

Interim report, 2016

January - June 2016 compared to the same period previous year

- Operating profit in the first half of 2016 amounted to SEK 5 305m (4 238)
- Net interest income increased by SEK 702m to SEK 6 120m (5 418)
- Loans to the public increased by 4.7 per cent or SEK 40bn to SEK 883bn (843)
- Profit before impairments increased by SEK 1 067m to SEK 5 317m (4 250)
- Credit impairments amounted to SEK 12m (12)
- Return on equity was 21.9 per cent (18.5)
- Covered bonds totaling a nominal amount of SEK 73bn were issued during the period (88)

Figures in brackets refer to the corresponding period in the previous year unless otherwise stated

Swedbank Mortgage interim report January-June 2016

January- June 2016 compared to the same period previous year

Swedbank Mortgage AB (in Swedish: Swedbank Hypotek AB) is a wholly-owned subsidiary of Swedbank AB (publ) responsible for mortgage lending activities in Sweden. With over 1 million customers it has a leading position in the Swedish market. Mortgage lending is mainly through Swedbank's and the savings banks' retail network, one of the largest bank-owned distribution networks in Sweden, as well as through the bank's digital channels. There is no mortgage lending outside Sweden.

Numbers within brackets refer to the corresponding period in the previous year unless otherwise stated.

Profit analysis

Operating profit for the first half year of 2016 increased by SEK 1 067m to SEK 5 305m (4 238).

Net interest income increased by SEK 702m to SEK 6 120m (5 418) due to increased volumes and margins, both for new lending as well as for the existing mortgage portfolio. Interest income as well as interest expense decreased against the previous year. Interest income decreased by SEK 1 295m to SEK 8 802m (10 097) attributable to falling market rates. The interest expense decreased by SEK 1 997m to SEK 2 682m (4 679) due to falling short swap interest rates.

Net gains and losses on financial items amounted to SEK -390m (-790). The decrease in net gains and losses are mainly due to the effects from repurchases of covered bonds and increased credit spreads negatively affecting the market value on loans held at fair value. The falling interest rates during the period have also negatively affected the market value on interest derivatives which is part of hedge accounting. For further information, see note 3.

The expenses amounted to SEK 472m (405). Other expenses include a large part of the business exchange margin paid to the savings banks and partly owned banks. This cost amounted to SEK 462m (400). No mortgage distribution and handling costs are paid to Swedbank AB.

The positive amount of commission expenses is explained by a correction of the amount during earlier periods of fees paid to issuing agents.

Lending

Swedbank Mortgage grants real estate loans up to a ratio of 85 per cent of the market value. 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 40bn to SEK 883bn (843), where of the accumulated change of market value lending were SEK 3bn (5). Lending to households was SEK 679bn (640) and lending to the agricultural and forestry segment was SEK 52bn (51). Lending to the corporate segment was SEK 151bn (152).

On 1 June the Swedish Financial Supervisory Authority (SFSA) introduced an amortization requirement on new mortgages. Its aim is to slow the increasing debt build-up by Swedish households in recent years in the wake of a substantial rise in housing prices, mainly in large cities. Because Swedbank introduced guidelines similar to SFSA's a year ago to ensure that it maintains high quality in its mortgage portfolio, the bank does not expect its credit quality to be affected. SFSA's new rule has initially had an impact on the housing market, however, especially in Stockholm, where activity has been lower since its introduction. It is too early to determine the long-term effect on economic growth and real estate prices.

The credit quality of the lending is very good and credit impairments are low. Compared to first half-year 2015 net credit impairments was unchanged and amounted to SEK 12m (12). Provisions amounted to SEK 95m (115). Credit impairments and loans are specified in notes 4 and 5.

Funding

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

During the first half year there was continued good demand for Swedbank Mortgage's bonds. During 2016 Swedbank Mortgage issued slightly larger volumes of long term bonds compared to previous years and took advantage of the good market situation. Partly to pre finance upcoming maturities but also to match increased lending volumes.

In the first half of 2016, Swedbank Mortgage issued 1 international benchmark bond, worth EUR 1.25bn. The total volume converted to SEK amounted to 12bn. Investor interest was high and the issuance could be done on very good terms.

In the Swedish market Swedbank Mortgage has continuously issued FRN's in a slightly larger format amounting to SEK 5bn. These FRN loans have the same maturity date as two of the big domestic outstanding benchmark bonds (loans 187 and 180). On June 30th, the total outstanding volume was about SEK 13bn on these FRN loans. Swedbank Mortgage also opened a new benchmark bond (loan 190). The outstanding volume in that loan is SEK 13bn. Activity in the domestic market was otherwise calmer during the latter part of the half-year, probably due to uncertainty regarding credit spreads in the second half of the year. Of SEK 73bn (88) total funding SEK 60bn (62) was issued in the Swedish market.

As a part of Swedbank Mortgage's liquidity strategy to minimise risk originating in the form of large redemption volumes at the same time, the company actively repurchases large parts of the redeeming volumes, starting about one year before maturity. During the first half-year 2016 SEK 11.8bn was repurchased in 2

different benchmark loans with short remaining maturities.

The average maturity of all outstanding covered bonds is 37 months (36) as of 30 June.

Capital Adequacy

The capital requirement amounted to SEK 35 768m (33 601), compared to SEK 4 694m (4 392) not considering the Basel 1 floor. 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 Swedish Financial Supervisory Authority has made clear that the Basel 1 floor i.e. 80% of the capital requirements according to Basel 1, will remain for Swedish institutions. 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-weighted floor on the Swedish mortgage portfolio of 25 per cent, a capital conservation buffer of 2.5 per cent as well as a countercyclical buffer of 1.5 per cent), it is the Basel 1 floor that constitutes the minimum capital requirement for Swedbank Mortgage. The expectation is that the Basel 1 floor will be the minimum requirement for Swedbank Mortgage also when the countercyclical buffer is raised in March 2017 to 2.0 per cent. International work is underway regarding future capital requirements for banks. Among other things, the Basel Committee is conducting an extensive analysis to improve the comparability of banks' capital ratios. The review covers future standardised approaches for calculating capital requirements for credit, market, counterparty and operational risks and may propose the introduction of a capital floor based on these standardised approaches 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 4.32 per cent on 30 June 2016 (4.35 per cent). The EU commission's clarification of the definition in October 2014 has been taken into consideration in the ratio for 30 June 2016. The supervisory authorities will review the leverage ratio measurement before a possible minimum requirement is enforced 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 2015. No significant changes have taken place with regard to the distribution of risks compared to what was stated in Swedbank Mortgage's annual report.

The outcome of the British referendum regarding British exit from the EU (Brexit) has led to an increased volatility in the Financial market and an increased uncertainty for macroeconomic development. Internal analyses indicate that the direct effect on Swedbank Mortgage has been low.

Interest rate risk

An increase in market interest rates by one percentage point as of 30 June 2016 would have reduced the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 620m (325). A corresponding increase in the case of a one percentage point decrease in market interest rates would have been SEK 634m (335).

A one percentage point increase in market interest rates as of 30 June 2016 would have reduced Swedbank Mortgage's net gains and losses on financial items at fair value, excluding cash flow hedge, by SEK 159m (249). This would have a negative effect of SEK 56m on equity (39). The corresponding amount for Swedbank Mortgage's net gains and losses on financial items at fair value, excluding cash flow hedge, in the case of a one percentage point decrease in market interest rates would be an increase of SEK 151m (246). This would have increased equity by SEK 64m (36).

Rating

Swedbank Mortgage is one of the largest players on the Swedish covered bond market with the highest credit rating (Aaa/AAA) from both Moody's Investor Service and Standard & Poor's. As a result of Swedbank AB's general and unconditional guarantee to Swedbank Mortgage the credit ratings are linked. Both Swedbank AB and Swedbank Mortgage have a credit rating of Aa3 from Moody's and AA- from S&P. There were no changes in credit ratings in the first half of 2016.

Swedbank Mortgage rating	Moody's		Standard and Poors	
	Rating	Outlook	Rating	Outlook
Covered Bonds	Aaa	N/A	AAA	Stable
Long-term funding	Aa3	Stable	AA-	Negative
Short-term funding	P-1	N/A	A-1+	N/A

Events after 30 June 2016

No significant events have occurred.

Financial summary

	2016	2015	2015	2014	2014	2013	2013
SEKm	30 Jun	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
Loans to the public	882 524	842 819	857 910	794 213	821 547	750 499	768 840
Net interest income	6 120	5 418	11 233	3 863	8 584	3 515	7 280
Operating profit	5 305	4 238	9 024	3 360	7 345	3 025	6 191
Credit impairments	12	12	30	23	37	9	30
Equity	38 102	35 888	36 570	31 744	33 269	33 984	34 455

Income statement condensed

SEKm	Note	2016	2015	%	2015
		Jan-Jun	Jan-Jun	Change	Full Year
Interest income		8 802	10 097	-13	19 357
Interest expense		-2 682	-4 679	-43	-8 124
Net interest income		6 120	5 418	13	11 233
Commission income		34	35	-3	70
Commission expenses		22	-13	-269	-32
Net commissions		56	22	155	38
Net gains and losses on financial items	3	-390	-790	-51	-1 440
Other income		3	5	-40	7
Total income		5 789	4 655	24	9 838
Other expenses		471	402	17	779
Staff costs		1	3	-67	5
Total expenses		472	405	17	784
Profit before impairments		5 317	4 250	25	9 054
Credit impairments	4	12	12	0	30
Operating profit		5 305	4 238	25	9 024
Tax		1 167	938	24	2 000
Profit for the period		4 138	3 300	25	7 024

Statement of comprehensive income condensed

SEKm	2016	2015	Change	2015
	Jan-Jun	Jan-Jun	%	Full year
Profit for the period	4 138	3 300	25%	7 024
Items that may be reclassified to the income statement				
Cash flow hedges:				
Gains and losses arising during the period	350	568		619
Reclassification adjustments to income statement, net interest income	9	9		77
Reclassification adjustments to income statement, net gains and losses	-	-		-59
Income tax relating to components of other comprehensive income	-79	-127		-140
Total comprehensive income for the period	4 418	3 750	18%	7 521

Balance sheet condensed

SEKm	Note	2016 30 Jun	2015 30 Jun	2015 Full year
Assets				
Loans to credit institutions	15	85 420	69 864	55 436
Loans to the public	5	882 524	857 910	842 819
Value change of interest hedged item in portfolio hedge		2 478	1 009	1 194
Derivatives	6	32 998	29 189	31 473
Other assets	7	2 745	3 242	4 394
Total assets		1 006 165	961 214	935 316
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	8	366 873	335 590	323 519
Debt securities in issue	10	573 119	556 663	550 100
Derivatives	6	10 499	11 569	10 983
Other liabilities	9	12 504	15 754	9 757
Subordinated liabilities	11	4 000	4 000	4 000
Total liabilities		966 995	923 576	898 359
Untaxed reserves	12	1 068	1 068	1 068
Equity		38 102	36 570	35 888
Total liabilities and equity		1 006 165	961 214	935 316

Statement of changes in equity condensed

30 June 2016	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
Opening balance 1 January 2016	11 500	3 100	124	21 847	36 570
Group contribution provided				-3 700	-3 700
Tax reduction due to Group distributions				814	814
Total comprehensive income for the year			280	4 138	4 418
Closing balance 30 June 2016	11 500	3 100	404	23 099	38 102
of which, conditional shareholder's contributions				2 400	2 400

31 Dec 2015	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
Opening balance 1 January 2015	11 500	3 100	-373	19 042	33 269
Group contribution provided				-6 300	-6 300
Tax reduction due to Group contribution provided				1 386	1 386
Dividends				-4 000	-4 000
Shareholder's contribution				695	695
Total comprehensive income for the year			497	7 024	7 520
Closing balance 31 Dec 2015	11 500	3 100	124	21 847	36 570
of which, conditional shareholder's contributions				2 400	2 400

30 June 2015	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
Opening balance 1 January 2015	11 500	3 100	-373	19 042	33 269
Group contribution provided				-1 450	-1 450
Tax reduction due to Group contribution provided				319	319
Dividends				-4 000	-4 000
Total comprehensive income for the year			450	3 300	3 750
Closing balance 30 June 2015	11 500	3 100	77	21 211	35 888
of which, conditional shareholder's contributions				2 400	2 400

Cash flow statement condensed

SEKm	2016	2015	2015
	Jan-Jun	Full year	Jan-Jun
Operating activities			
Operating profit	5 305	9 024	4 239
Adjustments for non-cash items in operating activities	-1 342	-7 099	-1 990
Taxes paid	-77	-6	-460
Increase/decrease in loans to the public	-25 161	-39 097	-22 641
Increase/decrease in amounts owed to credit institutions	31 283	13 202	0
Increase/decrease in other assets	-97	40	0
Increase/decrease in other liabilities	1 175	-2 264	137
Cash flow from operating activities	11 087	-26 201	-20 715
Financing activities			
Issuance of interest-bearing securities	75 200	157 878	87 911
Redemption of interest-bearing securities	-64 431	-107 404	-52 745
Share holders contribution	0	695	0
Increase/decrease in other funding	742	-1 648	742
Group contributions paid	-6 300	-1 082	-7 382
Cash flow from financing activities	4 469	48 439	28 525
Cash flow for the period	15 556	22 238	7 810
Cash and cash equivalents at the beginning of the period	69 864	47 626	47 626
Cash flow for the period	15 556	22 238	7 810
Cash and cash equivalents at end of the period	85 420	69 864	55 436
Liquid funds with banks and equivalent institutions	85 420	69 864	55 436
Loans to credit institutions	85 420	69 864	55 436

Key ratios

SEKm	2016 30 Jun	2015 30 Jun	2015 Full year
Profit			
Investment margin, % ¹⁾	1.26	1.17	1.20
Return on equity, % ²⁾	21.9	18.5	19.3
Earnings per share, SEK	179.9	143.5	305.4
Capital			
Number of shares in issue at beginning/end of period, million	23	23	23
Equity per share, SEK	1 657	1 560	1 588
Credit quality			
Loan loss ratio, %	0.00	0.00	0.00
Provision ratio for impaired loans, % ³⁾	42	41	48
Share of impaired loans, net %	0.02	0.03	0.02

¹⁾ Net interest income in relation to average total assets.

²⁾ Net profit for the year in relation to average equity.

³⁾ Book value of impaired loans, net, in relation to book value of loans to the public.

For more information on definitions of key ratios, refer to page 36 of the Annual Report.

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 Swedish 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 2015, 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 2015 Annual Report, except for the new standards and changes as set out below.

Other IFRS changes

Other new or amended standards or interpretations which have been adopted have not had a significant effect on the financial position, result or disclosures of Swedbank Mortgage. For more information, refer to page 13 of the 2015 Annual Report.

Note 2 Business segments

SEKm	2016 Jan - Jun				2015 Full year				2015 Jan - Jun			
	Private	Corporate	Agricultural and Forestry	Total	Private	Corporate	Agricultural and Forestry	Total	Private	Corporate	Agricultural and Forestry	Total
Net interest income	4 915	564	467	5 946	8 686	1 221	840	10 747	4 045	704	401	5 150
Net commissions	43	9	4	56	29	6	3	38	17	4	1	22
Total income	4 958	573	471	6 002	8 715	1 227	843	10 785	4 062	708	402	5 172
Total cost	391	22	55	468	541	133	102	776	327	24	49	400
Profit before impairments	4 567	551	416	5 534	8 174	1 094	741	10 009	3 735	684	353	4 772
Credit impairments	2	-1	11	12	20	-4	14	30	14	-2	0	12
Operating profit	4 565	552	405	5 522	8 154	1 098	727	9 979	3 721	686	353	4 760
Loans to the public	679 459	142 596	60 469	882 524	657 612	140 113	60 186	857 910	639 995	142 445	60 379	842 819

Reconciliation of segment accounting and financial report

SEKm	2016 Jan - Jun			2015 Full year			2015 Jan -Jun		
	Total income	Total expenses	Operating profit	Total income	Total expenses	Operating profit	Total income	Total expenses	Operating profit
Total segments	6 002	468	5 522	10 785	776	9 979	5 172	400	4 760
Return on legal equity	174		174	486		486	268		268
Net gains and loss on financial items	-390		-390	-1 440		-1440	-790	0	-790
Other income	3		3	7		7	5		
Other expenses		4	4		8	8	0	5	
Total financial report	5 789	472	5 305	9 838	784	9 024	4 655	405	4 238

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 family 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 of legal equity and other undistributed minor items. Return on legal equity comprises interest income on assets funded by equity,

Note 3 Net gains and losses on financial items at fair value

Fair value through profit or loss			
	2016	2015	2015
SEKm	Jan - Jun	Full year	Jan - Jun
Valuation category, fair value through profit or loss			
Trading and derivatives			
Interest-bearing instruments	404	825	339
Lending to the public	-530	-1 622	-808
Total fair value through profit or loss	-126	-797	-469
Hedge accounting at fair value			
Ineffective part of hedge accounting at fair value	-132	-34	13
of which hedging instruments	3 227	-4 173	-3 204
of which hedged items	-3 359	4 139	3 217
Total hedge accounting	-132	-34	13
Financial liabilities valued at amortised cost	-211	-774	-414
Loans and receivables at amortised cost	75	194	80
Change in exchange rates	4	-29	0
Total	-390	-1 440	-790

Note 4 Credit impairments

	2016	2015	2015
SEKm	Jan - Jun	Full year	Jan - Jun
Provisions for loans that are individually assessed as impaired			
Provisions	12	11	-
Reversal of previous provisions	0	-1	-1
Provision for homogenous groups of impaired loans, net	-1	-4	-2
Total	11	6	-3
Portfolio provisions for loans individually assessed as not impaired	-12	-8	-3
Write-offs			
Established losses	35	42	22
Utilisation of previous provisions	-21	-4	-1
Recoveries	-1	-6	-3
Total	13	32	18
Credit impairments, net	12	30	12

Note 5 Loans

SEKm	2016 30 Jun	2015 Full year	2015 30 Jun
Lending			
Carrying amount before provisions	968 039	927 891	898 370
Provisions for loans that are individually assessed as impaired	-23	-33	-27
Portfolio provisions for loans that are assessed as not impaired	-72	-84	-88
Total provisions	-95	-117	-115
Carrying amount of loans after provisions	967 944	927 774	898 255
Impaired loans			
Impaired loans, gross	225	241	278
Provisions for individually assessed impaired loans	-23	-33	-27
Carrying amount of impaired loans	202	208	251
Share of impaired loans, gross, loans to the public, %	0.03	0.03	0.03
Share of impaired loans, net, loans to the public, %	0.02	0.02	0.03
Total provision ratio for impaired loans, % ¹⁾	42.3	48.5	41.4
Provision ratio for individually identified impaired loans, %	10.4	13.8	9.8

¹⁾ Including portfolio provisions for loans that individually are assessed as impaired

Loans by borrower category							
30 Jun 2016							
SEKm	Private customers	Real estate incl housing associations	Other corporate lending	Forestry and agriculture	Total lending to the public	Credit institutions	Total lending
Book value before accounting for provisions	679 076	137 150	14 402	51 991	882 619	85 420	968 039
Provisions for loans that individually are assessed as impaired	-8	-1	-1	-13	-23		-23
Portfolio provisions for loans that individually are assessed as not impaired	-39	-25	-3	-4	-72		-72
Book value after accounting for provisions	679 029	137 123	14 398	51 974	882 524	85 420	967 944
Book value of impaired loans	95	4	47	79	225		225

Note 6 Derivative instruments

SEKm	2016			2015			2015		
	30 Jun			Full year			30 Jun		
	Interest	Currency	Total	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book values	20 583	12 415	32 998	16 762	12 427	29 189	18 722	12 751	31 473
of which in hedge accounting	19 901	2 884	22 785	15 977	1 560	17 537	17 475	1 855	19 330
Derivatives with negative book values	5 706	4 793	10 499	5 265	6 304	11 569	6 497	4 486	10 983
of which in hedge accounting	2 963	2 724	5 687	1 900	4 333	6 233	2 342	3 694	6 035
Nominal amount	611 782	189 096	800 878	602 407	193 981	796 388	746 939	175 707	922 646

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

Note 7 Other assets

SEKm	2016	2015	2015
	30 Jun	Full year	30 Jun
Prepaid expenses and accrued income	1 676	1 746	2 135
Security settlement claims	718	599	1 367
Current tax assets	321	843	846
Other assets	30	54	46
Total	2 745	3 242	4 394

Note 8 Amounts owed to credit institutions

Amounts owed to credit institutions			
SEKm	2016	2015	2015
	30 Jun	Full year	30 Jun
Valuation category, other financial liabilities			
Swedish banks	366 873	335 590	323 519
Total	366 873	335 590	323 519
Valuation category, fair value through profit and loss			
Swedish banks ¹⁾	-	-	-
Total	-	-	-
Total	366 873	335 590	323 519
¹⁾ Nominal amount	-	-	-

Note 9 Other liabilities

Other liabilities			
	2016	2015	2015
SEKm	30 Jun	Full year	30 Jun
Security settlement liabilities	1 041	582	17
Current tax liabilities	353	599	154
Deferred tax liabilities	114	35	22
Group contributions	3 700	6 300	1 450
Accrued expenses and deferred income	7 133	8 209	7 951
Other liabilities	163	29	163
Total	12 504	15 754	9 757

Note 10 Debt securities in issue

Debt securities in issue			
	2016	2015	2015
SEKm	30 Jun	Full year	30 Jun
Valuation category, other financial liabilities			
Bond loans	543 462	532 214	499 272
Change in value due to hedge accounting at fair value	17 894	12 380	20 660
Other		450	2 390
Total	561 356	545 044	522 322
Valuation category, fair value through profit and loss			
Bond loans	11 763	11 619	27 778
Total	11 763	11 619	27 778
Total	573 119	556 663	550 100

Note 11 Subordinated liabilities

Subordinated Liabilities			
	2016	2015	2015
SEKm	30 Jun	Full year	30 Jun
Subordinated loans	4 000	4 000	4 000
Total	4 000	4 000	4 000

Note 12 Untaxed reserves

Untaxed reserves			
SEKm	2016 30 Jun	2015 Full year	2015 30 Jun
Opening balance	1 068	1 068	1 068
Closing balance	1 068	1 068	1 068

Note 13 Financial instruments at fair value

Financial instruments at fair value SEKm	2016 30 Jun 2016			2015 Full year 2015			2015 30 Jun 2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Loans to credit institutions	85 420	85 420		69 864	69 864		55 436	55 436	
Loans to the public	890 396	882 524	7 872	863 590	857 910	5 680	850 074	842 819	7 255
Shares and participating interest	1	1		1	1		1	1	
Derivatives	32 998	32 998		29 189	29 189		31 473	31 473	
Other financial assets	4 902	4 901		4 250	4 250		5 587	5 587	
Total	1 013 717	1 005 844	7 872	966 894	961 214	5 680	942 571	935 316	7 255
Non-financial assets	321	321							
Total	1 014 038	1 006 165	7 872	966 894	961 214	5 680	942 571	935 316	7 255
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	368 202	366 873	1 329	336 465	335 590	875	323 626	323 519	107
Debt securities in issue	579 973	573 119	6 854	563 216	556 663	6 553	553 523	550 100	3 422
Subordinated liabilities	4 512	4 000	512	4 527	4 000	527	4 006	4 000	6
Derivatives	10 499	10 499		11 569	11 569		10 983	10 983	
Other financial liabilities	12 037	12 037		15 719	15 719		9 757	9 757	
Total	975 223	966 528	8 695	931 496	923 541	7 955	901 895	898 359	3 535
Non-financial liabilities	467	467		35	35		-	-	
Total	975 690	966 995	8 695	931 531	923 576	7 955	901 895	898 359	3 535

Note 13 Financial instruments at fair value, cont.

Financial instruments at fair value				
	Instruments with quoted market prices in active markets	Valuation technique using observable data	Valuation technique using non-observable data	
30 Jun 2016				
SEKm	(Level 1)	(Level 2)	(Level 3)	Total
Assets				
Loans to the public		165 161		165 161
Shares and participating interests			1	1
Derivatives		32 998		32 998
Total		198 159	1	198 160
Liabilities				
Amounts owed to credit institutions				
Debt securities in issue	3 697	8 066		11 763
Derivatives		10 499		10 499
Total	3 697	18 565	0	22 262

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.

Financial instruments at fair value				
	Instruments with quoted market prices in active markets	Valuation technique using observable data	Valuation technique using non-observable data	
30 Jun 2015				
SEKm	(Level 1)	(Level 2)	(Level 3)	Total
Assets				
Loans to the public		194 856		194 856
Shares and participating interests		0	1	1
Derivatives		29 189		29 189
Total		224 045	1	224 046
Liabilities				
Amounts owed to credit institutions		0		0
Debt securities in issue	3 521	8 098		11 619
Derivatives		11 569		11 569
Total	3 521	19 667		23 188

Note 13 Financial instruments at fair value, cont.

Changes in level 3 SEKm	2016		2015		2015	
	30 Jun Assets	Liabilities	Full Year Assets	Liabilities	30 Jun Assets	Liabilities
Opening balance	1	0	1	0	1	0
Gains or losses through income statement						
Acquisitions						
Divestments						
Maturities						
Transferred from Level 3 to Level 2						
Closing balance	1	0	1	0	1	0

Note 14 Contingent liabilities, assets pledged and commitments

Contingent liabilities, assets pledged and commitments			
	2016	2015	2015
SEKm	30 Jun	Full year	30 Jun
Memorandum items			
Loans pledged for securities in issue ¹⁾	545 565	517 904	509 727
Repos	133		
Commitments	12 094	9 048	13 318
Assets pledged	557 792	526 952	523 045

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

Note 15 Related parties

Related parties			
	2016	2015	2015
SEKm	30 Jun	Full year	30 Jun
Group receivables			
Loans to credit institutions	85 420	69 864	55 436
Derivatives	32 997	29 116	31 448
Other assets	31	37	0
Total	118 448	99 017	86 884
Group liabilities			
Amounts owed to credit institutions	366 873	335 590	323 519
Debt securities in issue	4 886	5 992	12 884
Derivatives	10 499	11 569	10 983
Other liabilities	3 896	6 499	1 728
Subordinated liabilities	4 000	4 000	4 000
Total	390 154	363 650	353 114
Income statement			
Interest income	10	69	44
Interest expenses	2 063	3 291	1 277
Other expenses	8	-13	-9
Total	2 081	3 347	1 312

The table above specifies transactions 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 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 is exposed to. The assessment covers all risks Swedbank Mortgage is exposed to, including risks that are not included when calculating the capital adequacy. The note contains the information that shall be made public according to the Swedish Financial Supervisory authority regulation FFFS 2014:12, chapter 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>.

Capital adequacy	Basel 3 2016	Basel 3 2015	Basel 3 2015
SEKm	30 Jun	31 Dec	30 Jun
Shareholders' equity according to the balance sheet in the interim report	38 101	36 570	35 888
Share of capital in tax allocation	833	833	833
Unrealised value changes in own financial liabilities due to changes in own credit valuation	73	87	-77
Cash flow hedges	-404	-124	77
Additional valuation adjustments ¹⁾	-8	-11	-9
Net provisions for reported IRB credit exposures	-238	-246	-255
Common Equity Tier 1 capital	38 357	37 109	36 457
Total Tier 1 capital	38 357	37 109	36 457
Tier 2 instruments	4 000	4 000	4 000
Total Tier 2 capital	4 000	4 000	4 000
Total capital base	42 357	41 109	40 457
Capital requirement for credit risks, standardised approach	560	426	302
Capital requirement for credit risks, IRB	3 107	3 143	3 240
Capital requirement for credit valuation			
Capital requirement for operational risks	995	850	850
Additional minimum capital requirement, Article 3 CRR	32	32	0
Minimum capital requirement ²⁾	4 694	4 451	4 392
Surplus of capital	37 663	36 658	36 065
Risk exposure amount credit risks	45 842	44 608	44 274
Risk exposure amount credit valuation adjustment			
Risk exposure amount operational risks ³⁾	12 435	10 622	10 622
Additional risk exposure amount, Article 3 CRR	403	403	0
Risk exposure amount	58 680	55 633	54 896
Common Equity Tier 1 ratio, %	65.4	66.7	66.4
Tier 1 capital ratio, %	65.4	66.7	66.4
Total capital adequacy ratio, %	72.2	73.9	73.7

¹⁾ Adjustment according to the implementation of EBA technical standard regarding prudent valuation. The purpose is to adjust for valuation uncertainty regarding positions at fair value

²⁾ Minimum capital requirement within Pillar 1, i.e. 8 % of total risk exposure amount

³⁾ According to standardised method, retail bank

Note 16 Capital adequacy, cont.

Capital adequacy SEKm	2016			2015			2015		
	30 Jun		Capital	31 Dec		Capital	30 Jun		Capital
	Exposure	Average risk	require-	Exposure	Average risk	require-	Exposure	Average risk	require-
Capital requirement for credit risks	amount	weight, %	ment	amount	weight, %	ment	amount	weight, %	ment
Institutional exposures									
Corporate exposures	32 521	25	638	32 847	25	660	34 601	25	701
Retail exposures	837 356	4	2 459	813 461	4	2 477	792 348	4	2 536
Non-credit obligations	149	86	10	115	63	6	58	65	3
Total credit risks according to IRB approach	870 026	4	3 107	846 423	5	3 143	827 007	5	3 240
Total credit risks according to standardised approach	146 297	5	560	127 217	4	426	111 711	3	302
Total	1 016 323	5	3 667	973 640	5	3 569	938 718	5	3 542

Capital adequacy			
SEKm	2016	2015	2015
	30 Jun	31 Dec	30 Jun
Capital buffer requirement ¹⁾, %			
Institution specific CET 1 requirement	8.5	8.0	7.0
of which CET 1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.0	-
CET 1 capital available to meet Institution specific CET1 capital requirements ²⁾	59.4	60.7	60.0

¹⁾ New requirements regarding capital buffers according to Swedish implementation of CRD IV

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

Capital adequacy			
SEKm	2016	2015	2015
	30 Jun	31 Dec	30 Jun
Capital adequacy Basel 1 floor			
Capital requirement Basel 1 floor	35 768	34 593	33 601
Own funds Basel 3 adjusted according to rules for Basel 1 floor	42 595	41 356	40 712
Surplus of capital according to Basel 1 floor	6 827	6 763	7 111

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 June 30 2016 provides a fair and accurate overview of the operations, financial position and the results of the Company and that it describes the significant risks and uncertainties face by the Company

Stockholm 20 July 2016

Leif Karlsson
Chair

Magdalena Frostling
President

Gunilla Domeij-Hallros

Malin Hlawatsch

Johan Smedman

Eva de Falck

Review report

Introduction

We have reviewed the interim report for Swedbank Hypotek AB (publ) for the period January 1 – June 30, 2016. 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 of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and 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, 20 July 2016

Deloitte AB

Patrick Honeth
Authorised Public Accountant

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