00 to <0.10	518 193	23 821	66.6%	545 010	0.0%	351	45.0%	1.6	6 952	1.3%	6	-2
	0.10 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50							45.0%	2.5				
	0.50 to <0.75												
	0.75 to <2.50												
	0.75 to <1.75												
	1.75 to <2.5												
	2.50 to <10.00	1 344		86.4%	1 344	3.1%	2	45.0%	2.5	10	0.7%	0	
	2.5 to <5	1 344		86.4%	1 344	3.1%	2	45.0%	2.5	10	0.7%	0	
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
Central governments or central banks - Subtotal		**519 537**	**23 821**	**66.6%**	**546 354**	**0.0%**	**353**	**45.0%**	**1.6**	**6 962**	**1.3%**	**6**	**-2**
Institutions													
	0.00 to <0.15	26 445	10 394	55.5%	32 264	0.0%	284	35.0%	2.5	4 200	13.0%	4	-7
	0.00 to <0.10	25 165	9 091	54.8%	30 176	0.0%	182	34.0%	2.5	3 488	11.6%	3	-5
	0.10 to <0.15	1 280	1 303	60.3%	2 088	0.1%	102	45.0%	2.5	711	34.1%	1	-2
	0.15 to <0.25	167	582	30.7%	334	0.2%	59	45.0%	2.5	183	54.8%	0	-1
	0.25 to <0.50	8	89	20.0%	25	0.3%	4	45.0%	2.5	15	60.0%	0	0
	0.50 to <0.75	8	193	20.0%	45	0.6%	17	45.0%	2.5	39	86.7%	0	-1
	0.75 to <2.50							45.0%	2.5				
	0.75 to <1.75							45.0%	2.5				
	1.75 to <2.5												
	2.50 to <10.00	128	24	47.0%	134	4.7%	21	45.0%	2.5	209	156.0%	3	-1
	2.5 to <5	128	24	47.0%	134	4.7%	21	45.0%	2.5	209	156.0%	3	-1
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
Institutions - Subtotal		**26 756**	**11 282**	**53.3%**	**32 801**	**0.1%**	**385**	**35.1%**	**2.5**	**4 645**	**14.2%**	**7**	**-9**

F-IRB SEKm	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Corporate: SME													
	0.00 to <0.15	217	10	76.9%	56	0.1%	7	43.8%	2.5	13	23.2%	0	0
	0.00 to <0.10	79			6	0.1%	3	35.0%	2.5	1	16.7%	0	0
	0.10 to <0.15	138	10	76.9%	50	0.1%	4	45.0%	2.5	12	24.0%	0	0
	0.15 to <0.25	284	192	20.2%	282	0.2%	33	39.8%	2.5	91	32.3%	0	0
	0.25 to <0.50	432	44	41.2%	426	0.4%	86	42.4%	2.5	204	47.9%	1	0
	0.50 to <0.75	890	195	40.9%	959	0.6%	167	39.5%	2.5	476	49.6%	2	-1
	0.75 to <2.50	3 220	861	40.5%	3 330	1.5%	1 397	42.6%	2.5	2 639	79.2%	22	-13
	0.75 to <1.75	2 642	661	40.0%	2 693	1.3%	1 038	42.3%	2.5	2 025	75.2%	16	-8
	1.75 to <2.5	578	199	42.1%	637	2.4%	359	43.8%	2.5	615	96.5%	7	-5
	2.50 to <10.00	1 605	743	32.5%	1 632	5.2%	684	44.1%	2.5	1 976	121.1%	37	-37
	2.5 to <5	1 144	550	28.7%	1 102	3.9%	497	44.0%	2.5	1 201	109.0%	19	-23
	5 to <10	461	193	47.3%	530	8.0%	187	44.2%	2.5	774	146.0%	19	-14
	10.00 to <100.00	263	28	52.9%	266	22.7%	90	43.8%	2.5	550	206.8%	26	-12
	10 to <20	146	21	59.5%	153	15.9%	48	43.9%	2.5	297	194.1%	11	-5
	20 to <30	71	6	38.4%	67	27.2%	25	44.2%	2.5	140	209.0%	8	-5
	30.00 to <100.00	46	2	19.9%	46	38.4%	17	42.9%	2.5	113	245.7%	8	-3
	100.00 (Default)	29	1	79.6%	28	100.0%	10	43.4%	2.5		0.0%	12	-4
Corporate: SME - Subtotal		**6 940**	**2 074**	**35.2%**	**6 980**	**3.3%**	**2 474**	**42.5%**	**2.5**	**5 948**	**85.2%**	**101**	**-67**
Corporate: Other													
	0.00 to <0.15	19 353	15 392	40.0%	24 961	0.1%	198	44.6%	2.5	6 691	26.8%	9	-7
	0.00 to <0.10	8 316	9 504	32.9%	11 286	0.1%	78	44.4%	2.5	2 445	21.7%	3	-3
	0.10 to <0.15	11 038	5 888	51.4%	13 675	0.1%	120	44.9%	2.5	4 245	31.0%	6	-4
	0.15 to <0.25	7 807	8 561	31.1%	10 463	0.2%	138	44.5%	2.5	4 740	45.3%	9	-8
	0.25 to <0.50	1 110	10 750	32.2%	4 489	0.3%	34	45.0%	2.5	2 598	57.9%	6	-65
	0.50 to <0.75	18 134	4 482	40.1%	19 901	0.6%	420	44.7%	2.5	14 189	71.3%	53	-21
	0.75 to <2.50	22 552	10 553	46.7%	27 289	1.6%	875	44.6%	2.5	27 302	100.0%	190	-105
	0.75 to <1.75	17 420	8 848	49.3%	21 691	1.3%	661	44.6%	2.5	21 064	97.1%	130	-62
	1.75 to <2.5	5 131	1 705	33.0%	5 597	2.4%	214	44.5%	2.5	6 238	111.5%	60	-43
	2.50 to <10.00	5 239	1 392	41.2%	5 632	5.3%	339	43.6%	2.5	7 610	135.1%	129	-111
	2.5 to <5	3 307	866	37.2%	3 536	4.0%	233	44.0%	2.5	4 420	125.0%	63	-65
	5 to <10	1 932	527	48.7%	2 096	7.4%	106	42.9%	2.5	3 190	152.2%	66	-46
	10.00 to <100.00	3 710	1 063	39.0%	4 095	28.3%	86	44.6%	2.5	10 116	247.0%	518	-392
	10 to <20	840	162	31.2%	875	19.2%	40	43.9%	2.5	1 959	223.9%	74	-36
	20 to <30	2 130	326	21.1%	2 187	27.2%	27	44.8%	2.5	5 643	258.0%	266	-229
	30.00 to <100.00	740	574	51.0%	1 033	38.4%	19	44.8%	2.5	2 514	243.4%	178	-128
	100.00 (Default)	743	55	46.7%	769	100.0%	27	45.0%	2.5		0.0%	346	-344
Corporate: Other - Subtotal		**78 648**	**52 248**	**38.3%**	**97 598**	**2.9%**	**2 117**	**44.6%**	**2.5**	**73 246**	**75.0%**	**1 260**	**-1 054**
Total all exposures FIRB		**631 882**	**89 426**	**48.5%**	**683 733**	**0.5%**	**5 329**	**44.0%**	**1.8**	**90 802**	**13.3%**	**1 375**	**-1 132**

REA under A-IRB increased by SEK 7.3bn compared to June 2022, mainly explained by increase in retail exposures secured by real estate property, non-SME. REA under F-IRB increased by SEK 18.4bn, mainly explained by increase in corporate exposures.

Table 3.22: EU CR6-A – Scope of the use of IRB and SA approaches, 31 December 2022

SEKm	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
Central governments or central banks	536 286	539 567	1.4%	69.8%	28.8%
Of which Regional governments or local authorities		17 709	16.1%	79.9%	4.0%
Of which Public sector entities		391			100.0%
Institutions	32 755	32 540	4.2%	93.8%	2.0%
Corporates	634 718	640 135	0.3%	85.7%	14.0%
Of which Corporates - Specialised lending, excluding slotting approach					
Of which Corporates - Specialised lending under slotting approach		334		100.0%	
Retail	1 275 537	1 291 692	1.8%	97.7%	0.5%
of which Retail – Secured by real estate SMEs		227 949		100.0%	
of which Retail – Secured by real estate non-SMEs		951 064	0.1%	99.6%	0.2%
of which Retail – Qualifying revolving					
of which Retail – Other SMEs		45 488	0.8%	89.8%	9.5%
of which Retail – Other non-SMEs		67 191	33.0%	66.8%	0.2%
Equity		11 804	100.0%		
Other non-credit obligation assets	17 045	17 916	4.4%	44.6%	51.0%
Total	**2 496 341**	**2 533 653**	**1.9%**	**87.8%**	**10.3%**

The IRB approach is applied for the vast majority of Swedbank's credit risk exposures. For non-IRB approved parts of Swedbank's credit portfolio, and where an exception has been granted by the regulatory supervisory college, Swedbank uses the standardised approach. The standardised approach is mainly used for smaller retail portfolios and equity exposures. The parts under IRB roll-out plans also include exposures in F-IRB where Swedbank plans to apply A-IRB in the future.

Table 3.23: EU CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques, 31 December 2022

SEKm	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Exposures under F-IRB	91 208	91 208
Central governments and central banks	6 962	6 962
Institutions	4 645	4 645
Corporates	79 600	79 600
of which Corporates - SMEs	5 948	5 948
of which Corporates - Specialised lending	406	406
Exposures under A-IRB	224 962	224 962
Central governments and central banks		
Institutions		
Corporates	136 534	136 534
of which Corporates - SMEs	38 502	38 502
of which Corporates - Specialised lending		
Retail	88 427	88 427
of which Retail – SMEs - Secured by immovable property collateral	6 439	6 439
of which Retail – non-SMEs - Secured by immovable property collateral	53 693	53 693
of which Retail – Qualifying revolving		
of which Retail – SMEs - Other	13 673	13 673
of which Retail – Non-SMEs- Other	14 622	14 622
Total (including F-IRB exposures and A-IRB exposures)	**316 168**	**316 168**

Credit derivatives are not used as CRM techniques in the capital reporting of Swedbank.

Table 3.24: EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques, 31 December 2022

A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
SEKm		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks														
Institutions														
Corporates	522 455	0.0%	49.4%	45.4%	0.4%	3.6%					11.3%		136 730	136 534
Of which Corporates – SMEs	173 298	0.0%	74.6%	67.2%	0.8%	6.7%					13.2%		41 765	38 502
Of which Corporates – Specialised lending														
Of which Corporates – Other	349 157	0.0%	37.0%	34.6%	0.2%	2.1%					10.4%		94 965	98 032
Retail	1 273 176	0.0%	91.9%	90.6%	0.0%	1.3%					0.0%		88 480	88 427
Of which Retail – Immovable property SMEs	91 671	0.0%	99.0%	99.0%	0.0%	0.0%					0.0%		6 471	6 439
Of which Retail – Immovable property non-SMEs	1 089 289	0.0%	97.3%	97.1%	0.0%	0.2%					0.0%		53 693	53 693
Of which Retail – Qualifying revolving														
Of which Retail – Other SMEs	38 929	0.0%	15.5%	0.0%	0.8%	14.6%					1.1%		13 693	13 673
Of which Retail – Other non-SMEs	53 287	0.0%	25.5%	9.0%	0.0%	16.5%					0.0%		14 623	14 622
Total	**1 795 631**	**0.0%**	**79.6%**	**77.5%**	**0.1%**	**2.0%**					**3.3%**		**225 210**	**224 961**

F-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
SEKm		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	546 354	0.0%	0.0%	0.0%	0.0%	0.0%					0.0%	0.0%	6 674	6 962
Institutions	32 801	1.0%	0.0%	0.0%	0.0%	0.0%					0.0%	0.0%	4 635	4 645
Corporates	104 943	0.4%	3.6%	1.2%	2.0%	0.4%					1.9%	0.0%	79 650	79 600
Of which Corporates – SMEs	6 980	0.6%	20.3%	13.3%	1.7%	5.4%					11.3%	0.0%	5 978	5 948
Of which Corporates – Specialised lending	365	0.0%	0.0%	0.0%	0.0%	0.0%					0.0%	0.0%	406	406
Of which Corporates – Other	97 598	0.4%	2.4%	0.4%	2.0%	0.0%					1.3%	0.0%	73 266	73 246
Total	**684 098**	**0.1%**	**0.6%**	**0.2%**	**0.3%**	**0.1%**					**0.3%**	**0.0%**	**90 959**	**91 207**

Swedbank mainly uses immovable property collaterals as credit risk mitigation technique. Exposures under A-IRB are covered by immovable property collaterals to 77.5%. Exposures under F-IRB are mainly to central governments and central banks.

Table 3.25: EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach, 31 December 2022

SEKm	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**307 900**
Asset size (+/-)	6 643
Asset quality (+/-)	717
Model updates (+/-)	10 875
Methodology and policy (+/-)	
Acquisitions and disposals (+/-)	
Foreign exchange movements (+/-)	2 288
Other (+/-)	-1 046
Risk weighted exposure amount as at the end of the reporting period	**327 378**

REA reported under IRB increased by SEK 19.5bn compared to Q3 2022. The main changes were:

(1) Asset growth increased REA by SEK 6.6bn, mainly explained by volume growth for corporate exposures and retail mortgage exposures in business area Baltic Banking.

(2) Asset quality changes increased REA by SEK 0.7bn, mainly explained by negative rating (PD) changes for mainly corporate exposures, partly offset by positive LGD changes in LC&I and Swedish Banking.

(3) Methodology and policy changes increased REA by SEK 10.9bn, due to calibration of models in Baltic Banking according to the new default definition.

(4) Foreign exchange movements increased REA by SEK 2.3bn, mainly driven by depreciation of SEK towards EUR.

(5) Other factors decreased REA by SEK 1.0bn, mainly due to shorter corporate maturities.

Table 3.26: EU CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale), 31 December 2022

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%) average PD	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Corporates - Of which: SME							
	0.00 to <0.15	98	0	0.0%	0.1%	0.1%	0.0%
	0.00 to <0.10	66	0	0.0%	0.1%	0.1%	0.0%
	0.10 to <0.15	32	0	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25	314	0	0.0%	0.2%	0.2%	0.1%
	0.25 to <0.50	1 669	4	0.2%	0.4%	0.4%	0.3%
	0.50 to <0.75	1 366	6	0.4%	0.6%	0.6%	0.3%
	0.75 to <2.50	4 460	30	0.7%	1.3%	1.4%	0.6%
	0.75 to <1.75	3 699	25	0.7%	1.2%	1.2%	0.5%
	1.75 to <2.5	761	5	0.7%	2.4%	2.4%	1.1%
	2.50 to <10.00	1 234	43	3.5%	4.8%	4.9%	3.1%
	2.5 to <5	918	23	2.5%	3.9%	3.9%	2.0%
	5 to <10	316	20	6.3%	7.6%	7.9%	6.4%
	10.00 to <100.00	128	22	17.2%	22.4%	21.7%	14.2%
	10 to <20	79	6	7.6%	16.8%	15.5%	8.1%
	20 to <30	29	10	34.5%	27.2%	27.2%	23.5%
	30.00 to <100.00	20	6	30.0%	38.4%	38.4%	24.7%
	100.00 (Default)	42		0.0%	100.0%	100.0%	0.0%
Corporates - Of which: Other							
	0.00 to <0.15	178	1	0.6%	0.1%	0.1%	0.4%
	0.00 to <0.10	97	1	1.0%	0.1%	0.1%	0.4%
	0.10 to <0.15	81	0	0.0%	0.1%	0.1%	0.3%
	0.15 to <0.25	210	2	1.0%	0.2%	0.2%	0.8%
	0.25 to <0.50	480	2	0.4%	0.4%	0.4%	0.4%
	0.50 to <0.75	203	1	0.5%	0.6%	0.6%	0.3%
	0.75 to <2.50	386	3	0.8%	1.1%	1.2%	1.0%
	0.75 to <1.75	355	3	0.9%	1.1%	1.1%	1.0%
	1.75 to <2.5	31	0	0.0%	2.4%	2.4%	0.5%
	2.50 to <10.00	89	4	4.5%	4.5%	5.1%	3.3%
	2.5 to <5	66	4	6.1%	3.6%	4.2%	2.8%
	5 to <10	23	0	0.0%	7.8%	7.8%	4.7%
	10.00 to <100.00	79	2	2.5%	22.3%	26.7%	7.5%
	10 to <20	5	0	0.0%	18.7%	15.8%	6.2%
	20 to <30	72	1	1.4%	27.2%	27.2%	6.3%
	30.00 to <100.00	2	1	50.0%		38.4%	55.0%
	100.00 (Default)	21		0.0%	100.0%	100.0%	0.0%

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%) average PD	Average PD (%)	Average historical annual default rate (%)
Retail - Secured by real estate property SME							
	0.00 to <0.15	14 102	11	0.1%	0.1%	0.1%	0.0%
	0.00 to <0.10	10 088	6	0.1%	0.1%	0.1%	0.0%
	0.10 to <0.15	4 014	5	0.1%	0.1%	0.1%	0.0%
	0.15 to <0.25	1 068	2	0.2%	0.2%	0.2%	0.1%
	0.25 to <0.50	3 895	1	0.0%	0.4%	0.4%	0.0%
	0.50 to <0.75	3 426	0	0.0%	0.6%	0.6%	0.0%
	0.75 to <2.50	10 529	21	0.2%	1.5%	1.4%	0.1%
	0.75 to <1.75	8 751	6	0.1%	1.2%	1.2%	0.0%
	1.75 to <2.5	1 778	15	0.8%	2.4%	2.4%	0.3%
	2.50 to <10.00	2 418	18	0.7%	5.1%	4.7%	0.5%
	2.5 to <5	1 913	14	0.7%	4.0%	3.9%	0.4%
	5 to <10	505	4	0.8%	8.2%	7.8%	1.2%
	10.00 to <100.00	315	45	14.3%	19.9%	23.5%	7.9%
	10 to <20	167	23	13.8%	15.6%	14.9%	5.7%
	20 to <30	68	8	11.8%	27.2%	27.2%	8.5%
	30.00 to <100.00	80	14	17.5%	38.4%	38.4%	12.1%
	100.00 (Default)	39		0.0%	100.0%	100.0%	0.0%
Retail - Secured by real estate property Non-SME							
	0.00 to <0.15	1 507 342	432	0.0%	0.1%	0.1%	0.0%
	0.00 to <0.10	1 267 594	336	0.0%	0.0%	0.0%	0.0%
	0.10 to <0.15	239 748	96	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25	81 931	102	0.1%	0.2%	0.2%	0.1%
	0.25 to <0.50	83 658	61	0.1%	0.4%	0.4%	0.1%
	0.50 to <0.75	30 603	45	0.2%	0.6%	0.6%	0.1%
	0.75 to <2.50	86 109	291	0.3%	1.4%	1.3%	0.4%
	0.75 to <1.75	73 985	211	0.3%	1.2%	1.2%	0.3%
	1.75 to <2.5	12 124	80	0.7%	2.4%	2.4%	0.7%
	2.50 to <10.00	21 387	376	1.8%	5.1%	5.2%	1.8%
	2.5 to <5	14 852	205	1.4%	3.9%	3.9%	1.4%
	5 to <10	6 535	171	2.6%	7.9%	7.9%	2.8%
	10.00 to <100.00	7 195	764	10.6%	24.2%	26.0%	8.8%
	10 to <20	3 391	213	6.3%	16.3%	16.1%	5.8%
	20 to <30	1 234	132	10.7%	27.2%	27.2%	9.7%
	30.00 to <100.00	2 570	419	16.3%	38.4%	38.4%	12.4%
	100.00 (Default)	2 455		0.0%	100.0%	100.0%	0.0%

A-IRB

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%) average PD	Average PD (%)	Average historical annual default rate (%)
Other Retail SME							
	0.00 to <0.15	161	0	0.0%	0.1%	0.1%	0.0%
	0.00 to <0.10	116	0	0.0%	0.1%	0.1%	0.0%
	0.10 to <0.15	45	0	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25	456	0	0.0%	0.2%	0.2%	0.0%
	0.25 to <0.50	2 653	1	0.0%	0.4%	0.4%	0.0%
	0.50 to <0.75	4 044	33	0.8%	0.6%	0.6%	0.2%
	0.75 to <2.50	45 482	88	0.2%	1.6%	1.7%	0.2%
	0.75 to <1.75	31 824	47	0.2%	1.3%	1.3%	0.2%
	1.75 to <2.5	13 658	41	0.3%	2.4%	2.4%	0.3%
	2.50 to <10.00	41 926	283	0.7%	5.0%	5.1%	0.6%
	2.5 to <5	32 433	149	0.5%	4.0%	4.3%	0.4%
	5 to <10	9 493	134	1.4%	7.8%	7.8%	1.2%
	10.00 to <100.00	4 991	313	6.3%	21.8%	22.8%	7.1%
	10 to <20	3 104	90	2.9%	15.2%	15.7%	3.3%
	20 to <30	634	37	5.8%	27.2%	27.2%	6.3%
	30.00 to <100.00	1 253	186	14.8%	38.4%	38.4%	16.8%
	100.00 (Default)	644		0.0%	100.0%	100.0%	0.0%
Other Retail Non-SME							
	0.00 to <0.15	494 297	247	0.1%	0.1%	0.1%	0.0%
	0.00 to <0.10	386 831	147	0.0%	0.1%	0.0%	0.0%
	0.10 to <0.15	107 466	100	0.1%	0.1%	0.1%	0.1%
	0.15 to <0.25	203 156	468	0.2%	0.2%	0.2%	0.2%
	0.25 to <0.50	211 402	530	0.3%	0.4%	0.4%	0.2%
	0.50 to <0.75	120 853	218	0.2%	0.6%	0.6%	0.2%
	0.75 to <2.50	440 627	1 642	0.4%	1.5%	1.4%	0.3%
	0.75 to <1.75	367 802	1 153	0.3%	1.2%	1.2%	0.3%
	1.75 to <2.5	72 825	489	0.7%	2.4%	2.4%	0.6%
	2.50 to <10.00	266 438	1 646	0.6%	5.1%	4.3%	0.6%
	2.5 to <5	222 362	791	0.4%	4.0%	3.6%	0.3%
	5 to <10	44 076	855	1.9%	8.0%	7.7%	2.0%
	10.00 to <100.00	30 577	2 991	9.8%	22.7%	24.0%	9.2%
	10 to <20	17 220	937	5.4%	16.1%	15.7%	4.8%
	20 to <30	4 414	412	9.3%	27.2%	27.2%	8.3%
	30.00 to <100.00	8 943	1 642	18.4%	38.4%	38.4%	18.0%
	100.00 (Default)	7 656		0.0%	100.0%	100.0%	0.0%

F-IRB

Exposure class	PD range	Number of obligors in the end of previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Central governments or central banks							
	0.00 to <0.15	284	1	0.4%	0.0%	0.0%	0.1%
	0.00 to <0.10	284	1	0.4%	0.0%	0.0%	0.1%
	0.10 to <0.15						
	0.15 to <0.25						
	0.25 to <0.50						
	0.50 to <0.75						
	0.75 to <2.50						
	0.75 to <1.75						
	1.75 to <2.5						
	2.50 to <10.00	13		0.0%	3.1%	3.1%	0.0%
	2.5 to <5	13		0.0%	3.1%	3.1%	0.0%
	5 to <10						
	10.00 to <100.00						
	10 to <20						
	20 to <30						
	30.00 to <100.00						
	100.00 (Default)						
Institutions							
	0.00 to <0.15	303	0	0.0%	0.0%	0.1%	0.0%
	0.00 to <0.10	196	0	0.0%	0.0%	0.0%	0.0%
	0.10 to <0.15	107	0	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25			0.0%	0.2%	0.0%	0.0%
	0.25 to <0.50	66	0	0.0%	0.3%	0.3%	0.0%
	0.50 to <0.75	18	0	0.0%	0.6%	0.6%	0.0%
	0.75 to <2.50	5	0	0.0%		1.7%	0.0%
	0.75 to <1.75	5	0	0.0%		1.7%	0.0%
	1.75 to <2.5			0.0%		0.0%	0.0%
	2.50 to <10.00	12	0	0.0%	4.7%	4.9%	0.0%
	2.5 to <5	11	0	0.0%	4.7%	4.7%	0.0%
	5 to <10	1	0	0.0%		6.8%	0.0%
	10.00 to <100.00						
	10 to <20						
	20 to <30						
	30.00 to <100.00						
	100.00 (Default)						

F-IRB

Exposure class	PD range	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Corporates - Of which: SME							
	0.00 to <0.15	7	0	0.0%	0.1%	0.1%	0.0%
	0.00 to <0.10	3	0	0.0%	0.1%	0.1%	0.0%
	0.10 to <0.15	4	0	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25	50	0	0.0%	0.2%	0.2%	0.0%
	0.25 to <0.50	133	0	0.0%	0.4%	0.4%	0.0%
	0.50 to <0.75	119	0	0.0%	0.6%	0.6%	0.0%
	0.75 to <2.50	914	1	0.1%	1.5%	1.5%	0.2%
	0.75 to <1.75	718	0	0.0%	1.3%	1.3%	0.2%
	1.75 to <2.5	196	1	0.5%	2.4%	2.4%	0.4%
	2.50 to <10.00	431	4	0.9%	5.2%	5.1%	0.7%
	2.5 to <5	311	1	0.3%	3.9%	4.0%	0.5%
	5 to <10	120	3	2.5%	8.0%	8.0%	1.1%
	10.00 to <100.00	63	4	6.4%	22.7%	22.1%	3.2%
	10 to <20	39	1	2.6%	15.9%	15.5%	1.1%
	20 to <30	12	1	8.3%	27.2%	27.2%	1.7%
	30.00 to <100.00	12	2	16.7%	38.4%	38.4%	11.5%
	100.00 (Default)			0.0%	100.0%	0.0%	0.0%
Corporates - Of which: Other							
	0.00 to <0.15	155	0	0.0%	0.1%	0.1%	0.0%
	0.00 to <0.10	70	0	0.0%	0.1%	0.0%	0.0%
	0.10 to <0.15	85	0	0.0%	0.1%	0.1%	0.0%
	0.15 to <0.25	233	0	0.0%	0.2%	0.2%	0.0%
	0.25 to <0.50	276	2	0.7%	0.3%	0.4%	0.2%
	0.50 to <0.75	38	1	2.6%	0.6%	0.6%	0.5%
	0.75 to <2.50	402	1	0.3%	1.6%	1.2%	0.3%
	0.75 to <1.75	384	1	0.3%	1.3%	1.1%	0.3%
	1.75 to <2.5	18	0	0.0%	2.4%	2.4%	0.0%
	2.50 to <10.00	188	1	0.5%	5.3%	4.9%	0.7%
	2.5 to <5	146	0	0.0%	4.0%	4.0%	0.4%
	5 to <10	42	1	2.4%	7.4%	8.0%	1.9%
	10.00 to <100.00	33	4	12.1%	28.3%	24.8%	17.8%
	10 to <20	14	0	0.0%	19.2%	16.8%	1.1%
	20 to <30	13	0	0.0%	27.2%	27.2%	17.2%
	30.00 to <100.00	6	4	66.7%	38.4%	38.4%	58.3%
	100.00 (Default)			0.0%	100.0%	0.0%	0.0%

The observed default rates have increased for both corporate and retail exposures, and in both AIRB and FIRB, compared to December 2021, and is partly explained by a new definition of default implemented in 2022. Observed default rates are higher than average historical default rates for some PD ranges, but still lower than the exposure weighted average TtC PD for the PD ranges.

Table 3.27: EU CR9.1 – IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR), 31 December 2022

A-IRB

Exposure class	PD range	External rating equivalent	Number of obligors at the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			

F-IRB

Exposure class	PD range	External rating equivalent	Number of obligors in the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year			

According to CRR, EU CR9.1 is applicable to institutions that map its internal grades to the scale used by an ECAI or similar organisations and then attribute the default rate observed for the external organisation's grades to the institution's grades. Swedbank does not use default rates from external rating scales in its internal rating models.

Disclosure of specialised lending and equity exposure under the simple risk weight approach

EU CR10 – Specialised lending and equity exposures under the simple risk weighted approach

There are no significant changes in the total exposure in specialised lending compared to June 2022. Swedbank has no equity exposures under the simple risk-weighted approach.

Table 3.28: EU CR10.1 - Specialised lending: Project finance (Slotting approach), 31 December 2022

SEKm	Specialised lending: Project finance (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.29: EU CR10.2 - Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach), 31 December 2022

SEKm	Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	0		50%	0	0	
	Equal to or more than 2.5 years	2	1	70%	3	2	0
Category 2	Less than 2.5 years	107	47	70%	140	98	1
	Equal to or more than 2.5 years	1		90%	1	1	0
Category 3	Less than 2.5 years	126	79	115%	185	212	5
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years	33		250%	33	81	3
	Equal to or more than 2.5 years	4		250%	4	11	0
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**	**265**	**125**		**357**	**392**	**8**
	Equal to or more than 2.5 years	**8**	**1**		**9**	**14**	**0**

Table 3.30: EU CR10.3 - Specialised lending: Object finance (Slotting approach), 31 December 2022

SEKm		Specialised lending: Object finance (Slotting approach)					
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.31: EU CR10.4 - Specialised lending: Commodities finance (Slotting approach), 31 December 2022

SEKm		Specialised lending: Commodities finance (Slotting approach)					
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	**Less than 2.5 years**						
	Equal to or more than 2.5 years						

Table 3.32: EU CR10.5 - Equity exposures under the simple risk-weighted approach, 31 December 2022

SEKm	Equity exposures under the simple risk-weighted approach					
Categories	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Private equity exposures			190%			
Exchange-traded equity exposures			290%			
Other equity exposures			370%			
Total						

Disclosure of exposures to counterparty credit risk

EU CCRA – Qualitative disclosure related to CCR

Risk management objectives and policies

Management of counterparty credit risk – Counterparty credit risk (including settlement risk) is the risk that a counterparty to a trading transaction would not meet its final obligations towards Swedbank and that collateral held would not be enough to cover the claims. This definition encompasses repurchase agreements, derivatives, and securities financing transactions. The majority of Swedbank's counterparty credit risk emanates primarily from two units: LC&I and Group Treasury. Counterparty credit exposure arises mainly as a result of hedging of own positions in market risk in foreign exchange, interest rate and other derivatives from customer-related trading activities. As for products, most counterparty credit risk derives from interest rate swaps, basis swaps, and currency forwards. In nominal terms, forward rate agreements comprise a large share of the derivatives trading. However, since these contracts to a large extent are centrally cleared and have short maturities, the counterparty credit risk inherent in these derivatives is low.

Measurement of counterparty credit risk – Derivative and securities financing transactions market value fluctuates over time to maturity and requires that the uncertainty of the future market potential conditions is taken into account and estimated when measuring the exposure. For risk management purposes, counterparty credit risk is measured as potential future exposure (PFE) at the 95% percentile using an advanced simulation-based framework covering a majority of the counterparty credit risk in the Group. The simulation-based method takes close-out netting agreements and collateral agreements into account. For transactions not included in the simulation-based calculation Swedbank uses an enhanced version of SA-CCR where several adaptions have been made for the approach to fit the purpose of internal risk management and exposure calculation. Risk measurement and evaluation is an ongoing process and Swedbank makes regular assessments. Follow-up and measurement of counterparty credit risk exposure against approved limits is performed in a system specific to the task.

Swedbank also conducts various ad-hoc stress tests to estimate tail events, pertaining to political, market or other macro events. Effects on counterparty exposures, credit losses, REA, collateral flows and market values are considered.

Methodology to assign internal capital and credit limits for counterparty credit risk

Internal capital – Pillar 1 method for capital adequacy purposes, Swedbank applies the Standardised Approach for counterparty credit risk (SA-CCR) method to calculate the exposure amounts for derivative contracts concerning counterparty credit risk. In addition, derivative transactions are subject to capital requirements for credit value adjustment (CVA) risk where the SA-CCR method is used as well. For the purposes to assign internal capital, as well as profitability steering, Swedbank distribute regulatory capital for each customer and contract to affected unit respectively.

Credit limits – Limits for counterparty credit exposures are assessed, set and allocated in the regular credit process using the calculated estimates of maximum potential future exposure after recognition of netting agreements and collateral as appropriate. Limits are also established for exposure in specific countries and/or areas, and for FX settlement risk. Moreover, relevant credit risk limits that include counterparty credit risk are allocated to certain customer segments. The risk exposure is measured, monitored and reported daily. Counterparty credit risk is reported monthly to the Group Risk Committee and to the Board.

Policies on credit risk mitigants

Swedbank uses a variety of tools to mitigate counterparty credit risk of which the most important is close-out netting agreements, whereby all positive and negative derivative market values under an agreement at a counterparty level can be netted. Swedbank strives to have ISDA Master Agreements supplemented with credit support annex (CSA) agreements in place with all financial counterparties concerned to ensure a well-functioning netting and collateral management process. The vast majority of the current received, and pledged collateral is cash, but interest-bearing security instruments are also used. As part of the credit process, credit memos provided to credit committees specify what collateral is accepted for each individual counterparty. The range of financial collateral selection accepted is specified in credit policies. Financial collateral is subject to daily monitoring and an independent valuation.

Other actions to mitigate counterparty credit risk include steering exposure and risks to clearing houses, which is standard procedure and mandatory for a range of products, to reduce bilateral counterparty credit risk. The counterparty credit risk can also be closed out through various portfolio compression activities.

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

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

Wrong-Way risk

Wrong-Way risk (WWR) is the risk that arises when exposure to a counterparty increases while the counterparty´s creditworthiness deteriorates, i.e. negatively correlated. WWR is divided into specific and general WWR. Specific WWR is identified by monitoring counterparties and transactions to capture any trade where there is a legal connection between the counterparty and the underlying issuer. Specific WWR is considered in the credit review process. General WWR is measured via a range of stress test scenarios.

Impact of the amount of collateral to provide if credit rating was downgraded

Swedbank has a very limited number of netting and collateral agreements with rating triggers. Rating-based threshold amounts are only accepted for a restricted number of counterparties, hence the impact, if Swedbank was to be downgraded, would be limited. Rating triggers may apply to the ratings of one or both parties in the agreement.

In the event of a downgrade, Swedbank would need to provide additional collateral of approximately SEK 283m for a one-notch long-term downgrade, and SEK 1 193m for a two-notch downgrade.

Table 3.33: EU CCR1 - Analysis of CCR exposure by approach, 31 December 2022

SEKm	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)				1.4				
EU - Simplified SA-CCR (for derivatives)				1.4				
SA-CCR (for derivatives)	15 693	21 464		1.4	131 497	52 006	48 649	10 386
IMM (for derivatives and SFTs)								
Of which securities financing transactions netting sets								
Of which derivatives and long settlement transactions netting sets								
Of which from contractual cross-product netting sets								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					208 049	3 989	3 989	1 299
VaR for SFTs								
Total					**339 547**	**55 995**	**52 637**	**11 685**

REA for derivatives decreased by SEK 1.1bn compared to Q2 2022 mainly due to a decrease in Replacement Cost (RC). SFTs exposure remained largely unchanged.

Table 3.34: EU CCR2 - Transactions subject to own funds requirements for CVA risk, 31 December 2022

SEKm	Exposure value	RWEA
Total transactions subject to the Advanced method		
(i) VaR component (including the 3× multiplier)		
(ii) stressed VaR component (including the 3× multiplier)		
Transactions subject to the Standardised method	26 288	3 809
Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
Total transactions subject to own funds requirements for CVA risk	**26 288**	**3 809**

CVA REA decreased by SEK 0.2bn compared to Q2 2022, mainly due to decreased EAD.

Table 3.35: EU CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights, 31 December 2022

Exposure classes SEKm	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
Central governments or central banks												
Regional government or local authorities					7							7
Public sector entities	4											4
Multilateral development banks	1 313				73				1			1 386
International organisations												
Institutions		12 395			338							12 733
Corporates									2 215			2 215
Retail												
Institutions and corporates with a short-term credit assessment												
Other items												
Total exposure value	**1 317**	**12 395**			**417**				**2 216**			**16 344**

Exposure value for CCR exposures in Standardised approach increased compared to Q2 2022 mainly due to increased derivatives EAD of CCPs (institutions with 2% risk weight).

Table 3.36: EU CCR4 - IRB approach - CCR exposures by exposure class and PD scale, 31 December 2022

Exposure classes IRB SEKm	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
Central governments or central banks (F-IRB)								
	0.00 to <0.15	3 014	0.0%	43	45.0%	1.8	73	2.4%
	0.15 to <0.25							
	0.25 to <0.50	189	0.5%	1	45.0%	2.5	137	72.3%
	0.50 to <0.75							
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
Central governments or central banks (F-IRB) - Sub total		**3 204**	**0.0%**	**44**	**45.0%**	**1.8**	**209**	**6.5%**
Central governments or central banks (A-IRB)								
	0.00 to <0.15							
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75							
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
Central governments or central banks (A-IRB) - Sub total								
Institutions (F-IRB)								
	0.00 to <0.15	22 205	0.1%	126	45.0%	2.5	5 050	22.7%
	0.15 to <0.25	64	0.2%	14	45.0%	2.5	35	55.2%

	0.25 to <0.50							
	0.50 to <0.75	40	0.6%	2	45.0%	2.5	32	80.0%
	0.75 to <2.50	42	1.7%	2	45.0%	2.5	49	116.1%
	2.50 to <10.00	1	3.4%	1	45.0%	2.5	2	141.0%
	10.00 to <100.00							
	100.00 (Default)							
Institutions (F-IRB) - Sub total		**22 352**	**0.1%**	**145**	**45.0%**	**2.5**	**5 168**	**23.1%**
Institutions (A-IRB)								
	0.00 to <0.15							
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75							
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
Institutions (A-IRB) - Sub total								
Corporates (F-IRB)								
	0.00 to <0.15	2 021	0.1%	22	45.0%	2.5	665	32.9%
	0.15 to <0.25	117	0.2%	7	45.0%	2.5	73	62.4%
	0.25 to <0.50							
	0.50 to <0.75	78	0.6%	12	45.0%	2.5	62	79.5%
	0.75 to <2.50	255	1.5%	22	45.0%	2.1	280	109.8%
	2.50 to <10.00	59	4.5%	7	45.0%	2.0	89	150.8%
	10.00 to <100.00	2	19.2%	1	45.0%	2.5	4	200.0%
	100.00 (Default)							
Corporates (F-IRB) - Sub total		**2 532**	**0.3%**	**71**	**45.0%**	**2.4**	**1 174**	**46.4%**
Corporates (A-IRB)								
	0.00 to <0.15	3 854	0.1%	101	36.6%	2.3	717	18.6%
	0.15 to <0.25	2 261	0.2%	108	36.6%	1.8	726	32.1%
	0.25 to <0.50	1 040	0.3%	99	36.6%	1.7	473	45.5%
	0.50 to <0.75	378	0.6%	40	36.7%	1.8	219	57.9%
	0.75 to <2.50	471	1.4%	76	37.3%	0.8	326	69.2%
	2.50 to <10.00	18	4.7%	9	37.0%	0.8	16	88.9%
	10.00 to <100.00	1	25.8%	3	36.6%	4.4	3	300.0%
	100.00 (Default)							
Corporates (A-IRB) - Sub total		**8 024**	**0.3%**	**436**	**36.7%**	**1.9**	**2 478**	**30.9%**
Retail (A-IRB)								
	0.00 to <0.15							
	0.15 to <0.25	4	0.2%	1	45.0%	0.0	1	25.0%
	0.25 to <0.50	0	0.0%	1	0.0%	0.0	0	
	0.50 to <0.75							
	0.75 to <2.50	11	1.8%	22	35.6%	0.0	5	45.5%
	2.50 to <10.00	165	4.8%	243	45.0%	0.0	102	61.8%
	10.00 to <100.00	1	13.6%	2	60.2%	0.0	1	100.0%
	100.00 (Default)							
Retail (A-IRB) - Sub total		**181**	**4.6%**	**269**	**44.5%**	**0.0**	**109**	**60.2%**
Total (all CCR relevant exposure classes)		**36 293**	**0.1%**	**965**	**43.2%**	**2.4**	**9 138**	**25.2%**

As compared to Q2 2022 REA for CCR exposures risk weighted under internal approach decreased by SEK 1.1bn. This is mainly due to lower EAD for corporates and institutions.

Table 3.37: EU CCR5 - Composition of collateral for CCR exposures, 31 December 2022

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
SEKm	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency		26 950		11 849				
Cash – other currencies		6 786		36 343				
Domestic sovereign debt	4 032	66	7 689	270		62 340		47 868
Other sovereign debt		1 591						
Government agency debt								
Corporate bonds								
Equity securities	105		105			243		14
Other collateral	508	149	2 095			55 966		42 429
Total	**4 645**	**35 542**	**9 889**	**48 462**		**118 549**		**90 311**

The table presents the fair values of collateral (received and/or posted) used in CCR exposures related to derivative transactions and SFTs.

Table 3.38: EU CCR6 - Credit derivatives exposures, 31 December 2022

SEKm	Protection bought	Protection sold
Notionals		
Single-name credit default swaps		
Index credit default swaps	3 551	
Total return swaps		
Credit options		
Other credit derivatives		
Total notionals	3 551	
Fair values		
Positive fair value (asset)		
Negative fair value (liability)	-9	

Notional values of index credit default swaps have increased by SEK 0.1bn compared to Q2 2022.

Table 3.39: EU CCR7 - RWEA flow statements of CCR exposures under the IMM, 31 December 2022

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

Table 3.40: EU CCR8 - Exposures to CCPs, 31 December 2022

SEKm	Exposure value	RWEA
Exposures to QCCPs (total)		**531**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	8 067	191
(i) OTC derivatives	7 066	171
(ii) Exchange-traded derivatives		
(iii) SFTs	1 001	20
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	9 835	
Non-segregated initial margin	8 520	191
Prefunded default fund contributions	750	149
Unfunded default fund contributions	750	
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

Exposure value for QCCPs has decreased compared to Q2 2022 as a result of decrease in derivatives exposure. REA decreased by SEK 0.3bn.

Disclosure of exposures to securitisation positions

EU-SECA - Qualitative disclosure requirements related to securitisation exposures

Table 3.41: EU SEC1 - Securitisation exposures in the non-trading book, 31 December 2022

	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS		Non-STS					STS	Non-STS			STS	Non-STS		
SEKm		of which SRT		of which SRT		of which SRT									
Total exposures													451		451
Retail (total)													451		451
Residential mortgage															
credit card															
other retail exposures													451		451
re-securitisation															
Wholesale (total)															
loans to corporates															
Commercial mortgage															
lease and receivables															
other wholesale															
re-securitisation															

In April 2022 Swedbank invested in a traditional securitisation financing the renovation of multi-apartment buildings in Lithuania.

Table 3.42: EU SEC2 - Securitisation exposures in the trading book, 31 December 2022

SEKm	Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
Total exposures												
Retail (total)												
residential mortgage												
credit card												
other retail exposures												
re-securitisation												
Wholesale (total)												
loans to corporates												
commercial mortgage												
lease and receivables												
other wholesale												
re-securitisation												

Swedbank has no securitisation exposures in the trading book.

Table 3.43: EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor, 31 December 2022

SEKm	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
Total exposures																	
Traditional transactions																	
Securitisation																	
Retail underlying																	
Of which STS																	
Wholesale																	
Of which STS																	
Re-securitisation																	
Synthetic transactions																	
Securitisation																	
Retail underlying																	
Wholesale																	
Re-securitisation																	

Swedbank has no sponsored or originated securitisation transactions.

Table 3.44: EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor, 31 December 2022

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
SEKm	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
Total exposures	451							451				68				5	
Traditional securitisation	451							451				68				5	
Securitisation	451							451				68				5	
Retail underlying	451							451				68				5	
Of which STS																	
Wholesale																	
Of which STS																	
Re-securitisation																	
Synthetic securitisation																	
Securitisation																	
Retail underlying																	
Wholesale																	
Re-securitisation																	

Swedbank has invested in a senior securitisation position. Swedbank's REA of the securitisation position was calculated using the SEC-SA approach and amounted to SEK 68m.

Table 3.45: EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments, 31 December 2022

	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
SEKm		Of which exposures in default	
Total exposures			
Retail (total)			
residential mortgage			
credit card			
other retail exposures			
re-securitisation			
Wholesale (total)			
loans to corporates			
commercial mortgage			
lease and receivables			
other wholesale			
re-securitisation			

Swedbank has not securitised any exposures.

4. Market risk

Swedbank's risk appetite for market risk is low and the majority of the risk is structural or strategic in nature and emerges within Group Treasury. Market risk also arises in the daily market-making and client facilitation activities of the trading book.

Market risk

The risk to value, earnings, capital or exposure arising from movements of risk factors in financial markets. Value covers both economic value and accounting value and include valuation adjustments such as CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment).

Highlights 2022

The trend of inflation and interest rate volatility at the end of 2021 continued and accelerated during 2022. Geopolitical tensions also increased significantly with Russia's invasion of Ukraine in February. As a consequence, energy prices rose pushing inflation even higher. Central banks have responded to the increased inflation with significantly higher rates and reductions of their QE programs. 2022 has also been characterised by significantly higher market volatility compared to 2021.

EU MRA - Qualitative disclosure requirements related to market risk

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

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

The Group's total risk-taking is governed by the risk appetites decided by the Board of Directors, which limit the nature and size of market risk-taking. Only risk-taking units, i.e. units approved for risk-taking by the CEO, are permitted to take market risk. The framework includes limits as well as escalation triggers (ETs) and key risk indicators (KRIs). CEO limits are allocated to the CFO for further allocation. To supplement limits allocated by the CEO, additional limits are set by Executive management to avoid building risk concentrations. CFO limits are allocated to the Head of Large Corporates and Institutions (LC&I), Head of Baltic Banking and the Head of Group Treasury, respectively. Limits are further allocated within respective business area or group function. Additional limits could be assigned to specific desks, subsidiaries or organisational units.

There are other units within the Group where arising banking book market risks, for various practical purposes, cannot efficiently be transferred in its entirety to Group Treasury. In these cases, the Head of Group Treasury can grant market risk mandates to such units in the form of administrative limits, ETs or KRIs.

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

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

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

EU MRB - Qualitative disclosure requirements for institutions using the internal market risk models

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

VaR and Stressed VaR

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

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

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

Sensitivity analysis

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

Stress tests

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

Historical stress tests attempt to capture various effects on the current portfolio using past market data from periods of particular stress. In effect, these tests present the possible losses to the current portfolio if history were to repeat itself. The set of historical scenarios and relevant market data goes as far back as 30 years. It covers financial events (such as the 1992 Swedish banking crisis or the 2008 subprime mortgage meltdown) and non-financial events (such as the September 2001 terror attacks or the 2011 Japan earthquake).

Hypothetical stress tests attempt to quantify the change in portfolio value that would result from hypothetical and extreme shifts in risk factors. These tests include standardised single or cross-asset tests with large but possible shifts that are historically informed. Other forward-looking tests can include more customised tests which may be run on an ad-hoc basis, or the EBA stress test performed every second year. Some customised tests may be more routinely established, such as the reverse stress test.

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

Table 4.1: EU MR1 - Market risk under the standardised approach, 31 December 2022

SEKm	RWEAs
Outright products	
Interest rate risk (general and specific)	3 891
Equity risk (general and specific)	6
Foreign exchange risk	316
Commodity risk	
Options	
Simplified approach	
Delta-plus approach	
Scenario approach	
Securitisation (specific risk)	
Total	**4 213**

As of Q4 2022 Swedbank's risk exposure amount for market risk, based on calculations according to the standardised approach, was SEK 4 213m (Q2 2022 was SEK 5 151m). This change was to a large part driven by reduced exposure to specific interest rate risk in the trading book. This in turn was driven by decreased positions in Norwegian institutions (SEK -424m) and corporates (SEK -115m) debt instruments and Swedish corporate bonds (SEK -206m).

Table 4.2: EU MR2-A - Market risk under the internal Model Approach (IMA), 31 December 2022

SEKm		RWEAs	Own funds requirements
1	**VaR** (higher of values a and b)	6 820	546
(a)	Previous day's VaR (VaRt-1)		104
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		546
2	**SVaR** (higher of values a and b)	10 428	834
(a)	Latest available SVaR (SVaRt-1))		176
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		834
3	**IRC** (higher of values a and b)		
(a)	Most recent IRC measure		
(b)	12 weeks average IRC measure		
4	**Comprehensive risk measure** (higher of values a, b and c)		
(a)	Most recent risk measure of comprehensive risk measure		
(b)	12 weeks average of comprehensive risk measure		
(c)	Comprehensive risk measure Floor		
5	Other		
6	**Total**	**17 248**	**1 380**

Table 4.3: EU MR2-B - RWA flow statements of market risk exposures under the IMA, 31 December 2022

SEKm	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
RWEAs at previous period end	**7 189**	**13 042**				**20 231**	**1 618**
Regulatory adjustment	5 415	10 066				15 481	1 238
RWEAs at the previous quarter-end (end of the day)	1 774	2 976				4 750	380
Movement in risk levels	-480	-777				-1 257	-101
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other							
RWEAs at the end of the disclosure period (end of the day)	1 294	2 199				3 493	279
Regulatory adjustment	5 526	8 229				13 755	1 101
RWEAs at the end of the disclosure period	**6 820**	**10 428**				**17 248**	**1 380**

Table 4.4: EU MR3 - IMA values for trading portfolios, 31 December 2022

SEKm	
VaR (10 day 99%)	
Maximum value	167
Average value	114
Minimum value	60
Period end	104
SVaR (10 day 99%)	
Maximum value	328
Average value	246
Minimum value	164
Period end	176
IRC (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	
Comprehensive risk measure (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

At the end of the year, the REA for Swedbank's market risk, based on calculations according to the IMA, was SEK 17.2bn (Q2 2022: SEK 18.5bn). The decrease was mainly attributable to reduced general interest rate risk exposure.

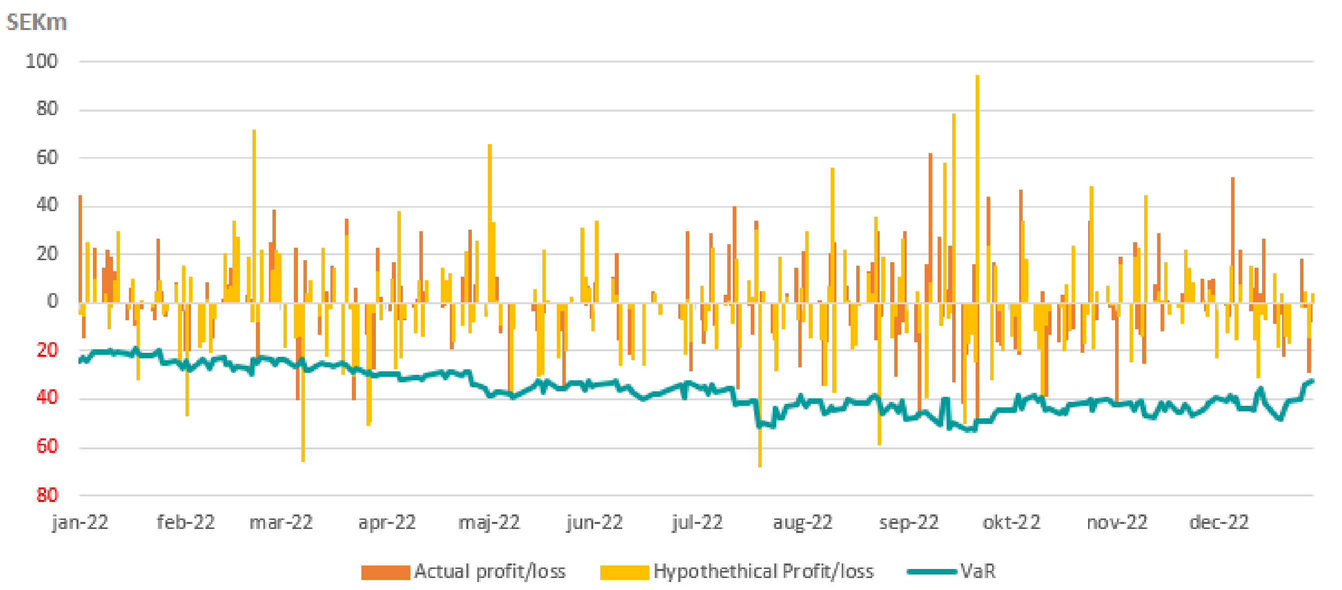
The total REA for Swedbank's market risk was SEK 21.5bn (Q2 2022: SEK 23.6bn).

Table 4.5: EU MR4 - Comparison of VaR estimates with gains/losses

Backtesting

Swedbank conducts both actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results, cleaned from commissions and fees and excluding monthly value adjustments (such as CVA reservations). The hypothetical backtesting uses close-of-business positions and revalues the portfolio with the latest market data to obtain a hypothetical result. The actual, as well as the hypothetical result, is then compared with VaR to ensure the validity of the IMA VaR model. If actual or hypothetical losses exceed the calculated value at risk estimated losses, it is considered an "exception". Backtesting exceptions impact the IMA REA. Given the confidence level of 99%, an exception about 2-3 times per year would be statistically expected.

Swedbank had 11 exceptions in the hypothetical backtesting and six in the actual for 2022, as shown below. All exceptions were related to increased market volatility during the year.



EU IRRBBA - Qualitative information on interest rate risk of non-trading book activities

In Swedbank IRRBB is defined as the risk in the banking book to value, earnings, or capital arising from movements in interest rate risk factors in financial markets. Value covers both economic value and accounting value.

When it comes to IRRBB management and mitigation different management layers and independent committees are established to monitor and control the IRRBB with the ultimate responsibility to lie with the Board of Directors. A three lines of defence model with different authorities and responsibilities is adopted to manage the risk, subject to a well-defined structure of risk appetite and limits. The Risk Appetite and limits are reviewed at least on an annual basis while ad hoc updates are made when deemed necessary. The interest rate risk in the banking book is transferred from business units to Group Treasury, via a Funds Transfer Pricing mechanism, where it is centrally managed. Interest rate swaps are the main hedging instruments used to mitigate the interest rate risk, while future and forward contracts may also be considered. Risk identification, measurement, monitoring and control are always performed from both economic value and earnings perspectives. Stress testing and reverse stress testing are periodically performed to explore possible adverse impacts on bank's economic value and earnings and to identify potential vulnerabilities.

Swedbank uses various sensitivity measures that are calculated daily in order to grasp each portfolio's sensitivity to changes in one or more interest rate risk factors. For example, measures used for interest rate sensitivities may include one basis point shifts along various parts of the curve to capture basis risk or a 100-basis point parallel shift which attempts to capture convexity effects. Additionally, supervisory outlier test scenarios are calculated in accordance with prescribed methodology along with proprietary stress testing scenarios. Other sensitivity measures applied to net interest income include for instance a 100-basis point shift and stress testing scenarios which are calculated on monthly basis.

There is also modelling of non-maturity deposits included in the calculation of the different sensitivity measures. For these non-maturity deposits the average repricing maturity assigned to the core part is 1.3 years, while the average and longest repricing maturity assigned to all non-maturity deposits is 0.4 years and 4.3 years respectively.

In the disclosed table Net Interest Income Sensitivity has been modelled using the following assumptions: Loan contracts with a contractual floor have a zero percent floor on the market rate, deposits on transaction accounts get no change in the costumer rate when rates increase, and all deposits made by private costumers have a zero percent floor on the costumer rate when rates decrease. These assumptions are quite easy to grasp, however for everyday use within the bank some additional assumptions are applied to NII-sensitivity calculations in order to make them more rigorous. These additional assumptions apply to mortgage loans and deposits, which are divided into additional groups to more precisely model floors and other behavioural aspects.

To formulate its hedging strategy Swedbank considers its current interest rate risk profile, from both economic value and earnings perspectives, the anticipated balance sheet developments and their impact on interest rate risk metrics along with the economic and market developments. Swedbank also balances the potential impacts of the hedging on the risk metrics along with the execution costs and the potential income implications.

Interest rate swaps are primarily employed for mitigating interest rate risk arising from issuing funding instruments (micro hedging) but also for mitigating interest rate risk arising from a portfolio of fixed rate mortgage lending (macro hedging). In order to minimize or avoid volatility in the profit or loss from fair value changes in derivatives that are entered to hedge non trading financial instruments, Swedbank has elected to apply hedge accounting under IFRS 9. For a fair value hedge of the interest rate exposure of a portfolio of financial assets, Swedbank has elected to apply the hedge accounting requirements under IAS 39.

Interest rate swaps designated as hedging instruments are reported in the balance sheet on the Derivatives line. The IRS currencies depend on the currency of the hedged exposure and the market conditions.

The IRS used for interest rate risk hedging, with the exception of basis swaps, are cleared through Central Counterparty Clearing Houses (CCPs) and in this way the counterparty credit risk is eliminated.

Table 4.6: EU IRRBB1 - Interest rate risk of non-trading book activities

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
SEKm	Current period	Last period	Current period	Last period
Parallel up	-3 036	-4 809	7 794	7 740
Parallel down	3 452	5 901	-3 274	-4 571
Steepener	-709	-207		
Flattener	-1 334	- 2 087		
Short rates up	-2 732	-4 014		
Short rates down	211	2 112		

5. Liquidity risk

Swedbank's liquidity position remained strong with solid buffers above regulatory requirements, enabling the bank to grow with its customers and withstand changes in the economic conditions.

Liquidity risk

The risk of not being able to meet payment obligations when they fall due without incurring considerable additional costs for obtaining funds or losses due to asset fire-sales.

Highlights 2022

Due to increasing inflation during the year, central banks have shifted from accommodative policies to restrictive, and begun quantitative tightening during 2022. The discontinued central bank asset purchases have slowed deposit growth.

EU LIQA - Liquidity risk management

Strategies and processes in liquidity risk management

The liquidity risk that is acceptable for achieving the strategic goals of the Group, risk appetite, is defined by the Board of Directors. The risk appetite comprises both qualitative and quantitative statements. The Group has a low appetite for liquidity risk to ensure that the Group always should be able to continue to serve its customers and therefore maintains resilience towards both short-term and long-term liquidity stress without relying on forced asset sales or other business disrupting activities.

For the purpose of ensuring that liquidity risk stays within appetite, and ultimately for supporting the Group's strategic goals, the maintenance of a liquidity-generating capacity, together with funding planning and risk identification, are key processes within Swedbank's liquidity risk management.

The liquidity-generating capacity comprises two components. First, the Group's liquid assets, which comprise the liquidity reserve, i.e., liquid assets under the direct control of Group Treasury, as well as eligible unencumbered assets held elsewhere in the Group. Second, over-collateralisation in the cover pool, which also represents liquidity-generating capacity as it can be used to issue covered bonds.

The inclusion criteria for liquid assets correspond to the definition of High-Quality Liquid Assets (HQLA) in the Delegated regulation on the Liquidity Coverage Ratio (LCR). The size and currency distribution of the reserve is determined by the maturity structure and composition of asset and liabilities and internal and external requirements, e.g., risk appetite, limits, and regulations applicable for Group and its Subsidiaries.

Swedbank's funding strategy is based on three objectives: diversification, commitment, and proactivity. Funding shall be diversified based on long-term and short-term debt, different products, the maturity profile, geographies, and the currency distribution.

Commitment is shown by maintaining a regular presence in the chosen markets and by providing liquidity. In order to be proactive in funding decisions, the Group monitors market developments and trends in the capital markets, including regulatory requirements, accounting changes and demands from rating agencies and investors. The funding strategy supports liquidity risk management, as it aims to ensure reliable access to funding markets.

The Group's funding strategy forms the basis for a more granular and tactical funding plan for issuance of debt where planned actions and activities are outlined. The funding plan spans a three-years period and is revised at least yearly, or when deemed appropriate due to changes in internal or external circumstances.

Liquidity risk identification is mainly managed through the Risk Identification Process (RIP), which is an annual process where liquidity risk topics are discussed. As part of the RIP, a gross risk inventory is established and maintained. Liquidity risk factors stemming from on- and off-balance sheet items are well known and covered by the risk inventory.

Structure and organisation of the liquidity risk management function

Group Risk is responsible for ensuring that liquidity risks are identified and properly managed by Group Treasury and for this purpose have the responsibility to develop and maintain internal Group-wide methods for liquidity risk measurement and a limit framework. Group Risk is responsible for governance and strategies within the area of liquidity risk control and provides independent review of liquidity risk management. The division of responsibilities between Group Treasury and Group Risk with respect to liquidity risk management and control are regulated by internal policies.

The local Baltic subsidiary banks have separate risk functions. The local risk function is responsible for ensuring that liquidity risks are identified and properly managed by local Treasury and for governance and strategies within the area of liquidity risk control. Local liquidity risk control operate within governance and strategies set on Group level.

Centralisation of liquidity management and interaction between the Group's units

Swedbank Group employs a centralised liquidity management, in the sense that regardless of where the liquidity reserve is located, Group Treasury is responsible for monitoring and coordinating the management of the reserve in different legal entities. Regulatory or other reasons are taken into account in the allocation of liquidity, why parts of the liquidity reserve may be held by different legal entities within the Group when deemed necessary.

Besides the central Group Treasury function, also local Treasury functions are established with responsibilities for local liquidity management. Due to the centralised approach, the Group Treasury function operates in close collaboration with the local functions.

Scope and nature of liquidity risk reporting and measurement systems

The liquidity position is regularly reported to the management body through a range of channels. The monthly reports by the CFO and CRO target different committees and are reported to the Board of Directors. The scope covers the key liquidity metrics, including point in time outcomes, historical comparisons and forward-looking perspectives. In addition, the ILAAP and the Risk Management and Capital Adequacy reports are well anchored throughout the management lines and is ultimately targeting the Board of Directors. Besides the internal risk reporting, external reporting is made to supervisors and other stakeholders.

The liquidity systems provide information required in supporting the liquidity risk management processes and cater for measurement of key external and internal liquidity metrics as well as for data for analysis. The system solutions source relevant information and logic for generating cash flows and for structuring and compiling the data in accordance with common rules.

Mitigating liquidity risk

Internal rules and a risk limit framework aim to ensure that risks stay within appetite. The limits are decided by the CEO and allocated to the relevant Executive management (the CFO in the case of liquidity risk). Executive management then allocates the limit to the ultimate risk-owner, which in the case of liquidity risk is the Head of Group Treasury. Executive management may also impose limits in addition to the ones decided by the CEO.

Through the Risk Limit Framework, the risk appetite determines minimums for the earlier described liquidity-generating capacity.

The risk appetite is limited by the regulatory metrics Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and by survival periods, as measured by the internal Survival horizon metric. The liquidity positions as captured by the limiting metrics are monitored daily.

The Survival horizon metric is central in the management of liquidity. The survival period in the Survival horizon gives answer to the question: "for how many days would the bank survive assuming liquidity was under severe pressure?". In addition to estimating the survival period itself, the liquidity position is evaluated at certain key horizons.

The survival period is determined by the liquidity-generating capacity and the scenario-determined projected stressed cash flows. The projected cash flows cause the liquidity position to either increase or decrease over the scenario horizon. The survival period is defined as the number of consecutive days for which the liquidity position is non-negative. Cash flows are projected using stressed assumptions, meaning for instance that wholesale funding is not, or is only partially, rolled over. Other key assumptions are that significant deposit withdrawals occur, and a severe decline in house prices.

Business continuity

Swedbank maintains Business Continuity Plans (BCPs) to manage liquidity disruptions and incidents. The BCPs specify the situations under which Group Treasury's Crisis Management Team would be activated, and the range of actions that then may be taken to restore the situation.

A primary objective of the BCP for liquidity is to ensure that action is taken in an early phase, avoiding activation of the Recovery Plan. To this end, Group Treasury maintains limits and targets for Recovery indicators set above their Recovery trigger levels.

Should the situation nevertheless become more severe, the CEO summons the Recovery Committee, and more far-reaching recovery options become available.

There is also a BCP dedicated to intraday liquidity management which covers routines activated in the event of disruptions to critical IT systems used in the intraday liquidity management process, and in the event of an intraday liquidity crisis. BCPs are also established in the Baltic subsidiaries.

Stress testing

The risk appetite for liquidity risk is the range of adverse scenarios the bank shall have a capacity to withstand. The lower the risk appetite, the more adverse a scenario the bank must be able to manage.

In stress testing, scenarios that are more severe than envisioned in the risk appetite are imposed. The liquidity position in those severely adverse scenarios is compared to the risk appetite limits. The assessment is an attempt to answer the question – "given the current risk appetite, how would Swedbank fare if the materialised stress was significantly more severe than envisioned in the metrics used for daily liquidity steering?".

The stress test also assesses whether and when recovery triggers and/or regulatory requirements are breached for metrics such as the Survival horizon, LCR and NSFR.

In addition to the annual ILAAP stress test, quarterly stress tests (using the ILAAP scenario) and sensitivity analyses are conducted to continually attempt to identify weaknesses.

Risk declaration

Swedbank has, through its established risk management processes and governance framework, adequate arrangements for liquidity risk management and for maintaining the low risk appetite.

Risk statement

Risk appetite is the level of liquidity risk that is acceptable for achieving the strategic goals of the Group. The Group has a low appetite for liquidity risk to ensure that the Group always can continue to serve its customers and shall therefore maintain resilience towards both short-term and long-term liquidity stress without relying on forced-asset sales or other business disrupting activities.

For the purpose of ensuring that liquidity risk stays within appetite, and ultimately for supporting the Group's strategic goals, the maintenance of a liquidity-generating capacity, together with funding planning and risk identification, are central processes within Swedbank's liquidity risk management.

The risk appetite is limited by the regulatory metrics Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and by survival periods, as measured by the internal Survival horizon metric. In an assumed adverse scenario, the Survival horizon metric displays the number of days with a positive net liquidity position, taking future cash flows from all aspects of the balance sheet into account. Throughout 2022 Swedbank's liquidity position was strong with all key metrics remaining well above internal and regulatory requirements.

Table 5.1: EU LIQ1 - Quantitative information of LCR

	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY) **SEKm**	**31 December 2022**	**30 September 2022**	**30 June 2022**	**31 March 2022**	**31 December 2022**	**30 September 2022**	**30 June 2022**	**31 March 2022**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					716 743	725 870	753 524	743 708
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	852 180	836 517	818 432	797 857	55 464	54 367	53 220	51 883
Stable deposits	638 669	628 513	614 283	597 097	31 933	31 426	30 714	29 855
Less stable deposits	213 510	208 003	204 149	199 778	23 531	22 941	22 506	22 028
Unsecured wholesale funding	677 635	690 094	702 960	693 355	410 290	411 553	422 056	412 130
Operational deposits (all counterparties) and deposits in networks of cooperative banks	369 251	385 588	388 675	385 506	138 895	143 168	143 416	138 949
Non-operational deposits (all counterparties)	209 994	205 015	207 694	208 563	173 005	168 894	172 048	173 896
Unsecured debt	98 390	99 490	106 592	99 286	98 390	99 490	106 592	99 286
Secured wholesale funding					8 368	8 074	7 080	6 079
Additional requirements	378 282	379 475	382 397	379 903	71 297	66 455	66 905	66 170
Outflows related to derivative exposures and other collateral requirements	37 948	32 900	33 078	32 428	37 948	32 900	33 078	32 428
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	340 334	346 575	349 319	347 475	33 349	33 555	33 827	33 743
Other contractual funding obligations	38 086	35 253	28 316	22 397	32 715	30 094	23 093	17 094
Other contingent funding obligations	55 364	55 319	54 464	54 269				
TOTAL CASH OUTFLOWS					578 133	570 543	572 353	553 356

CASH - INFLOWS								
Secured lending (e.g. reverse repos)	70 392	66 102	61 878	59 134	4 422	4 040	3 628	3 453
Inflows from fully performing exposures	40 320	38 640	37 196	34 570	29 257	27 932	26 701	25 105
Other cash inflows	47 004	38 026	30 978	27 046	47 004	38 026	30 978	27 046
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
TOTAL CASH INFLOWS	157 716	142 767	130 052	120 750	80 684	69 997	61 307	55 603
Fully exempt inflows								
Inflows subject to 90% cap								
Inflows subject to 75% cap	157 716	142 767	130 052	120 750	80 684	69 997	61 307	55 603
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					716 743	725 870	753 524	743 708
TOTAL NET CASH OUTFLOWS					497 449	500 545	511 046	497 752
LIQUIDITY COVERAGE RATIO					145%	146%	149%	151%

EU LIQB on qualitative information on LCR, which complements template EU LIQ1

The average LCR has experienced a decrease of one percentage point since the third quarter of 2022. The main drivers were a slight decrease in the liquidity reserve and an increase in cash outflows from non-operational deposits and derivatives. These effects were partially offset by an increase in other cash inflows.

Swedbank is a retail bank with diversified funding. Low level of concentration is maintained by the large and broad base of depositors, and by wholesale funding that is diversified across investors, instrument types and currencies.

The largest volume of holdings in Swedbank's liquidity reserve are central bank assets. Residual assets of size in the reserve are government bonds and covered bonds of very high quality. For assessing potential additional outflows from derivatives and other collateral requirements, the historical look-back approach (HLBA) is used, together with estimated effects from eventual rating downgrades.

Swedbank actively manages currency mismatches in the Group. In addition, Swedbank is required to comply with LCR requirements for significant currencies.

There are no material items in Swedbank's LCR that are not captured in the disclosure template.

Table 5.2: EU LIQ2 - Net Stable Funding Ratio, 31 December 2022

	Unweighted value by residual maturity				Weighted value
SEKm	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	**175 237**	**2 697**	**5 549**	**13 438**	**188 674**
Own funds	175 236	2 697	5 549	13 438	188 674
Other capital instruments					
Retail deposits		**875 367**			**820 524**
Stable deposits		653 869			621 175
Less stable deposits		221 498			199 348
Wholesale funding:		**868 517**	**92 159**	**415 258**	**653 077**
Operational deposits		229 463			114 732
Other wholesale funding		639 054	92 159	415 258	538 345
Interdependent liabilities					
Other liabilities:	**11 641**	**71 244**		**957**	**957**
NSFR derivative liabilities	11 641				
All other liabilities and capital instruments not included in the above categories		71244		957	957
Total available stable funding (ASF)					**1 663 231**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					**5 226**
Assets encumbered for more than 12m in cover pool				**282 102**	**239 787**
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:		**201 816**	**103 336**	**1 334 306**	**1 070 754**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		26 000			
Performing securities financing transactions with financial		46 717	6 973	24 415	30 650

customer collateralised by other assets and loans and advances to financial institutions					
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		111 909	81 972	362 633	404 241
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		88	275	4 687	3 228
Performing residential mortgages, of which:		13 672	12 761	936 219	624 424
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		11 788	11 096	922 894	611 323
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		3 518	1 629	11 039	11 438
Interdependent assets					
Other assets:		**79 632**		**63 696**	**68 634**
Physical traded commodities					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				17 330	14 730
NSFR derivative assets					
NSFR derivative liabilities before deduction of variation margin posted		61 872			3 094
All other assets not included in the above categories		17 759		46 366	50 810
Off-balance sheet items		**87 097**	**41 159**	**238 993**	**19 691**
Total RSF					**1 404 092**
Net Stable Funding Ratio (%)					**118**

The Net Stable Funding Ratio (NSFR) has decreased during 2022, from 123% to 118%. The main driver behind this change has been an increase in the Required Stable Funding (RSF), mainly due to increased lending to non-financial corporate clients and residential mortgage customers. This effect was partially offset by an increase in the Available Stable Funding (ASF), mainly due to an increase in retail deposits.

The ASF is mostly composed of funding from deposits and long-term issued debt. A general trend since 2021 Q2 has been an increase in deposits, most importantly, retail deposits, that are classified as being more stable. This has lessened the need for market-based funding and resulted in a decrease in wholesale funding.

The RSF is mostly composed of funding needed to give out residential mortgage loans and loans to non-financial corporate clients. It is relevant to note that there is a slight interdependence between residential mortgage loans and long-term issued debt in the form of covered bonds. When a covered bond is issued, more stable funding is made available in the category wholesale funding. However, this also encumbers a corresponding volume of residential mortgage loans that then receive a slightly higher factor weight which in turn increases the required funding.

Table 5.3: EU AE1 - Encumbered and unencumbered assets, 31 December 2022

SEKm	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**505 556**	**40 969**			**2 114 178**	**582 997**		
Equity instruments					4 608		3 429	
Debt securities	40 969	43 439	41 165	41 165	170 614	155 419	170 760	155 540
of which: covered bonds	23 381	23 381	23 483	23 483	21 567	20 702	21 632	20 766
of which: securitisations								
of which: issued by general governments	14 480	14 480	14 557	14 557	12 177	10 484	12 187	10 492
of which: issued by financial corporations	26 489	26 489	26 608	26 608	35 844	26 681	35 952	26 760
of which: issued by non-financial corporations					11 063	643	11 088	646
Other assets	464 111				1 967 739	427 578		

Table 5.4: EU AE2 - Collateral received and own debt securities issued, 31 December 2022

SEKm	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	**44 813**	**44 813**	**75 569**	**27 886**
Loans on demand				
Equity instruments			3 400	
Debt securities	44 813	44 813	31 995	27 886
of which: covered bonds	8 532	8 532	26 089	23 569
of which: securitisations				
of which: issued by general governments	31 336	31 336	1 946	1 661
of which: issued by financial corporations	15 192	15 192	28 353	25 714
of which: issued by non-financial corporations			992	604
Loans and advances other than loans on demand			36 932	
Other collateral received			849	
Own debt securities issued other than own covered bonds or securitisations				
Own covered bonds and asset-backed securities issued and not yet pledged			**359**	
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**550 369**	**85 782**		

Table 5.5: EU AE3 - Sources of encumbrance, 31 December 2022

SEKm	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	518 893	524 993

EU AE4 - Accompanying narrative information

A large share of Swedbank's assets is unencumbered, as can be seen in table 5.3. These assets provide flexibility and can be used if need would arise.

The main source of asset encumbrance is mortgages, which become encumbered when they are used as collateral when issuing covered bonds. Apart from these loans, assets are also encumbered as a natural consequence of derivative and repo transactions, with most of such encumbrance stemming from Swedbank AB. Unencumbered assets under "other assets" include assets not eligible for pledging in central banks such as intangible assets. See table 5.3 illustrating Swedbank's current and potential level of asset encumbrance.

6. Operational risk

The ongoing digital transformation, evolving technological trends, remote access as well as organised crime and geopolitical tensions raised information security threats, including cyber and external fraud risk, requiring improved ways of protection.

Operational risk

The risk of losses, business process disruptions and negative reputational impact resulting from inadequate or failed internal processes, people and systems, or from external events.

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

Highlights 2022

Swedbank is a full-service bank in our four home markets. Our customers expect to continuously access Swedbank's services in a secure, convenient way, irrespective of the channel customers choose to meet us. This requires Swedbank to be able to maintain an efficient, stable, secure and resilient IT environment, including outsourced services.

While the war in Ukraine still has not had any major impact on Swedbank operations, the geopolitical tensions have escalated in 2022 compared to 2021 as the number of IT attacks against the financial industry have increased. During 2022, Bank's external threat level has been assessed as elevated, but Swedbank's capacity to manage these risks is good as Swedbank has not been materially impacted by external cyber-attacks during 2022.

Organized crime is a driver for increased fraud risk during 2022. Swedbank is committed towards preventing financial crime, fraud and protecting our customers. The security routines, prevention and detection capabilities as well as risk controls are always reviewed. Swedbank's ambition is to prevent fraud, and Swedbank is currently increasing efforts on prevention strategies, such as Awareness, Fraud and Security intelligence as well as Industry collaboration.

During 2022 Covid-19 pandemic effects no longer have had a major impact on Swedbank operations in our home markets. Strengthening remote availability of our services has remained in focus. Swedbank has embraced hybrid ways of working. The number of employees who work remotely remained stable during 2022. The remote access and ongoing digital transformation bring along certain information security threats including cyber risk and external fraud risk, requiring constant focus and improvement of ways of protection.

In 2022, the amount of material incidents remained stable compared to 2021. Risks and recurring incident events that continuously require a closer attention are associated with (but not limited to) Information Security & IT risks, Business Continuity risks, Fraud risks and Third-Party risks connected to reoccurring disruptions in critical customer-facing services.

In April, Swedbank experienced a serious IT incident in connection with a system update. The incident caused display of incorrect balances in customers' account statements and subsequent payment problems. Swedbank takes what occurred seriously and has taken extensive action to prevent similar events from occurring. In October, S-FSA informed Swedbank that it is considering sanctions against the bank.

Several other initiatives are ongoing to further improve operational resilience and to ensure acceptable levels of residual risks and a high level of availability for the bank's customers.

EU ORA - Qualitative information on operational risk

Operational risks are inherent in all Swedbank's business activities. It is not cost-efficient to attempt to eliminate all operational risks, nor is it possible to do so. However, Swedbank seeks to maintain the lowest possible level of operational risks, taking into account market sentiment and regulations, as well as Swedbank's strategy, rating ambition and capacity to absorb operational risk losses. Larger losses of material significance are rare and Swedbank aims to reduce the likelihood of such losses through operational risk management and control, as well as continuity management to maintain readiness for events that could cause financial losses or reputational damage or could impact the availability of significant customer-facing services.

The Board of Directors has defined the overall aim and principles for identification, analysis and reporting, monitoring and measurement of operational risk in the ERM Policy, the Group Risk Policy as well as in the

Operational Risk Policy which is supplemented and supported by additional directives, instructions and guidelines.

Management of operational risk

Every Business Area, Product Area, Group Function, as well as the Swedbank Branches and Subsidiaries own operational risks inherent in their operations. All managers throughout Swedbank have the responsibility for the continuous and active operational risk management as part of their first line risk management.

Business managers, in their capacity as first line of defence, own the risks within their respective areas of responsibility. They are responsible to ensure that there are appropriate processes and internal control structures in place to secure operational risk identification, assessment, management, monitoring and reporting. Business managers are also responsible to monitor that operational risk exposures are being kept within the boundaries of operational risk appetite and in alignment with the operational risk management framework. Operational risk managers are embedded within the first line of defence and are dedicated to assist business managers in their day-to-day operational risk management to ensure an effective implementation of operational risk management and internal control framework.

Group Risk is an independent second line of defence function which is responsible for identifying, monitoring, measuring, analysing and reporting on Swedbank's operational risks. In this capacity it provides operational risk assurance to the senior management, different risk committees, CEO and the Board of Directors by monitoring and assessing whether the first line of defence has adequate and effective operational risk management processes and controls in place. By providing independent and periodic risk reports, Group Risk caters and summarizes a detailed overview of operational risk appetites, risk exposures, statuses on operational risk limits, including key risk indicators, as well as covering significant incident and other relevant risk highlights.

Risk Assessment

The same methods (e.g., risk assessments) to self-assess operational risks are applied throughout the bank. These methods are used on regular basis to cover among others all significant processes within Swedbank and include identification of material risks, action planning and monitoring to manage any risks that may arise.

New Product Approval Process

Swedbank has a Group-wide process for New Product Approval covering all new and materially altered products, services, markets, processes and IT-systems as well as major operational and/or organisational changes including outsourcing. The purpose is to ensure that Swedbank does not enter into activities which entail unintended risks and that accepted risks are adequately managed and controlled as part of the process and also to ensure quality when launching new or materially altered products or services. The process is designed to emphasise the responsibility and accountability of the business areas for continuous overview of initiated NPAPs and continuous risk identification, analysis and mitigation. Group Risk and Group Compliance contributes with an expert evaluation of the risk analysis process and the residual risks, and both Group Risk and Group Compliance has the mandate to reject changes where risks exceed the risk appetite and the underlying limits.

Business Continuity Management

Swedbank's principles for Business Continuity Management are defined in a Group-level framework. Crisis Management teams are available both on a Group and on a local level to coordinate and communicate internally and externally. In addition, business continuity plans are in place for all critical processes, for IT-systems supporting these processes, and for services that are critical for society in the countries where Swedbank operates. The plans are implemented on a Group and on a local level and describe how Swedbank shall operate in the event of a severe business disruption or potential crisis situation.

Process and control management

An internal regulation on managing processes and process control has been adopted. Processes are managed and internal controls are identified by every Business Area, Product Area and Group Function across the bank. Specific framework for internal controls over financial reporting are applied for the processes concerned. In addition, a process universe is in place which clarifies the responsibilities of the significant processes, as well as for controls needed in these processes. As such, it supports operational risk management and risk control activities within Swedbank. During 2022 Swedbank initiated activity to further strengthen the process management framework and incorporate process governance in different resilience related activities.

Incident management

Swedbank works proactively to prevent and strengthen its resilience and ability to manage all types of incidents, such as IT disruptions, natural disasters, financial market disturbances, act of terrorism and pandemics, which may affect the Group's ability to provide services and offerings continually at an acceptable level. Group Risk supports business areas in reporting, analysing, and reviewing action plans to ensure that underlying causes are identified, and suitable actions are taken. Incidents and operational risk losses are reported in a central database for further analysis.

Insurance policies

Swedbank has insurance protection for significant parts of its operations and maintains several insurance programmes to mitigate operational risks (and other types of risks). These insurance programmes consist of external insurance solutions, internal captive solutions, and externally reinsured captive solutions. The external programmes include crime, professional liability, directors' and officers' liability, property insurance, and cyber insurance.

IT Risk

Swedbank has a structured approach to manage IT risks. IT serves a vital role in Swedbank, enabling the Bank and its Subsidiaries to run their business operations in a cost efficient, secure and scalable manner. Swedbank has well-documented and implemented processes and procedures that define how the Group operates, monitors and controls IT systems and services.

Information security risk

Swedbank has a structured approach to protect information. To strengthen these efforts, processes and routines are being constantly reviewed to improve and complement the bank's management system for information security. The management system is a tool to manage and coordinate the Group's long–term efforts in a structured and methodical way.

Third-party Risk

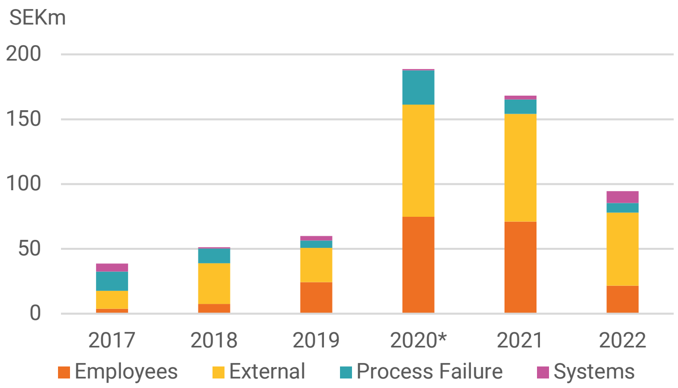
All outsourcing, including intra-group Outsourcing, is associated with risks. Swedbank remains fully responsible and accountable for all outsourced processes, services or activities. Standards on Outsourcing are defined to ensure that all outsourcing arrangement are conducted in controlled manner and outsourcing related risks are identified and adequately managed.

Legal risk

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

Operational risk losses

Figure 6.1: Total annual operational risk losses by Cause Categories



* Excludes the SEK 4bn administrative fine issued to Swedbank for systematic deficiencies to combat money laundering.

Figure 6.2: Operational risk losses during 2022 by Basel Event Types

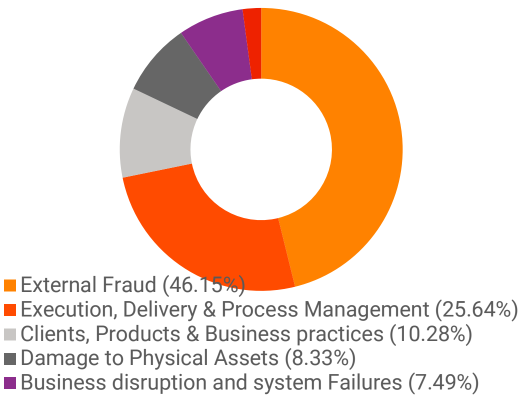
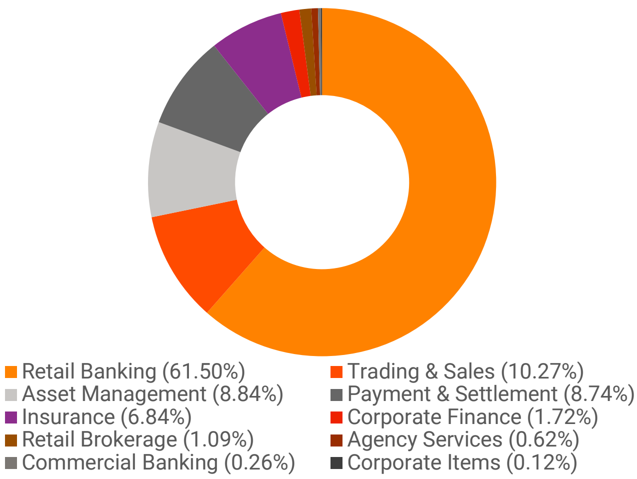


Figure 6.3: Operational risk losses during 2022 by Basel Business Lines



Capital requirements for operational risk

Pillar 1 capital

Swedbank calculates operational risk capital requirements using the standardised approach. Currently no other method is applied for this purpose. As such, the standardised approach assigns multipliers determined by the capital adequacy regulation and rules (beta factors) expressing the capital requirement in relation to gross income for each business line. A new method to calculate the operational risk capital requirements as a part of the amended CRR has been proposed to be implemented on 1 January 2025.

Table 6.1: EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts, 31 December 2022

Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
SEKm	2020	2021	2022		
Banking activities subject to basic indicator approach (BIA)					
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	46 152	47 419	53 614	6 400	79 995
Subject to TSA:	46 152	47 419	53 614		
Subject to ASA:					
Banking activities subject to advanced measurement approaches AMA					

Annual review of Operational Risk increased REA by SEK 4.4bn (75.6bn in 2021), caused by higher average income for the last three years calculated this year compared to last year.

7. Compliance risk

Swedbank has a low risk appetite for compliance risk and is committed to comply with the letter, spirit and intent of all applicable regulations, laws and standards of good market practice in every jurisdiction in which it operates.

> **Compliance risk**
> The risk of failure by the Group to fulfil and meet the external and internal regulations applicable to the Group's licensed operations.

Highlights 2022

Developments concerning the risk of money laundering and terrorist financing

Based on historic shortcomings and to meet the expectations from regulators, as well as Swedbank's target of being in the forefront in the fight against financial crime, the bank has since 2020 conducted extensive anti-money laundering and counter-terrorist financing (AML/CTF) remediation programmes. The programmes have amongst other things improved the Group's key processes and IT systems connected to risk assessment, know your customer (KYC), customer risk classification, transaction monitoring, financial sanctions, as well as internal and external reporting. The programmes have also clarified the responsibilities between first and second line of defence and assigned the compliance function the role as owners and standard setters of the overarching Group AML/CTF and financial sanctions frameworks.

During 2022, the programmes to address AML/CTF related shortcomings have continued according to plan. Over a three-year period (2020-2022), external experts are conducting an annual evaluation of the progress in the AML/CTF-related remediation programmes.

The U.S. authorities are continuing to investigate Swedbank's historical work and information disclosures concerning AML/CTF. The investigations are being conducted by the Department of Justice (DoJ), Securities Exchange Commission (SEC), Office of Foreign Assets Control (OFAC) and Department of Financial Services in New York (DFS). The investigations are at different stages and the bank cannot at this point in time predict any financial consequences or when the investigations will be completed.

Swedbank AS has been informed by the Estonian Prosecutor's Office of suspected money laundering in 2014 – 2016. The criminal investigation originates from the Estonian FSA's previous investigation of Swedbank AS in 2019. The maximum fine for the suspected crime is EUR 16m.

Developments concerning conduct risk

Swedbank identified during 2021 elevated compliance risks in the customer protection area and in the market surveillance area. The identified deficiencies in the customer protection area have been addressed in 2022. Work is ongoing within the bank to address the deficiencies identified in the market surveillance area. Swedbank's compliance function monitors this work.

On 1 July 2022, Swedbank received a claim from the Swedish Pensions Agency regarding Swedbank's historic role as a custodian bank for the fund Optimus High Yield 2012-2015 - an assignment which ended nearly ten years ago. The Swedish Pensions Agency has set a claim for the Bank of SEK 4 bn. Swedbank has on 18 August 2022 responded to the Swedish Pensions Agency that the bank disputes the claim.

Management of compliance risk

The first line of defence owns the compliance risks inherent in their operations. All managers throughout Swedbank have the responsibility for the continuous and active compliance risk management as part of their first line risk management. The following core compliance processes have been established to cater for effective management of compliance risks across the Group.

Regulatory screening and control

The main purpose of the regulatory screening and control process is to enable Swedbank to identify and take action on new, amended or revoked external regulations. In addition, the process provides assurance that changes are implemented adequately and on time.

Interaction with regulators

The aim with the process for interaction with regulators is to ensure that Swedbank upholds high quality and consistent standards in its dealings with the supervisory authorities overseeing the Group. The process also serves to provide an oversight of all material supervisory matters between the Group and its supervisors.

Risk-based planning

The risk-based planning process serves to make sure that the Group's material compliance risks are identified and assessed, and that relevant control activities are planned, using a risk-based approach to manage the related risk. It also improves coordination and information sharing between Group Risk, Group Compliance and Group Internal Audit towards aligned assurance.

Monitoring activities

Monitoring activities are in-depth reviews conducted by Group Compliance to assess how the Group complies with applicable external and internal regulations.

Advice and support

The advisory process for Group Compliance is a key activity for the function that enables sound and sustainable business in line with the regulatory expectations put on the Group.

Training

Mandatory compliance related trainings are regularly reviewed and updated to ensure they remain relevant and fit for purpose.

Compliance Change Activities

Swedbank continuously conducts compliance related change activities to ensure Swedbank's compliance risk management processes stay relevant and effective. In 2023, the compliance function will focus on strategic risk advice, forward looking capabilities and strengthening IT and data for key compliance processes.

Conduct risk

Swedbank continuously addresses risks related to the conduct of the bank and its employees by emphasising the importance of adherence to the Code of Conduct, sound ethics and mitigating conflicts of interest. Group Compliance is responsible for risk oversight and standard setting obligations for conduct risks (customer protection risks, market conduct risks and data protection risks).

Code of Conduct and compliance awareness

Swedbank has a mandatory annual Code of Conduct and ethics training for all employees. The training is part of the compliance awareness scheme, which includes trainings and activities to continuously highlight and address compliance awareness and the importance of being compliant.

Conflicts of interest

Swedbank's conflicts of interest processes set a common structure in the Group for identifying, documenting and mitigating any conflicts of interest related to the organisation, executives, and key position holders.

Internal alerts (whistleblowing)

Swedbank's internal alerts process allows employees and other stakeholders (both internal and external) to report and raise concerns of potential or actual failures to comply with external and internal rules or regulations, concerns of breaches of internal standards, irregularities, and criminal offences, including but not limited to, corruption, fraud, other financial crimes and sexual harassment.

Financial crime risk

Swedbank is a full-service retail bank offering a wide range of products and services to a large number of private and corporate customers. This makes the Group vulnerable and exposed to many predicate crimes in relation to money laundering as well as many different types of money laundering and terrorist financing schemes. The Group is also obliged to comply with various financial sanction programmes. Swedbank is applying robust and consistent AML/CTF and financial sanctions processes and procedures to prevent the use of the services, products or channels for purposes of money laundering and terrorist financing, as well as to comply with applicable financial sanction programmes. Group Compliance is responsible for risk oversight and standard setting obligations for financial crime risk (money-laundering and terrorist financing risk, financial sanctions risk, bribery- and corruption risk and facilitation of tax evasion risk).

Group AML/CTF framework

The Group AML/CTF framework aims to ensure clear roles and responsibilities as well as a clear AML/CTF risk strategy and risk appetite. Combined with a strong and coherent AML/CTF organisation and processes, it ultimately aims to ensure an effective overall AML/CTF risk management. The AML/CTF framework is reviewed annually.

The Group Specially Appointed Executive is the chair of the group-wide risk committee Group Financial Crime Committee, which has been established to ensure adequate and effective management of money laundering and terrorist financing risks in the Group.

General Risk Assessment

The Group performs a General Risk Assessment on an annual basis. In accordance with the risk-based approach, the identified and assessed inherent risks shall set the foundation for all AML/CTF routines, processes and measures in Group. This is to ensure that measures taken are commensurate with the risks that Swedbank is exposed to.

Know your customer

The Group framework outlines the minimum requirements as regards the performance of risk-based know-your-customer measures on customers, the customers' beneficial owners and authorised representatives. The Group has an ambition to have common standards in all home markets, however each Business Area and legal entity is accountable for interpreting and implementing the requirements in its business processes and legal requirements.

Transaction monitoring

To detect suspicious activities, behaviours or transactions which could be related to possible offences, money-laundering or terrorist financing, Swedbank performs risk-based transaction monitoring of its customer activities. This includes scrutiny of transactions undertaken throughout the course of the business relationship as well as occasional transactions.

Financial sanctions

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

The bank performs group-wide daily screening of all international payments, trade finance messages and the registers of new and existing customers, to ensure that Swedbank is not assisting with any transactions or retaining any business engagements that are subject to EU, UN or relevant US and/or UK sanctions.

Regulatory compliance risk

Through Swedbank's Policy on Enterprise Risk Management and the Policy for Group Compliance, it is established that the scope of Group Compliance covers regulatory compliance risk in relation to financial risk, operational risk and ESG (environment, social and governance) risk, to ensure risk oversight in relation to all regulations impacting the Group's licensed operations. Group Compliance has established processes and controls to provide assurance on regulatory compliance risk.

8. ESG Risk

ESG Risk

The risk that arises from the inability to properly identify and manage Environmental, Social or Governance ("ESG") related events that, if they occur, could cause material negative financial impact and/or material negative impact on the Group's brand and reputation.

Strategy and business processes

The Swedbank Strategic Direction

Sustainability, including the management of ESG risk, is an integrated part of Swedbank's long-term Strategic Direction as outlined by Swedbank's vision of "A financially sound and sustainable society". The vision subsequently cascades down into the strategy. The strategy is reviewed annually and assesses the external business environment, including for example customer demand and behaviour, the regulatory environment, and the macroeconomic environment. The process is complemented with a top-down risk assessment in order to capture strategic risks. The strategy also outlines specific strategic priorities related to sustainability, for example the focus to "Enable the sustainability transition" for corporate customers. Several key elements are in place to realise the focus area's ambition such as a Sustainable Funding Framework which includes green and social categories and various ESG-related financing offerings.

Business, Activity and Financial planning is the business process that concludes on ESG activities in the short- to mid-term, on Group level but also within Business areas and Group functions. The planning related to ESG is held together across the bank by the centralised Group Sustainability function, to support the transformation journey in the area across the bank and support with cross-group coordination.

Climate targets for the lending portfolio

As part of the commitment to the Science-Based Targets initiative and the Net-Zero Banking Alliance, Swedbank has committed to setting decarbonisation targets aiming to achieve net-zero emissions from own operations as well as from lending and investment activities by 2050 at the latest.

Swedbank during the year also adopted 2030 decarbonisation targets for the lending portfolio. The targets are in line with the global 1.5° C target and have been set for the following sectors: mortgages, commercial real estate, oil & gas, power generation and steel. The targets are seen as a strategic steering tool for the bank to help society in transition, do financially good business, manage climate change-related risks, and capture opportunities in the portfolios.

The decarbonisation targets aim to ensure that Swedbank's future balance sheet is aligned with the expected development of society in the longer term and hence reduce the long-term risks of climate-related transition risk.

Swedbank has also set environmental targets for its own operations, including for direct greenhouse gas emissions, energy consumption, waste and water consumption.

Credit strategy, engagement policies and business processes

Through its annual Credit Risk Outlook report the independent risk management function provides input to the business areas when setting their respective credit strategies. ESG risks and opportunities are central themes in the report which most recently focused on the European Union climate policy framework "Fit for 55" and its implications for different sectors and lending portfolios. The report also analysed how the climate transition is impacted by the Ukrainian war, and the aim for energy independence in Europe.

The Position statement on climate change prohibits or sets out conditions for the engagement with companies with carbon-intensive activities, and states that the bank shall advocate that its counterparties adopt a climate strategy and climate goals aligned with the Paris Agreement.

To support ESG risk assessment, Swedbank has implemented sector guidelines. The guidelines are tools to enable better insight into the sustainability issues faced by different industries, and to provide guidance on elements that can be discussed with clients, suppliers and other business partners.

In the procurement process all suppliers must sign Swedbank´s Code of Conduct and undergo a Sustainability Assessment before entering a contract. All suppliers who do not accept Swedbank Code of Conduct are escalated to the Procurement Sustainability Committee. All new suppliers need to answer several questions covering different ESG factors. Suppliers with a high "sustainability risk" tier will get a corrective action plan.

Swedbank has a Group-wide New Product Approval Process covering all new and/or revised products, services, activities, processes and/or systems as well as major operational and/or organisational changes. The purpose is to ensure that the Group does not enter into activities that entail unintended risks or risks that are not immediately managed and controlled as part of the process. In addition, the Group is able to assure quality when launching new and/or revised products and services.

Internal governance

The Board of Directors, with its overall responsibility for ensuring that the Bank's risks are managed and controlled, is responsible for the establishment of the risk framework, which includes policies covering risk appetite, risk management, and risk control. The Board has the responsibility to ensure that all relevant risks, including environmental risks, are identified, assessed, managed, monitored, internally reported, and controlled. The Board is responsible for the evaluation of the Bank's risk management and is responsible for regular review and evaluation of internal reports on risk exposure. As a risk type in Swedbank's Risk Taxonomy, ESG risk is integrated into the risk management process, with roles and responsibilities allocated in accordance with the three lines of defence concept.

The Board has assigned the CEO with the general responsibility for the Bank's implementation of the Board's strategies, for ensuring that these strategies are implemented across the Group, and for establishing and following up on the objectives for the Bank's operations. The Board has also assigned the CEO with the responsibility of ensuring that the Bank's risk management, internal control, and governance processes are satisfactory and in accordance with laws, internal and external regulations, and generally accepted practices or standards. The Board has delegated the CEO the responsibility for ensuring that the Group is organised adequately so that all risks – including ESG risks – are satisfactorily identified, assessed, managed, monitored, internally reported, and controlled. The Board has furthermore assigned the CEO with the responsibility to ensure that sustainability, with account taken to ESG risk, is an integrated part of the business.

To drive and coordinate group-wide efforts in the overall sustainability area, a group function, Group Sustainability, has been established. Group Sustainability is, inter alia, responsible for:

- the Swedbank Sustainability Roadmap, a five-year transformation plan centred on operationalising the sustainability aspects of the Strategic Direction and on stronger sustainability management.

- the sustainability reporting, in the Annual- and Sustainability Report, including parts of the EU Taxonomy, TCFD-reporting, and the Sustainable Bond Impact report.

- Coordinating the implementation of regulations stemming from the European Union's Sustainable Finance Action Plan.

- the ISO 14001 certification and the annual external audit. The "Management review" is conducted once a year in the bank's management team Group Executive Committee and the bank's subsidiaries. It's the bank's follow-up of the environmental work conducted by the bank. if the environmental goals have been achieved, how employees' environmental competence has developed and how well the bank complies with applicable environmental legislation. Group Sustainability coordinates the different business area's reporting and the audit.

The Head of Group Sustainability reports regularly on sustainability related issues to the CEO.

Swedbank follows the Global Reporting Initiative (GRI) framework for sustainability reporting. The GRI report is linked to material topics, which have been identified by Swedbank in a materiality analysis, and how these material topics coincide with GRI's general and topic-specific disclosures. The materiality analysis is considered in Internal Audit's annual risk assessment to ensure that relevant sustainability aspects are included in the audit plan.

Swedbank Sustainability Committee

The Swedbank Sustainability Committee has been established to provide support in the effective management and governance of sustainability matters, which could include ESG risk, with the aim to support and promote an ethical standard, integrity and the corporate values in the organization.

Swedbank's sustainability committee is led by the Head of Group Brand, Communication & Sustainability. Swedbank's sustainability committee handles topics involving human rights, tax issues, environmental challenges and ethical dilemmas. In the case of difficult business decisions or where internal guidelines do not provide enough guidance, issues can be escalated to Swedbank's Sustainability Committee.

The Swedbank Sustainability Committee has no decision-making right in itself. Any decision made at meetings of the Swedbank Sustainability Committee is made by the Head of Group Brand, Communication & Sustainability in accordance with his/her mandate. Matters dealt with by the Swedbank Sustainability Committee that are outside the authority of the Head of Group Communication & Sustainability or another member of the Swedbank Sustainability Committee shall be forwarded to the CEO, the Board of Directors or another relevant decision-making body as appropriate.

The Swedbank Sustainability Committee has the right to ask any executive or employee of the Group to help with the assessment of a matter brought to the Swedbank Sustainability Committee. Such executive or employee has to respond to such request from the Swedbank Sustainability Committee. The Committee may also proactively engage the business areas, product areas and group functions to present sufficient basis for assessments, including but not limited to conducting investigations/analyses on the state of matters, and presenting proposals on actions to be taken.

Other committees

In each Baltic country, Swedbank has established local Sustainability Committees following the same working principles and process as the Group Sustainability Committee.

The Procurement Sustainability Committee handles procurement-related, escalated sustainability issues where the Head of Group Sustainability is also involved.

The Sustainable Bond Committee has been established as the decision-making body that approves the proposed loan's eligibility as a green or social asset and thus the inclusion in Swedbank's Sustainable Asset Register.

Performance evaluation and remuneration

Sound risk-taking is incorporated in Swedbank's business strategy. There shall be an alignment between the rewards and risk exposure of shareholders and employees. Remuneration should counteract excessive risk-taking and incentivise employees to deliver sustainable performance that is consistent with strategic goals as well as sound and effective risk management.

Swedbank integrates ethical, social, environmental and economic considerations in all its business decisions, operations and business development. Within Swedbank's Performance Development process, individual performance criteria are set to contribute to and support Swedbank's overall strategic direction, in which sustainability plays an important part.

Furthermore, ESG risks are integrated in Swedbank's remuneration practices by including the fulfilment of performance management processes on an individual level which also comprises assessing a number of behaviours linked to the Group's values – open, simple and caring, as well as applying deferral periods to the delivery of variable remuneration in instruments for the majority of employees. Lack of compliance with external or internal regulations or deficiencies in risk management capabilities are circumstances that will be considered inconsistent with Swedbank's values.

In addition to the overall sustainability targets described in the first section, Swedbank has sustainability KPIs and targets on CEO and Group Executive Committee level that are followed up by the Board of Directors in the performance management framework. The KPIs include prioritised sustainability areas and are linked to Swedbank's long-term sustainability performance, such as improving employee engagement and increasing the volume of sustainable financing.

The overall targets are cascaded from the CEO to the top executives in the bank and downwards as applicable to each part of the organisation and their role to enable the bank to deliver on the set Strategic Direction. Top executives' performance is assessed based on results and behaviours that ensure long-term and sustainable results for the bank; their performance is an element that impacts their remuneration through fixed salary over time.

Risk management

ESG risk is a driver of other risk types in the Group's risk taxonomy. It can materialise through one or several transmission channels, including the financial position of counterparties, real estate values, household wealth, operational failures, and employee or customer dissatisfaction. All risk types in the risk taxonomy are subject to an ESG risk relevance assessment with the purpose of determining if the development of ESG factors is likely to have a potential impact on the risk type. ESG factors are relevant for most risk types, and in particular for credit risk and operational risk.

Definitions of ESG factors, ESG risks, and their drivers and transmission channels in the Group's risk management framework are to a large extent aligned with the definitions provided by the EBA in the final report on ESG risk management. Swedbank is also leveraging the Sustainability Accounting Standards Board (SASB) Materiality Map to identify financially material ESG issues on sector and industry level.

Although all ESG factors may in principle drive risks, the emphasis is currently on environmental factors and in particular on climate change. Climate and environmental risks have distinctive characteristics demanding special considerations, including a potentially large impact, an uncertain and longer-term time horizon during which they could materialise, and the dependency on short-term action. Thus, despite some risks being more likely to materialise in the long term, they require management today.

Methodologies to assess the financial materiality for individual institutions, i.e. establishing a clear and measurable link between ESG factors and credit risk, are still in an early stage of development. The European Banking Authority (EBA) has been mandated with developing common methodologies for ESG risk assessment. In the EBA report on ESG risk management and supervision a set of risk assessment methods are presented. These are: (i) the alignment method, which focuses on how aligned an institution's portfolio is with global sustainability targets, (ii) the exposure method, which focuses on how individual exposures and counterparties perform on ESG factors, and (iii) the risk framework method, which focuses on how sustainability related issues affect the risk profile of a bank's portfolio and its standard risk indicators and includes scenario analysis and stress testing. Swedbank has developed methods within all three categories.

The portfolio alignment method - Swedbank is measuring financed emissions and has set climate targets for the lending portfolio

The primary purpose of the climate targets is to contribute to combatting climate change by supporting our customers in their transition to more sustainable business models, but they also allow Swedbank to manage its exposure to ESG risk as they steer the lending portfolio towards activities that are aligned with limiting global warming to 1.5°C.

The exposure method - The corporate customer ESG analysis

In the credit origination process, corporate customers are assessed from a sustainability perspective to ensure that risks are sufficiently managed and that the operations of the customer are in line with Swedbank's values and policies. This assessment is now being complemented with the Corporate Customer ESG analysis tool which uses a quantifiable methodology to focus on the most material ESG factors for each sector. By providing industry- and customer-specific ESG scores, the new tool will enable Swedbank to manage ESG risks both on customer and portfolio levels.

The score is a result of (i) the identification of exposures to ESG factors (e.g., greenhouse gas emissions, energy efficiency, employee health and safety) in each sector based on the customer's primary economic activity, and (ii) the assessment of the customer's ESG management capability based on a management questionnaire. The assessment leads to an ESG score and a classification of corporate customers into high, medium and low ESG exposure.

The Corporate ESG Analysis tool was launched for large corporates in 2022 and is planned for launch in remaining segments during 2023.

Risk framework method – forward looking risk identification and assessment

Climate change, including changes made to meet the threat of climate risks may give rise to credit risk, especially in certain sectors. The table below shows the parts of lending to the public that present material climate-related risks exposures. The groups and sectors are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD has identified industries that are more likely to be financially impacted due to their exposure to climate-related risks, including greenhouse gas emissions, energy use and water use. The industries are grouped into: Energy; Transportation; Materials and Buildings; and Agriculture, Food, and Forest Products. Swedbank also presents an additional group, Financial, which is predominantly exposed indirectly by assets in the groups.

The TCFD material groups are based on the industries' value chains which differs significantly from the Group's sector classifications, which are based on primary economic activity. The Group's sectors can be found in the table Loans to the public and credit institutions at amortised costs, carrying amount, section 3.1.6 of the annual report. Exposures to material TCFD groups amount to SEK 635 088m (566 192), or 22 (21) per cent of Swedbank's maximum credit risk exposure as presented on pages 87-88 in the annual report.

Table 8.1: Material groups according to TCFD

Material groups according to TCFD	Gross carrying amount		Sectors according to TCFD	Gross carrying amount	
	2022	2021		2022	2021
Financial	75 868	53 349	Credit institutions	56 600	38 129
			Insurance companies	55	127
			Asset owners and asset managers	19 213	15 093
Energy	25 270	23 274	Oil and gas	3 902	6 002
			Coal	0	0
			Utilities	21 368	17 272
Transportation	38 654	33 802	Air transport	292	665
			Shipping	11 651	11 577
			Rail transportation	991	359
			Heavy vehicles	17 481	15 461
			Automobiles	8 239	5 740
Agriculture, Food and Forest products	68 074	64 134	Agriculture	37 579	37 637
			Beverages, Packaged food and Meats	6 260	3 933
			Forestry	18 245	18 232
			Paper and forest products	5 990	4 332
Materials and Buildings	427 222	391 633	Metals & Mining	2 520	2 884
			Chemicals	12 945	6 759
			Construction materials (excl. wood)	3 301	3 024
			Capital goods	4 842	4 517
			Real estate management and development	403 614	374 449
Total	**635 088**	**566 192**	**Total**	**635 088**	**566 192**

Understanding the exposures to TCFD material groups is a starting point, but to better understand the implications of possible future developments Swedbank has carried out scenario analysis with the purpose of identifying both risks and opportunities within the different groups.

Two different scenarios have been analysed: (i) the Sustainable Development Scenario (SDS <2°C temperature increase) and (ii) the Stated Policy Scenario (SPS ~ 3°C temperature increase), both from the International Energy Association (IEA).

The IEA global scenarios were used as a basis and then developed by the Group to account for regional and sector level conditions. A summary of the risks that were identified in the short, medium and long term are presented in the table below.

Table 8.2: Risks identified in the TCFD scenario analysis

Risks		
Short term (1-5 years)	**Medium term (>5-15 years)**	**Long term (>15–25 years)**
Oil and gas asset values decline as investor risk appetite is reduced, which contributes to increased credit risk in the energy sector. Costly investments for the electrification, especially in the transport, energy and materials sectors. Along with uncertainty about different technologies this increases the transition risk. The planned reallocation of EU subsidies could be a financial issue for the agriculture and forestry sector. Areal support is reduced while sustainable farming methods are given increased funding. A wave of policy change emanating from the EU green deal push transformation in most sectors. Rapid changes in consumer preferences, i.e. increased demand for sustainable products create challenges for most sectors, notably manufacturers and retailers.	Major transformation of the agriculture and forestry sectors with new resource efficiency technologies, e.g. precision agriculture and new crops in farming. Forestry increases the carbon sink and helps preserving biodiversity, which negatively impacts the cash-flow. Adaptive measures to limit damage from acute and chronic weather events, such as storms, floods and temperature rise increase, especially in the agriculture and forest sectors. Lower demand for energy- intensive properties leads to price declines/lower valuations in the real estate sector. Investor risk appetite decreases more generally for assets with climate-related risks. Refinancing risk and credit risk go up. Reputational risk if the bank's own management of climate risks is seen as insufficient.	More extreme weather events such as heat waves, more frequent forest fires and heavy precipitation could lead to unusable land and infestations within the agricultural and forestry sector. Sea level rise in flood-prone areas could lead to price declines, loss of insurance and increased need for building protection and repairs in the real estate sector. Older, energy inefficient buildings in locations where land is not in high demand become stranded assets. Impacts from climate change on the global economy can increase systemic risks in the financial system. Investment and holding companies with insufficient management of climate risk may see their business model and assets being stranded.

Financial

Most of the lending in this group consists of loans to credit institutions, which primarily are short-term and related to the Group's liquidity management. The credit risk is low and expected to remain low in both scenarios, although in the stated policy scenario there is an increased risk for disruptions in the financial system in the long-term.

Lending to asset owners and asset managers such as investment firms and treasury companies of large industrials is moderate. These companies have an important role in society, and that they manage the climate-related risks in their investments professionally is a key priority. The risk is well diversified and the Group has not identified significant risks due to climate change in the scenarios.

Energy

The TCFD sector oil and gas shows increased credit risk in the sustainable development scenario in the short-term. The Group's lending to the sector have been significantly reduced since 2015 and are now minor. The Position statement on Climate change states that the Group will not directly finance any exploration of new oil and gas fields. Swedbank has no exposures in the coal industry.

The largest lending in this group is found in the utilities sector. The portfolio consists mainly of lending to large – often state owned or controlled – companies supplying electricity and heat to the home markets. In the sustainable development scenario a wide and far-reaching investment need related to electrification was identified. Production, storage and transmission of electricity require vast investments over the coming decades to meet an increasing demand, not least from transport and industry. In the Baltic economies a challenge of shifting from fossil fuelled electricity production to green production was identified in the same scenario. In the stated policy scenario costs for electricity transmission are expected to increase due to more frequent acute weather events. The transformation in the energy sector holds uncertainties and increased risks, but there is an increasing demand, which strong customers with strong owners and Swedbank's advisory could turn into financial growth.

Transportation

In the short-term the sustainable development scenario entails rapid growth in electrification, where the transport sector is at the forefront with increased transition risk as a consequence. Most of the lending is related to road transport (heavy vehicles and automobiles). The transformation of this sector requires massive investments. To be able to shift the fleet of vehicles from fossil fuelled to electric and hydrogen it is important that companies have a robust financial standing. This is given special attention in the Group's strategy, which aims to provide support to this sector during its transition.

Shipping is exposed to both transition risk and physical risk, but lending volumes are moderate and diversified across many segments. There will be a need to invest in new technologies to reduce emissions, notably in the sustainable development scenario. Moreover, insurance premiums rise due to a higher frequency of extreme weather events, notably in the stated policy scenario. The Group's strategy in this sector is to support customers transitioning in line with climate goals using advisory tailored for each customer.

Agriculture, Food, and Forest products

The agriculture and forestry sectors account for a large portion of the lending portfolio and is impacted throughout both scenarios. Short and medium term in the sustainable development scenario there is significant transition risk, and long term in the stated policy scenario there is significant physical risk from both acute and chronic events. The anticipated credit risk increase is moderate since this is a group with relatively low financial risk and stable demand. Swedbank is working closely with its customers and the climate related advisory, e.g. through the new ESG analysis tool, is important to assure a continued low risk transformation given local and individual conditions.

Materials and Buildings

Real Estate management and development is the Group's largest TCFD sector. It is exposed both to transition risk and physical risk. The overall impact on credit risk is assessed to be low to moderate in both scenarios. The transition risk in the sustainable development scenario is primarily related to the pressure from policy makers and from the market to improve energy efficiency. This means increased investment cost, but also a lower sensitivity to rising energy costs. As long as properties are in high demand costs can be fully or partially transferred on to tenants, which is often allowed contractually. This means cash flows would be only moderately impacted. For properties with low underlying demand this may not be the case and would negatively impact the value of the property. In the stated policy scenario there are increasing physical risks, especially from flooding due to heavy rainfall. Exposed properties may need to invest to mitigate these risks and there is also a risk of higher insurance premiums or loss of insurance. This would impact cash flows and ultimately the value of the property. An important part of Group's risk management strategy is to provide tailored climate advisory and support customers in their transition.

The chemicals sector, which includes plastics and rubber producing companies, and companies involved in the greenhouse gas intensive production of construction materials such as steel and cement are highly exposed to transition risk, especially in the sustainable development scenario. The driving forces are policy, technological change and changes in market behaviour. Still, the products are much needed and the underlying demand is relatively stable. Lending to companies in the chemicals sector is moderate, and lending to companies the construction materials sector is small, and the customers are typically large entities with strong ownership. The strategy for both sectors is to provide pro-active climate related advisory and to support customers in their transition to more sustainable production technologies.

Conclusions from the scenario analysis

Climate-related risks are increasing in both scenarios but are likely to be contained given that they are carefully managed. The sustainable development scenario entails more transition risk in the short to medium term, while the stated policy scenario entails physical risks in the long term. The Group will closely manage these risks together with its customers while supporting them in their transition, and in this way build a sustainable lending portfolio. An extensive development work is ongoing both among companies and financial actors to enhance capabilities to manage climate-related risks. The corporate customer ESG analysis tool is an important step in the right direction for the Group and its customers.

Monitoring climate-related risks in the credit portfolio

Swedbank has implemented Key Risk Indicators (KRI) to monitor the lending exposure to corporate segments where significant transition risk has been identified. The identification and materiality assessment has mainly been made through the TCFD scenario exercises and supported by GHG emission data. Consequently, Energy, Transportation and Materials and Buildings are in scope for this KRI.

ESG risk in the Internal Capital Adequacy Assessment Process

Climate-related transition risk is explored from a macroeconomic perspective in the stressed ICAAP scenarios. This by deploying a module that considers economically motivated greenhouse gas emission reducing investments. The investments are calibrated such that they, by and large, are made in accordance with the pledges made under the Paris Agreement. The investments are done by the public side of the economy, even though the module also allows for the inclusion of the private side of the economy. The investments are further assumed to be deployed in accordance with the European Union's Green Deal as they stretch over a 30-year decarbonization horizon and deployed linearly such that about 1/30th of the investment amount is spent each year.

The banks climate module suggest that large investment amounts are needed. Either the green investments are deployed effectively, avoiding crowding out or harming private initiatives, or ineffectively. If the transition towards carbon neutrality is delayed, a rushed disorderly transition is postulated which in turn could have a negative effect on the macroeconomy. However, if the investments are done orderly and in collaboration with the private side of the economy, the investments are found to contribute to economic growth. The difference between these two scenarios can thus be said to represent a macroeconomic component of transition risk and both scenarios have been explored in Swedbank's ICAAP. The estimated impact on the macroeconomy, together with qualitative assumptions on where the investments are needed the most, suggest that the method can be used for assessing the climate related transition risk.

In Swedbank's simulated stressed ICAAP scenarios, it was postulated that strong, and to some extent disorderly, public policy actions to combat climate change can introduce stress on Swedbank's loan assets. For base-line scenarios, climate risks are not expected to lead to such significant deterioration of credit quality to warrant increases in PD or LGD, but this is an area subject to further analysis and improvement of risk modelling within Swedbank.

ECB stress test of the Baltic subsidiaries

In 2022 the European Central Bank launched a climate stress test to assess the Swedbank Baltic's progress on integrating climate and environmental risks in its risk management and stress testing. The goal of the stress test was twofold: to encourage banks to develop relevant capabilities in projecting risk parameters over the long run under transition scenarios and understand the bank's strategic thinking behind the evolution of its business mix in each scenario.

The macro-financial scenarios ECB developed were based on the Network for the Greening of the Financial System (NGFS) climate scenarios, covering three periods: 2030, 2040, 2050. Each scenario among other factors addressed the changes in policy, technology, carbon price, CO_2 emissions, and temperature rise.

The results of the stress test showed a small impact on credit losses. The stress test included mortgages and non-collateralized corporates and three scenarios: short-term transition and physical risks and long-term transition risks. In Baltic Banking, the effect of transition risks, both short-term (Disorderly scenario) and long-term (Orderly, Disorderly, Hot house world scenarios) was limited. The stress test of the physical risks effect on losses also had only a limited impact.

Table 8.3: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity, 31 December 2022

Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (SEKm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (SEKm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
Exposures towards sectors that highly contribute to climate change*	555 765	0		57 708	3 308	-4 070	-1 566	-1 260				397 659	22 237	30 921	104 947	8
A - Agriculture, forestry and fishing	14 819	0		1 389	123	-106	-35	-21				12 546	836	183	1 253	5
B - Mining and quarrying	3 762	0		442	1 890	-999	-99	-890				3 738	16	2	6	1
B.05 - Mining of coal and lignite	0	0		0	0	0	0	0				0	0	0	0	0
B.06 - Extraction of crude petroleum and natural gas	87	0		0	0	-1	0	0				87	0	0	0	0
B.07 - Mining of metal ores	31	0		0	0	0	0	0				30	0	0	1	3
B.08 - Other mining and quarrying	247	0		11	1	-2	0	0				224	16	2	5	6
B.09 - Mining support service activities	3 398	0		431	1 889	-996	-99	-890				3 398	0	0	0	1
C - Manufacturing	48 152	0		5 318	264	-639	-280	-103				45 276	2 387	56	433	4
C.10 - Manufacture of food products	6 111	0		746	123	-145	-29	-52				5 720	361	4	27	4
C.11 - Manufacture of beverages	124	0		31	3	-3	-2	-1				115	8	0	0	7
C.12 - Manufacture of tobacco products	16	0		10	0	0	0	0				16	0	0	0	4
C.13 - Manufacture of textiles	202	0		14	0	-1	0	0				169	24	3	7	5

C.14 - Manufacture of wearing apparel	521	0		274	1	-18	-17	0		519	1	0	0	1
C.15 - Manufacture of leather and related products	16	0		8	0	0	0	0		16	0	0	0	10
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	3 801	0		581	40	-42	-18	-12		3 647	133	7	13	3
C.17 - Manufacture of pulp, paper and paperboard	2 100	0		135	0	-14	-12	0		1 901	211	0	4	3
C.18 - Printing and service activities related to printing	522	0		56	0	-4	-2	0		423	79	1	4	6
C.19 - Manufacture of coke oven products	427	0		0	0	-2	0	0		427	0	0	0	2
C.20 - Production of chemicals	2 236	0		69	0	-12	-1	0		2 205	30	0	1	2
C.21 - Manufacture of pharmaceutical preparations	2 181	0		32	0	-16	-1	0		2 165	0	0	16	5
C.22 - Manufacture of rubber products	8 670	0		141	31	-41	-2	-8		8 489	147	5	29	2
C.23 - Manufacture of other non-metallic mineral products	476	0		85	4	-8	-5	0		436	33	0	7	5
C.24 - Manufacture of basic metals	956	0		5	0	-6	0	0		915	9	1	30	3
C.25 - Manufacture of fabricated metal products, except machinery and equipment	4 873	0		569	34	-55	-14	-22		4 411	381	14	66	7
C.26 - Manufacture of computer, electronic and optical products	593	0		22	0	-3	0	0		585	4	0	4	3
C.27 - Manufacture of electrical equipment	1 534	0		108	0	-22	-3	0		751	635	0	149	14
C.28 - Manufacture of machinery and equipment n.e.c.	3 307	0		558	17	-58	-29	-6		3 121	141	1	44	4
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	735	0		227	1	-6	-4	0		683	48	0	4	6
C.30 - Manufacture of other transport equipment	1 844	0		272	0	-17	-4	0		1 799	30	5	10	2
C.31 - Manufacture of furniture	2 259	0		1 212	9	-139	-128	-1		2 206	43	3	7	4
C.32 - Other manufacturing	3 992	0		76	1	-15	-3	0		3 983	6	3	1	3
C.33 - Repair and installation of machinery and equipment	656	0		88	1	-12	-4	0		574	62	11	9	12
D - Electricity, gas, steam and air conditioning supply	21 727	0		558	2	-35	-5	0		19 793	1 798	50	85	2
D35.1 - Electric power generation, transmission and distribution	16 591	0		498	2	-21	-5	0		14 708	1 759	49	76	2
D35.11 - Production of electricity	9 980	0		496	2	-16	-5	0		8 168	1 757	48	8	3
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	1 895	0		0	0	-1	0	0		1 890	5	0	0	0
D35.3 - Steam and air conditioning supply	3 235	0		60	0	-12	0	0		3 193	32	1	9	3
E - Water supply; sewerage, waste management and remediation activities	2 733	0		522	1	-15	-5	0		2 195	486	4	48	5
F - Construction	17 763	0		3 875	95	-198	-84	-52		15 614	1 337	245	567	5
F.41 - Construction of buildings	8 202	0		2 135	26	-89	-55	-6		7 381	409	174	237	4
F.42 - Civil engineering	1 672	0		311	2	-14	-4	-1		1 545	106	7	15	4
F.43 - Specialised construction activities	7 889	0		1 429	67	-95	-25	-45		6 688	822	65	315	6
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	38 852	0		3 705	132	-471	-183	-49		37 055	885	130	781	8
H - Transportation and storage	20 920	0		2 611	48	-317	-200	-10		17 732	1 563	398	1 225	5
H.49 - Land transport and transport via pipelines	7 422	0		981	46	-99	-28	-10		5 068	1 142	23	1 189	9
H.50 - Water transport	7 665	0		721	0	-109	-78	0		7 328	333	0	3	2
H.51 - Air transport	10	0		4	2	-1	0	0		7	3	0	0	4
H.52 - Warehousing and support activities for transportation	5 761	0		898	0	-108	-93	0		5 267	86	375	33	5
H.53 - Postal and courier activities	62	0		7	0	0	0	0		62	0	0	0	2

I - Accommodation and food service activities	5 921	0		3 168	278	-211	-123	-60				5 032	399	100	389	5
L - Real estate activities	381 117	0		36 119	475	-1 078	-553	-74				238 677	12 529	29 751	100 160	10
Exposures towards sectors other than those that highly contribute to climate change*	74 919	0		5 832	194	-296	-118	-40				68 363	3 527	512	2 518	4
K - Financial and insurance activities	15 815	0		783	23	-38	-11	-7				14 466	317	125	907	3
Exposures to other sectors (NACE codes J, M - U)	59 104	0		5 050	171	-258	-108	-33				53 897	3 209	387	1 611	4
TOTAL	630 684	0		63 540	3 502	-4 365	-1 685	-1 300				466 022	25 764	31 433	107 465	8

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Exposures to Paris-aligned benchmarks

Gross carrying amounts in column (a) comprise all corporate customers whose primary business activity is associated the listed NACE codes. Disclosing reliable figures in column (b) would require a systematic and detailed assessment of all counterparties in scope for column (a), regardless of their primary business activity. This requires either complete data availability on all the criteria specified in Article 12(1), points (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818, or the need bilaterally inquire counterparties about the information, none of which is currently feasible. Reporting figures based on a proxy (such as an approximation based on NACE codes) would risk significant under- or over-reporting of exposures to counterparties that are excluded from Paris-aligned benchmarks and could cause significant uncertainty as to the comparability of future disclosures. A major challenge is posed by the Do No Significant Harm (DNSH) criteria, for which reliable data is currently not available. Swedbank will continue to develop its approach to identifying counterparties that are excluded from Paris-aligned benchmarks during 2023.

Financed emissions

Swedbank is developing methods for measuring financed emissions according to the methodology provided by the Partnership for Carbon Accounting Financials (PCAF). In 2022 the work focused on the asset classes Mortgage and Commercial Real Estate. The main inputs were building Energy Performance Certificates and actual building area in combination with PCAF proxies for different building types.

In 2023 the work will focus on Business Loans & Unlisted Equity and Vehicles, with the aim of including all relevant asset classes before disclosure reference date 30 June 2024. The sources are expected to be mainly economic activity-based emissions using the PCAF emissions factor database for assets and revenues. For some emission intensive sectors like Oil & Gas, Iron & Steel and Power Generation, estimates will be based on physical activity data where available. This will be complemented by reported emissions for the largest companies in CO_2 intensive sectors. During 2023 the current calculations for Private Mortgages and Commercial Real Estates will continue to be improved as better data quality, such as more Energy Performance Certificates becomes available.

Table 8.4: Banking book - Climate change Transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral, 31 December 2022

Counterparty sector	Total gross carrying amount (SEKm)															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
Total EU area	1 205 961	266 270	807 403	78 420	13 340	0	40 528	12 748	43 321	74 435	110 992	138 235	68 345	25 723	732 163	100%
Of which Loans collateralised by commercial immovable property	177 011	46 547	52 818	35 942	10 249	0	31 456	1 175	7 133	12 278	17 090	20 654	11 081	6 201	101 399	100%
Of which Loans collateralised by residential immovable property	1 028 950	219 723	754 586	42 478	3 091	0	9 072	11 573	36 188	62 157	93 902	117 581	57 263	19 521	630 764	100%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	732 212	8 564	627 411	49 599	9 415	0	37 223								732 212	100%
Total non-EU area	17 023	28	16 882	112	0	0	0	0	0	0	0	0	0	0	17 023	100%
Of which Loans collateralised by commercial immovable property	16 566	0	16 454	111	0	0	0	0	0	0	0	0	0	0	16 566	100%
Of which Loans collateralised by residential immovable property	457	28	428	1	0	0	0	0	0	0	0	0	0	0	457	100%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	17 023	28	16 882	112	0	0	0								16 974	100%

Energy Performance Certificates are applied where available. Where unavailable, PCAF emissions factors database estimates are used.

Table 8.5: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms, 31 December 2022

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
				0

For counterparties among the top 20 carbon emitting companies in the world

As of 31 December 2022, Swedbank had no exposures to the top 20 companies listed in the Carbon Disclosure Project's Carbon Majors Database.

Table 8.6: Banking book - Climate change physical risk: Exposures subject to physical risk, Sweden, 31 December 2022

Sweden	Gross carrying amount (SEKm)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing														
B - Mining and quarrying														
C - Manufacturing														
D - Electricity, gas, steam and air conditioning supply														
E - Water supply; sewerage, waste management and remediation activities														
F - Construction														
G - Wholesale and retail trade; repair of motor vehicles and motorcycles														
H - Transportation and storage														
L - Real estate activities														
Loans collateralised by residential immovable property	915 091	709	957	8 355	28 397	0	9 426	28 562	429	1 735	34	0	0	0
Loans collateralised by commercial immovable property	142 500	3 762	509	260	1 621	0	4 389	1 764	0	595	25	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other relevant sectors (breakdown below where relevant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 8.7: Banking book - Climate change physical risk: Exposures subject to physical risk, Estonia, 31 December 2022

Estonia	Gross carrying amount (SEKm)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing														
B - Mining and quarrying														
C - Manufacturing														
D - Electricity, gas, steam and air conditioning supply														
E - Water supply; sewerage, waste management and remediation activities														
F - Construction														
G - Wholesale and retail trade; repair of motor vehicles and motorcycles														
H - Transportation and storage														
L - Real estate activities														
Loans collateralised by residential immovable property	46 273	63	152	646	561	0	0	1 422	0	187	3	0	0	0
Loans collateralised by commercial immovable property	25 200	873	0	0	0	0	0	873	0	132	15	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other relevant sectors (breakdown below where relevant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 8.8: Banking book - Climate change physical risk: Exposures subject to physical risk, Latvia, 31 December 2022

Latvia	Gross carrying amount (SEKm)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing														
B - Mining and quarrying														
C - Manufacturing														
D - Electricity, gas, steam and air conditioning supply														
E - Water supply; sewerage, waste management and remediation activities														
F - Construction														
G - Wholesale and retail trade; repair of motor vehicles and motorcycles														
H - Transportation and storage														
L - Real estate activities														
Loans collateralised by residential immovable property	20 175	1	1	5	1	0	0	8	0	2	0	0	0	0
Loans collateralised by commercial immovable property	8 392	2	0	0	0	0	0	2	0	0	0	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other relevant sectors (breakdown below where relevant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 8.9: Banking book - Climate change physical risk: Exposures subject to physical risk, Lithuania, 31 December 2022

Lithuania	Gross carrying amount (SEKm)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing														
B - Mining and quarrying														
C - Manufacturing														
D - Electricity, gas, steam and air conditioning supply														
E - Water supply; sewerage, waste management and remediation activities														
F - Construction														
G - Wholesale and retail trade; repair of motor vehicles and motorcycles														
H - Transportation and storage														
L - Real estate activities														
Loans collateralised by residential immovable property	47 867	0	3	6	9	0	0	17	0	3	0	0	0	0
Loans collateralised by commercial immovable property	17 486	0	0	0	0	0	0	0	0	0	0	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other relevant sectors (breakdown below where relevant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

The identification of properties more sensitive to impact from climate change physical risk event was carried out by evaluating the development of physical risk indicators under certain carbon-concentration pathways. The analysis was underpinned by dataset comprising a grid of 11x11km squares containing climate indicators across Sweden, provided by the Swedish Meteorological Hydrological Institute (SMHI).

The UN Intergovernmental Panel on Climate Change (IPCC) presented four Representative Concentration Pathways (RCP) in 2014. The RCP scenarios describe the results of the emissions, the so-called radiation balance in the atmosphere, up to the year 2100. For the purposes of this table, the RCP 8.5 scenario with a time horizon up to 2040 was used. RCP 8.5 is a high-end scenario, where emissions continue to accelerate and where the temperature stabilises at just below 4 degrees.

Physical risks and their associated indicators were selected based on their potential impact on real estate and include rising temperatures, rising sea level, heatwave, drought, and flooding; caused by either increasing rain, heavy rain or flooding caused by more run-off.

The magnitude of change for each indicator in each grid square is divided across three groups. The first group correspond to today's climate. Indicator outcomes within this group are not linked to climate change but are part of natural variation of today's climate. Group 2 represent outcomes that occur less frequently than every twenty years and up to every ten thousand years and rarely seen today. Practically it means events that today occur less frequently than every twenty years will be the new normal for this level of change. Group 3 represent outcomes that in principle have never been seen before by humanity in that area; values that today only can be seen less often than every ten thousand years. It means a completely new type of climate for the geographical area will be typical for the area.

Figures reported as sensitive to physical risk are those exposures that are collateralised by immovable property located in areas that fall within either group 2 or group 3 for at least one of the seven risk indicators. Loan gross carrying amounts are being reported without adjustment, meaning that the figures shall not be interpreted as measurements of risk. They only indicate the amount of lending in areas sensitive to climate change physical risk under the specified scenario.

For Sweden, 4% of properties face increased sensitivity to physical climate change risk in the scenario. 3% of properties are sensitive to acute physical risk, in particular from due to increased runoff. Slightly more than 1% of properties face increased sensitivity to flooding due to sea level rise. No properties are located in areas that are more sensitive to drought, heavy rain or rising precipitation in the scenario. In the Baltic region, 2% of properties face increased sensitivity to physical climate change risk, primarily from increasing heat waves. The indicator sea level rise was not computed for the Baltic region.

In 2023 Swedbank will continue to develop its assessment methodologies for climate-related physical risk, including the assessment of economic activities sensitive to physical risk.

Table 8.10: Other climate change mitigating actions that are not covered in the EU Taxonomy, 31 December 2022

Type of financial instrument	Type of counterparty	Gross carrying amount (SEKm)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green sustainable sustainability-linked under standards other than the EU standards)	Financial corporations	518	Yes	No	Green bonds in the liquidity portfolio.
	Non-financial corporations	2 640	Yes	No	
	Of which Loans collateralised by commercial immovable property	0			
	Other counterparties	0			
Loans (e.g. green sustainable sustainability-linked under standards other than the EU standards)	Financial corporations	0			Loans disclosed in this table are aligned with the note "Sustainable finance" in the Sustainability report and comprise the green assets in the sustainable asset registry, sustainability-linked loans and other green lending to households and corporates.
	Non-financial corporations	47 663	Yes	No	
	Of which Loans collateralised by commercial immovable property	20 407	Yes	No	
	Households	20 442	Yes	No	
	Of which Loans collateralised by residential immovable property	18 876	Yes	No	
	Of which building renovation loans	0	Yes	No	
	Other counterparties	974	Yes	No	

Swedbank's legal entity structure and business activities

Swedbank Consolidated Situation

The consolidated situation for Swedbank as of 31 December 2022 comprises the Swedbank Group except for the wholly owned insurance companies, Swedbank Försäkring AB, Sparia Group Insurance Company Ltd, Swedbank Life Insurance SE and Swedbank P&C Insurance AS, that are included through equity method. EnterCard Group AB, P27 Nordic Payments Platform AB and Invidem AB, all joint ventures, are included through the proportionate consolidation method. The difference between Swedbank Group and Swedbank Consolidated Situation (CS) is shown more in detail below, where "•" means 100% consolidation. Where percentages are shown, the company is included using the equity method or proportionate consolidation method unless otherwise stated. Any changes in legal entity structure are reflected on www.swedbank.com.

Legal entity name	Business activity	Country	Swedbank Group	Swedbank CS	Swedbank Estonia Group	Swedbank Estonia CS	Swedbank Latvia Group	Swedbank Latvia CS	Swedbank Lithuania Group	Swedbank Lithuania CS
Swedbank AB	Banking operations	SE	•	•						
Swedbank Mortgage AB	Mortgage	SE	•	•						
Swedbank Robur AB	Holding company	SE	•	•						
Swedbank Robur Fonder AB	Fund management	SE	•	•						
Swedbank Investeerimisfondid AS	Investment management	EE	•	•						
Swedbank Ieguldijumu Parvaldes Sabierdiba AS	Investment management	LV	•	•						
Swedbank investiciju valdymas UAB	Investment management	LT	•	•						
SwedLux S.A.	Banking operations	LU	•	•						
Sparfrämjandet AB	Inactive	SE	•	•						
Sparia Group Insurance Company Ltd	Insurance company	SE	•	100%						
Swedbank Fastighetsbyrå AB	Estate agent	SE	•	•						
Thylling Insight AB	Estate agent	SE	•	•						
Fastighetsbyran The Real Estate Agency S.L.	Estate agent	ES	•	•						
Bankernas Kontantkort CASH Sverige AB	Inactive	SE	•	•						
Swedbank PayEx Holding AB	Holding Company	SE	•	•						
PayEx Norge AS	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	NO	•	•						
PayEx Danmark AS	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	DK	•	•						
Swedbank PayEx Collection AB	Inactive	SE	•	•						
PayEx Sverige AB	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	SE	•	•						
PayEx Solutions OY	Inactive	FI	•	•						
PayEx Suomi OY	Invoicing, ledger, debt collection, e-com, point-of-sale, value-added-service	FI	•	•						
PayEx Invest AB	Real estate	SE	•	•						
Faktab B1 AB	Real estate	SE	•	•						
Faktab V1 AB	Real estate	SE	•	•						
Faktab S1 AB	Real estate	SE	•	•						
Ektornet AB	Real estate	SE	•	•						
Swedbank Försäkring AB	Insurance company	SE	•	100%						
ATM Holding AB	Holding company	SE	70%	70%						
Bankomat AB	ATM operations	SE	20%	20%						
FR&R Invest AB	Financial reconstruction & recovery	SE	•	•						

Legal entity name	Business activity	Country	Swedbank Group	Swedbank CS	Swedbank Estonia Group	Swedbank Estonia CS	Swedbank Baltic Group	Swedbank Baltic CS	Swedbank Lithuania Group	Swedbank Lithuania CS
First Securities AS	Inactive	NO	•	•						
Swedbank Management Company SA (ManCo)	Holding company	LU	•	•						
Swedbank Baltics AS	Holding company	LV	•	•						
Swedbank AS (Estonia)	Banking operations	EE	•	•	•	•	•	•		
Swedbank Liising AS	Leasing, factoring	EE	•	•	•	•	•	•		
Swedbank Life Insurance SE	Life insurance	EE	•	100%	•	100%	•	100%		
Swedbank P&C Insurance AS	Insurance	EE	•	100%	•	100%	•	100%		
Swedbank Support OÜ	IT, property management	EE	•	•	•	•	•	•		
SK ID Solutions AS	Certification services	EE	25%	25%	25%	25%	25%	25%		
Ektornet Project Estonia I OU	Real estate	EE	•	•	•	•	•	•		
Swedbank AS (Latvia)	Banking operations	LV	•	•			•	•		
Swedbank Lizings SIA	Leasing, factoring	LV	•	•			•	•		
Swedbank Atklatais Pensiju Fonds AS	Investment management	LV	•	•			•	•		
Swedbank AB (Lithuania)	Banking operations	LT	•	•			•	•	•	•
Swedbank Lizingas UAB	Leasing, factoring	LT	•	•			•	•	•	•
EnterCard Group AB	Credit card transactions	SE	50%	50%						
Sparbanken Sjuhärad AB	Banking operations	SE	48%	48%						
Sparbanken Rekarne AB	Banking operations	SE	50%	50%						
Sparbanken Skåne AB	Banking operations	SE	22%	22%						
Vimmerby Sparbank AB	Banking operations	SE	40%	40%						
Ölands Bank AB	Banking operations	SE	49%	49%						
Finansiell ID-Teknik BID AB	Computer services	SE	28%	28%						
BGC Holding AB	Giro transactions	SE	29%	29%						
Getswish AB	Mobile transactions	SE	20%	20%						
USE Intressenter AB	investment	SE	20%	20%						
P27 Nordic Payments Platform AB	Payment solutions	SE	17%	17%						
Invidem AB	KYC (Know Your Customer) service	SE	17%	17%						
Tibern AB	Real estate	SE	14%	14%						

Terminology and abbreviations

"A-IRB"	Advanced Internal Ratings-Based Approach
"AMA"	Advanced Measurement Approach
"AML"	Anti-Money Laundering
"AT1"	Additional Tier 1 capital
"AVA"	Additional Valuation Adjustment
"BARCC"	Business Area Risk and Compliance Committee
"Board"	Board of Directors of Swedbank AB
"BRRD"	Bank Recovery and Resolution Directive 2014/59/EU
"CCF"	Credit Conversion Factor
"CCP"	Central Counterparty
"CCR"	Counterparty Credit Risk
"CCyB"	Countercyclical Capital Buffer
"CET1"	Common Equity Tier 1
"CRO"	Chief Risk Officer of Swedbank AB
"CRD"	Capital Requirements Directive 2013/36/EU
"CRR"	Capital Requirements Regulation (EU) No 575/2013
"CS"	Consolidated Situation
"CSA"	Credit Support Annex
"CTF"	Counter Terrorist Financing
"CVA"	Credit Value Adjustment
"DVA"	Debit Valuation Adjustment
"DVP"	Delivery-vs-Payment
"EAD"	Exposure at Default
"EBA"	European Banking Authority
"EC"	Economic Capital
"ECB"	European Central Bank
"ERM Policy"	Enterprise Risk Management Policy
"ESG"	Environmental, Social and Governance
"F-IRB"	Foundation Internal Ratings Based Approach
"FSA"	Financial Supervisory Authority
"GAAC"	Group Asset Allocation Committee
"GRCC"	Group Risk and Compliance Committee
"Group"	Swedbank Group (see definition below)
"G-SII"	Global Systemically Important Institution
"ICAAP"	Internal Capital Adequacy Assessment Process
"IFRS"	International Financial Reporting Standards
"ILAAP"	Internal Liquidity Adequacy Assessment Process
"IRB"	Internal Ratings Based Approach
"IRRBB"	Interest Rate Risk in the Banking Book
"ISDA"	International Swaps and Derivatives Association
"KRI"	Key Risk Indicator
"LC&I"	Large Corporate & Institutions
"LCR"	Liquidity Coverage Ratio
"LGD"	Loss Given Default
"LRE"	Leverage Ratio Exposure
"LTV"	Loan-to-Value
"MDB"	Multilateral Development Bank
"NII"	Net Interest Income
"NPAP"	New Product Approval Process
"NSFR"	Net Stable Funding Ratio
"O-SII buffer"	Other Systemically Important Institution buffer
"OTC"	Over-the-Counter
"ORSA"	Own Risk and Solvency Assessment
"Own funds"	The sum of Tier 1 and Tier 2 capital
"P2G"	Pillar 2 Guidance
"P2R"	Pillar 2 Requirement
"Parent Company"	Swedbank AB (publ)
"PD"	Probability of Default
"PFE"	Potential Future Exposure
"PSE"	Public Sector Entity
"PVP"	Payment-vs-Payment
"RC"	Remuneration Committee
"RCC"	Risk and Capital Committee
"REA"	Risk Exposure Amount (Same as RWEA)
"RWEA"	Risk Weighted Exposure Amount (Same as REA)
"SA"	Standardised Approach
"SA-CCR"	Standardised Approach for Measuring Counterparty Credit Risk Exposures
"SFSA" or "Swedish FSA"	Swedish Financial Supervisory Authority
"SFT"	Securities Financing Transaction
"SME"	Small and Medium-sized Enterprise
"SNDO"	Swedish National Debt Office (Swedish: Riksgälden)
"SREP"	Supervisory Review and Evaluation Process
"SSE"	Small-sized Enterprise
"SVaR"	Stressed Value-at-Risk
"Swedbank"	Swedbank Consolidated Situation
"Swedbank Baltic"	Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania)
"Swedbank Group"	Swedbank AB (publ) and all its underlying legal entities (regardless of percentages of holding)
"TCFD"	Task Force on Climate-Related Financial Disclosures
"T2"	Tier 2 capital
"TtC"	Through-the-Cycle
"VaR"	Value-at-Risk
"WWR"	Wrong Way Risk

Signatures of the Board of Directors, the President and the CRO

The Chair of Risk and Capital Committee of the Board of Directors, the President and CEO and the CRO hereby attest that the disclosures in Swedbank's Risk Management and Capital Adequacy Report (Pillar 3), provided according to Part Eight of Regulation (EU) No 575/2013, have been prepared in accordance with the internal controls and procedures set out in Swedbank's Policy on Pillar 3 disclosure requirements, approved by the Board of Directors. The Policy on Pillar 3 disclosure requirements stipulates the general principles that apply for the control processes and structures regarding the disclosure of risk and capital adequacy information in Swedbank. The policy ensures that the disclosed information is subject to effective, timely and adequate internal controls and monitoring structures. Furthermore, the policy outlines the distinguished responsibilities in the process and the frequency of the reporting.

Stockholm, 22 February 2023

Per Olof Nyman Chair of Risk and Capital Committee of the Board of Directors	Jens Henriksson President and CEO	Rolf Marquardt Chief Risk Officer