

# Swedbank Mortgage

## INTERIM REPORT JANUARY-JUNE 2015

16 JULY 2015

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First half of 2015 compared with same period previous year.

- **Operating profit** first half year 2015 amounted to 4 238 SEKm.
- **Net interest income** increased by SEK 1 555m to SEK 5 418m (3 863).
- **Loans to the public** increased by 6 per cent or SEK 23bn to SEK 838bn (788).
- **Profit before impairments** increased by SEK 868m to SEK 4 250m (3 382).
- **Credit impairments** amounted to SEK 12m (23)
- **Return on equity** was 18,5 per cent (15,5)
- **Covered bonds** totaling a nominal amount of SEK 88bn (49) were issued during the period.

Numbers within parenthesis refer to the corresponding period from the previous year unless noted otherwise.

# Swedbank Mortgage interim report January - June 2015

## JANUARY-JUNE 2015 COMPARED WITH JANUARY- JUNE 2014

Swedbank Mortgage AB (in Swedish: Swedbank Hypotek AB) is a wholly owned subsidiary to Swedbank AB (publ) responsible for the mortgage lending activities in Sweden within the Swedbank Group. The mortgage lending is mainly originated through Swedbank's and the savings banks' retail network, one of the largest bank-owned distribution networks in Sweden, as well as through the Telephone Bank. No lending is performed outside of Sweden.

Numbers within parenthesis refer to the corresponding period from the previous year unless noted otherwise.

### PROFIT ANALYSIS

Operating profit for the first half of 2015 rose by SEK 878m to SEK 4 238m (3 360). Interest income as well as interest expense decreased during the period due to lower average interest rates on both lending and funding. Interest income for the period amounted to SEK 10 097m (12 061) and interest expense to SEK 4 679m (8 198). Net interest income rose by SEK 1 555m to SEK 5 418m, as a consequence of higher volumes and increased margins, both on new lending and on the stock. Margins have successively increased since June 2014 to compensate for the higher capital requirements in terms of higher risk weights on mortgages.

Net gains and losses on financial items (NGL) amounted to SEK -790m (-151). The negative NGL is largely explained by the fact that surplus values on fixed-rated lending at fair value are dissolved as the underlying financial instruments approach re-fixing, as well as realisation of negative market values through repurchases of issued covered bonds. For further information, see note 3.

Other expenses amounted to SEK 405m (359). Other expenses include a large part of the compensation paid to the savings banks. This cost amounted to SEK 400m (357). No fees are paid to Swedbank AB for their distribution and management of mortgages.

### LENDING

Swedbank Mortgage is a Swedish mortgage institution with a leading position on the Swedish market. Its business is long-term mortgage lending and the company has over one million clients.

Swedbank Mortgage grants loans up to a ratio of 85 per cent of the market value of the underlying collateral. Swedbank Mortgage also lends directly to municipalities or to other lenders with local government guarantees as collateral, as well as to agricultural and forestry businesses under the secondary name Jordbrukskredit.

During the period, loans to the public increased by nominal SEK 22 641m (24 309) to SEK 838 252m (788 429). Lending to the private segment rose by SEK 22 006m (14 911) and lending to the agricultural and forestry segment by SEK 1 148m (996), whe-

reas lending to the corporate segment decreased by SEK 513 m (increase by 8 399). In total, Swedbank Mortgage's loans to the public amounted to SEK 842 819m after provisions (794 213), of which the accumulated change in market value accounted for SEK 4 566m (5 784).

The credit quality of the lending remains at a very high level and credit impairments at a low level. Compared to the first half of 2014, net credit impairments decreased by SEK 11m to SEK 12m (23). Provisions amounted to SEK 115m (136). Credit impairments and loans are specified in notes 4 and 5.

### FUNDING

Swedbank Mortgage finances its lending by issuing covered bonds on the Swedish and international capital markets. The funding process is simplified by a number of standardised funding programs, which are legally conformed to a number of different markets and investors.

The first half of the year was characterised by a continuously high demand for Swedbank Mortgage's bonds. In 2015, Swedbank Mortgage has issued larger volumes of long-term bonds and taken advantage of the good market conditions. Partly to finance upcoming redemptions in advance, but also in order to match higher lending volumes.

During the first half of 2015, Swedbank Mortgage issued a 5-year USD benchmark bond. The interest from investors was high and as the volume was limited to USD 1bn, the bond was issued at very favourable terms. Swedbank Mortgage has also issued a new 7-year benchmark bond of EUR 1bn, which was also well received by the market. On the domestic market, Swedbank Mortgage issued a floating rate note of larger size. This FRN loan has the same maturity as one of the big domestic benchmark bonds (loan 187). The activity on the domestic market has otherwise been a bit lower by the end of the period, probably as result of the surged market rates during the second quarter. The uncertainty of Greece's debt problems has also undoubtedly affected the activity and risk aptitude negatively. New funding during the period totaled SEK 88bn, of which SEK 62bn was issued on the domestic market.

As a part of Swedbank Mortgage's liquidity strategy to minimize risk originating from big redemptions at the same time, the company actively repurchases large parts of the redeeming volumes, starting about one year before maturity. Hence, SEK 17bn in two different benchmark bonds with short remaining maturity have been repurchased during the period. The remaining volume of domestic benchmark bonds maturing in 2015 is SEK 19bn.

The average maturity of all outstanding covered bonds is 36 months (40) as per 30 June.

Debt to Swedbank AB amounted to SEK 324bn (281). For further information, see notes 8 and 10.

## CAPITAL ADEQUACY

The capital requirements amounted to SEK 33 601 (32 523 as per December 31 2014), compared to SEK 4 392m (4 191 as per December 31 2014), without taking the Basel 1 floor into consideration. Capital adequacy is specified in note 16.

Swedbank Mortgage's legal capital requirement is based on the Capital Requirement Regulation, CRR, but more specifically restricted by the Basel 1 floor within CRR. The SFSA has made clear that the Basel 1 floor, i.e. 80% of the capital requirements according to Basel 1, will be maintained for Swedish institutions as a backstop rule. Since Swedbank Mortgage's capital requirement according to the Basel 1 floor is higher than the requirements in CRR/CRDIV Pillar 1 and Pillar 2 combined (including a risk-weight floor on Swedish mortgage of 25% and a conservation buffer of 2.5%), these rules constitute the minimum capital requirements for Swedbank Mortgage. The Basel 1 floor is assessed to be the minimum requirement for Swedbank Mortgage even according to the regulation regarding countercyclical buffers, applicable from September 2015.

An international effort regarding future capital requirements for banks is underway. Among other things, the Basel Committee is conducting an extensive analysis to improve the comparability of banks' capital ratios. The review covers future standard methods for calculating capital requirements for credit, market and operational risks and may propose the introduction of a capital floor based on these standard methods for banks that use internal models. Due to uncertainty about the specifics of the new regulations as well as how and when they will be implemented, it is still too early to draw any conclusions on the potential impact on Swedbank Mortgage.

Swedbank Mortgage's leverage ratio was 4.35 per cent as per 30 June (4.25 per cent 31 December). The EU-commissions' clarification of the definition in October 2014 has been taken into consideration. A revaluation will be done by the supervisory authorities before a possible minimum requirement in 2018.

## RISKS

The primary risks are credit risk, liquidity risk, financial risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited financial and operational risks. In addition to what is stated in this interim report, a description of the company's risks is provided in the Annual Report for 2014, from page 16. No significant changes have taken place with regard to the distribution of risks compared to what is stated in the annual report.

### Interest rate risk

An increase in market interest rates by one percentage point as per 30 June 2015 would have reduced the fair value of Swedbank

Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 325m (926), whereas a the corresponding increase in the case of a one percentage point decrease in market interest rates is SEK 335m (948). A one percentage point increase in market interest rates as per 30 June 2015 would have reduced Swedbank Mortgage's net gains and losses on financial items accounted for at fair value, excluding cash flow hedge, by SEK 249m (493). This would have a negative effect of SEK 39m on equity. The corresponding amount for Swedbank Mortgage's net gains and losses on financial items accounted for at fair value, excluding cash flow hedge, in the case of a one percentage decrease in market interest rates is an increase by SEK 246m (495). This would have a positive effect of SEK 36m on equity.

## RATING

Swedbank Mortgage is one of the biggest issuers on the Swedish market for covered bonds with top-rating from both Moody's Investor Service and Standard & Poor's (Aaa/AAA). As a result of Swedbank AB's general and unconditional guarantee to Swedbank Mortgage, their credit ratings are closely related.

On 17 June, Moody's upgraded Swedbank Mortgage's credit rating to Aa3 due to solid earnings and the high capitalisation. At the same time, the outlook was upgraded to stable. On June 25, Standard & Poor's confirmed Swedbank Mortgage's credit rating of A+, and changed the outlook from negative to stable. The explanation was the continuity in Swedbank's governance, the stable earnings and high efficiency.

### Swedbank Mortgage Rating

	Moody's		Standard & Poor's	
	Rating	Outlook	Rating	Outlook
Covered Bonds	Aaa	N/A	AAA	Stable
Long-term funding	Aa3	Stable	A+	Stable
Short-term funding	P-1	N/A	A-1	N/A

### EVENTS AFTER 30 JUNE 2015

No important events have occurred.



# Financial summary

SEKm	2015 30 Jun	2014 30 Jun	2014 31 Dec	2013 31 Dec	2013 30 Jun	2012 31 Dec
Loans to the public	842 819	794 213	821 547	768 840	750 499	743 931
Net interest income	5 418	3 863	8 584	7 280	3 515	5 734
Operating profit	4 238	3 360	7 345	6 191	3 025	5 502
Credit impairments	12	23	37	30	9	70
Equity	35 888	31 744	33 269	34 455	33 984	33 131

# Income statement condensed

SEKm	Note	2015 Jan-Jun	2014 Jan-Jun	Change %	2014 Full year
Interest income		10 097	12 061	-16	23 382
Interest expense		-4 679	-8 198	-43	-14 798
<b>Net interest income</b>		<b>5 418</b>	<b>3 863</b>	<b>40</b>	<b>8 584</b>
Commission income		35	36	-3	72
Commission expenses		-13	-10	30	-25
<b>Net commissions</b>		<b>22</b>	<b>26</b>	<b>-15</b>	<b>47</b>
Net gains and losses on financial items	3	-790	-151	423	-506
Other income		5	4	25	10
<b>Total income</b>		<b>4 655</b>	<b>3 741</b>	<b>24</b>	<b>8 135</b>
Other expenses		402	357	12	749
Staff costs		3	2	50	4
<b>Total expenses</b>		<b>405</b>	<b>359</b>	<b>13</b>	<b>753</b>
<b>Profit before impairments</b>		<b>4 250</b>	<b>3 382</b>	<b>26</b>	<b>7 382</b>
Credit impairments	4	12	23	-48	37
<b>Operating profit</b>		<b>4 238</b>	<b>3 360</b>	<b>26</b>	<b>7 345</b>
Tax		938	739	27	1 618
<b>Profit for the period</b>		<b>3 300</b>	<b>2 621</b>	<b>26</b>	<b>5 727</b>

# Statement of comprehensive income condensed

SEKm	2015 Jan-Jun	2014 Jan-Jun	Change %	2014 Full year
<b>Profit for the period</b>	<b>3 300</b>	<b>2 621</b>	<b>26</b>	<b>5 727</b>
Items that may be reclassified to the income statement				
Cash flow hedges:				
Gains and losses arising during the period	568	-110		303
Reclassification adjustments to income statement, net interest income	9	2		11
Income tax relating to components of other comprehensive income	-127	24		-69
<b>Total comprehensive income for the period</b>	<b>3 750</b>	<b>2 537</b>	<b>48</b>	<b>5 972</b>

Total change in value on derivatives included in cash flow hedges amounted to SEK -1 733m during the period, of which SEK -1.624m is transferred to the income statement.

# Balance sheet condensed

SEKm	Note	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Assets</b>				
Loans to credit institutions	15	55 436	47 626	17 005
Loans to the public	5	842 819	821 547	794 213
Value change of interest hedged item in portfolio hedge		1 194	1 291	788
Derivatives	6	31 473	33 265	21 899
Other assets	7	4 394	4 125	4 930
<b>Total assets</b>		<b>935 316</b>	<b>907 854</b>	<b>838 835</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Amounts owed to credit institutions	8	323 519	322 387	280 704
Debt securities in issue	10	550 100	520 089	499 257
Derivatives	6	10 983	10 751	12 392
Other liabilities	9	9 757	16 290	9 670
Subordinated liabilities	11	4 000	4 000	4 000
<b>Total liabilities</b>		<b>898 359</b>	<b>873 517</b>	<b>806 023</b>
Untaxed reserves	12	1 068	1 068	1 068
Equity		35 888	33 269	31 744
<b>Total liabilities and equity</b>		<b>935 316</b>	<b>907 854</b>	<b>838 835</b>

# Statement of changes in equity condensed

30 Jun 2015	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value fund	Retained earnings	
SEKm					
<b>Opening balance 1 January, 2015</b>	<b>11 500</b>	<b>3 100</b>	<b>-373</b>	<b>19 042</b>	<b>33 269</b>
Group distributions accrued				-1 450	-1 450
Tax reduction due to Group distributions				319	319
Total comprehensive income for the period			450	3 300	3 750
<b>Closing balance 30 June 2015</b>	<b>11 500</b>	<b>3 100</b>	<b>77</b>	<b>21 211</b>	<b>35 888</b>
of which conditional shareholders' contributions				2 400	2 400

31 Dec 2014	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value fund	Retained earnings	
SEKm					
<b>Opening balance 1 January, 2014</b>	<b>11 500</b>	<b>3 100</b>	<b>-617</b>	<b>20 474</b>	<b>34 455</b>
Group contribution provided				-7 382	-7 382
Tax reduction due to Group distributions				1 624	1 624
Dividends				-4 000	-4 000
Shareholder's contribution				2 600	2 600
Total comprehensive income for the year			244	5 727	5 727
<b>Closing balance 31 December 2014</b>	<b>11 500</b>	<b>3 100</b>	<b>-373</b>	<b>19 042</b>	<b>33 269</b>
of which conditional shareholders' contributions				2 400	2 400

30 Jun 2014	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value fund	Retained earnings	
SEKm					
<b>Opening balance 1 January, 2014</b>	<b>11 500</b>	<b>3 100</b>	<b>-617</b>	<b>20 474</b>	<b>34 455</b>
Group contribution provided				-1 600	-1 600
Tax reduction due to Group distributions				352	352
Dividends				-4 000	-4 000
Total comprehensive income for the year			-84	2 621	2 537
<b>Closing balance 30 June 2014</b>	<b>11 500</b>	<b>3 100</b>	<b>-701</b>	<b>17 847</b>	<b>31 744</b>
of which conditional shareholders' contributions				2 400	2 400



# Cash flow statement condensed

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
Operating profit	4 239	7 345	3 360
Adjustments for non-cash items in operating activities	-1 990	4 185	-10 942
Taxes paid	-460	-463	-460
Increase/decrease in loans to the public	-22 641	-51 491	-24 309
Increase/decrease in amounts owed to credit institutions	0	48 629	6 945
Increase/decrease in other assets	0	69	505
Increase/decrease in other liabilities	137	828	103
<b>Cash flow from operating activities</b>	<b>-20 715</b>	<b>9 102</b>	<b>-24 798</b>
Issuance of interest-bearing securities	87 911	95 749	53 673
Redemption of interest-bearing securities	-52 745	-123 886	-75 772
Shareholder's contribution		2 600	
Increase/decrease in other funding	741	1 115	955
Group contributions paid	-7 382	-4 100	-4 100
Dividend paid		-4 000	-4 000
<b>Cash flow from financing activities</b>	<b>28 525</b>	<b>-32 522</b>	<b>-29 244</b>
<b>Cash flow for the period</b>	<b>7 810</b>	<b>-23 420</b>	<b>-54 042</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>47 626</b>	<b>71 046</b>	<b>71 046</b>
Cash flow for the period	7 810	-23 420	-54 042
<b>Cash and cash equivalents at end of the period</b>	<b>55 436</b>	<b>47 626</b>	<b>17 005</b>
Liquid funds with banks and equivalent institutions	55 436	47 626	17 005
<b>Loans to credit institutions<sup>1)</sup></b>	<b>55 436</b>	<b>47 626</b>	<b>17 005</b>

<sup>1)</sup>Cash accounts in Swedbank AB, see note 15.

# Key ratios

SEKm	2015 30 Jun	2014 30 Jun	2014 31 Dec
<b>Profit</b>			
Investment margin, % <sup>1)</sup>	1,17	0,90	0,97
Return on equity, % <sup>2)</sup>	18,5	15,5	16,9
Earnings per share, SEK	143,5	113,9	249,0
<b>Capital</b>			
Number of shares in issue at beginning/end of period, million	23	23	23
Equity per share, SEK	1 560	1 416	1 446
<b>Credit quality</b>			
Loan loss ratio, %	0,00	0,00	0,00
Provision ratio for impaired loans, % <sup>3)</sup>	41	82	42
Share of impaired loans, net, loans to the public %	0,03	0,02	0,03

<sup>1)</sup> Calculated as an average over 12 months.

<sup>2)</sup> Net profit for the year in relation to average equity calculated over 13 months.

<sup>3)</sup> Including portfolio provisions for loans that individually are assessed as impaired.

# Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and at book value unless indicated otherwise. Figures in parentheses refer to the previous year.

## Note 1 Accounting policies

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The report is also compliant with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial Supervisory Authority, and recommendation RFR 2 of the Financial Reporting Council.

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2014, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to Swedbank Mortgage's accounting policies set out in the Annual Report for 2014.

## Note 2 Business segments

SEKm	2015 Jan-Jun				2014 Full year				2014 Jan-Jun			
	Private	Corpo- rate	Agricul- tural & For- estry	Total	Private	Corpo- rate	Agricul- tural & For- estry	Total	Private	Corpo- rate	Agricul- tural & For- estry	Total
Net interest income	4 045	704	401	5 150	6 106	1 142	617	7 865	2 696	509	275	3 480
Net commissions	17	4	1	22	35	8	3	46	19	5	2	26
<b>Total income</b>	<b>4 062</b>	<b>708</b>	<b>402</b>	<b>5 172</b>	<b>6 141</b>	<b>1 150</b>	<b>621</b>	<b>7 912</b>	<b>2 715</b>	<b>514</b>	<b>277</b>	<b>3 506</b>
Total cost	327	24	49	400	611	46	90	748	278	7	70	356
<b>Profit before impairments</b>	<b>3 735</b>	<b>684</b>	<b>353</b>	<b>4 772</b>	<b>5 531</b>	<b>1 104</b>	<b>529</b>	<b>7 164</b>	<b>2 437</b>	<b>507</b>	<b>207</b>	<b>3 150</b>
Credit impairments	14	-2	0	12	26	-5	16	37	23	-5	4	22
<b>Operating profit</b>	<b>3 721</b>	<b>686</b>	<b>353</b>	<b>4 760</b>	<b>5 505</b>	<b>1 108</b>	<b>513</b>	<b>7 127</b>	<b>2 414</b>	<b>511</b>	<b>203</b>	<b>3 128</b>
Loans to the public	639 995	142 445	60 379	842 819	618 926	143 283	59 338	821 547	597 593	139 794	56 826	794 213

### Reconciliation of segment accounting and financial report

SEKm	2015 Jan-Jun			2014 Full year			2014 Jan-Jun		
	Total income	Total expenses	Operating profit	Total income	Total expenses	Operating profit	Total income	Total expenses	Operating profit
Total segments	5 172	400	4 760	7 912	748	7 127	3 506	356	3 128
Return on legal equity	268		268	719		719	738		738
Net gains and losses on financial items	-790		-790	-506		-506	-151		-151
Other income	5			10		10	4		4
Other expenses		5			5	5		359	359
<b>Total financial report</b>	<b>4 655</b>	<b>405</b>	<b>4 238</b>	<b>8 584</b>	<b>753</b>	<b>7 345</b>	<b>4 097</b>	<b>715</b>	<b>3 360</b>

Results and balances in the Private segment relate to consumer loans to finance residential housing. The corresponding items for Corporate relate to loans to municipal housing companies and tenant-owner associations with underlying collateral in multifamily housing. The Agriculture and Forestry segment comprises loans to finance forest and agricultural properties. Items in operating profit that are not included in the segments consist of changes in the value of financial instruments, the return on legal equity and other undistributed minor items. Return on legal equity comprises interest income on assets funded by equity.

## Note 3 Net gains/losses on financial items at fair value

SEKm	2015 Jan-Jun	2014 Full year	2014 Jan-Jun
Valuation category, fair value through profit or loss			
Trading and derivatives			
Interest-bearing instruments	339	-1 021	6 601
Fair value option			
Interest-bearing instruments	-808	960	-6 541
<b>Total fair value through profit or loss</b>	<b>-469</b>	<b>-61</b>	<b>60</b>
Hedge accounting			
Inefficiency in hedge accounting at fair value			
	13	-7	-42
of which hedging instruments	-3 204	7473	4629
of which hedged items	3 217	-7 480	-4 671
<b>Total hedge accounting</b>	<b>13</b>	<b>-7</b>	<b>-42</b>
Financial liabilities valued at amortised cost			
	-414	-608	-235
Loans and receivables at amortised cost			
	80	170	67
Change in exchange rates			
	0	0	0
<b>Total</b>	<b>-790</b>	<b>-506</b>	<b>-151</b>

## Note 4 Credit impairments

SEKm	2015 Jan-Jun	2014 Full year	2014 Jan-Jun
Provisions for loans that are assessed as impaired			
Provisions			
		12	
Reversal of previous provisions			
	-1	-5	-5
Provision for homogenous groups of impaired loans, net			
	-2	-31	-7
<b>Total</b>	<b>-3</b>	<b>-24</b>	<b>-12</b>
<b>Portfolio provisions for loans individually assessed as not impaired</b>			
	<b>-3</b>	<b>1</b>	<b>2</b>
<b>Write-offs</b>			
Established losses			
	22	74	43
Utilisation of previous provisions			
	-1	-9	-8
Recoveries			
	-3	-5	-2
<b>Total</b>	<b>18</b>	<b>60</b>	<b>33</b>
<b>Credit impairments</b>	<b>12</b>	<b>37</b>	<b>23</b>

## Note 5 Loans

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Lending</b>			
Carrying amount before provisions	898 370	869 295	811 354
Provisions for loans that individually are assessed as impaired	-27	-31	-43
Portfolio provisions for loans that individually are not assessed as impaired	-88	-91	-93
<b>Total provisions</b>	<b>-115</b>	<b>-122</b>	<b>-136</b>
<b>Carrying amount of loans after provisions</b>	<b>898 255</b>	<b>869 173</b>	<b>811 218</b>
<b>Impaired loans</b>			
Impaired loans, gross	278	293	166
Provisions for individually assessed impaired loans	-27	-31	-44
<b>Carrying amount of impaired loans</b>	<b>251</b>	<b>262</b>	<b>122</b>
Share of impaired loans, gross, loans to the public, %	0,03	0,04	0,02
Share of impaired loans, net, loans to the public, %	0,03	0,03	0,02
Total provision ratio for impaired loans, % <sup>1)</sup>	41,4	41,7	82,3
Provision ratio for individually identified impaired loans, %	9,8	10,6	26,2

<sup>1)</sup> Including portfolio provisions for loans that individually are assessed as impaired.

30 Jun 2015 SEKm	Private customers	Real estate Manage- ment	Other corporate lending	Munici- palities	Total lending to the public	Credit institutions	Total lending
<b>Loans by borrower category</b>							
Book value before accounting for provisions	706 817	125 766	8 203	2 148	842 934	55 436	898 370
Provisions for loans that individually are assessed as impaired	-25	-1	-1		-27		-27
Portfolio provisions for loans that individually are not assessed as impaired	-75	-13			-88		-88
Book value after accounting for provisions	706 717	125 752	8 202	2 148	842 819	55 436	898 255
Book value of impaired loans	246	5			251		251

## Note 6 Derivative instruments

SEKm	2015 30 Jun			2014 31 Dec			2014 30 Jun		
	Interest	Currency	Total	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book values	18 722	12 751	31 473	22 336	10 929	33 265	17 713	4 186	21 899
of which in hedge accounting	17 475	1 855	19 330	20 725	2 958	23 683	16 242	1 576	17 819
Derivatives with negative book values	6 497	4 486	10 983	6 829	3 922	10 751	5 915	6 477	12 392
of which in hedge accounting	2 342	3 693	6 035	1 876	3 118	4 994	1 164	5 252	6 415
Notional amount	746 939	175 707	922 646	545 869	164 488	710 357	545 373	183 484	728 856

Swedbank Mortgage trades derivatives to hedge positions with regard to the value of interest rates and currencies.

## Note 7 Other assets

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
Prepaid expenses and accrued income	2 135	2 489	3 220
Security settlement claims	1 367	605	983
Current tax assets	846	852	456
Deferred tax assets		105	198
Other	46	74	73
<b>Total</b>	<b>4 394</b>	<b>4 125</b>	<b>4 930</b>

## Note 8 Amounts owed to credit institutions

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Valuation category, other financial liabilities</b>			
Swedish banks	323 519	322 387	279 334
<b>Total</b>	<b>323 519</b>	<b>322 387</b>	<b>279 334</b>
<b>Valuation category, fair value through profit or loss</b>			
Swedish banks <sup>1)</sup>	-	-	1 370
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 370</b>
<b>Total</b>	<b>323 519</b>	<b>322 387</b>	<b>280 704</b>
<sup>1)</sup> Nominal amount	-	-	1 370

## Note 9 Other liabilities

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
Security settlement liabilities	17	730	50
Tax liabilities	154		
Deferred tax liabilities	22		235
Group contribution to parent company	1 450	7 382	1 600
Accrued expenses and deferred income	7 951	8 088	7 711
Other liabilities	163	90	309
<b>Total</b>	<b>9 757</b>	<b>16 290</b>	<b>9 905</b>

## Note 10 Debt securities in issue

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Valuation category, other financial liabilities</b>			
Commercial papers		1 648	1 445
Bond loans	499 272	460 272	449 119
Change in value due to hedge accounting	20 660	23 808	11 661
Other	2 390	0	44
<b>Total</b>	<b>522 322</b>	<b>485 728</b>	<b>462 269</b>
<b>Valuation category, fair value through profit or loss</b>			
Bond loans	27 778	34 361	36 988
<b>Total</b>	<b>27 778</b>	<b>34 361</b>	<b>36 988</b>
<b>Total</b>	<b>550 100</b>	<b>520 089</b>	<b>499 257</b>

## Note 11 Subordinated liabilities

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
Subordinated loans	4 000	4 000	4 000
<b>Total</b>	<b>4 000</b>	<b>4 000</b>	<b>4 000</b>

## Note 12 Untaxed reserves

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Opening balance</b>	<b>1 068</b>	<b>1 068</b>	<b>1 068</b>
Provision to tax allocation reserve			
<b>Closing balance</b>	<b>1 068</b>	<b>1 068</b>	<b>1 068</b>



## Note 13 Financial instruments

SEKm	2015 30 Jun			2014 31 Dec			2014 30 Jun		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>									
Financial assets covered by IAS 39									
Loans to credit institutions	55 436	55 436	0	47 626	47 626		17 005	17 005	
Loans to the public	850 074	842 819	7 255	830 164	821 547	8 617	801 272	794 213	7 060
Shares and participating interest	1	1	0	1	1		3	3	
Derivatives	31 473	31 473	0	33 265	33 265		21 899	21 899	
Other financial assets	5 587	5 587	0	5 310	5 310		5 518	5 518	
<b>Total</b>	<b>942 571</b>	<b>935 316</b>	<b>7 255</b>	<b>916 366</b>	<b>907 749</b>	<b>8 617</b>	<b>845 697</b>	<b>838 637</b>	<b>7 060</b>
Non-financial assets				105	105		198	198	
<b>Total</b>	<b>942 571</b>	<b>935 316</b>	<b>7 255</b>	<b>916 471</b>	<b>907 854</b>	<b>8 617</b>	<b>845 895</b>	<b>838 835</b>	<b>7 060</b>
<b>Liabilities</b>									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	323 626	323 519	107	322 493	322 387	106	280 916	280 704	212
Debt securities in issue	553 523	550 100	3 423	526 350	520 089	6 261	504 809	499 257	5 552
Subordinated liabilities	4 006	4 000	6	4 006	4 000	6	4 000	4 000	
Derivatives	10 983	10 983	0	10 751	10 751	0	12 392	12 392	0
Other financial liabilities	9 757	9 757		16 289	16 289		9 670	9 670	
<b>Total</b>	<b>901 895</b>	<b>898 359</b>	<b>3 536</b>	<b>879 889</b>	<b>873 516</b>	<b>6 373</b>	<b>811 787</b>	<b>806 023</b>	<b>5 764</b>
Non-financial liabilities							235	235	
<b>Total</b>	<b>901 895</b>	<b>898 359</b>	<b>3 536</b>	<b>879 889</b>	<b>873 516</b>	<b>6 373</b>	<b>812 022</b>	<b>806 258</b>	<b>5 764</b>

30 Jun 2015 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>Assets</b>				
Loans to the public		230 571		230 571
Shares and participating interests			1	1
Derivatives		31 473		31 473
<b>Total</b>		<b>262 044</b>	<b>1</b>	<b>262 045</b>
<b>Liabilities</b>				
Amounts owed to credit institutions				
Debt securities in issue	9 650	18 128		27 778
Derivatives		10 983		10 983
<b>Total</b>	<b>9 650</b>	<b>29 111</b>	<b>0</b>	<b>38 761</b>

The table above indicates valuation levelling categories for financial instruments measured at fair value. These levels are divided into three groups based on the degree of observability of data in the valuation.

If possible, fair value of the financial instruments is established from quoted market prices in active markets (Level 1). Where quoted market prices can't be established, generally accepted valuation techniques using observable data are used (Level 2). These techniques may require certain assumptions (Level 3) and the scope of these depend on the complexity of the instrument and the availability of market data. This group includes shares in tenant-owner associations. They have been valued at acquisition cost, since a more reliable fair value is not considered to be available.

## Note 13 Financial instruments, cont.

31 Dec 2014	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
SEKm				
<b>Assets</b>				
Loans to the public		275 358		275 358
Shares and participating interests			1	1
Derivatives		33 265		33 265
<b>Total</b>	<b>0</b>	<b>308 623</b>	<b>1</b>	<b>308 624</b>
<b>Liabilities</b>				
Amounts owed to credit institutions				0
Debt securities in issue	23 237	11 123		34 360
Derivatives		10 751		10 751
<b>Total</b>	<b>23 237</b>	<b>21 874</b>	<b>0</b>	<b>45 111</b>

30 Jun 2014	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
SEKm				
<b>Assets</b>				
Loans to the public		308 531		308 531
Shares and participating interests			5	5
Derivatives		21 899		21 899
<b>Total</b>	<b>0</b>	<b>330 430</b>	<b>5</b>	<b>330 435</b>
<b>Liabilities</b>				
Amounts owed to credit institutions			1 370	1 370
Debt securities in issue	23 358	13 630		36 988
Derivatives		12 392		12 392
<b>Total</b>	<b>23 358</b>	<b>26 022</b>	<b>1 370</b>	<b>50 750</b>

## Note 13 Financial instruments, cont.

Changes in Level 3						
SEKm	2015 30 Jun		2014 31 Dec		2014 30 Jun	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Opening balance</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>2 875</b>	<b>3</b>	<b>2 875</b>
Gains or losses				-1		
Acquisitions					2	
Sales of assets			-2			
Maturities				-2 874		-1 504
Transferred from Level 3 to Level 2						
<b>Closing balance</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>1 370</b>

## Note 14 Contingent liabilities, assets pledged and commitments

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Assets pledged for own liabilities</b>			
Loans pledged for securities in issue <sup>1)</sup>	801 784	780 213	752 899
Securities pledged for other liabilities	None	None	None
Contingent liabilities	None	None	None
Commitments, nominal amount	13 318	9 507	10 135
<b>Assets pledged</b>	<b>815 102</b>	<b>789 720</b>	<b>763 034</b>

<sup>1)</sup> Consists of collateral for covered bonds. Collateral refers to the customer's nominal debt including accrued interest.

## Note 15 Related parties

SEKm	2015 30 Jun	2014 31 Dec	2014 30 Jun
<b>Assets</b>			
Loans to credit institutions	55 436	47 626	17 005
Derivatives	31 448	33 175	21 899
Other assets			317
<b>Total</b>	<b>86 884</b>	<b>80 801</b>	<b>39 221</b>
<b>Liabilities</b>			
Amounts owed to credit institutions	323 519	322 347	280 704
Debt securities in issue	16 884	10 774	8 088
Derivatives	10 983	10 751	12 392
Other liabilities	1 728	7 906	1 384
Subordinated liabilities	4 000	4 000	4 000
<b>Total</b>	<b>357 114</b>	<b>355 778</b>	<b>306 568</b>
<b>Income statement</b>			
Interest income	44	378	291
Interest expenses	1 277	-776	-845
Other expenses	-9	-13	-7
<b>Total</b>	<b>1 312</b>	<b>-411</b>	<b>-561</b>

The table above specifies transaction with other companies in the Swedbank Group.

## Note 16 Capital adequacy

### Capital adequacy analysis

The capital adequacy regulation is the legislator's requirement of how much capital, designated as the capital base, a bank must have in relation to the size of the risks it faces. For Swedbank Mortgage, the CRR capital adequacy rules mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal risk classification according to an Internal Ratings-based Approach ("IRB") developed by Swedbank. For a small portion of assets, the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated according to the standardised approach with the approval of the Financial Supervisory Authority.

Swedbank has developed and documented its own methods and processes to evaluate the Groups capital required to cover its risks. Swedbank Mortgage is a

part of this evaluation. The capital need is systematically assessed from the total level of risks Swedbank Mortgage could become exposed to. The assessments covers risks that Swedbank Mortgage is exposed to in entirety, even risks that are not included when calculating the capital adequacy.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: <http://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm>

	Basel 3 2015 30 Jun	Basel 3 2014 31 Dec	Basel 3 2014 30 Jun
<b>Capital adequacy</b>			
<b>SEKm</b>			
Shareholders' equity according to the balance sheet	35 888	33 269	31 744
Share of capital of accrual reserve	833	833	833
Value changes in own financial liabilities	-77	90	92
Cash flow hedges	77	373	701
Additional value adjustments <sup>1)</sup>	-9		
Deferred tax assets			-314
Net provisions for reported IRB credit exposures	-255	-263	-252
<b>Common Equity Tier 1 capital</b>	<b>36 457</b>	<b>34 302</b>	<b>32 804</b>
<b>Total Tier 1 capital</b>	<b>36 457</b>	<b>34 302</b>	<b>32 804</b>
Tier 2 instruments	4 000	4 000	4 000
<b>Total Tier 2 capital</b>	<b>4 000</b>	<b>4 000</b>	<b>4 000</b>
<b>Total capital base</b>	<b>40 457</b>	<b>38 302</b>	<b>36 804</b>
Capital requirement for credit risks, standardised approach	302	212	9
Capital requirement for credit risks, IRB	3 240	3 302	3 343
Capital requirement for operational risks	850	678	678
<b>Capital requirement</b>	<b>4 392</b>	<b>4 191</b>	<b>4 030</b>
<b>Surplus of capital</b>	<b>36 065</b>	<b>34 110</b>	<b>32 774</b>
Risk exposure amount credit risks	44 274	43 924	41 907
Risk exposure amount operational risks <sup>2)</sup>	10 622	8 469	8 469
<b>Risk exposure amount</b>	<b>54 896</b>	<b>52 393</b>	<b>50 376</b>

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

<sup>2)</sup> According to standardised approach, retail banking

## Note 16 Capital adequacy, cont.

	Basel 3 2015 30 Jun	Basel 3 2014 31 Dec	Basel 3 2014 30 Jun
<b>Capital adequacy</b>			
<b>SEKm</b>			
Common Equity Tier 1 ratio, %	66,4	65,5	65,1
Tier 1 capital ratio, %	66,4	65,5	65,1
<b>Total capital adequacy ratio, %</b>	<b>73,7</b>	<b>73,1</b>	<b>73,1</b>

Capital requirement for credit risks	Basel 3 2015 30 Jun			Basel 3 2014 31 Dec			Basel 3 2014 30 Jun		
	Capital requirement for credit risks	Average risk weight, %	Capital requirement	Capital requirement for credit risks	Average risk weight, %	Capital requirement	Capital requirement for credit risks	Average risk weight, %	Capital requirement
Institutional exposures				49	62	2	49	62	2
Corporate exposures	34 601	25	701	36 008	25	734	34 235	30	813
Retail exposures	792 348	4	2 536	769 943	4	2 564	744 391	4	2 527
Non-credit obligations	58	65	3	59	30	1	17 298	0	0
Total credit risks according to IRB approach	827 007	5	3 240	806 059	5	3 302	795 972	5	3 343
Total credit risks according to standard method	111 711	3	302	104 946	3	212	44 223	0	10
<b>Total</b>	<b>938 718</b>	<b>5</b>	<b>3 542</b>	<b>911 005</b>	<b>5</b>	<b>3 514</b>	<b>840 195</b>	<b>6</b>	<b>4 030</b>

Capital buffer requirement <sup>3)</sup> , %	2015 30 Jun	2014 31 Dec
Institution specific CET 1 requirement	7	7
of which CET 1 requirement	4,5	4,5
of which capital conservation buffer	2,5	2,5
CET 1 capital available to meet Institution specific CET1 capital requirement <sup>4)</sup>	60,0	59,5

<sup>3)</sup> Buffer requirement according to Swedish implementation of CRD IV

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

Capital adequacy Basel 1 floor	2015 30 Jun	2014 31 Dec	2014 30 Jun
Capital requirement Basel 1 floor	33 601	32 523	31 241
Own funds Basel 3 adjusted according to rules for Basel 1 floor	40 712	38 565	37 055
<b>Surplus of capital according to Basel 1 floor</b>	<b>7 111</b>	<b>6 042</b>	<b>5 814</b>

# Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the interim report for the period 1 January to 30 June 2015 provides a fair and accurate overview of the operations, financial position and results of the Company and that it describes the significant risks and uncertainties faced by the Company.

Stockholm, 16 July 2015

Leif Karlsson  
Chair

Magdalena Frostling  
President

Gunilla Domeij Hallros

Erika Karlsson

Johan Smedman

Eva de Falck

# Review report

## Introduction

We have reviewed the interim report for Swedbank Mortgage AB (publ) for the period 1 January to 30 June 2015. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the independent Auditor of the Entity. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 16 July 2015

Deloitte AB

Patrick Honeth  
Authorized Public Accountant

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