Supplement dated September 10, 2020

Swedbank AB (publ)

U.S.$ 15,000,000,000 MEDIUM TERM NOTE PROGRAMME

This prospectus supplement dated September 10, 2020 (the "**Supplement**") to the Base Prospectus dated April 6, 2020 and the prospectus supplement thereto dated May 15, 2020 (together with the Supplement, the "**Base Prospectus**") constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and is prepared in connection with the U.S.$15,000,000,000 Medium Term Note Programme (the "**Programme**") established by Swedbank AB (publ) ("**Swedbank**" or the "**Issuer**"). Terms defined elsewhere in the Base Prospectus have the same meaning when used in this Supplement.

Under the Programme described in the Base Prospectus, Swedbank, subject to all applicable legal and regulatory requirements, may from time to time issue Notes in registered or bearer form. The aggregate principal amount of Notes outstanding at any one time will not exceed U.S.$15,000,000,000 or the equivalent in other currencies.

The Notes have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws, and are being offered and sold outside of the United States to persons other than U.S. persons in reliance on Regulation S and in the United States only to QIBs in reliance on, and as defined by, Rule 144A and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of a Note will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Note, as described in the Base Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases (see "Subscription and Sale and Transfer and Selling Restrictions" in the Base Prospectus).

This Supplement has been approved as a supplement by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Regulation. The Central Bank only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank should not be considered as an endorsement of the Issuer or the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

The purpose of this Supplement is:

- to incorporate by reference the unaudited interim financial statements of the Issuer for the six-month period ended June 30, 2020, published on July 17, 2020, comprising the information set out in the Group's interim report for the six-month period ended June 30, 2020 (the "**2020 Q2 Report**");
- to update the risk factor section;

- to update the Management’s Discussion and Analysis of Financial Condition and Results of Operations section; and
- to update the no significant change statement.

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

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

1 2020 Q2 Report

The Issuer has published the 2020 Q2 Report, a copy of which has been filed with the Central Bank of Ireland and can be viewed online at:

https://mb.cision.com/Public/67/3155921/8895ccf182da6451.pdf.

By virtue of this Supplement, the unaudited financial statements of the Issuer for the six-months ended June 30, 2020, comprising the information set out in pages 22 – 60 and the auditor's review report set out on page 61 in the 2020 Q2 Report are incorporated in, and form part of, the Base Prospectus.

2 Risk Factors

2.1 Risks Relating to Macro-economic and Political Events

Section 2.5.2 starting on page 26 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

"2.5.2 The global coronavirus pandemic has led to significant volatility in financial, commodities and other markets and could harm the business and results of operations of the Group.

An outbreak of a novel strain of coronavirus (i.e., COVID-19), which first emerged in the PRC in late December 2019, has since spread to other parts of the world, including Sweden and our other markets. In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the coronavirus pandemic on the Group's business. The impact to date has included a sharp decline in consumption and travel and disruption in global supply chains, which in combination with general uncertainty regarding the evolution and resolution of the pandemic, has resulted in significant volatility in financial, commodities and other markets and substantial harm to the economies in which Swedbank operates.

In addition, measures by various governments to reduce the spread of COVID-19 have led to a sharp decline in economic activity, resulting in the closure of a number of companies and rising unemployment. According to the International Monetary Fund World Economic Outlook (June 2020), global GDP is expected to contract by 4.9 per cent for 2020 in response to the economic slowdown caused by the spread of COVID-19. The pandemic significantly reduced economic growth in the second quarter of 2020, continuing the negative impacts from the first quarter. In Sweden, the pandemic affected GDP during the first quarter of 2020, but such impacts were more significant in the second quarter, where GDP fell by 8.6 per cent in the second quarter of 2020 as compared to the previous quarter. In Latvia and Lithuania, GDP contracted by 7.5 and 5.1 per cent, respectively, as compared to the previous quarter. In Estonia, which has not yet published its GDP figures for the second quarter of 2020, GDP declined by 3.4 per cent in the first quarter of 2020. The COVID-19 outbreak could become more severe and result in a more widespread health crisis, which, in combination with the financial consequences for corporations and individuals due to the various pandemic containment measures undertaken by governments, including lockdowns, may in turn result in protracted volatility in international markets and/or result in a deeper and extended global recession as a consequence of disruptions to nearly all economic sectors. This volatility, if it continues, or the global contraction in economic activity could have a material adverse effect on the Group's customers and on the Group's business, financial condition and results of operations.

Swedbank is allowing amortisation deferrals for private and corporate customers affected by the pandemic and has outlined the structure of the relevant grace periods together with information on how to apply for this relief. Swedbank is also supporting corporate customers that incur temporary liquidity problems due to COVID-19. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments.” This could have a significant effect on the Group’s cash flows and liquidity. If business clients (particularly the Group’s corporate customers in the manufacturing, retail, tourism and service industries) or home owners are unable to repay their loans due to the pandemic, this could increase default rates and result in increased credit impairments.

The financial strains caused by the COVID-19 pandemic have been and are expected to continue to be extensive in the Group’s home markets, and deteriorating macroeconomic conditions have led to an increase, and will likely lead to further increases, in the Group’s credit impairments. The situation caused by COVID-19 is unique and difficult to assess, and the situation is changing rapidly. Therefore, substantial uncertainty remains as to the full effect of the COVID-19 pandemic on the Group’s business, results of operations and financial condition in future periods.

In the second quarter of 2020, Swedbank’s credit impairments amounted to SEK 1,235 million (SEK 2,151 million in the first quarter), of which SEK 557 million is increased provisions due to deteriorating macroeconomic outlook. Swedbank updated the forward-looking scenarios for its various credit portfolios back in the first quarter, but because macroeconomic forecasts now assume a more protracted recovery, the forward-looking scenarios have again been updated, which has led to additional impairments. Additional provisions for individual commitments amounted to SEK 210 million in the quarter and were mainly in the shipping and offshore sector in the business area LC&I. The provision for the expert credit adjustment in the first quarter, for downgrades of large corporate customers in stages 1 and 2 not been captured by the models, has now been reversed as these customers underwent a review in the second quarter which resulted in increased model-based provisions. The remaining credit impairments of SEK 468 million include other risk class migrations, stage migrations and revised exposures.

The COVID-19 pandemic and measures taken in response to it are expected to have adverse effects on housing prices globally and in Sweden. As reported in the Valueguard-KTH Housing Index Sweden, housing prices fell slightly in April, but then increased in May and June, mainly for single-family homes, supported by lower interest rates. However, increased concerns about unemployment and worsening finance among households could lead to fewer property sales and lower house prices during 2020.

The commercial real estate market was initially negatively affected by COVID-19 due to concerns about the financial markets but recovered in the second quarter. However, economic contraction is expected to slow growth in rental levels and property values, depending on location and type of property. Property owners who are dependent on tenants in the retail, hotel, restaurant and leisure sectors risk lower rental income due to renegotiations and bankruptcies. Depending on the length and depth of the expected recession, other parts of the real estate sector could be affected as well, all of which could adversely affect borrowers’ ability to repay their loans. In addition, changed work patterns, such as increased remote work, may affect the real estate market. The extent of the impacts resulting from COVID-19 and other events beyond the Group’s control will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain COVID-19 or its impact, among others. Any of these factors could have a material adverse effect on the Group’s business, financial condition and results of operations.

The spread of COVID-19 has led the Group to modify its business practices, including the imposition of restrictions on employee travel and changes to working locations. The Group has also increased its efforts to mitigate the effects of the COVID-19 pandemic on its customers, which has led to rising costs. These initiatives include increased accessibility in channels that do not require physical meetings, such as the telephone bank and the digital channels, and extending branch hours in order to reduce crowding. In addition, the Group has increased the capacity and strengthened the stability of its IT systems to handle the increased data traffic. The Group expects these measures to increase costs for 2020 by approximately SEK 250 million, as compared to 2019.

The Group may take further actions required by authorities or that it determines are in the best interests of its employees, customers, partners or suppliers. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, and the implementation of such measures (or their insufficiency) could harm the Group's ability to perform critical functions. The unavailability of staff could adversely impact the quality and continuity of service to customers and the reputation of the Group. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations in addition to those described above."

3 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is hereby included in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Base Prospectus.

3.1 Significant Factors Affecting Results of Operations and Business Conditions

3.1.1 *Global Overview and Macroeconomic Factors*

The second quarter of 2020 continued to be dominated by uncertainty caused by COVID-19. As the contagion slowed, countries cautiously began reopening and economic activity grew. Global stock markets recovered after bottoming out in late March. At the end of the quarter, however, the contagion started spreading again, including in countries that had begun to reopen, causing increased volatility in the financial markets. Economic development now depends on further stimuli from central banks and governments. Indicators such as purchasing managers' indices and confidence surveys showed that while expectations and optimism have recovered, confidence is still much lower than before the crisis. After OPEC+ agreed on production cuts, oil prices doubled from the very low levels at the beginning of the quarter. Central banks continued to pursue the measures they launched in the first quarter, mainly through asset purchases and liquidity facilities to support their economies. The depreciation of the U.S. dollar continued in the second quarter of 2020. The Swedish economy continued to slow in the first quarter and growth was up 0.4 per cent compared with the same quarter in 2019. A big contribution from foreign trade was offset by the sharpest slide in household consumption in 20 years. Although the Swedish economy was impacted by the pandemic in the first quarter, impacts were much greater in the second quarter. In the second quarter of 2020, Swedish GDP fell by 8.2 per cent, as compared to the second quarter of 2019. According to the National Institute for Economic Research ("**NIER**") forecast in August 2020, GDP is expected to recover to an extent in the second half of 2020, but, on average, GDP is expected to decline by 4.8 per cent for in the year ended December 31, 2020. GDP is expected to increase by 3.4 per cent in 2021.

During the second quarter of 2020, the U.S. Federal Reserve maintained the federal funds rate at 0.0 per cent – 0.25 per cent. The Federal Reserve also extended essentially unlimited asset purchases and several additional measures to support liquidity. Similarly, the European Central Bank ("**ECB**") continued its purchasing program of EUR 20 billion per month to support European economies. The ECB has also cut its main deposit rate by 10 basis points to -0.5 per cent. In the period from March 31, 2020 to June 30, 2020, the S&P 500 increased by 20 per cent and the STOXX 50 increased by 16 per cent.

The ECB has continued to take extensive measures to ensure financial market liquidity, including facilitating corporate loans. Various governments have also announced large support packages. The EU governments, spearheaded by Germany, have launched a stimulus package amounting to approximately EUR 750 billion. Similarly, the U.S. implemented a fiscal stimulus package, including cash transfers to households, tax cuts, and support for businesses.

In the second quarter of 2020, the GDP figures of several countries have shown historically significant decreases, along with sharp increases in unemployment. The IMF World Economic Outlook (June 2020) predicts the global economy will contract by 4.9 per cent in 2020. In the U.S., the number of jobs increased by 1.8 million in July 2020, resulting in an unemployment rate decrease to 10.2 per cent from 11.1 per cent in June 2020. The oil price (Brent oil) has declined from nearly 70 USD per barrel at the beginning of January 2020 to 43 USD per barrel at the end of July 2020, primarily due to a sharp decline in global oil consumption and concerns regarding storage capacity in the U.S. Although oil prices are currently lower than in the beginning of the year, oil prices have been trending upward since May 2020. The average oil price in August 2020 was USD 45 per barrel compared with USD 20 per barrel at the end of April. The International Energy Agency estimates in its August 2020 oil market report that global oil demand will drop by 8.1 million barrels per day in 2020 compared to the previous year.

3.1.2 *Sweden*

The COVID-19 pandemic had a substantial impact on the Swedish economy in the second quarter. Sweden’s GDP fell by 8.2 per cent, as compared to the second quarter of 2019, after growing by 0.4 per cent in annual terms in the first quarter of 2020, according to Statistics of Sweden. The decline in the second quarter was driven largely by falling exports and decreases in household consumption.

To more quickly assess the pandemic’s impact on the Swedish economy, various new economic indicators have been developed. Swedbank has begun using card transaction data from Swedbank Pay, showing a decline in household consumption after restrictions were introduced in March 2020. Based on these data, total sales were down about 25 per cent compared with the same week in 2019; excluding food, sales were lower by as much as 35 per cent. It was mainly consumption of various services as well as clothing and footwear that declined, while home furnishings and building materials were stronger than in previous periods. A recovery gradually took hold in the second quarter and during Midsummer week sales, for the first time since late March, reached the same level as in 2019. Other data also indicate weak economic development in the second quarter. For example, the number of new jobless claims rose and now corresponds to an unemployment rate of 9.0 per cent, while the number of corporate bankruptcies initially rose but has since fallen.

House prices fell in March and April of 2020 but have since withstood the effects of the pandemic fairly well. In July 2020, Valueguard’s price index increased by 2.0 per cent compared with June 2020, and increased by 7.9 per cent compared to July 2019, driven by single-family homes. According to Mäklarstatistik, single-family home prices were up in June, while tenant-owner apartment prices were unchanged. Sales activity was high in June, mainly for tenant-owner apartments. Demand for mortgages grew, creating volume growth of 5.5 per cent in June. Inflation in April and May was clearly impacted by the pandemic and fell in the second quarter. Certain products and services are not being consumed at all, and their price trend was replaced by the annual CPI rate. Because of this, the calculation of inflation is uncertain at the moment, which the Riksbank has also noted. Its main concern, however, is not inflation but supporting the economy and ensuring that the financial system functions.

The Swedish economy decelerated in 2019. Investment in housing fell by 5.8 per cent in 2019 compared with 2018. Exports fell at the end of 2019. The labour market also weakened in 2019.

Slower employment growth contributed to unemployment rising to 7.0 per cent in December 2019 (trended and seasonally adjusted) from 6.6 per cent in December 2018. During the first quarter of 2020, the labour market deteriorated further due to the impact of COVID-19. In March 2020, the unemployment rate reached 7.2 per cent and the number of layoffs increased by 36,800 individuals due to the impacts of COVID-19 (the highest layoff figures for an individual month in recent years, even as compared to the 1990s crisis and the recent financial crisis). In the second quarter of 2020, the unemployment rate increased further and reached 9.3 per cent in June. Despite a sharp increase in unemployment due to COVID-19, the housing market has been relatively stable. Housing prices started to increase after a temporary decline during the spring, according to Valueguard price index. In mid-March and in April 2020, the Swedish government presented several crisis packages focused on reducing corporate costs which involves, among other things, reduced employer contributions and opportunities for companies to defer tax payments. In addition, the government temporarily assumed sick pay responsibility and implemented new legislation to assume a portion of labour costs in the event of a labour shortage.

As of June 30, 2020, the Group reported credit impairments in Sweden of SEK 1,582 million.

3.1.3 *The Baltic Countries*

The Baltic economies have also been significantly impacted by COVID-19 due to the initial shut-down to stop the spread of the contagion; however, compared with other EU countries, the economic decline has been less significant. In Latvia, GDP fell by 7.5 per cent in the second quarter of 2020, compared with the previous quarter, while in Latvia, GDP fell by 5.1 per cent. Estonia has not yet published GDP figures for the second quarter of 2020. In comparison, the average GDP of the EU fell by 12.1 per cent during the same period. Lithuania still showed a relatively robust growth due to a large share of its manufacturing industry concentrated on wood products and furniture, where demand remained high. According to Eurostat, the unemployment rate in the Baltic countries has increased. In June 2020, the seasonally adjusted unemployment rate in Latvia was 8.9 per cent, an increase from 6.4 per cent in June 2019. In June 2020, the unemployment rate in Lithuania was 8.8 per cent, as compared to 6.2 per cent in June 2019. In June 2020, the unemployment rate in Estonia was 8.0 per cent, as compared to 5.0 per cent in June 2019. Although the labour market worsened in 2020, the decline in private household consumption has been mitigated by higher wages, lower interest rates and expansive fiscal policy. In March 2020, the Baltic countries closed their borders to limit the spread of COVID-19; however, in May 2020, the Baltic countries agreed to open their borders among the Baltic states. As of August 2020, additional travel restrictions have been lifted, including travel from EU countries.

As of June 30, 2020, the Group reported credit impairments in Estonia, Lithuania and Latvia of SEK 110 million, SEK 39 million and SEK 54 million, respectively.

3.1.4 *Exchange Rates*

Changes in exchange rates, primarily the depreciation of the Swedish krona against the Euro, during the six-month period ended June 30, 2020 increased the Group's profit by SEK 149 million. Foreign exchange rate effects offset risk exposure amount ("**REA**") increases by SEK 0.6 billion during the six-month period ended June 30, 2020.

3.1.5 *Capital Markets*

The Group's net commission income for the six-months ended June 30, 2020 decreased 2 per cent to SEK 6,148 million, compared to SEK 6,272 million for the six-months ended June 30, 2019, primarily due to a decrease in income from cards due to the impacts of COVID-19. Asset management and custody commission income increased by 5 per cent to SEK 3,514 million for the six-months ended June 30, 2020, compared to SEK 3,336 million for the six-months ended June 30, 2019, mainly due to a higher average volume of assets under management.

3.2 Funding

During the six-month period ended June 30, 2020, credit spreads were volatile, with spreads starting to widen in the later part of February. This widening continued in the beginning of March as the COVID-19 crisis because evident. Swedbank decided not to use the international markets for long-term funding as it waited for the outcome of various anti-money laundering investigations, including the SFSA, EFSA and internal investigation conducted by external law firm Clifford Chance. However, for the period, Swedbank issued SEK 62 billion in long-term funding in the form of two benchmark senior preferred transactions (EUR and USD) and a small JPY public transaction together with domestic covered bonds. Despite the ongoing economic volatility, Swedbank maintained strong capital and liquidity ratios at the end of the second quarter.

3.3 Valuation of Financial Instruments at Fair Value

The table below shows financial instruments carried at fair value as of June 30, 2020, by valuation method.

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

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

3.4 Credit Impairment and Provisioning Levels

There have been no significant changes to the methodology during the year. However, key portfolio risks have changed rapidly and significantly as a consequence of COVID-19. Given the considerable uncertainty regarding the magnitude of the medium and long-terms effects, the Group had pending downgrades in the internal ratings of corporate customers and a post-model expert credit adjustment was recognised as of March 31, 2020. Individual reassessments of the ratings for vulnerable industry sectors and borrowers were performed during the second quarter. Consequently, the effects of such re-ratings are captured in the models (changes in risk factors and stage transfers) as of June 30, 2020 and the post-model expert credit adjustment was reversed.

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

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

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The economic scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. A new Swedbank Economic Outlook was published on 13 May which serves as the base scenario, with an assigned probability weight of 66.6 per cent. Aligned with the updated base scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to the Group's usual monthly process.

The increase in credit impairment provisions due to changes in macroeconomic scenarios was SEK 1,028 million.

3.5 Goodwill

The Group's goodwill amounted to SEK 13,742 million as of June 30, 2020, of which SEK 10,616 million relates to the investment in the Baltic banking operations.

3.6 Pensions

The pension liability amounted to SEK 5,768 million as of June 30, 2020.

3.7 Consolidated Income Statement

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Interest income	17,473	17,803
Interest expenses	-3,901	-4,775
Net interest income	13,572	13,028
Net commission income	6,148	6,272
Net gains and losses on financial items at fair value	1,076	1,954
Net insurance	686	687
Share of profit or loss of associates and joint ventures	229	357
Other income	597	480
Total income	22,308	22,778
Staff costs	5,738	5,541
Other general administrative expenses	3,698	2,954
Depreciation/amortisation	777	776
Administrative fine	4,000	—
Total expenses	14,213	9,271
Profits before impairment	8,095	13,507
Impairment of tangible assets	—	2
Credit impairment	3,386	327
Operating profit	4,709	13,178
Tax expense	1,552	2,562
Profit for the period	3,157	10,616
Profit for the period attributable to the shareholders of Swedbank AB	3,158	10,606
Non-controlling interests	-1	10

3.7.1 *Interest Income*

Consolidated interest income was SEK 17,473 million in the six-month period ended June 30, 2020, compared to SEK 17,803 million in the six-month period ended June 30, 2019. The decrease was mainly due to lower interest income from balances with central banks and was partly offset by higher interest income from loans to the public. Interest rates on loans to the public averaged 1.97 per cent in the six-month period ended June 30, 2020, the same as for the six-month period ended June 30, 2019, and average interest rates on loans to credit institutions decreased from 1.15 per cent in the six-month period ended June 30, 2019 to 0.76 per cent in the six-month period ended June 30, 2020. In Swedish Banking, lending margins were slightly lower in the six-month period ended June 30, 2020, compared to the six-month period ended June 30, 2019. Interest income on bonds and other interest-bearing securities increased from SEK 66 million in the six-month period ended June 30, 2019 to SEK 145 million in the six-month period ended June 30, 2020, mainly as a result of higher average balances and interest rates.

The components of interest income are set out below:

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Cash and balances with central banks………………………………	-171	323
Treasury bills and other bills eligible for refinancing with central banks, etc……………………………………………………………..	46	84
Loans to credit institutions……………………………………………..	212	258
Loans to the public……………………………………………………..	16,652	16,435
Bonds and other interest-bearing securities…………………………	145	66
Derivatives………………………………………………………………	503	795
Other…………………………………………………………………….	102	110
Total interest income………………………………………………	17,489	18,071
deduction of trading related interest reported in Net gains and losses on financial items…………………………………………	16	268
Total interest income according to the income statement…….	17,473	17,803

3.7.2 *Interest Expense*

Consolidated interest expense decreased by SEK 874 million to SEK 3,901 million in the six-month period ended June 30, 2020, compared to SEK 4,775 million in the six-month period ended June 30, 2019. The government resolution fund fee decreased by SEK 136 million to SEK 425 million in the six-month period ended June 30, 2020, compared to SEK 561 million in the six-month period ended June 30, 2019. The fee for state deposit guarantees increased by SEK 22 million to SEK 235 million in the six-month period ended June 30, 2020, compared to SEK 213 million in the six-month period ended June 30, 2019. Interest expense on debt securities in issue decreased by SEK 2,031 million to SEK 4,266 million in the six-month period ended June 30, 2020, compared to SEK 6,297 million in the six-month period ended June 30, 2019.

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Amounts owed to credit institutions	-213	-606
Deposits and borrowings from the public	-475	-1,011
Debt securities in issue	-4,266	-6,297
Senior non-preferred liabilities	-55	—
Subordinated liabilities	-468	-456
Derivatives	2,108	4,156
Other	-482	-621
Total interest expense	-3,851	-4,835

deduction of trading related interest reported in Net gains and losses on financial items	50	-60
Total interest expense according to the income statement	-3,901	-4,775

3.7.3 *Net Interest Income*

Consolidated net interest income increased by 4 per cent to SEK 13,572 million in the six-month period ended June 30, 2020, compared to SEK 13,028 million in the six-month period ended June 30, 2019. Group net interest income increased mainly due to a lower resolution fund fee and higher lending and deposit volumes. Net interest income increased within Swedish Banking, Baltic Banking and LC&I. The government resolution fund fee decreased by SEK 136 million to SEK 425 million in the six-month period ended June 30, 2020, compared to SEK 561 million in the six-month period ended June 30, 2019.

3.7.4 *Net Commission Income*

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Asset management and custody	2,653	2,534
Payment processing	428	445
Cards	1,293	1,579
Service concepts	551	536
Lending and guarantees	562	562
Securities and corporate finance	193	76
Insurance	222	223
Deposits	72	85
Real estate brokerage	92	92
Other	82	140
Total	**6,148**	**6,272**

Consolidated net commission income decreased slightly to SEK 6,148 million in the six-month period ended June 30, 2020, compared to SEK 6,272 million in the six-month period ended June 30, 2019. Fees decreased primarily due to lower income from cards, driven by the impacts of COVID-19. This was partially offset by higher fees from asset management and custody due to a higher average volume of assets under management.

3.7.5 *Net Gains and Losses on Financial Items at Fair Value*

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Total fair value through profit or loss	373	1,074
Total hedge accounting	-48	-27
Derecognition gain or loss for financial liabilities at amortised cost	72	76
Derecognition gains or loss for financial assets at amortised cost	-90	-95
Total trading related interest	66	207
Change in exchange rates	703	719
Total net gains and losses on financial items	**1,076**	**1,954**

Consolidated net gains and losses on financial items at fair value amounted to a gain of SEK 1,076 million in the six-month period ended June 30, 2020, compared to a gain of SEK 1,954 million in the six-month period ended June 30, 2019. The decrease was mainly due to a lower result within LC&I, largely affected by revaluations in the trading book and derivative value adjustments, resulting from the market volatility in the first quarter of 2020 that arose in connection with the accelerating spread of COVID-19. The appreciation in the value of the shareholdings in Visa and Asiakastieto has also been lower this period.

3.7.6 *Net Insurance*

Net insurance decreased slightly to SEK 686 million in the six-month period ended June 30, 2020, compared to SEK 687 million in the six-month period ended June 30, 2019. The decrease was mainly attributable to slightly higher provisions for claims.

3.7.7 *Share of Profit or Loss in Associates and Joint Ventures*

The consolidated share of profit in associates decreased to SEK 229 million in the six-month period ended June 30, 2020, compared to SEK 357 million in the six-month period ended June 30, 2019, primarily due to a lower profit share from EnterCard.

3.7.8 *Other Income*

Consolidated other income increased to SEK 597 million in the six-month period ended June 30, 2020 compared to SEK 480 million in the six-month period ended June 30, 2019. This increase is primarily a result of higher income for IT and other services to savings banks.

3.7.9 *Other General Administrative Expenses*

	For the six-month period ended	
SEK million	**June 30, 2020**	**June 30, 2019**
Premises	184	294
IT expenses	1,165	1,016
Telecommunications and postage	77	55
Consultants	1,059	452
Compensation to savings banks	116	111
Other purchased services	464	444
Travel	54	115
Entertainment	13	23
Supplies	45	37
Advertising, PR and marketing	160	131
Security transports and alarm systems	36	33
Repair/ maintenance of inventories	54	31
Other administrative expenses	234	169
Other operating expenses	37	43
Total	3,698	2,954

Consolidated other general administration expenses increased by SEK 744 million to SEK 3,698 million in the six-month period ended June 30, 2020, compared to SEK 2,954 million in the six-month period ended June 30, 2019.

3.7.10 *Depreciation and Amortisation*

Consolidated depreciation and amortisation increased slightly by SEK 1 million to SEK 777 million in the six-month period ended June 30, 2020, compared to SEK 776 million in the six-month period ended June 30, 2019. This increase is primarily a result of higher amortisation related to internally developed software.

3.7.11 *Credit Impairment*

Credit impairments amounted to SEK 3,386 million in the six-month period ended June 30, 2020 compared to SEK 327 million in the six-month period ended June 30, 2019. In the first half of 2020, SEK 1,205 million of Swedbank's credit impairments constituted increased provisions due to the deteriorating macroeconomic outlook. Due to the protracted timeline of the expected economic recovery, Swedbank updated its forward-looking scenarios for its various credit portfolios (after updating its forward-looking scenarios in the first quarter of 2020), which resulted in further impairments. Additional provisions for individual commitments amounted to SEK 1,085 million in the first half of 2020 and were mainly in LC&I's shipping and offshore sectors.

The provision for the expert credit adjustment in the first quarter of 2020, for downgrades of large corporate customers in stages 1 and 2 not captured by the models, has been reversed in the second quarter of 2020 as these customers underwent a review in the second quarter which resulted in increased model-based provisions. The remaining credit impairments of SEK 1,096 million recorded for the first half of 2020 include other risk class migrations, stage migrations and revised exposures.

3.7.12 *Operating profit*

Consolidated operating profit amounted to a profit of SEK 4,709 million in the six-month period ended June 30, 2020, compared to a profit of SEK 13,178 million in the six-month period ended June 30, 2019. The decrease in the six-month period ended June 30, 2020 is primarily due to the SFSA's administrative fine and higher expenses to manage money laundering related investigations, lower net gains and losses on financial items and higher credit impairments.

3.7.13 *Tax Expense*

The consolidated tax expense recorded was SEK 1,552 million in the six-month period ended June 30, 2020, compared to SEK 2,562 million in the six-month period ended June 30, 2019. Tax expense was affected by the SFSA's administrative fine (as the fine was non-deductible) and by a tax loss carry forward of SEK 168 million accrued in previous years. Excluding the administrative fine and the tax loss carry forward, the adjusted effective tax rate was 19.8 per cent, compared to 19.4 per cent in the first half of 2019. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

3.7.14 *Profit Attributable to the Shareholders of Swedbank.*

Consolidated profit attributable to the shareholders of Swedbank in the six-month period ended June 30, 2020 decreased to a profit of SEK 3,158 million, compared to a profit of SEK 10,606 million in the six-month period ended June 30, 2019. The decrease in the six-month period ended June 30, 2020 is primarily due to higher expenses, the SFSA's administrative fine, lower net gains and losses on financial items and higher credit impairments. Return on equity was 4.4 per cent in the six-month period ended June 30, 2020, compared to 15.9 per cent in the six-month period ended June 30, 2019. The Group's cost/income ratio was 0.64 for the six-month period ended June 30, 2020 and 0.41 for the six-month period ended June 30, 2019.

3.8 Results of Operations – Segmental Presentation

The segmental income statement data set out below do not include intra-group eliminations. The effects of Swedbank's ownership of Swedbank AS are included in Baltic Banking in the form of financial costs, Group goodwill and amortisation of the surplus value in the lending and deposits portfolios identified at the time of the acquisition in 2005.

Financial reporting is divided into four segments: Swedish Banking, Baltic Banking, LC&I and Group Functions & Other. Group Treasury, Group Savings, Group Lending & Payments and Group IT are included in Group Functions & Other.

SEK million	For the six-month period ended June 30, 2020	June 30, 2019
Swedish Banking		
Net interest income	8,362	8,174
Net commission income	3,807	3,796
Net gains and losses on financial items	156	221
Share of profit or loss of associates	253	350
Other income	395	429
Total income	12,973	12,970
Baltic Banking		
Net interest income	2,779	2,529
Net commission income	1,204	1,292
Net gains and losses on financial items	146	202
Other income	433	410
Total income	4,562	4,433
Large Corporates & Institutions		
Net interest income	1,967	1,897
Net commission income	1,177	1,133
Net gains and losses on financial items	717	1,222
Share of profit or loss of associates	-12	—
Other income	74	50
Total income	3,923	4,302
Group Functions & Other[1]		
Net interest income	464	428
Net commission income	-40	51
Net gains and losses on financial items	57	309
Share of profit or loss of associates and joint ventures	-12	7
Other income	381	278
Total income	850	1,073

Note:
[1] Group Functions & Other includes eliminations.

For information on consolidated income statement data, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Consolidated Income Statement."

3.9 Assets and Liabilities

3.9.1 *Assets*

Total assets increased by SEK 357 billion from SEK 2,408 billion to SEK 2,765 billion between December 31, 2019 and June 30, 2020. This increase was primarily due to higher cash and balances with central banks in the amount of SEK 185 billion. Loans to the public (excluding the Swedish National Debt Office and repurchase agreements) increased by SEK 19 billion from SEK 1,606 billion as of December 31, 2019 to SEK 1,625 billion as of June 30, 2020. Lending to mortgage customers within Swedish Banking increased by SEK 15 billion to SEK 833 billion as of June 30, 2020 compared with December 31, 2019. Corporate lending decreased in all business segments by a total of SEK 4 billion to SEK 556 billion as of June 30, 2020 compared with December 31, 2019. Foreign exchange effects negatively affected lending by SEK 14 billion as of June 30, 2020 compared with December 31, 2019. Interest-bearing securities, treasury bills, bonds and other securities increased by SEK 54 billion, to SEK 248 billion as of June 30, 2020.

3.9.2 *Liabilities*

Total liabilities increased by 15 per cent from SEK 2,270 billion as of December 31, 2019 to SEK 2,620 billion as of June 30, 2020. The increase in total liabilities was mainly attributable to deposits and borrowings from the public, excluding the SNDO and repurchase agreements, which increased by a total of SEK 154 billion between December 31, 2019 and June 30, 2020. Amounts owed to credit institutions increased by SEK 117 billion between December 31, 2019 and June 30, 2020, to SEK 186.6 billion as of June 30, 2020.

3.10 Liquidity and Capital Resources

3.10.1 *Funding and Liquidity Strategy*

As of June 30, 2020, the Group would be able to survive for more than 12 months without the need to access the capital markets. This applies to the Group's total liquidity as well as liquidity in U.S. dollar and Euro. This is an internally developed calculation which may not be comparable to similar measures published by other banks.

Swedbank Management is of the opinion that the Group's working capital (i.e., its ability to access cash and other available liquid resources) is sufficient for it to meet its liabilities as they become due for a period of 12 months after the date of this Supplement.

3.10.2 *Sources of Funding*

Swedbank uses a number of different funding programmes for its short and long-term funding, including programmes for commercial paper, certificates of deposit, covered bonds and senior unsecured debt.

Between January 1, 2020 and March 31, 2020, Swedbank decided to take a less active role in the funding market because the anti-money laundering investigations were being finalised in March. In the second quarter of 2020, Swedbank took the opportunity to enter the EUR and USD markets with two benchmark transactions since credit spreads had tightened. There was also a continued increase of deposits to meet around SEK 52 billion of maturing long-term debt. The funding plan is based on future maturities of long-term debt and is mainly affected by changes in deposit volumes and loan growth and is therefore adjusted during the year. Swedbank had a comparatively higher level of funding maturing in the six-month period ended June 30, 2020 compared to the funding that matured in the six-month period ended June 30, 2019, but the funding plan was relatively stable. Between March 31, 2020 and June 30, 2020, Swedbank observed no change in the demand for its debt which was also confirmed by investor interest in the two benchmark transactions denominated in EUR and USD during the second quarter.

In the six-month period ended June 30, 2020, Swedbank issued a total of SEK 62 billion in long-term debt, of which SEK 31 billion was issued in the second quarter of 2020. Covered bond issues accounted for SEK 34 billion in the six-month period ended June 30, 2020. In 2020, Swedbank plans to issue a total of approximately SEK 72 billion in debt instruments to meet maturing funding with a nominal value of SEK 165 billion, calculated from the beginning of the year, and credit demand, mainly in Swedish mortgages. As of June 30, 2020, outstanding short-term funding amounted to SEK 185 billion. Available cash and balances with central banks and excess reserves with the SNDO amounted to SEK 377 billion as of June 30, 2020.

The Group's liquidity reserve amounted to SEK 607 billion as of June 30, 2020. The liquidity reserve and the Liquidity Coverage Ratio (the "**LCR**") fluctuate over time depending on, among other factors, the maturity structure of Swedbank's issued securities. As of June 30, 2020, the Group's LCR was 164 per cent and its LCR for USD and EUR was 140 per cent and 222 per cent, respectively.

Pursuant to the revised Capital Requirements Regulation ("**CRR2**") (EU Regulation 2019/876), as of June 30, 2020, Swedbank's Net Stable Funding Ration ("**NSFR**") was 125 per cent. The table below shows the breakdown of the Group's different funding sources as of June 30, 2020:

The Group **SEK million, as of June 30, 2020**	**Total**
Amount owed to credit institutions	186,615
Deposits and borrowings from the public	1,121,606
Debt securities in issue..........	869,229
Senior non-preferred liabilities	10,837
Subordinated liabilities..........	25,421
Total	2,213,708

3.10.3 *Maturing Debts*

As of June 30, 2020, the Group had external outstanding long-term issued debt amounting to nominal SEK 64 billion maturing in 2020.

As of June 30, 2020, the maturity distribution of the Group's funding sources is reflected in the following table:

SEK million	**<3 mths**	**3 mths-1yr**	**1-5 yrs**	**5-10 yrs**	**>10 yrs**	**Discount effect / no maturity**	**Total**
Amount owed to credit institutions	111,286	197	75,132	0	0	0	186,615
Deposits and borrowings from the public	1,098,941	21,137	1,449	71	8	0	1,121,606
Debt securities in issue	126,522	186,379	505,170	33,787	18,651	-1,280	869,229
Senior non-preferred liabilities	0	0	10,498	209	0	130	10,837
Subordinated liabilities	0	0	24,208	433	0	780	25,421
Total	1,336,749	207,713	616,457	34,500	18,659	-370	2,213,708

Long-term funding with an original maturity of over one year had an average maturity of 35 months, of which 37 months for covered bonds and 26 months for senior funding.

3.10.4 *Deposits from the Public*

The Group is among the market leaders in deposits in all its home markets and its market shares have generally remained stable in all those markets during the last three years. As of June 30, 2020, the Group's total deposits and borrowings from the public amounted to SEK 1,122 billion. The Group's deposit base is largely stable but increased by 18 per cent between December 31, 2019 and June 30, 2020 mainly due to continued and reallocated savings from private individuals, drawdowns on credit facilities for corporate clients together with increased deposits from US money-market funds.

3.10.5 *Covered Bonds*

Swedbank Mortgage's lending to the public is mainly financed through deposits and capital market borrowing, primarily covered bonds. Swedbank Mortgage is the sole issuer of covered bonds within the Group. Swedbank Mortgage is the market leading mortgage lender in Sweden with a market share of approximately 23 per cent as of June 30, 2020.[1] Swedbank's more than one million customers include Swedish homeowners, businesses, tenant-owner associations, municipalities and agricultural and forestry businesses.

3.10.6 *Senior Unsecured Debt*

As a further source of funding, the Group had outstanding senior unsecured debt amounting to SEK 136,140 million as of June 30, 2020, as compared to SEK 128,445 million as of December 31, 2019. The main purpose for senior unsecured funding is to provide liquidity and to finance corporate lending, but also to fulfil the MREL requirement up to January 1, 2024.

3.10.7 *Senior Non-Preferred Liabilities*

In 2019, Swedbank issued senior non-preferred liabilities for the first time to fulfil the MREL subordination requirement. As of June 30, 2020, the sum of outstanding volumes is SEK 11 billion. According to 2020 MREL requirements, as of December 18, 2019, Swedbank needs to hold the equivalent of SEK 78 billion of senior non-preferred liabilities as of January 1, 2024.

3.10.8 *Interbank Funding*

The Group's dependence on interbank funding is low. As of June 30, 2020, amounts owed to credit institutions amounted to SEK 186,615 million, compared to SEK 69,686 million as of December 31, 2019.

3.10.9 *Subordinated Debt Instruments*

Swedbank called USD 750 million in AT1 capital during March 2020. There are no additional call dates in 2020 relating to subordinated debt.

3.11 Capital Adequacy

The following table sets forth the consolidated capital adequacy data of the Group as of the dates indicated. The consolidated data for the Group excludes the data for the Group's insurance companies. EnterCard Holding AB, an affiliated joint venture entity were included according to the proportional consolidation method.

Capital adequacy, the Group, SEK million	**As of**	
	June 30, 2020	**December 31, 2019**

[1] Statistics Sweden (Sw: *Statistiska Centralbyrån*, SCB), 2020-06-30, www.scb.se.

Common Equity Tier 1 capital	**113,397**	**110,073**
Additional Tier 1 capital	9,582	16,153
Total Tier 1 capital	**122,979**	**126,226**
Tier 2 capital	16,959	15,328
Total own funds	**139,938**	**141,554**
Minimum capital requirement	**55,388**	**51,939**
Risk exposure amount	**692,352**	**649,237**
Common Equity Tier 1 capital ratio, %	**16.4**	**17.0**
Tier 1 capital ratio	**17.8**	**19.4**
Total capital ratio, %	**20.2**	**21.8**

Capital adequacy	**As of**	
SEK million	**June 30, 2020**	**December 31, 2019**
Shareholders' equity according to the Group's balance sheet	144,394	138,608
Non-controlling interests	–	–
Anticipated dividend[1]	-11,435	-9,856
Deconsolidation of insurance companies	-977	-758
Value changes in own financial liabilities	-99	-90
Cash flow hedges	-4	-5
Additional value adjustments[2]	-752	-454
Goodwill	-13,829	-13,799
Deferred tax assets	-148	-108
Intangible assets	-3,726	-3,433
Shares deducted from CET 1 capital	-27	-32
Common Equity Tier 1 capital	**113,397**	**110,073**
Additional Tier 1 capital	9,582	16,153
Total Tier 1 capital	**122,979**	**126,226**
Tier 2 capital	16,959	15,328
Total own funds	**139,938**	**141,554**
Minimum capital requirement for credit risks, standardised approach	3,846	3,614
Minimum capital requirement for credit risks, IRB	22,667	21,559
Minimum capital requirement for credit risk, default fund contribution	51	47
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1,561	1,308
Minimum capital requirement for credit value adjustment	401	378
Minimum capital requirement for operational risks	5,716	5,481
Additional minimum capital requirement, Article 3 CRR[3]	3,268	2,451
Additional minimum capital requirement, Article 458 CRR[4]	17,878	17,101
Minimum capital requirement	**55,388**	**51,939**
Risk exposure amount credit risks, standardised approach	48,077	45,174
Risk exposure amount credit risks, IRB	283,330	269,485
Risk exposure amount default fund contribution	636	584
Risk exposure amount settlement risks	1	0
Risk exposure amount market risks	19,511	16,350
Risk exposure amount credit value adjustment	5,017	4,730
Risk exposure amount operational risks	71,454	68,514
Additional risk exposure amount, Article 3 CRR	40,856	30,635
Additional risk exposure amount, Article 458 CRR	223,470	213,765
Risk exposure amount	**692,352**	**649,237**
Common Equity Tier 1 capital ratio, %	16.4	**17.0**
Tier 1 capital ratio, %	17.8	**19.4**
Total capital ratio, %	20.2	**21.8**

Capital buffer requirement,[5] %		
CET 1 capital requirement including buffer requirements	10.0	12.0
of which minimum CET 1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	0.0	2.0
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirements[6]	11.9	12.5

Notes:

1. Expected dividend based on the annual profit for 2019 and 2020.
2. Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair value positions.
3. To rectify for under-estimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the SFSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
4. Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from SFSA.
5. Buffer requirement according to Swedish implementation of CRD IV.
6. CET 1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET 1 items used to meet the Tier 1 and total capital requirements.

3.12 Basel III

On December 16, 2010, the Basel Committee published its final framework for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (the so-called ''Basel III'' framework). The CET 1 capital ratio according to requirements under Basel III is fully phased-in in Sweden. On a consolidated basis, the ratio of Swedbank's CET 1 capital to its REA was 16.4 per cent as of June 30, 2020 and 16.1 per cent as of March 31, 2020.

CET 1 capital increased by SEK 2 billion to SEK 113.4 billion as of June 30, 2020 compared to March 31, 2020. This change was mainly attributable to the quarterly profit, after the estimated dividend, of SEK 2.8 billion. The change in the accounting for employee benefits (IAS 19), which came into force in 2013, creates volatility in estimated pension liabilities and increased CET 1 capital by SEK 2.7 billion between June 30, 2019 and June 30, 2020. Subordinated debt included in the total capital decreased by SEK 0.5 billion where Tier 2 capital increased by SEK 1.4 billion and Additional Tier 1 capital decreased by SEK 1.9 billion.

The Group's REA increased by SEK 34 billion to SEK 692 billion as of June 30, 2020 from SEK 658 billion as of June 30, 2019. In the second quarter of 2020, credit risk REA increased by SEK 3.1 billion and higher volumes contributed SEK 5.8 billion to the increase in REA. Negative probability of default (PD) migrations raised REA by SEK 6.7 billion during this period, mainly in the manufacturing, shipping and retail sectors. This was offset by foreign exchange effects, which reduced REA by SEK 6.1 billion. Other effects reduced REA by SEK 3.3 billion, of which SEK 1.7 billion was due to shorter average exposure maturities. The quarterly review of additional risk exposure amounts for article 3 in CRR resulted in a decrease in REA of SEK 0.7 billion in the second quarter of 2020.

The risk weight floor for the Swedish mortgage portfolio of 25 per cent increased REA by SEK 11.3 billion, between June 30, 2019, and June 30, 2020, for purposes of Article 458 of the Regulation (EU) No 648/2012, as amended by the Capital Requirements Regulation ("**CRR**") (EU) No 575/2013.

The additional risk exposure amounts for Article 3 in the CRR resulted in a REA increase of SEK 5.3 billion between June 30, 2019 and June 30, 2020, primarily due to changes in the portfolio and yearly updates of SREP for IRB-models.

Market risk REA increased by SEK 4.9 billion between June 30, 2019 and June 30, 2020, mainly due to the internal models used to calculate market risk REA, more specifically the Value at Risk ("**VaR**") and Stressed Value at Risk ("**SVaR**") in the Trading Book.

REA for credit valuation adjustment increased by SEK 644 million between June 30, 2019 and June 30, 2020. The main driver for the increase was higher total exposure at default ("**EAD**").

The yearly update of the operational risk calculation increased REA by SEK 2.9 billion during the first half of 2020, mainly due to increased income levels within the business lines of retail banking, commercial banking and asset management. This impacted the capital requirement for operational risks, since it is calculated based on a rolling three-year average of revenues.

Since 2014, Swedish banks have been required to report their leverage ratio to regulators, and a formal disclosure requirement was introduced in the first quarter of 2015. According to EU regulations, the measure is expected to be evaluated by the authorities prior to the possible introduction of a minimum leverage ratio requirement in 2022. The leverage ratio can be used to ensure a minimum capital level in relation to the size of the balance sheet. Swedbank's leverage ratio (according to CRR) was 4.6 per cent as of June 30, 2020.

3.13 Swedish Capital Requirements Regulation

Minimum CET 1 capital requirements, implemented and proposed capital buffers and Pillar 2 capital requirements that Swedbank is required to meet are set out in the table below:

Capital Requirements: Fully Implemented Buffers and Pillar 2 Requirements[1]

	CET 1	**AT1**	**T2**	**Total Capital**[5]
Pillar 1				
Minimum CET 1 Requirement.............	4.5%	1.5%	2.0%	8.0%
Systemic Buffer[2].......	3.0%	—	—	3.0%
Capital Conservation Buffer....................	2.5%	—	—	2.5%
Countercyclical Buffer…………………	0.0%	—	—	0.0%
Total.........................	**10.0%**	**1.5%**	**2.0%**	**13.5%**
Pillar 2[3]				
Mortgage Floor[4]				
Systemic Buffer……................	2.0%	—	—	2.0%
Individual Pillar 2 Charge......................	1.0%	0.1%	0.2%	1.3%
of which Interest rate risk in the banking book..........................	*0.2%*	*0.0%*	*0.0%*	*0.3%*
of which Credit-related concentration risk...........................	*0.3%*	*0.1%*	*0.1%*	*0.5%*
of which Adjustment to corporate risk weights (probability of default).................	*0.3%*	*0.0%*	*0.1%*	*0.4%*
of which Maturity floor for corporate exposures................	*0.1%*	*0.0%*	*0.0%*	*0.2%*
of which Pension risk…………………..	*0.0%*	*0.0%*	*0.0%*	*0.0%*
of which Other........................	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total5.......................	**3.0%**	**0.1%**	**0.2%**	**3.3%**
Capital Requirements...........	**13.0%**	**1.6%**	**2.2%**	**16.9%**

1 Swedbank's calculation based on SFSA's announced capital requirements, including Pillar 2 requirements.
2 Other systemically important institution buffer (O-SII buffer) entered into force on January 1, 2016. The higher of the systemic risk buffer and the O-SII buffer applies. The O-SII buffer is 2%.
3 Systemic risk buffer as of June 30, 2020. The individual Pillar 2 charge items as of December 31, 2018, according to SFSA's SREP report of September 30, 2019, in relation to REA as of June 30, 2020.
4 The mortgage floor capital requirement in Pillar 2 is replaced with the requirement within the framework of Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR) to include risk weight floor for Swedish mortgages in the Pillar 1.
5 Note: Values in columns and rows might not sum up exactly due to rounding.

In 2014, the SFSA decided which capital requirements would apply to Swedish banks beyond the minimum level of 7 per cent Common Equity Tier 1 capital (including the mandatory capital conservation buffer of 2.5 per cent) in accordance with the EU rules. As of January 1, 2015, the three major Swedish banks, including Swedbank, are required to maintain a systemic risk buffer of 3 per cent in Common Equity Tier 1 capital within the framework of Pillar 1 and a further 2 per cent within the framework of Pillar 2. The Swedish FSA decided in March 2020 to lower the countercyclical buffer by 2.5 percentage points and set it at 0 per cent for Swedish exposures.

The total capital requirement for Swedbank, calculated as of June 30, 2020 on the basis set out in the table above, is equivalent to a CET 1 capital ratio of 13.0 per cent and a total capital requirement amounting to 16.9 per cent. Swedbank's actual CET 1 ratio and total capital ratio as of June 30, 2020 were 16.4 per cent and 20.2 per cent, respectively. It is therefore expected that the Group has an adequate buffer above the fully implemented capital requirement to manage volatilities in capital and the REA.

3.14 Cash Flow

SEK million	For the six-month period ended June 30, 2020	June 30, 2019
Cash and equivalents at the beginning of the period	195,286	163,161
Cash flow from operating activities	181,988	8,637
Cash flow from investing activities	72	759
Cash flow from financing activities	2,585	71,733
Cash flow for the period	**184,645**	**81,129**
Exchange rate differences on cash and cash equivalents	152	2,389
Cash and equivalents at end of the period	**380,083**	**246,679**

3.14.1 *Operating Activities*

Cash flow from operating activities is based on operating profit for the relevant period. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow included interest receipts of SEK 19,293 million in the six-month period ended June 30, 2020 compared to SEK 18,879 million in the six-month period ended June 30, 2019 and interest payments of SEK 3,632 million in the six-month period ended June 30, 2020 compared to SEK 3,879 million in the six-month period ended June 30, 2019. Capital interest is included in such interest payments and receipts. Cash flow from operations was positive in the six-month period ended June 30, 2020, mainly as a result of changes in balances (e.g., increase in amounts owed to credit institutions and deposits and borrowings from the public including retail bonds).

3.14.2 *Investing Activities*

In the six-month period ended June 30, 2020, contributions in the amount of SEK 11 million were provided to Invidem AB. During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received parts of the cash payment (SEK 71 million) in the first quarter of 2020 as well as in the first quarter of 2019 in relation to this sale.

3.14.3 *Financing Activities*

In the six-month period ended June 30, 2020, cash flow from financing activities declined SEK 69,148 million to SEK 2,585 million, compared to SEK 71,733 million in the six-month period ended June 30, 2019, primarily due to decreases in the issuance and redemption of commercial paper and interest-bearing securities.

3.15 Recent Developments

3.15.1 *COVID-19 and Other Economic Developments*

The rapid spread of COVID-19 dominated the end of the first quarter of 2020 and has continued to create great uncertainty and turbulence in the global markets and in Sweden. Households and companies have been greatly impacted by COVID-19. At the beginning of the quarter savings increased while consumption fell sharply. This is a pattern typical of major economic shocks. At the same time there are signs of a turnaround in our home markets of Estonia, Latvia, Lithuania and Sweden.

The economic impact of COVID-19 globally and in our home markets has been more extensive than most experts had suggested in the first quarter. Even though societies have now begun to reopen, it will take time for their economies to recover, so COVID-19's ultimate impact is still hard to assess. The extension action plans that governments have decided on have helped many companies to survive and will speed up the recovery. Although global economic growth as well as economic growth in Sweden are expected to decline in 2020, the outlook, both globally and in Sweden, has improved in recent months due to expansive monetary and fiscal policy. Predictions for economic growth in the remainder of 2020 and 2021 have been revised up slightly following the extensive downward revisions in the second quarter of 2020.

Swedbank continuously analyses the potential consequences for various sectors and has taken measures to assist borrowers. For example, as of the end of the second quarter, Swedbank has granted amortisation deferments to 38,000 private customers in Sweden and 16,000 customers in the Baltic countries with totals exemption amounting to SEK 2.3 billion; and 3,700 corporate customers in Sweden and 5,300 corporate customers in the Baltics with total exemptions amounting to SEK 2.3 billion. Swedbank also supports corporate liquidity through new loan facilities, with the majority of the volumes going to customers of LC&I.

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

In the second quarter Swedbank's credit impairments amounted to SEK 1,235 million (SEK 2,151 million in the first quarter), of which SEK 557 million is increased provisions due to deteriorating macroeconomic outlook. Swedbank updated the forward-looking scenarios for its various credit portfolios back in the first quarter, but because macroeconomic forecasts now assume a more protracted recovery, the forward-looking scenarios have again been updated, which has led to additional impairments. Additional provisions for individual commitments amounted to SEK 210 million in the second quarter of 2020 and were mainly in the shipping and offshore sector in the business area LC&I. The provision for the expert credit adjustment in the first quarter of 2020, for downgrades of large corporate customers in stages 1 and 2 not been captured by the models, has now been reversed as these customers underwent a review in the second quarter which resulted in increased model-based provisions. The remaining credit impairments of SEK 468 million in the second quarter of 2020 include other risk class migrations, stage migrations and revised exposures.

3.15.2 *Initiatives in Relation to Anti-Money Laundering*

As part of its ongoing response to money-laundering investigations, the Group's Anti-Financial Crime unit ("**AFC**") coordinates the improvements to routines, system support and processes to prevent crime within the framework of the action plan introduced in October 2019. The action plan is continually reassessed and new initiatives are added as needed. Swedbank's goal is to be an industry leader in the anti-financial crime area.

As of the second quarter of 2020, the plan consists of 245-points and four complementary quality assessments. By the end of the second quarter, 117 points were completed, including 24 in the second quarter. The goal is that by 2023, Swedbank will have achieved international best practices for anti-money laundering work based on the European regulatory framework and following standards for applicable aspects of the US regulatory framework.

The Estonian FSA issued an injunction that Swedbank must act on by November of 2020. The Estonian prosecutor is investigating whether money laundering or other criminal activity has occurred in Swedbank's Estonian subsidiary. The U.S. authorities continue to investigate Swedbank's work to combat money laundering and similar financial crime.

Quality Assurance – Compliance function

During the second quarter of 2020, the Group completed an evaluation of the Group's overarching structure to manage compliance risks and benchmark Swedbank's processes against the industry standard. The evaluation identified a number of areas for improvement, which are currently being addressed.

Quality Assurance – Corporate Culture

During the second quarter of 2020, an internationally renowned consulting firm completed an extensive analysis of Swedbank's corporate culture. The evaluation will serve as the basis of comprehensive work to improve corporate culture, including empowering employees and creating clear metrics on performance.

Quality Assurance – Corporate Governance.

An evaluation of the Group's internal governance and control was conducted in 2020. Swedbank's CEO has overarching responsibility for the project, which is managed by the Group's Chief Legal Officer. As of the date of the Q2 Interim Report, the investigation has shown a need to strengthen oversight as well as governance and control at the Group level, while subsidiaries must be given the right conditions to meet their legal and regulatory requirements.

3.15.3 *Other Events*

On May 28, 2020, Swedbank held its Annual General Meeting. Among other key decisions, Bo Bengtsson, Göran Bengtsson, Hans Eckerström, Bengt Erik Lindgren and Biljana Pehrsson were elected as new members of the Board of Directors, Kerstin Hermansson, Josefin Lindstrand, Bo Magnusson, Anna Mossberg and Göran Persson were re-elected and Göran Persson was elected as Chair of the Board of Directors. In addition, the members of the Board of Directors and the former CEOs, except former CEO Birgitte Bonnesen, were discharged of liability in relation to the money laundering allegations in 2019. Shareholders representing more than 10 per cent of all shares in Swedbank also voted against discharge of liability for the previous Chairs of the Board Lars Idermark and Ulrika Francke.

On July 9, 2020, Swedbank announced that Charlotte Rydin was recruited as the new Chief Legal Officer and Head of Group Legal. She will assume her position in early January 2021. The new Head of Baltic Banking will be Jon Lidefelt and will take office on August 1, 2020.

4 Significant change/material adverse change statements

Paragraph 19.2 on page 249 of the Base Prospectus under "19. General Information" and paragraph 6 of the prospectus supplement thereto dated May 15, 2020 ("Significant change/material adverse change statements") shall be deleted in their entirety and replaced with the following:

"Other than as disclosed in this Supplement in the risk factor 2.5.2 "*The global coronavirus pandemic has led to significant volatility in financial, commodities and other markets and could harm the business and results of operations of the Group*" and section 3.15.1 "*COVID-19 and Other Economic Developments*" relating to the COVID-19 situation and section 3.7.14 "*Profit Attributable to the Shareholders of Swedbank.*" relating to the SEK 4 billion fine, since December 31, 2019 there has been no material adverse change in the prospects of the Issuer. Since June 30, 2020 there has been no significant change in the financial performance of the Group or the financial position of the Group."

5 General

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus, including the prospectus supplement dated May 15, 2020, by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

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

Copies of this Supplement, the Base Prospectus and all documents which are incorporated by reference in the Base Prospectus are available at https://swedbank.com/investor-relations/debt-investors.html.

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