Annual report 2023

Swedbank Mortgage AB (publ), 22 February 2024

2023 in brief

Full year 2023 compared to full year 2022

- Profit for the year of 2023 amounted to SEK 5 718 (8 655)
- Net interest income decreased by SEK 2 981m to SEK 8 420m (11 401)
- Lending to the public decreased SEK 1bn to SEK 1 115bn (1 116)
- Profit before impairments, Swedish bank tax and resolution fees decreased by SEK 3 439m to SEK 8 375m (11 814)
- Credit impairments amounted to SEK 573m (303)
- Return on equity was 11.4 per cent (18.2)
- Covered bonds totaling an amount of SEK 89bn (87) were issued during the year

Profit for the year 2023

SEK **5 718**m

2022: SEK 8 655m

Market share, mortgages, November 2023

22 %

December 2022: 22 %

About Swedbank Mortgage AB

Swedbank Mortgage is a Swedish domiciled, SFSA regulated credit market company, with a leading position on the Swedish mortgage market. The business focuses on long-term funding of mortgage loans and the company has over one million customers.

Swedbank Mortgage AB (publ) ("Swedbank Mortgage"), corporate identification number 556003-3283, is a wholly owned subsidiary of Swedbank AB (publ) 502017-7753 ("Swedbank"). The company's purpose is mortgage lending in Sweden. The company has given its high market share with more than a million customers, a leading position on the Swedish mortgage market. Mortgages are mainly originated and distributed by Swedbank's and the Swedish Savings Banks' retail network which is one of the largest bank-owned retail networks in Sweden. Customers are also served by phone banking and online banking services.

Swedbank Mortgage does not lend against non-Swedish domiciled collateral.

Swedbank Mortgage issues loans collateralised with properties and individual tenant-owned apartments. The company also lends directly to municipalities or other borrowers with municipal guarantees as collateral.

Swedbank Mortgage's operations are outsourced to Swedbank, which creates value and synergies.

Contents

Key ratios 2019-2023

SEKm	2023 31 Dec	2022 31 Dec	2021 31 Dec	2020 31 Dec	2019 31 Dec
Profit					
Investment margin, %	0.72	0.96	1.09	1.01	1.19
Average total assets	1 169 199	1 188 665	1 154 097	1 162 381	1 088 855
Return on equity, %	11.4	18.2	20.9	19.3	21.2
Average equity	50 077	47 552	46 898	46 875	47 002
Earnings per share, SEK	248.6	376.3	426.1	392.6	432.7
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2 331	2 074.22	2 008.35	2 004.56	2 007.35
Credit quality					
Loans to the public	1 115 385	1 115 561	1 093 674	1 053 802	1 028 746
Loans to credit institutions	23 025	64 149	30 178	106 208	89 159
Credit impairments, net	573	303	-75	-32	-24
Credit impairment ratio, %	0.05	0.03	-0.01	0.00	0.00
Total provisions	1 293	730	423	493	527
Share of Stage 3 loans, gross %	0.23	0.07	0.08	0.08	0.08
Total credit impairment provision ratio, %	0.11	0.06	0.04	0.04	0.05

For more information on definitions and calculation of key ratios, refer to page 60.

Business development

	2023 31 Dec	2022 31 Dec	2021 31 Dec	2020 31 Dec	2019 31 Dec
Lending to the public, SEKbn	1 115	1 116	1 094	1 054	1 029
- Private	997	997	973	931	906
of which private, mortgage	911	913	888	844	813
- Corporate	118	119	121	123	123
Number of customers, thousands	1 029	1 054	1 074	1 085	1 098
Private lending					
Market share mortgages % [1]	22	22	23	23	24
Market share new mortgages, full year % [1]	neg	16	17	15	12
Volume growth mortgage market, full year % [1]	1	5	7	6	5
Volume growth Swedbank Mortgage, full year % [1]	-1	3	5	4	3
LTV total portfolio %	57	54	51	54	55
LTV new mortgages, actual year %	69	68	69	70	70
Share of total portfolio which amortises %	74	75	74	68	72
Share of portfolio which amortises, new mortgages, actual year %	86	88	89	82	89
Funding					
Issued during year					
Swedish market, SEKbn	77	46	74	40	101
Outside Sweden, SEKbn	12	41	38	29	30
Average maturity of outstanding issued covered bonds, months	32	32	31	35	37

[1] Market share and volume growth as of November 2023. Source Statistics Sweden (SCB).

Overview

Economy and market
During the year, the Riksbank increased its policy rate from 2.5 per cent to 4.0 per cent.

The financial markets saw a significant drop in long-term interest rates during the fourth quarter. In mid-October, the yield on 10-year U.S. treasury bills topped out at five per cent but then fell and traded at just under four per cent at the end of December. This was largely a result of market expectations, which indicated that policy rates have peaked and that rate cuts are imminent. The krona appreciated against both the euro and the U.S. dollar.

The geopolitical situation remains uncertain due to the outbreak of war in the Gaza Strip following Hamas' terrorist attack on Israel as well as Russia's war of aggression against Ukraine.

Economic development in Sweden was weak during 2023. Although GDP rose in October and November, according to preliminary data, domestic demand was weak due to lower household consumption, among other factors. This was offset by export growth. The National Institute of Economic Research's Economic Tendency Indicator remained subdued and pointed to much weaker economic sentiment than normal.

In the housing market, buyers remained cautious. Prices were weak and the number of property sales remained low. In November, total mortgage lending volume was 0.7 per cent higher than the same month in 2022.

Important to note
The annual report contains alternative performance measures that Swedbank Mortgage considers valuable information for the reader, since they are used by Swedbank Mortgage for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the annual report can be found on page 60.

The company's development

(Comparative figures refer to 31 December 2022, unless otherwise indicated)

Result
Swedbank Mortgage reported a profit of SEK 5 718m for the full-year 2023, compared with SEK 8 655m in the full-year 2022. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 8 420m (11 401). The main reason was higher funding expenses following a sharp increase in market rates during the year. Customer rates have been raised accordingly but not to the same extent as the funding costs have increased, resulting in a negative effect on margins.

Net gains and losses on financial items decreased to SEK 235m (683), in part due to a lower volume of repurchases of covered bond.

Expenses were stable at SEK 278m (274).

Credit impairments amounted to SEK 573m (303). The largest increases in provisions are within private and property management sector. As there is a risk that credit quality may start to deteriorate further due the economic environment and that the quantitative risk models may not appropriately incorporate this, post-model adjustments to the credit impairment provisions were deemed necessary. The post model adjustments have increased by SEK 77m to SEK 199m (122) during the year primarily in the property management sector.

The tax expense amounted to SEK 1 482m (2 245), corresponding to an effective tax rate of 20.6 per cent (20.6).

Income statement, SEKm	2023	2022
Net interest income	8 420	11 401
Net commission income	-6	1
Net gains and losses on financial items	235	683
Total income	**8 653**	**12 088**
Total general administrative expenses	278	274
Profit before impairments, Swedish bank tax and resolution fees	**8 375**	**11 814**
Credit impairments	573	303
Swedish bank tax and resolution fees	601	611
Tax	1 482	2 245
Profit for the year	**5 718**	**8 655**

Lending
Total loans to the public decreased by SEK 1bn in 2023, to SEK 1 115bn as of 31 December 2023.

Loans to the public, SEKbn	31 Dec 2023	31 Dec 2022
Private customers	997	997
Private, mortgage	911	913
Tenant owner associations	86	84
Corporate customers	118	119
Agricultural, forestry, fishing	44	46
Property management	64	62
Other corporate lending	10	11
Total	**1 115**	**1 116**

The decrease was mainly due to lower private mortgage volumes. Mortgage lending in private segment decreased by SEK 2bn during the year, to SEK 911bn (SEK 913bn). The decline in volumes follows from a continued deteriorated housing market during 2023 which was negatively affected by high interest rates, high electricity prices and high inflation. The total market share remained unchanged at 22 per cent as of 30 November. Lending to tenant-owner associations increased by SEK 2bn, to SEK 86bn (84).

Corporate lending decreased by SEK 1bn to SEK 118bn (119), primarily within the agricultural, forestry and fishing sector.

Funding and liquidity
Swedbank Mortgage funds the mortgage lending by issuance of covered bonds in Swedish and international capital markets and through group internal funding from Swedbank.

Amounts owed to credit institutions and issued debt, SEKbn	31 Dec 2023	31 Dec 2022
Amounts owed to credit institutions	681	746
Debt securities in issue	361	355
Eligible liabilities	41	15
Total	**1 083**	**1 116**

The funding process is simplified as Swedbank Mortgage has a number of standardised borrowing programmes that are adapted to meet the legal requirements of various types of markets and investors.

Demand for Swedbank Mortgage's bonds was stable in 2023. Swedbank Mortgage issued SEK 89bn (87) in covered bonds in 2023. Maturities in 2023 were SEK 82bn (136), calculated from the beginning of the year.

As of 31 December 2023, outstanding funding through covered bonds amounted to SEK 361bn (355) and funding from Swedbank amounted to SEK 681bn (746).

Issuance plans are mainly affected by changes in available funding from Swedbank as well as lending growth and are adjusted over the course of the year.

As part of its liquidity planning, Swedbank Mortgage actively buys back a large portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In this way it reduces the liquidity risk when large volumes mature at the same time. In 2023, SEK 16bn (34) was repurchased on the Swedish market. The average maturity of all outstanding covered bonds was 32 months (32) on 31 December.

Risk management
The main risks consist of credit risk and operational risk. Swedbank Mortgage has a low risk profile with a well-diversified credit portfolio as well as limited market risk.

Credit risks
To maintain a low risk profile and an appropriate balance between risk and return, Swedbank Mortgage continuously works to understand customers and their market conditions. Responsible lending is critical for the business to succeed. Because of this, Swedbank Mortgage analyses its customers' long-term financial situation, ability to repay and resilience. Systematic analysis of individual exposures is done by continuously monitoring larger individual commitments. Exposures to corporate customers, financial institutions and national governments are reassessed at least once a year.

Only developed properties with proper permits are placed in Swedbank Mortgage with the only exception being agricultural and forestry properties, which can be undeveloped.

The majority of Swedbank Mortgage's lending consists of private residential mortgages. To ensure a customer's long-term creditworthiness, Swedbank Mortgage always analyses their solvency in the event of significantly higher interest rates. With lending for apartments in tenant-owner associations, the analysis includes an increased association fee. Swedbank Mortgage continuously reviews its lending criteria.

Swedbank Mortgage's credit portfolio saw increasing impairments and overdues during the year, primarily driven by the increased cost of living for households and the general macroeconomic environment. Swedbank Mortgage's credit losses and non-performing loans remain low in relation to total lending, but on a higher level than in recent years which reflects the state of the economy and interest rate environment.

Higher mortgage rates in combination with weaker cash flow primarily impact highly indebted individuals and legal entities with small margins. In the lending process however, customers' long-term solvency including stressed interest rates is key to ensure high credit quality and low risk also in times of stress. Despite the negative macroeconomic development, the mortgage portfolio remains of high quality with low credit impairments in relation to total lending. Modelled provisions under IFRS9 are increasing due to the worsening macro-outlook and additional post-model provisioning has been made to safeguard against downside risk.

Property price development impacts the loan-to-value of properties in the loan book. On an annual basis property prices have been slightly decreasing and the average loan-to-value increased to 54 per cent (52 per cent) on property level. For new lending the loan-to-value decreased to 64 percent (65 per cent).

For a specification of credit risks, see note 3a.

Market risks
Despite macroeconomic uncertainty and volatility, Swedbank Mortgage's market risks remain at stable levels.

Swedbank Mortgage controls and analyses its market risks on a daily basis. Value-at-Risk and interest rate sensitivity are examples of calculations performed and analysed to ensure that any market risk related losses are limited to low levels and that they stay within the risk appetite set by the Board of Directors. To complement these calculations, stress tests are performed to analyse many more extreme events and their potential impact on the market value of the portfolios.

For a specification of market risks, see note 3c.

Operational risks
Swedbank Mortgage is exposed to operational risks in all its operations. With increased regulatory and technological complexity operational risks consequently become more complex, as the number of ways in which the bank communicates with its customers also increase. The aim as far as possible is to minimise operational risks.

Operational risks are managed through self-assessments, incident response, and continuity and crisis management. When new products, services and IT systems are introduced, or when significant changes are made to any of them, a risk assessment is performed. Consistent daily work with operational risks is critical to maintain low loss levels. Losses related to operational risks remain very low.

Capital adequacy
Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR). Swedbank Mortgage's total capital ratio was 18.3 per cent as of 31st of December 2023 (16.6), to be compared with the capital requirement of 16.7 per cent (12.8).

Total own funds increased during the year by SEK 5.9bn to SEK 53.5bn (47.7), primarily due to a shareholders' contribution from the parent company during the second half of the year. REA increased by SEK 5.2bn to SEK 293.3bn (288.0). The increase was due to credit risk REA including article 458, which increased by SEK 6.8bn, primarily from increased volumes and the implementation of the risk weight floor for exposures collateralised by commercial properties in Pillar 1 REA. This was partly offset by REA for operational risk which decreased by SEK 1.5bn during the year. The capital adequacy is further disclosed in note 4.

Swedbank Mortgage's leverage ratio was 4.8 per cent (4.3) as of 31st of December 2023.

Capital and resolution regulations
The countercyclical buffer was raised to 2 per cent during the second quarter 2023. The Swedish Financial

Supervisory Authority's assessment is that the neutral level of the buffer value is 2 per cent.

Due to guidelines from the European Banking Authority (EBA), Swedbank has applied to have new internal models for risk classification approved. The assessment process for the models is ongoing.

In Q3 2023, the Swedish FSA decided on a temporary capital add-on of 2.4 per cent in Pillar 2 Requirement (P2R) related to the ongoing review of the IRB models. The models are expected to result in lower capital requirements than the add-on. The Swedish FSA's risk weight floor for exposures to commercial real estate, which was previously included as an add-on in the P2R, at the same time was eliminated and instead transferred directly to the REA. The relocation of the risk weight floor had a limited capital impact on Swedbank Hypotek.

The Resolution Act, which entered into force in 2021, gradually phases in the MREL requirement by 1 January 2024. Swedbank Hypotek meets the requirement by an adequate margin.

The revised Basel III regulation, also called Basel IV, is scheduled to enter into force in 2025 with a phase-in period through 2032. The revisions include changes to the standardised approaches and internal models used to calculate the capital requirements for credit and market risk, operational risk and a capital requirement floor for internal models. The regulation is expected to result in a minor increase in the risk exposure amount for Swedbank and it must be approved by the European Council and the EU Parliament before it enters into force.

Covered Bonds
Covered bonds are secured debt instruments secured by a cover pool of high-quality assets. A key feature of a covered bond is dual recourse, meaning that bondholders have full recourse toward the issuer and, in the case of default of the issuer, additionally a preferential claim against earmarked assets in a cover pool. Since unsecured bondholders are subordinated to covered bonds, the rating of covered bonds can effectively be higher than the standalone issuer rating, as the risk is determined by the credit quality of the cover pool and the market risk of the outstanding covered bonds.

Under Swedish law, cover pool eligible assets are mortgage loans or public-sector debt, secured by residential, agricultural or commercial property up to a maximum of 10 per cent. Loan-to-Value (LTV) ratios caps are set to differentiate between the property type risk, with maximum LTV for residential property of 80 per cent and commercial of 60 per cent.

The covered bonds, cover assets and risk hedging derivatives are segregated by keeping a cover register. To further safeguard investors in the event of default there is a legal minimum overcollateralization requirement of 2 per cent. Consequently, issuers must maintain a surplus of assets in relation to the liabilities in the cover register. The covered bonds and the cover register are supervised by an independent auditor appointed by the Swedish FSA.

Swedish cover pools are dynamic, meaning that a specific covered bond is not secured by specific earmarked mortgages in the cover pool but rather the whole cover pool. Mortgages may become partly or wholly ineligible during the life of a bond, where each loan is continuously evaluated against the eligibility criteria such as LTV and performance and added or removed from the cover pool.

As of 8th of July 2022 the Swedish law implementing the European Covered Bond Directive (DIRECTIVE (EU) 2019/2162) came into force, which harmonises different jurisdictional definitions and treatment for what is classified as Covered Bonds eligible for preferential treatment under European capital regulation. This entails some amendments to the Swedish covered bond law, in particular changed LTV thresholds and a cover pool liquidity buffer. For more information on the cover pool and covered bonds, refer to Swedbank fact book.

Rating
Swedbank Mortgage is one of the largest participants in the Swedish covered bond market. The bonds have the highest credit rating (Aaa/AAA) from both Moody's Investors Service and S&P Global Ratings.

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

Events after 31 December 2023
No material events have occurred after 31 December 2023.

Sustainability

Swedbank Hypotek's strategic direction places sustainability at the core of its business strategy. The focus is on financing a sustainable transition and contributing to a society that is financially, socially, and environmentally sustainable.

Climate change has continued to create significant challenges globally and is increasing in importance for Swedbank Mortgage and our many customers. The risks and effects of climate change such as droughts, floods and landslides are increasing in frequency and impacts the whole of society.

Reduced energy consumption.
Energy transition and energy efficiency are essential means to reduce climate impact. Swedbank Mortgage can contribute to increasing awareness of energy efficiency in both private and commercial properties, in forestry and agricultural properties, through advice as well as products and services. Swedbank Mortgage enables customers, both individuals and companies, to make sustainable decisions and transform operations, and thus contribute to a sustainable future.

Through green mortgages and by financing projects for increased energy efficiency, Swedbank Mortgage can contribute to accelerating the transition. As part of this, Swedbank have also invested in the company Hemma, where Swedbank's retail customers can perform a free digital energy assessment of their home and then apply for financing for improvement measures through Swedbank or Swedbank Mortgage. Through the energy assessment, customers receive detailed advice on how they can reduce their energy consumption and lower their electricity costs.

Governance and security are high priorities.
Swedbank's governance sets the framework for the comprehensive work on sustainability. It's about how to govern, set goals, and follow up on sustainability efforts.

The code of conduct is the foundation for how Swedbank Mortgage should act in our business and relationships. Decisions should not only be guided by what is allowed and legal but also by what is right and proper from an ethical perspective. The code of conduct clarifies expectations for behaviour and serves as an ethical compass in daily operations.

Corporate governance

Swedbank Hypotek is a wholly owned subsidiary of Swedbank. Swedbank, as the parent company, ultimately makes decisions about Swedbank Mortgage´s structure and governance. At the annual general meeting, the parent company appoints the board and the auditors. The Board of Directors in Swedbank Mortgage is ultimately responsible to the parent company regarding, among other things, the company´s organisation and administration. The company´s board further appoints the Chief Executive Officer (CEO). The CEO is responsible for the operational activities and the day-to-day administration. Swedbank Mortgage´s external auditors review, among other things, the financial reporting and summarise the review annually through an audit report.

In order to create synergies with Swedbank, the operational, licences activities in Swedbank Mortgage is outsourced to Swedbank AB through an outsourcing agreement. Swedbank Mortgage is staffed by a CEO and a management team consisting of a number of key functions such as, but not limited to, the Chief Financial Officer (CFO), Chief Risk Officer (CRO) and the Chief Credit Officer. The company has in addition several employees working with governance, control and analysis.

Importance of corporate governance
Sound corporate governance means that the company, on the basis of Swedbank Mortgage's strategies, goals and values, is governed as sustainably, effectively and responsibly as possible. This is of importance in order to maintain the trust, and to ensure effective and sound risk management and internal governance and control.

Sound corporate governance also contributes to efficient and transparent internal and external information disclosure. Decision-making processes shall be simple and transparent with clear lines of responsibility. There must be clear rules and routines to manage conflicts of interest and effective tools for internal governance, risk management and control. The corporate culture shall be characterised by transparency, integrity, compliance and risk awareness. Swedbank Mortgage's values shall provide a foundation for decision-making on a daily basis and for employees' daily work.

The Board of Directors (the Board) and the CEO are responsible for the management of the Company. Corporate governance and the duties of the governing bodies of the Company are defined by the applicable external and internal frameworks.

The basis for corporate governance in Swedbank Mortgage is partly the ownership directive issued by Swedbank, partly the documents adopted by the Board, such as The Board of Director´s instruction for the CEO and additional policies and instructions for the company´s operations. These documents, together with the articles of association, the Board´s Rules of Procedure and the Board of Directors´ Audit Committee as well as current internal regulations, form the internal framework that regulates corporate governance in the company.

The Board of Directors and the CEO
According to the Articles of Association, The Board must consist of at least five and no more than thirteen members elected by the shareholders at the general meeting. The term of office for board members is one year and expires at the end of the annual general meeting of the shareholders following the election. The Board members are appointed and evaluated through a Group-internal nomination process.

The Board currently consists of five members (three men and two women), who was elected by the annual general meeting, resigned on 31 March 2023. All members of the Board are employed by Swedbank.

The Board of Directors has an overarching responsibility for Swedbank Mortgage's organisation, operations and management. Operations are carried out in a sustainable manner with a focus on the customer and sound risk taking to ensure the company's longterm viability and to maintain trust in the company.

The Board is the highest decision-making body after the Annual General Meeting and the highest executive body. The Board is responsible for ensuring that the company has an effective and appropriate organisation and corporate governance. In accordance with its established rules of procedure, the Board decides on matters such as goals, strategies, operational frameworks and the business plan.

The Board appoints, dismisses and evaluates the CEO, adopts operating policies, and verifies that effective systems are in place to monitor and control operations. The Board is also responsible for compliance with laws and regulations and ensures transparent and accurate information disclosures.

The division of responsibility between the Board, the Chair of the Board and the CEO is determined annually through, for example, the Board's rules of procedure, the Governance Policy and the instruction for the CEO.

The CEO is responsible for managing the company´s day-to-day operations and is the officer ultimately responsible for ensuring that the Board's Strategic Direction and other decisions are implemented and followed, and that risk management, governance, IT systems, the organisation and processes are satisfactory. The Board's view of the CEO's special areas of responsibility is set out in documents such as the Board's Governance Policy and instruction for the CEO. The CEO is responsible for ensuring that the Board's decisions, policies and instructions are followed within the organisation and that they are evaluated annually.

The CEO reports directly to the Board. Apart from frequent board meetings, the Board is updated on the company's development on an ongoing basis in order to enable it to assess the company's risks and oversee its risk management. The Board has established an audit committee.

Internal governance and controls
The Board is responsible for setting and overseeing an adequate and effective internal control framework. The framework sets out the responsibilities of the Board and

the management regarding internal control, all group functions and business areas, including outsourced activities and distribution channels. As part of the internal control framework, the Company has independent control functions with appropriate and sufficient authority, stature and access to the Board to fulfil their mission as well as the risk management framework.

The bank’s functions for internal control and risk management are based on three lines of defence.

The first line of defence has the ultimate risk management responsibility and consists of all risk management activities carried out by the business operations.

The second line of defence refers to the independent control functions Risk and Compliance. These functions define, within their area of responsibility, the risk management framework, which covers all material risks in the Company. The second line of defence is organisationally independent from first line and is not operationally involved in the business activities or the unit it monitors and controls.

The Third line of defence consists of the Internal audit function, which shall independently review Swedbank Mortgage´s operations. The review includes evaluating and verifying the Company´s processes for risk management, internal control and corporate governance.

Internal Audit
Internal audit services are conducted by Swedbank, Group Internal Audit, as per the Company’s outsourcing arrangements.

Internal audit’s review work is based on the internal audit policy established annually by the Board.

The purpose of Internal Audit’s reviews is to create improvements in operations by independently evaluating the company’s governance, risk management and internal control processes. The assignment is based on a policy established by the Board and is performed using a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors (IIA).

Internal Audit prepares an annual risk analysis and an audit plan that are approved by the Board, and which can be revised and updated as needed by the Board. Audit reports are submitted to management and the conclusions, together with the measures that will be taken and their status, are compiled in quarterly reports and presented to the Audit Committee and the Board.

Compliance
The Compliance function is responsible for monitoring and overseeing compliance risks that the Company is och could be exposed to. The function shall continuously control and monitor Swedbank Mortgage´s compliance and provide advice and support to the business to ensure that decisions are in line with the stated risk appetite. The company’s chief compliance officer (CCO) reports to the CEO on an ongoing basis and directly to the Board, at a minimum on quarterly basis. The CEO approves an annual plan for the compliance function’s work.

Risk
Risk control is and independent is an independent control function that controls and monitor Swedbank Mortgage´s risk management. The Board approves the appointment of the company’s Chief Risk Officer (CRO) and the CRO reports directly to the CEO.
The function serves as support to the Board, the CEO and other operations with respect to risk management and control. The CRO ensures that operations are conducted in accordance with good risk management principles, risk controls and that risks are managed in accordance with the risk framework approved by the Board. The CRO identifies, measures as well as analyses and reports on material operational risks to the Board. The CRO informs the CEO on an ongoing basis of any identified risks and actions taken, and reports to the Board on a minimum, quarterly basis.

Internal control over financial reporting
The CEO and ultimately the Board, have ultimate responsibility for ensuring that any financial reporting complies with external and internal regulations.
The company applies Internal Controls to its Financial Reporting (ICFR). The internal rules cover controls to ensure the reliability of financial reporting.

Controls of financial reporting are made on several levels. This includes processes to analyse and monitor the company’s business operations. Furthermore, other parts ensure reliability of the financial reporting and monitoring of any discrepancies. There is a Group-wide internal framework on accounting policies applicable to all companies in the Swedbank Group. The internal framework covers in this part, planning and monitoring processes as well as reporting routines. The finance department performs controls through reconciliations between subledgers and the general ledger and ensures that assets, liabilities and business transactions have been accurately reported. Swedbank AB has also a centralised assessment group to ensure the correct assessment of assets and liabilities in Swedbank Mortgage. Analyses of accounting outcomes are presented on a monthly basis to Swedbank Mortgage’s CEO and on a quarterly basis to the Board.
Furthermore, compliance, risk and internal audit continuously evaluate and review the governance, risk management and internal controls structure.

External auditor
The external auditor is elected by the Annual General Meeting and is an independent reviewer of the company’s financial statements which determines whether they are materially accurate and complete and provide a fair view of the bank and its financial position and results. The auditor also ensures that the accounts are prepared according to current laws and recommendations. Moreover, the auditor reviews the Board and CEO’s management. The auditors report orally and in writing to the Board how the audit has progressed and how they assess the governance and internal control in Swedbank Mortgage. The auditors also submit a summary report of the audit to the Board.

Five-year summary

Income statement

SEKm	**2023**	**2022**	**2021**	**2020**	**2019**
Interest income	37 783	20 586	16 419	17 545	17 282
Interest expenses	-29 363	-9 185	-3 476	-5 424	-3 808
Net interest income	**8 420**	**11 401**	**12 943**	**12 121**	**13 473**
Net commission income	-6	1	4	17	15
Other operating income	239	686	-5	20	-5
Total income	**8 653**	**12 088**	**12 942**	**12 158**	**13 483**
Other operating expenses	**278**	**274**	**277**	**276**	**284**
Profit before impairments, Swedish bank tax and resolution fees	**8 375**	**11 814**	**12 665**	**11 882**	**13 199**
Credit impairments	573	303	-75	-32	-24
Swedish bank tax and resolution fees	601	611	396	426	560
Operating profit	**7 200**	**10 900**	**12 344**	**11 488**	**12 663**
Appropriations					
Tax expense	1 482	2 245	2 543	2 459	2 710
Profit for the year	**5 718**	**8 655**	**9 801**	**9 029**	**9 953**

Balance sheet

SEKm	**2023**	**2022**	**2021**	**2020**	**2019**
Assets					
Loans to credit institutions	23 025	64 149	30 178	106 208	89 159
Loans to the public	1 115 385	1 115 561	1 093 674	1 053 802	1 028 746
Other assets	15 214	12 010	12 314	21 025	27 925
Total assets	**1 153 624**	**1 191 720**	**1 136 166**	**1 181 035**	**1 145 830**
Liabilities and equity					
Liabilities					
Amount owed to credit institutions	680 697	746 078	590 715	599 745	471 623
Debt securities in issue	361 435	354 722	467 763	501 413	592 097
Other liabilities	57 884	43 213	31 496	33 772	35 941
Total liabilities	**1 100 017**	**1 144 013**	**1 089 974**	**1 134 930**	**1 099 661**
Equity	**53 607**	**47 707**	**46 192**	**46 105**	**46 169**
Total liabilities and equity	**1 153 624**	**1 191 720**	**1 136 166**	**1 181 035**	**1 145 830**

Financial statements and notes

Income statement

SEKm	Note	2023	2022
Interest income on financial assets measured at amortised cost		37 783	20 586
Interest income		**37 783**	**20 586**
Interest expense		-29 363	-9 185
Interest expense		**-29 363**	**-9 185**
Net interest income	6	**8 420**	**11 401**
Commission income		35	36
Commission expenses		-41	-35
Net commission income	7	**-6**	**1**
Net gains and losses on financial items	8	235	683
Other operating income		5	3
Total income		**8 653**	**12 088**
Total general administrative expenses	9.10	**278**	**274**
Profit before impairments, Swedish bank tax and resolution fees		**8 375**	**11 814**
Credit impairments	11	573	303
Swedish bank tax and resolution fees	12	601	611
Operating profit		**7 200**	**10 900**
Tax	13	**1 482**	2 245
Profit for the year		**5 718**	**8 655**
Of which attributable to the shareholders of the parent company		5 718	8 655
Earnings per share, before and after dilution, SEK	14	248.63	376.30

Statement of comprehensive income

SEKm	Note	2023	2022
Profit for the year - income statement		**5 718**	**8 655**
Items that may be reclassified to the income statement			
Cash flow hedges:			
Gains/losses for the period		-1 393	5 439
Reclassification adjustments to the income statement, net gains and losses		1 481	-5 316
Foreign currency basis risk:			
Gains/losses arising during the period		-397	734
Tax relating to components of other comprehensive income	15	64	-176
Total comprehensive income for the year, attributable to shareholders of Swedbank Mortgage		**5 473**	**9 336**
Of which attributable to the shareholders of the parent company		5 473	9 336

Balance sheet

SEKm	Note	2023	2022
Assets			
Loans to credit institutions		23 025	64 149
Loans to the public	16	1 115 385	1 115 561
Value change of interest hedged items in portfolio hedge		-8 489	-20 369
Derivatives	17	22 875	31 740
Deferred tax assets		25	0
Other assets	19	802	639
Total assets		**1 153 624**	**1 191 720**
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions		680 697	746 078
Debt securities in issue	20	361 435	354 722
Derivatives	17	10 066	17 299
Current tax liabilities	21	359	228
Deffered tax liabilities	21	0	38
Other liabilities and provisions	21	5 929	10 090
Accrued expenses and prepaid income	22	325	490
Eligible liabitities		41 205	15 068
Total liabilities		**1 100 017**	**1 144 013**
Equity	23	**53 607**	**47 707**
Total liabilities and equity		**1 153 624**	**1 191 720**

Statement of changes in equity

SEKm	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Cash flow hedge reserve	Non-restricted equity: Foreign currency basis reserve	Non-restricted equity: Retained earnings	Total equity
Opening balance 1 January 2023	**11 500**	**3 100**	**110**	**39**	**32 958**	**47 707**
Group contributions paid					-5 760	-5 760
Tax reduction due to Group contributions paid					1 187	1 187
Shareholders' contribution					5 000	5 000
Total comprehensive income for the year			70	-315	5 718	5 473
of which reported through other comprehensive income, before tax			88	-397		-309
of which income tax reported through other comprehensive income			-18	82		64
Closing balance 31 December 2023	**11 500**	**3 100**	**180**	**-276**	**39 103**	**53 607**
of which, conditional shareholders' contributions					2 400	2 400
Opening balance 1 January 2022	**11 500**	**3 100**	**12**	**-544**	**32 124**	**46 192**
Group contributions paid					-9 849	-9 849
Tax reduction due to Group contributions paid					2 028	2 028
Total comprehensive income for the year			98	583	8 655	9 336
of which reported through other comprehensive income, before tax			123	734		857
of which income tax reported through other comprehensive income			-25	-151		-176
Closing balance 31 December 2022	**11 500**	**3 100**	**110**	**39**	**32 958**	**47 707**
of which, conditional shareholders' contributions					2 400	2 400

Statement of cash flow

SEKm	2023	2022
Operating activities		
Operating profit	7 200	10 900
Adjustments for non-cash items in operating activities	6 252	6 276
Taxes paid [1)]	-500	-589
Increase (-) /decrease (+) in loans to the public	10	-21 786
Increase (-) /decrease (+) in other assets	-10	18
Increase (+) /decrease (-) in amounts owed to credit institutions	-65 570	154 880
Increase (+) /decrease (-) in debt securities in issue	-9 549	-103 615
Increase (+) /decrease (-) in other liabilities	-110	180
Cash flow from operating activities	**-62 276**	**46 264**
Financing activities		
Issuance of eligible liabitities	26 000	
Shareholders´contribution	5 000	
Group contributions paid	-9 849	-12 293
Cash flow from financing activities	**21 151**	**-12 293**
Cash flow for the period	**-41 125**	**33 971**
Cash and cash equivalents at the beginning of the period	**64 149**	**30 178**
Cash flow for the period	-41 125	33 971
Cash and cash equivalents at end of the period	**23 025**	**64 149**

[1)] Including also the tax effect of the Group contribution, amounting to SEK 1 187m.

Comment on statement of cash flow

The statement of cash flow shows deposits and payments during the year as well as cash at the beginning and end of the year. The statement of cash flow is reported using the indirect method and is based on operating income for the period and changes in the balance sheet. Operating income is adjusted for changes not included in cash flow from operating activities. Cash flows are reported separately for deposits and payments from operating activities, investing activities and financing activities.

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for income tax paid and items not included in cash flow from operating activities. Changes in assets and liabilities in operating activities consist of items that are part of regular business activities, such as loans to and funding from the public and credit institutions and that are not attributable to investing and financing activities. The profit generated cash flow includes interest deposits of SEK 33 267m (20 145) and interest payments, including capitalised interest, of SEK 26 766m (9 328).

Financing activities

The issue and repayment of bond loans with maturities exceeding one year are reported gross. Changes in other borrowing include net changes in borrowing with shorter maturities and high turnover.

Cash and cash equivalents

Cash and cash equivalents consist of balances on current accounts, included in the balance sheet item Loans to credit institutions.

Specification of adjustment of non-cash items

SEKm	2023	2022
Unrealised fx effects, bonds in issue	105	2 471
Accrued income and prepaid expenses	-185	-174
Accrued expenses and prepaid income	4 220	2 238
Change in value of loans to the public and credit institutions	-11 317	18 921
Change in value of funding and derivatives	13 428	-17 180
Total	**6 252**	**6 276**

Notes

All amounts are in millions of Swedish kronor (SEKm) and at carrying amounts unless otherwise indicated. Figures in brackets refer to the previous year.

1 Corporate Information

The annual report for Swedbank Mortgage (publ) for the financial year 2023 was approved for issuance by the Board of Directors and the CEO on 21 February 2024. Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ). Swedbank Mortgage's operations are described in the Board of Directors' report. The annual report will be presented for adoption by the Company's Annual General Meeting.

2 Accounting Policies

Contents

1. BASIS FOR ACCOUNTING

The financial reports are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and interpretations of them. The standards are issued by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee. The standards and interpretations become mandatory for Swedbank Mortgage's financial statements concurrently with their approval by the EU.

The financial statements are also prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the regulations and general advice of the SFSA, FFFS 2008:25 and recommendation RFR 2 Reporting for legal entities issued by the Swedish Financial Reporting Board. Swedbank Mortgage's annual report is therefore based on IFRS guidelines as far as compliant with ÅRKL, RFR2 and Finansinspektionen regulatory code.

The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless otherwise indicated. Adjustments for rounding are not made, therefore summation differences may occur.

The accounting policies and presentation remain unchanged in comparison to the 2022 annual report, with the exception of changes described in section 2 – changes in accounting policies and changed presentation.

1.1 Critical accounting judgements and estimates

The preparation of Swedbank Mortgage's financial statements requires executive management to make judgements, assumptions and estimates that affect the application of the Swedbank Mortgage's accounting policies and the reported amounts and disclosures. The executive management bases its judgements and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from the judgements and estimates applied.

Critical judgements and estimates are described in the sections below.
- Financial instruments – Measurement of fair value
- Financial instruments – Credit impairments
- Tax

2. CHANGES IN ACCOUNTING POLICIES AND CHANGED PRESENTATION

The following new accounting pronouncements and changes have been applied in the financial reports during 2023.

2.1 Other changes in accounting standards

Amended IFRS, IFRS-interpretations and Swedish regulations which have been adopted during 2023 did not have a significant impact on the Swedbank Mortgage's financial position, results, cash flows or disclosures.

3. MATERIAL ACCOUNTING POLICIES AND CRITIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Presentation of financial statements

Financial statements provide a structured representation of a company's financial position and financial results. The purpose is to provide information on the company's financial position, financial results and cash flows useful in connection with financial decisions. The financial statements also indicate the results of executive management's administration of the resources entrusted to them. Complete financial statements consist of a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes. Swedbank Mortgage presents the statement of comprehensive income in the form of two statements. A separate income statement contains all revenue and expense items, provided that a special IFRS does not require or allow otherwise. Other revenue and expense items are recognised in other comprehensive income. The statement of comprehensive income contains the profit or loss recognised in the income statement as well as the components included in other comprehensive income.

3.2Assets and liabilities in foreign currencies

The financial statements are presented in SEK, which is also the company's functional currency and presentation currency. Functional currency refers to the main currency used in an entity's cash flows. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities in foreign currency and non-monetary assets in foreign currency measured at fair value are translated at the rates prevailing at the closing date. All gains and losses on the translation of monetary items are recognised in the income statement in net gains and losses on financial items at fair value as changes in exchange rates.

3.3 Operating segments

Segment reporting is presented on the basis of the executive management's perspective and relates to the parts of the company that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker. The company has identified the Chief Executive Officer (CEO) as its chief operating decision maker and the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented.

The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting.

3.4 Financial instruments - General

Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific counterparty or is listed on the market, the instrument is classified in the balance sheet as securities. Financial liabilities where the creditor has a lower priority than others are classified in the balance sheet as Subordinated liabilities. Senior non-preferred liabilities that fulfil the minimum requirements for own funds and eligible liabilities (MREL) are presented on a separate line in the balance sheet.

3.4.1 Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet on the trade date, which is the date when the Swedbank Mortgage becomes a party to the instrument's contractual provisions, with the exception of financial assets measured at amortised cost, which are recognised on the settlement date. Financial assets are derecognised when the right to receive cash flows from a financial asset has expired or the company has transferred substantially all the risks and rewards of ownership to another party. Financial liabilities are derecognised when the obligation in the agreement has been discharged, cancelled or expired.

3.4.2 Derivatives

All derivatives are measured and reported at fair value in the balance sheet. Derivatives with positive fair values, including accrued interest, are reported as assets within Derivatives with the corresponding treatment on the liability side. Realised and unrealised results are recognised in the income statement within Net gains and losses on financial items. Principles for hedge accounting are applied if the derivative is identified as a hedging instrument.

3.4.3 Offsetting

Financial assets and financial liabilities are offset and recognised net in the balance sheet if there is a legal right of set-off both in the normal course of business and in the event of bankruptcy, and if the intent is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

3.5 Financial instruments - Classification and measurement

Financial assets are classified in one of the following valuation categories:

- Amortised cost
- Fair value through profit or loss – mandatory
- Held for trading

The classification is based on the entity's business model for managing the asset and the asset's contractual terms.

The business model reflects how the Company manages portfolios of financial assets. The factors considered in determining the business model for a portfolio of financial assets include how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed, compensation models as well as frequency, volume, reason and timing for sales.

The company assesses the contractual terms of the financial asset to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, consideration is taken whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is not compliant with the solely payments of principal and interest criterion and the asset is measured at fair value.

Financial liabilities are classified in one of the following valuation categories:

- Amortised cost
- Fair value through profit or loss – mandatory
- Held for trading
- Designated at fair value through profit or loss, fair value option

Fair value option means that the company irrevocably decides to fair value financial assets if that reduces inconsistency in measurement or recognition.

Financial assets and financial liabilities are presented per balance sheet item and valuation category in note 27 Valuation categories of financial instruments.

3.5.1 Financial assets at amortised cost

Debt instruments are measured at amortised cost if:
• The objective of the business model is to hold the financial assets in order to collect contractual cash flows and
• The contractual cash flows are solely payments of principal and interest

Financial assets at amortised cost are initially recognised at fair value including transaction costs that are directly attributable to the acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus repayments of principal, plus accrued interest, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit impairment provisions. Accounting policies regarding credit impairment provisions are disclosed in section 3.7.

3.5.2 Financial assets at fair value through profit or loss

Financial assets classified as measured at fair value through profit or loss are comprised of financial assets mandatorily measured at fair value through profit or loss and this valuation category includes:
• Derivatives that are not designated for hedge accounting

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value.

Changes in fair value is recognised in the income statement within Net gains and losses on financial items. Changes in fair value due to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss line.

3.5.3 Financial liabilities at amortised

Financial liabilities classified as measured at amortised cost include those that are not classified as fair value through profit or loss. Such financial liabilities are recognised on the trade date at fair value, which is typically the amount borrowed or issued including transaction costs that are directly attributable to the issuance, and subsequently measured at amortised cost using the effective interest method. The amortised cost measurement is analogous to that applied to financial assets; however, it does not include adjustments for credit impairment provisions.

3.5.4 Financial liabilities at fair value through profit or loss

Financial liabilities classified as measured at fair value through profit or loss are comprised of:
• Derivatives that are not designated for hedge accounting
• Financial liabilities designated at fair value through profit or loss at initial recognition, fair value option

The company applies the option to irrevocably designate financial liabilities at fair value through profit or loss, when there otherwise would arise inconsistencies in accounting or valuation. This option is applied for debt securities in issue, which have fixed contractual interest rates, and for which the portfolio’s aggregate interest rate risk is essentially eliminated with derivatives that are measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are initially recognised at fair value on the trade date and subsequently measured at fair value. The determination of fair value and the accounting for gains or losses on initial recognition are analogous to financial assets at fair value through profit or loss. Changes in fair value are recognised in the income statement within Net gains and losses on financial items.

3.5.5 Issued debt- and equity instruments

Issued financial instruments are classified as liability if the company has a contractual commitment to either deliver cash, another financial asset, or a variable number of shares to the holder of the instrument. If not, the instrument is classified as an equity instrument.

3.6 Financial instruments – Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants.

The fair value of financial instruments is determined based on quoted prices in active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are as far as possible based on observable market data, such as quoted prices in active markets for similar instruments or quoted prices for identical instruments in inactive markets.

For financial assets and financial liabilities, mid prices are used as a basis of determining fair value.

Critical accounting judgements and estimates – Fair value measurement for financial instruments recognised at fair value.

When financial assets and financial liabilities in active markets have offsetting market risks, the average of bid and sell prices is used as a basis for determining the fair value of the offsetting risk positions. For any open net positions, bid or sell prices are applied as appropriate, i.e., bid prices for long positions and sell prices for short positions. The company's executive management has determined the method for which market risks offset each other and how the net positions are calculated. When quoted prices on active markets are not available, the company instead uses valuation models. The company's executive management determines when the markets are considered inactive and when quoted prices no longer correspond to fair value, therefore requiring that valuation models are used. An active market is considered a regulated marketplace where quoted prices are easily accessible, and which demonstrates regularity. Activity is evaluated continuously by analysing factors such as trading volumes and differences between bid and sell prices. When certain criteria are not met, the market or markets are considered inactive. The company´s executive management determines which valuation model and which pricing parameters are most appropriate for the individual instrument. Swedbank Mortgage uses valuation models that are generally accepted and are subject to independent risk control.

When financial instruments are measured at fair value according to valuation models, a determination is made on which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note 27 shows financial instruments at fair value divided into three valuation levels: level 1 - quoted prices, level 2 - valuation models with observable market inputs and level 3 - valuation models with significant assumptions.

3.7 Financial instruments - Credit impairments

Credit impairment provisions are recognised on the financial assets that are measured at amortised cost. Credit impairment provisions are measured according to an expected credit loss model and reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering all reasonable and supportable information available without undue cost or effort at the reporting date. Such provisions are measured according to whether there has been a significant increase in credit risk since initial recognition of an instrument.

• Stage 1 includes financial instruments that have not experienced a significant increase in credit risk since initial recognition and those within the Swedbank Mortgage's policy to assess for low credit risk at the reporting date, which is defined as having an investment grade equivalent rating.
• Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment.
• Stage 3 includes financial instruments which are credit-impaired and for which there is objective evidence of impairment.

12-month expected credit losses are recognised on instruments in Stage 1 and lifetime expected credit losses are recognised on instruments in Stage 2 and Stage 3. The lifetime expected credit losses represent losses from all possible default events over the remaining life of the financial instrument. The 12-month expected credit losses are losses resulting from the default events that are possible within 12 months after the reporting date and consequently represent only a portion of the lifetime expected credit losses.

3.7.1 Measurement of expected credit losses

Expected credit losses are measured for each individual exposure as the discounted product of a probability of default (PD), an exposure at default (EAD), and a loss given default (LGD). The PD represents the likelihood that a borrower will default on its obligation. The EAD is an expected exposure at the time of default, considering scheduled repayments of principal and interest and expected further drawdowns on irrevocable facilities. The LGD represents the expected loss on a defaulted exposure, considering such factors as counterparty characteristics, collateral and product type.

Expected credit losses are determined by projecting the PD, LGD and EAD for each future month over the expected lifetime of an exposure. The three parameters are multiplied together and adjusted for the probability of survival, or the likelihood that the exposure has not been prepaid or has not defaulted in an earlier month. This effectively calculates monthly expected credit losses, which are discounted back to the reporting date using the original effective interest rate and summed. The sum of all months over the remaining expected lifetime results in the lifetime expected credit losses and the sum of the next 12 months results in the 12-month expected credit losses.

When estimating expected credit losses, the Swedbank Mortgage considers at least three scenarios (a base case, an upside and a downside), represented by relevant macroeconomic variables, such as GDP, house prices, and unemployment rates. The risk parameters used to estimate expected credit losses incorporate the effects of the macroeconomic forecasts and associated expected probabilities, to measure an unbiased probability weighted average. In cases where the impacts of relevant factors are not captured in the modelled expected credit loss results, the Swedbank Mortgage uses its experienced credit judgement to incorporate such effects.

Swedbank Mortgage assesses material credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and borrower-specific scenarios.

3.7.2 Definition of default and credit-impaired assets

Default is an input to the PD, which affects both the identification of a significant increase in credit risk and the measurement of the expected credit losses. Financial assets classified as credit-impaired are included in Stage 3.

The Swedbank Mortgage's IFRS 9 definitions of default and credit-impaired assets are aligned to the company's regulatory definition of default, as this is what is used for risk management purposes. Default and credit-impairment are triggered when one of the following occurs: an exposure is more than 90 days past due, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, the company considers both qualitative and quantitative factors. Such factors include but are not limited to the overdue status or non-payment on other obligations of the same borrower, expected non-performing forbearance measures, expected bankruptcy and breaches of financial covenants.

An instrument is no longer considered to be in default or credit-impaired when it no longer meets any of the default criteria for at least three consecutive months. Where a loan is in default due to a non-performing forbearance measure having been applied, longer probation periods are applied.

3.7.3 Determining a significant increase in credit risk since initial recognition

Swedbank Mortgage assesses changes in credit risk using a combination of individual and collective information and reflects significant increases in credit risk at the individual financial instrument level as far as possible.

For financial instruments with an initial recognition date of 1 January 2018 or later, the primary indicator used to assess changes in credit risk is changes in the forward-looking lifetime probability of default since initial recognition, which incorporates the effects of past and current forecasted economic conditions. Changes in Swedbank internal credit ratings since initial recognition, where each rating corresponds to a 12-month probability of default, is used as a secondary indicator of significant increase in credit risk.

The estimation of the forward-looking lifetime probabilities of default for initial recognition dates prior to the adoption of IFRS 9 would not have been possible without the use of hindsight and would have required undue cost and effort. Consequently, for those instruments with an initial recognition date prior to 1 January 2018, changes in Swedbank internal credit ratings since initial recognition is used as the primary indicator.

Qualitative indicators are also considered in the stage allocation assessment; namely, whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Furthermore, a significant increase in credit risk is considered to have occurred for all financial instruments which are 30 days past due.

Swedbank Mortgage considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The company applies this policy to financial instruments issued to sovereign and financial institutions only.

A financial instrument is no longer considered to have experienced a significant increase in credit risk when all indicators are no longer breached.

3.7.4 Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime expected credit losses. The expected lifetime is generally limited by the maximum contractual period over which the Swedbank Mortgage is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to Swedbank Mortgage. For the mortgage portfolio, the company uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

The only exception to this general principle applies for credit cards, where the expected lifetime is estimated beyond the contractual maturity. The expected lifetime is based on the period over which Swedbank Mortgage is exposed to credit risk and where the credit losses would not be mitigated by risk management actions. This so-called behavioural life is determined using product-specific historical data and ranges up to 10 years.

3.7.5 Presentation of credit impairments

For financial assets measured at amortised cost, credit impairment provisions are presented in the balance sheet as a reduction of the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, such provisions are presented as a provision within Other liabilities and provisions. Where a financial instrument includes both a loan and a loan commitment component, such as revolving credit facilities, the Company recognises the credit impairment provisions separately for the loan and the loan commitment components.

A write-off reduces the gross carrying amount of a financial asset. Credit impairment losses and write-offs are presented as Credit impairments in the income statement. Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Any subsequent recoveries of write-offs or impairment provisions are recognised as gains within Credit impairment.

Critical accounting judgements and estimates – Credit impairments
The following judgement areas can have a significant impact on the level of credit impairment provisions: the determination of a significant increase in credit risk and the incorporation of forward-looking macroeconomic scenarios. Incorporating forward-looking information requires significant judgement, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses.

There have been no significant changes to the methodologies applied during the reporting period. However, due to the geopolitical and economic uncertainties, post-model expert credit adjustments to the credit impairment provisions continue to be necessary. Details of these as well as an analysis of the sensitivity of credit impairment provisions in relation to significant increase in credit risk assumptions and in relation to the forward-looking macroeconomic scenarios are found in note 3 Risks section 3.1.4 Calculation of credit impairment provisions.
Significant credit-impaired exposures are those where the borrower's or limit Group's total credit limit is SEK 50m or more. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, of which at least one is a loss outcome. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Company's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The credit impairment provisions recognised in the income statement in relation to individually assessed loans amounted to SEK 2m (2).

3.8 Financial instruments - Hedge accounting

The Company applies different hedge accounting models depending on the purpose of the hedge:
• Fair value hedge accounting
• Cash flow hedge accounting

The company applies hedge accounting according to IFRS 9 except for fair value hedge accounting for portfolio hedges of interest rate risk where the company applies hedge accounting in accordance with the EU carve-out version of IAS 39 Financial Instruments: Recognition and Measurement.

To apply hedge accounting, a hedge relationship must be formally identified and documented. For hedge relationships in accordance with IFRS 9, hedge effectiveness is proved prospectively on designation and on an ongoing basis. There is an economic relationship between the hedged item and the hedging instrument, and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

For hedge relationships in accordance with IAS 39, the hedge's effectiveness must be measurable in a reliable way and must be proven to remain effective, both prospectively and retrospectively, in offsetting changes in the fair value of the hedged risk.

3.8.1 Fair value hedges

One-to-one hedges

Fair value hedge accounting is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. Swedbank Mortgage uses interest rate swaps to hedge debt securities in issue, senior non-preferred liabilities and subordinated liabilities. Where hedge accounting is applied, the hedged risk in the individual hedged item is also measured at fair value. The fair value of the hedged risk for an individual financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the fair value of the derivative and the change in the fair value of the hedged risk are recognised in the income statement within Net gains and losses on financial items. Interest from the hedged item and the hedging instrument are recognised within Net interest income.

Portfolio hedges

Portfolio fair value hedge accounting is applied where the interest rate exposure in loan portfolios and non-maturing deposits, consisting of on demand deposits, are hedged with derivatives. Where hedge accounting is applied, the hedged risk in the hedged portfolios is measured at fair value. The fair values of the hedged items are recognised on separate lines in the balance sheet: Value change of hedged assets in portfolio hedges of interest rate risk and Value changed of hedged liabilities in portfolio hedges of interest rate risk, respectively. Both the fair value changes of the derivatives and the fair value changes of the hedged risk are recognised in the income statement within Net gains and losses on financial items. Interest from the hedged item and the hedging instrument are recognised within Net interest income.

3.8.2 Cash flow hedges

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in exchange rates. The hedged items are aggregate exposures of foreign currency fixed rate debt securities in issue and interest rate swaps in the same foreign currency. Swedbank Mortgage uses cross currency basis swaps as the hedging instruments and excludes the foreign currency basis spread component from the hedging relationship. These hedge relationships are recognised as cash flow hedges, whereby the effective portion of the change in fair value of the derivative hedging instrument is recognised directly in other comprehensive income. The changes in fair value of the cross currency basis swap are also recognised in other comprehensive income. However, the changes related to the effective portion of the hedge relationship and the foreign currency basis spread component are recognised separately in the cash flow hedge reserve and the foreign currency basis reserve, respectively. The amounts accumulated in the respective reserves are subsequently reclassified to profit or loss in the same periods that the hedged future cash flows or the foreign currency basis spread cash flows affect profit or loss. Hedges are ineffective to the extent that the cumulative change in fair value since hedge inception is larger for the designated portion of the hedging instrument than for the hedged item, measured using hypothetical derivatives. Any ineffective portion is recognised in the income statement within Net gains and losses on financial items.

3.9 Pensions

Reported pension costs correspond to the fees paid to separate legal entities that secure pension obligations. All pension plans are recognized as defined contribution plans.

3.10 Net interest income

Interest income and interest expense on financial instruments are recognised in net interest income using the effective interest method and, in some cases, using a method that gives a reasonable approximation of the effective interest method. The effective interest rate is the rate that discounts future cash flows to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation includes transaction costs, premiums or discounts and fees paid or received that are an integral part of the return.

Interest income on financial assets at amortised cost in stage 1 and stage 2 is calculated by applying the effective interest rate to the gross carrying amount. Interest income on financial assets at amortised cost in stage 3 is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount less credit impairment provisions. Interest expense is calculated by applying the effective interest rate to the amortised cost of financial liabilities.

Net interest income includes the interest component for derivatives included in hedge accounting and the interest component for economic hedges. In both of these cases, the derivatives hedge items that are accounted for in net interest income.

3.11 Tax

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to the tax authority. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are tax attributable to taxable temporary differences and must be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing date and recognised to the extent it is likely on each closing date that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations. All current and deferred taxes are recognised through profit or loss as tax with the exception of tax attributable to items recognised directly in other comprehensive income or equity.

4. NEW STANDARDS AND INTERPRETATIONS

4.1 Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued standards, amendments to standards and interpretations that apply in or after 2024. The IASB permits earlier application. For Swedbank Mortgage to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. No new or amended IFRSs, interpretations and Swedish regulations issued and not yet adopted are expected to have a significant impact on the company’s financial position, results, cash flows or disclosures.

Note 3 Risk

Swedbank Mortgage defines risk as a potentially negative impact on company value that can occur due to internal processes or future internal or external events. The risk concept encompasses both the probability that an event will occur and the impact that event would have on the Swedbank Mortgage's profitability, equity or value.

The Board has adopted a policy for Enterprise Risk Management (ERM) which describes the processes that secures that risks are identified, assessed and in applicable cases measures, managed, monitored and reported. In the same policy the Board also lays the foundation for a sound risk-culture and risk awareness in the organisation.

To ensure that Swedbank Mortgage maintains a long-term low risk profile, the Board has established risk appetites for the risk types that the company is exposed to. The risk appetite is designed to limit Swedbank Mortgage's risk taking and to ensure that minimum levels of capital and liquidity is maintained. The company's risk appetite is implemented by the CEO through internal rules and a risk limit framework decided by the CEO. Where deemed necessary from a risk perspective, risk indicators are also decided. Limits and risk indicators are tools for monitoring and controlling risk exposure, risk concentration, and accumulation of risk. The purpose of these tools is to ensure that risks are kept within the established risk appetite.

The capital adequacy assessment process evaluates the capital needs of Swedbank Mortgage based on its aggregate risk level, goals, and business strategy. The aim is to ensure efficient use of capital while also meeting the minimum legal capital requirement and maintaining access to domestic and international capital markets and being able to support customers, even under adverse market conditions.

Credit risk
Credit risk is the risk that a counterparty fails to meet its contractual obligations to the Group and the risk that the pledged collateral does not cover the claims.

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

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

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

Other risks
Other risk types within Swedbank's risk taxonomy are Capital risk, Strategic risk, Regulatory Compliance risk, Conduct risk and Financial Crime risk.

ESG risk
ESG risk refers to the current or future potential negative impact on the company arising from environmental, social, or corporate governance factors. This impact can be either indirect through the company's counterparts or direct on the company.

Other risks
Other risks within Swedbank's risk taxonomy include capital risk, strategic risk, compliance risk, conduct risk, and financial crime risk.

3a Credit risk

Definition
Credit risk is the risk that a counterparty fails to meet its contractual obligations to the Group and the risk that the pledged collateral does not cover the claims.

Risk management
Swedbank Mortgage follows a central principle where credit decisions adhere to the credit process, comply with relevant regulations, and align with the business and credit strategies of the bank. Depending on the size and nature of the credits, lending decisions can be made by a case handler using system support or by a credit committee.

The duality principle guides all credit and credit risk management within Swedbank Mortgage. This principle is reflected in the credit organization, decision-making bodies, and the credit process itself. The credit process encompasses work and decision processes for lending, credit monitoring, and quantification of credit risk.

In order to grant credit, Swedbank Mortgage requires that borrowers can be expected to fulfil their obligations towards the bank on reasonable grounds. Additionally, relevant collateral is obtained for granted credit. To ensure sound, long-term robust, and risk-balanced lending practices, Swedbank Mortgage also considers macroenvironmental factors. This means that both internal knowledge (company knowledge) and external knowledge (expected local, regional, and global changes) that may have significance for a transaction and its associated risks are considered if relevant.

Sustainability, including environmental considerations, social responsibility, and business ethics, are important factors taken into account in origination and lending. A sustainability analysis is conducted in connection with corporate lending. This analysis is an integral part of the credit analysis and aims to evaluate how sustainability-related risks impact factors such as customers' profitability, repayment capacity, and collateral value. The analysis also considers customers' reputation risk and, consequently, Swedbank's reputation risk. The sustainability analysis is mandatory for all customers belonging to the corporate exposure class with a total group credit limit greater than 8 million SEK in Sweden after deducting credits secured by residential property. Risk classification is an integral part of the credit process and is evaluated and determined as part of each credit decision. The risk classification also influences the requirements for the scope of analysis and documentation, as well as how customer monitoring is conducted. This allows for simpler and faster approval processes for low-risk credits. All credit exposures are continuously and systematically assessed for early indications of significant increases in credit risk. In addition to this ongoing credit monitoring, exposures with elevated risk or large exposures, financial institutions, and governments are reviewed at least annually. This comprehensive assessment ensures a thorough evaluation of the borrower's financial situation, future creditworthiness, risk classification, and long-term customer relationship.

The company's risk organization is responsible for independent monitoring and control of credit risk management, including the credit process, risk limits, and risk classification system. The risk organization regularly analyses the credit portfolio's overall risk level and risk development and conducts stress tests as part of the annual capital adequacy assessment. Close monitoring is done for risk concentrations, elevated risks in different segments, and larger individual borrowers. In addition, specific analyses and stress tests are performed when necessary for selected segments or sub-portfolios. Swedbank Mortgage also regularly identifies and analyses climate risks in various sectors. These analyses are incorporated into business plans and credit strategies by considering both transition risks and physical risks associated with climate change.

Within financial management, counterparty risks arise for Swedbank Mortgage, primarily related to derivative contracts. All derivative contracts have the parent company as a counterparty. Counterparty risks are reduced through a bilateral agreement that allows for the netting of risks according to a standardized procedure.

Risk measurement
Swedbank Mortgage’s internal risk classification system is the basis for:

• Risk assessment and credit decisions
• Calculating capital requirements and capital allocation
• Calculating risk-adjusted returns (including Risk-Adjusted Return On Capital)
• Credit impairment provisions
• Monitoring and managing credit risks
• Reporting credit risks to for example the Board, CEO and Group Executive Management
• Developing credit strategies and associated risk management activities.

The most important risk parameters for calculating regulatory capital requirements for credit exposures are:

PD (probability of default) – the probability that a counterparty or contract will have a payment default within a twelve-month period,

LGD (loss given default) – the proportion of the credit exposure that is expected to be lost in the event of default, and

Exposure at Default (EAD) – the credit exposure the Group is estimated to have when a counterparty has defaulted.

Swedbank Mortgage’s internal risk classification system is approved by the Swedish Financial Supervisory Authority, and Swedbank Mortgage is permitted to apply the IRB approach to calculate a major part of the capital requirement for credit risks. Swedbank Mortgage uses several different risk classification models for different subsegments of the credit portfolio. There are primarily two types of models. One type is based on statistical methods, requiring access to a large amount of information on counterparties and sufficient information regarding counterparties that have entered default. The other type is based on expert opinions and is used in cases where statistical methods are not applicable. Many of the models are a combination of those two types. The models are validated when new models are introduced and when major changes are made, as well as on a periodic basis, at least annually. The validation is designed to ensure that each model measures risk in a satisfactory manner. In addition, the models are evaluated to ensure that they work well in daily credit operations.

Provisioning of expected credit losses
The Group measures credit impairment provisions using an expected credit loss approach. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. For financial assets with no significant increase in credit risk since initial recognition (Stage 1), impairment provisions reflect 12-month expected credit losses.

For financial assets with a significant increase in credit risk (Stage 2) and those which are credit impaired (Stage 3), impairment provisions reflect lifetime expected credit losses. Such measurements are estimated using internally developed statistical models or individual assessments of expected contractual cash flows, both of which involve a high degree of management judgement. The portfolios for estimating expected credit losses are determined according to the same segmentation that is applied for regulatory purposes, with shared risk characteristics. This is based on homogeneous subsegments of the total credit portfolio, such as obligor type, country, business area, or product group.

The key inputs used in the quantitative models are Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and expected lifetime. Expected credit losses reflect both historical data and probability weighted forward-looking scenarios.

Probability of Default (PD)
The 12-months and lifetime PDs of a financial instrument represent the probability of a default occurring over the next twelve months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Internal risk rating grades based on IRB PD models are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure covering the lifetime of financial assets. The developed PD models are segmented based on shared risk characteristics such as type of borrower, country, product group and industry segment, and are used to derive both the 12-months and lifetime PDs. Segment and country specific credit cycle indexes are forecasted given different macroeconomic scenarios.

For each scenario, PD term structures are adjusted based on the correlation to the forecasted credit cycle indices, to obtain forward-looking point-in-time PD estimates. Consequently, a worsening of an economic outlook or an increase in the probability of the downside scenario occurring results in higher 12-months and lifetime PDs, thus increasing the estimated expected credit losses as well as the number of loans migrating from Stage 1 to Stage 2.

Loss Given Default (LGD)
LGD represents an estimate of the loss arising on default, taking into account the probability and the expected value of future recoveries including realization of collateral, the length of the recovery period and the time value of money. LGD estimates are based on historical loss data segmented by geography, type of collateral, type of borrower, and product information. Forward-looking information is reflected in the LGD estimates by using forecasted collateral value indexes for each macroeconomic scenario to adjust future loan-to-value and recovery rates. An economic outlook with deteriorating collateral values decreases recovery rates and increases loan-to-value, and therefore increases LGD and expected credit losses.

Exposure At Default (EAD)
The EAD represents an estimated exposure at a future default date, considering expected changes in the exposure after the reporting date. The modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off-balance sheet commitments.

Expected lifetime
Swedbank Mortgage measures expected credit losses considering the risk of default over the expected life. The expected lifetime is generally limited by the maximum contractual period over which Swedbank Mortgage is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the compay. Swedbank Mortgage uses a behavioural life model for private mortgage lending which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

Determination of significant increase in credit risk
Swedbank Mortgage uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criteria are disclosed in note 2 Accounting Policies section 3.7.3 Determining a significant increase in credit risk since initial recognition. The tables below show the quantitative thresholds, namely:

- Changes in the 12-months PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 grade from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 18 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant.

- Changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 18 and 21, an increase of 200-300 per cent from initial recognition is considered significant, and an absolute 12-month PD threshold is also applied.

The Swedbank Mortgage has performed a sensitivity analysis on how credit impairment provisions would change if the thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect.

The tables below disclose the impacts of this sensitivity analysis on the year end credit impairment provisions.

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

Internal risk grade at initial recognition	12-months PD band at initial recognition, %	Threshold, rating down grade[1,2,3]	Impairment provision impact of: Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 31 December 2023	Share of total portfolio in terms of gross carrying amount, % 31 December 2023
18-21	<0.1	5 - 7 grades	-3.0	3.0	50	22
13-17	0.1 - 0.5	3 - 5 grades	-4.9	8.2	94	19
9-12	>0.5 - 2.0	1 - 2 grades	-14.6	13.8	80	5
6-8	>2.0 - 5.7	1 grade	-5.0	3.4	24	2
0-5	>5.7 - 99.9	1 grade	-2.2	0.0	10	0
			-9.0	**9.8**	**258**	**49**
				Post-model expert credit adjustment[4]	46	
				Sovereigns and financial institutions with low credit risk	0	0
				Stage 3 financial instruments	224	0
				Total	**528**	**49**

[1] Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.

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

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

[4] Represents post-model expert credit adjustments for stage 1 and stage 2.

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

Internal risk grade at initial recognition	12-months PD band at initial recognition, %	Threshold, rating down grade[1,2,3]	Impairment provision impact of: Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 31 December 2022	Share of total portfolio in terms of gross carrying amount, % 31 December 2022
18-21	<0.1	5 - 7 grades	-3.6	3.2	28	23
13-17	0.1 - 0.5	3 - 5 grades	-9.4	9.5	62	19
9-12	>0.5 - 2.0	1 - 2 grades	-17.4	16.8	67	5
6-8	>2.0 - 5.7	1 grade	-7.6	5.7	20	2
0-5	>5.7 - 99.9	1 grade	-0.9	0.0	8	0
			-13.2	**12.6**	**185**	**49**
				Post-model expert credit adjustment[4]	39	
				Sovereigns and financial institutions with low credit risk	0	0
				Stage 3 financial instruments	145	0
				Total	**369**	**49**

[1] Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.

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

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

[4] Represents post-model expert credit adjustments for stage 1 and stage 2.

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD[1], %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 31 December 2023	Share of total portfolio in terms of gross carrying amount, % 31 December 2023
18-21	200-300[2]	-8.2	28.9	99	31
13-17	100-200	-5.0	9.8	165	15
9-12	100	-1.1	8.3	167	5
6-8	50	-1.6	20.3	48	1
0-5	50	-6.1	4.4	10	0
		-4.8	**17.5**	**488**	**51**
			Post-model expert credit adjustment[3]	153	
			Sovereigns and financial institutions with low credit risk	0	0
			Stage 3 financial instruments	124	0
			Total	**765**	**51**

[1] Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.
[2] As per 30 September 2023, Swedish mortgages originated in risk grades 18-21 with a relative increase of 200-300% and an absolute increase in the 12-month PD above 7.5bps have experienced a significant increase in credit risk.

[3] Represents post-model expert credit adjustments for stage 1 and stage 2.

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD[1], %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 31 December 2022	Share of total portfolio in terms of gross carrying amount, % 31 December 2022
18-21	200-300	-20.4	27.9	40	30
13-17	100-200	-3.3	11.9	81	15
9-12	100	-2.0	12.1	102	5
6-8	50	-4.5	13.8	25	1
0-5	50	-7.7	7.6	3	0
		-6.6	**18.8**	**251**	**51**
			Post-model expert credit adjustment[2]	83	
			Sovereigns and financial institutions with low credit risk	0	0
			Stage 3 financial instruments	27	0
			Total	**361**	**51**

[1] Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

[2] Represents post-model expert credit adjustments for stage 1 and stage 2.

Incorporation of forward-looking macroeconomic scenarios

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses. From analyses of historical data, Swebank Mortgage has identified and reflected relevant macroeconomic variables that contribute to credit risk and losses for different portfolios based on geography, borrower, and product type, in the models. The most highly correlated variables are GDP growth, housing and property prices, unemployment, oil prices and interest rates. Swedbank continuously monitors the global macroeconomic environment, with particular focus on Sweden. This includes defining forward-looking macroeconomic scenarios and translating those scenarios into macroeconomic forecasts.

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. The macroeconomic forecasts consider internal and external information and are consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The base scenario is based on the assumptions corresponding to the Swedbank´s budget scenario, and alternative scenarios reflecting more positive as well as more negative outlook are developed accordingly. Swedbank Mortgage considers three scenarios when estimating expected credit losses, which are incorporated into the PD and LGD inputs for model-based expected credit losses. The base scenario has an assigned probability weight of 66.6 per cent and 16.7 per cent is assigned to both the upside and downside alternative scenarios.

IFRS9 Scenario

Economic activity will slow down in both the euro area and the US in the near term, as the full impact of higher interest rates is yet to be seen. A modest recovery will start during the second half of 2024. Labour markets will inevitably take a hit and unemployment is expected to rise in the US and the euro area in 2024. The global easing of supply chains, plummeting input costs and declining energy costs have supported monetary policies in bringing inflation down. Underlying inflation is expected to continue downwards both in the US and the euro area. The downturn will be deeper in Sweden than in most other European countries. GDP will decline both in 2023 and 2024, before growing by around 2% in 2025. The labour market will weaken, but unemployment is expected to peak 2024. Housing prices are expected to fall further in the coming months before bottoming out.

31 December 2023				31 December 2022			
		Credit impairment provisions				Credit impairment provisions	
Impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario	Impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
1 293	199	1 415	1 258	730	122	842	694

Post-model expert credit adjustment

High interest rates, costs, and high energy prices, combined with geopolitical instability continue to weigh on private persons and companies, resulting in a high level of uncertainty regarding economic growth going forward. As the quantitative risk models do not yet reflect all potential deteriorations in credit quality, post-model adjustments have been made to capture potential future rating and stage migrations. Post-model expert credit adjustments to increase the credit impairment provisions continue to be deemed necessary and amounted to SEK 199m (SEK 122m as of 31 December 2022) and are allocated as SEK 61m in stage 1 and SEK 138m in stage 2. Customers and industries are reviewed and analysed considering the current situation, particularly in more vulnerable sectors. The most significant post-model adjustments are in the Property management and Agriculture, forestry, fishing sectors.

Credit-impaired assets

The criteria for credit-impaired assets are disclosed on page 18. Swedbank Mortgage estimates expected credit losses on significant impaired exposures individually and without the use of modelled inputs. Significant means that the borrower's or limit group's total credit limit is SEK 50m or higher. The credit impairment provisions for these exposures are established using discounted expected cash flows and considering a minimum which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process as well as current and future economic condition.

IFRS 9 vs Regulatory capital framework

The measurement of expected credit losses according to IFRS 9 is different to the expected loss calculation for regulatory purposes. Although Swedbank Mortgage's regulatory IRB models serve as a base for the IFRS 9 expected credit loss models, adjustments are made and, in some instances, separate models are used in order to meet the objectives of IFRS 9. The main differences are summarised in the table below:

	Regulatory capital	**IFRS 9**
PD	• Fixed 1-year default horizon • Through-the-cycle, based on a long-run average • Conservative calibration based on backward-looking information including data from downturns	• 12-month PD for Stage 1 and lifetime PD for Stages 2 and 3 • Point-in-time, based on the current position in the economic cycle • Incorporation of forward-looking information • No conservative add-ons
LGD	• Downturn adjusted collateral values and through-the – cycle calibration • All workout costs included	• Point-in-time, based on the current position in the cycle • Adjusted to incorporate forward-looking information • Internal workout costs excluded • Recoveries discounted using the instrument specific effective interest rate
EAD	• 1-year outcome period • Credit conversion factor, with downturn adjustment, applied to off-balance sheet instruments	• EAD over the expected lifetime of instruments • Point-in-time credit conversion factor applied to off-balance sheet instruments • Prepayments taken into account
Expected lifetime	• Not applicable	• Early repayment behaviour in portfolios with longer maturities but predominant prepayments, e.g. mortgages. • Estimating maturities for certain revolving credit facilities, such as credit cards.
Discounting	• No discounting, except in LGD models	• Expected credit losses discounted to reporting date, using the instrument specific effective interest rate
Significant increase in credit risk	• Not applicable	• Relative measure of increase in credit risk since initial recognition • Identification of significance thresholds

Gross carrying amount by credit risk rating

The table below presents the credit quality, gross carrying or nominal amount of financial instruments and stage, where the financial instruments are subject to the IFRS 9 impairment requirements. The associated credit impairment provisions are also presented. This credit quality information is at 31 December 2023 and the risk grade information is found on page 25.

Gross carrying amount by internal risk grade 2023

SEKm	Stage 1	Stage 2	Stage 3	Total
Loans to the public				
18-21	755 733	4 686		760 420
13-17	228 442	39 418		267 860
9-12	39 408	22 106		61 513
6-8	5 638	10 641		16 279
0-5	554	7 427		7 981
Default			2 626	2 626
Non-rated exposures				
Total	1 029 774	84 278	2 626	1 116 678

Gross carrying amount by internal risk grade 2022

SEKm	Stage 1	Stage 2	Stage 3	Total
Loans to the public				
18-21	761 745	7 987		769 869
13-17	250 636	18 475		269 292
9-12	38 331	19 766		58 163
6-8	4 240	9 620		13 979
0-5	246	4 414		4 896
Default			831	92
Non-rated exposures				
Total	1 055 198	60 262	831	1 116 291

Loans to the public and credit institutions, at amortised cost, carrying 2023

SEKm	Stage 1 Gross carrying amount	Stage 1 Credit impairment provision	Stage 1 Net	Stage 2 Gross carrying amount	Stage 2 Credit impairment provision	Stage 2 Net	Stage 3 Gross carrying amount	Stage 3 Credit impairment provision	Stage 3 Net	**Total**
Loans to credit institutions										
Banks	23 025		23 025							23 025
Loans to credit institutions	**23 025**		**23 025**							**23 025**
Loans to the public										
Private customers	930 736	81	930 655	64 991	289	64 702	2 201	286	1 915	997 272
Private mortgage	847 874	75	847 799	61 210	277	60 933	2 199	285	1 913	910 646
Tenant owner associations	82 862	6	82 855	3 781	12	3 769	2	0	2	86 626
Corporate customers	99 038	114	98 924	19 287	461	18 826	426	63	363	118 113
Agriculture, forestry, fishing	38 312	22	38 290	5 828	86	5 742	213	34	179	44 211
Manufacturing	498	0	498	95	1	94	4	1	4	595
Public sector and utilities	1 329	1	1 328	214	6	208	7	2	5	1 541
Construction	2 133	2	2 131	482	9	473	22	3	19	2 624
Retail and wholesale	716	1	714	170	4	166				881
Transportation	262	0	262	68	2	66	0	0	0	328
Shipping and offshore	3	0	3							3
Hotels and restaurants	317	0	317	206	10	196	5	1	4	517
Information and communication	197	0	197	4	0	4				201
Finance and insurance	530	0	530	110	2	108	0	0	0	638
Property management, including	52 351	84	52 266	11 578	328	11 250	142	20	122	63 638
Residential properties	37 670	60	37 610	8 937	271	8 666	101	13	88	46 364
Commercial	8 959	10	8 949	1 857	32	1 825	27	4	24	10 797
Industrial and Warehouse	715	1	714	72	2	70	2	1	1	785
Other	5 006	13	4 993	711	23	688	11	2	10	5 691
Professional services	1 571	1	1 570	267	3	264	25	1	23	1 858
Other corporate lending	818	1	817	263	9	254	8	2	6	1 077
Loans to the public	**1 029 774**	**196**	**1 029 578**	**84 278**	**749**	**83 528**	**2 626**	**348**	**2 278**	**1 115 385**
Loans to the public and credit institutions	**1 052 799**	**196**	**1 052 603**	**84 278**	**749**	**83 528**	**2 626**	**348**	**2 278**	**1 138 410**
Share of loans, %	92.37			7.39			0.23			100.00
Credit impairment provision ratio, %	0.02			0.89			13.26			0.11
Loans to the public, collateral										
Real Estate Residential	938 688	111	938 578	70 634	404	70 231	2 293	291	2 002	1 010 810
Real Estate Commercial	86 309	68	86 240	13 041	304	12 737	319	52	267	99 245
Guarantees	19	0	18	1	0	1				19
Received cash	2 803	10	2 792	375	30	345				3 137
Other collateral	1 956	6	1 950	227	12	215	13	5	9	2 174
Total	**1 029 774**	**196**	**1 029 578**	**84 278**	**749**	**83 528**	**2 626**	**348**	**2 278**	**1 115 385**

Loans to the public and credit institutions, at amortised cost, carrying amount 2022

SEKm	Stage 1 Gross carrying amount	Stage 1 Credit impairment provision	Stage 1 Net	Stage 2 Gross carrying amount	Stage 2 Credit impairment provision	Stage 2 Net	Stage 3 Gross carrying amount	Stage 3 Credit impairment provision	Stage 3 Net	Total
Loans to credit institutions										
Banks	64 149		64 149							64 149
Loans to credit institutions	**64 149**		**64 149**							**64 149**
Loans to the public										
Private customers	952 466	27	952 439	43 579	132	43 447	641	143	498	996 384
Private mortgage	871 947	23	871 924	41 012	122	40 890	639	143	496	913 310
Tenant owner associations	80 519	4	80 515	2 567	10	2 557	2	0	2	83 074
Corporate customers	102 732	78	102 654	16 683	321	16 362	190	29	161	119 177
Agriculture, forestry, fishing	40 743	30	40 713	5 314	80	5 234	95	13	82	46 029
Manufacturing	562	0	562	89	2	87	0	0	0	649
Public sector and utilities	1 431	1	1 430	235	11	224	10	1	9	1 663
Construction	2 247	2	2 245	414	7	407	4	1	3	2 655
Retail and wholesale	825	1	824	123	2	121				945
Transportation	319	1	318	45	2	43	0	0	0	361
Shipping and offshore	3	0	3							3
Hotels and restaurants	383	1	382	232	11	221	10	1	9	612
Information and communication	137	0	137	73	1	72				209
Finance and insurance	553	0	553	84	1	83	8	2	6	642
Property management, including	52 660	40	52 620	9 423	193	9 230	54	9	45	61 895
Residential properties	38 782	28	38 754	6 152	132	6 020	39	7	32	44 806
Commercial	8 660	5	8 655	2 458	41	2 417	11	1	10	11 082
Industrial and Warehouse	724	1	723	76	2	74				797
Other	4 494	6	4 488	737	18	719	4	1	3	5 210
Professional services	1 775	1	1 774	365	5	360	6	1	5	2 139
Other corporate lending	1 094	1	1 093	286	6	280	3	1	2	1 375
Loans to the public	**1 055 198**	**105**	**1 055 093**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 115 561**
Loans to the public and credit institutions	**1 119 347**	**105**	**1 119 242**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 179 710**
Share of loans, %	94.82			5.11			0.07			100
Credit impairment provision ratio, %	0.01			0.75			20.70			0.06
Loans to the public, collateral										
Real Estate Residential	963 480	44	963 436	48 477	228	48 249	660	141	519	1 012 204
Real Estate Commercial	86 417	54	86 363	11 112	188	10 924	160	26	134	97 421
Guarantees	25	0	25							25
Received cash	2 538	4	2 534	461	29	432				2 966
Other collateral	2 738	3	2 735	212	8	204	11	5	6	2 945
Total	**1 055 198**	**105**	**1 055 093**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 115 561**

Concentration risk, customer exposure
At end of 2023, Swedbank Mortgage did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Reconciliations of gross carrying amount and credit impairment provisions
The table below provides a reconciliation of the gross carrying amount and credit impairment provisions for loans to the public at amortised cost.

Loans to the public and credit institutions 2023

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2023	**1 119 348**	**60 262**	**831**	**1 180 441**
Closing balance as of 31 December 2023	**1 052 799**	**84 278**	**2 626**	**1 139 703**
Credit impairment provisions				
Opening balance as of 1 January 2023	**105**	**453**	**172**	**730**
Movements affecting credit impairments				
New financial assets	41	0	0	41
Derecognised financial assets	-10	-88	-48	-146
Write-offs			-10	-10
Changes in PD	48	-27		20
Changes in other risk factors	1	-5	121	118
Changes in macroeconomic scenarios	64	96	-4	157
Changes to models				
Post-model expert credit adjustments	17	59	0	76
Individual assessments			2	2
Stage transfers	-70	261	114	305
from 1 to 2	-87	414		328
from 1 to 3	0		39	38
from 2 to 1	17	-114		-97
from 2 to 3		-44	87	43
from 3 to 2		5	-9	-4
from 3 to 1	0		-3	-3
Other			-9	-9
Total movements affecting credit impairments	**91**	**296**	**167**	**555**
Movements recognised outside credit impairments				
Interest			9	9
Closing balance as of 31 December 2023	**196**	**749**	**348**	**1 293**
Carrying amount				
Opening balance as of 1 January 2023	**1 119 243**	**59 809**	**659**	**1 179 711**
Closing balance as of 31 December 2023	**1 052 603**	**83 528**	**2 278**	**1 138 410**

Loans to the public and credit institutions 2022

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2022	**1 087 034**	**36 393**	**848**	**1 124 275**
Closing balance as of 31 December 2022	**1 119 348**	**60 262**	**831**	**1 180 441**
Credit impairment provisions				
Opening balance as of 1 January 2022	**37**	**225**	**161**	**423**
Movements affecting credit impairments				
New financial assets	15	1	0	16
Derecognised financial assets	-6	-51	-48	-105
Write-offs			-4	-4
Changes in PD	13	-33		-20
Changes in other risk factors	4	4	27	35
Changes in macroeconomic scenarios	38	104	8	150
Change to models	-2	6	1	5
Post-model expert credit adjustments	29	36	0	65
Individual assessments				
Stage transfers	-23	161	27	165
from 1 to 2	-27	216		189
from 1 to 3	0		31	31
from 2 to 1	4	-51		-47
from 2 to 3		-12	41	29
from 3 to 2		8	-27	-19
from 3 to 1	0		-18	-18
Other			-4	-4
Total movements affecting credit impairments	**68**	**228**	**7**	**303**
Movements recognised outside credit impairments				
Interest			4	4
Closing balance as of 31 December 2022	**105**	**453**	**172**	**730**
Carrying amount				
Opening balance as of 1 January 2022	**1 086 997**	**36 168**	**687**	**1 123 852**
Closing balance as of 31 December 2022	**1 119 243**	**59 809**	**659**	**1 179 711**

Forbone loans

Forborne loans refer to loans where the contractual terms have been changed due to the customers' financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again or to avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts. Depending on when the forbearance measures are taken and the severity of the financial difficulties. of the borrower, the forborne loan could either be treated as a performing forborne loan or a non-performing forborne loan. The following tables show the gross carrying amounts of forborne loans.

Loan write offs

Loans are written off when the loss amount is ultimately established and there are no realistic options of recovery. The remaining loan amount for those that are partially written off is still included in credit-impaired loans or forborne loans. Previous provisions are reversed in connection with the write-off. The loss amount is ultimately determined when a receiver has presented a bankruptcy distribution, when a bankruptcy settlement has been reached, when a concession has been granted, or when the Swedish Enforcement Agency, or a collection company has reported that the physical person has no distrainable assets. A write-off normally does not mean that the claim against the borrower has been forgiven. Generally, a proof of claim is filed against the borrower or guarantor after the write-off. A proof of claim is not filed when a legal entity has ceased to exist due to a bankruptcy, when a bankruptcy settlement has been reached or when receivables have been completely forgiven. The contractual amount outstanding on loans that were written off during 2023 and are still subject to enforcement activity is SEK 30m.

Gross carrying amount of forborne loans

SEKm	2023	2022
Performing	5 334	435
Non-performing	884	98
Total	**6 219**	**533**

3b Liquidity risk

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

Swedbank Mortgage’s liquidity can be predicted with a high degree of certainty, since the maturities and interest payments are known in advance for mortgages and funding. With the help of rigorous forecasts and diversified funding in various geographical markets, Swedbank Mortgage reduces liquidity risk.

The Board of Directors determines Swedbank Mortgages overall risk appetite for liquidity and has therefore established a limit for the Survival Horizon. Limit adherence are monitored continuously both by the Company and the Group.

Liquidity risk is also limited by covered bond regulations. The high credit rating of covered bonds broadens the investor base, facilitates favourable funding costs and constitutes approved collateral when pledged with the Riksbank. Swedbank Mortgage has access to the parent company’s liquidity reserve, where one of the purposes of maintaining a liquidity reserve is to reduce the Swedbank Mortgage’s liquidity risk. When Swedbank Mortgage faces a high volume of maturing bonds that exceeds maturing lending, the liquidity reserve must be adjusted to meet these maturities in various types of stressed scenarios in the capital markets where access to financing may be limited or where markets are fully or partly closed over an extended period of time. This also means that when Swedbank Mortgage´s volume of maturing bonds in the near term are lower, the liquidity reserve can be lower, since refinancing needs and thus liquidity risk decrease.

Summery of maturities
In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on amortisation schedule. Liabilities whose contracts contain a prepayment option have been distributed based on the earliest date on which repayment can be demanded. The difference between the nominal amount and the carrying amount, the discounting effect, is reported in the column Without maturity date/discount effect. This column also includes items without an agreed maturity date and where the probable repayment date has not been determined.

Undiscounted contractual cash flows, remaining maturity

SEKm

2023	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discount effect [1]	Total
Assets								
Loans to credit instiutions	23 025							23 025
Loans to the public		13 585	21 812	88 078	99 540	918 948	-26 578	1 115 385
Derivatives		3 554	5 934	11 832	1 208	1 598	-1 251	22 875
Other assets							-7 661	-7 661
Total assets	**23 025**	**17 139**	**27 745**	**99 910**	**100 748**	**920 546**	**-35 490**	**1 153 624**
Liabilities								
Amounts owed to credit institutions		5 157	690 542	0			-15 001	680 697
Debt securities in issue		9 240	83 144	258 278	23 570	15 348	-28 144	361 435
Derivatives		1 275	4 940	2 959	748	881	-738	10 066
Eligible liabilities				43 811			-2 605	41 205
Other liabilities							6 613	6 613
Total liabilities		**15 671**	**778 626**	**305 048**	**24 318**	**16 229**	**-39 875**	**1 100 017**

[1] Refers to discount effect for all items, except other assets and other liabilities without a defined maturity date

2022	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discoun t effect [1]	Total
Assets								
Loans to credit instiutions	64 149							64 149
Loans to the public		11 069	21 634	89 063	99 006	919 785	-24 996	1 115 561
Derivatives		1 942	9 669	17 953	1 766	1 411	-1 001	31 740
Other assets							-19 730	-19 730
Total assets	**64 149**	**13 011**	**31 303**	**107 016**	**100 772**	**921 196**	**-45 727**	**1 191 720**
Liabilities								
Amounts owed to credit institutions		5 504	752 100	1 496			-13 022	746 078
Debt securities in issue		50 983	36 025	269 144	12 078	17 412	-30 920	354 722
Derivatives		1 048	5 716	9 477	1 181	1 001	-1 124	17 299
Eligible liabilities				15 068				15 068
Other liabilities							10 846	10 846
Total liabilities		**57 535**	**793 841**	**295 185**	**13 259**	**18 413**	**-34 220**	**1 144 013**

[1] Refers to discount effect for all items, except other assets and other liabilities without a defined maturity date

3c Market risk - Interest risk

Definition

Interest rate risk refers to the risk that Swedbank Mortgage's results, equity or value will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of Swedbank Mortgage's interest rate risk is structural and arises within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives. The interest rate risk in fixed rate assets, primarily customer loans, accounts for the large part of this risk and is hedged through fixed-rate funding or by entering into various types of swap agreements with Swedbank AB. An increase in all market interest rates of one percentage point would have reduced the value of the Swedbank Mortgage's assets and liabilities, including derivatives by SEK 1 146m (loss: 1 421) as of 31 December 2023.

Net gains and losses on financial items, before taking into account cash flow hedges, would have increased by SEK 18m (increased 15) for the portion of Swedbank Mortgage's balance sheet measured at fair value through the income statement. This would have increased equity by SEK 14m (increased 12).

Change in value if the market rates rise by one percentage point

SEKm

Impact on the value of assets and liabilities, including derivatives, if market rates are raised by one percentage point

2023

	< 3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	326	884	-630	-551	-289	-298	-275	-71	0	-903
Foreign currency	0	0	-1	-3	-5	-14	-14	-43	-162	-243
Total	**327**	**884**	**-630**	**-554**	**-294**	**-312**	**-289**	**-115**	**-162**	**-1 146**
of which financial instruments measured at fair value through profit and loss										
SEK	30	0	0	0	0	0	0	1	1	34
Foreign currency	-14	1	0	0	0	0	0	-1	-1	-16
Total	**15**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**18**

2022

	< 3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	982	-49	-728	-921	-403	-35	-58	-57	-2	-1 271
Foreign currency	2	0	-1	-2	-5	-6	-9	-18	-111	-150
Total	**984**	**-49**	**-729**	**-923**	**-408**	**-41**	**-67**	**-75**	**-113**	**-1 421**
of which financial instruments measured at fair value through profit and loss										
SEK	25	0	0	0	0	0	0	0	0	25
Foreign currency	-12	1	0	1	0	0	0	0	0	-10
Total	**13**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**15**

3d Market risk – Currency risk

Definition

Currency risk refers to the risk that the value of the Swedbank Mortgage's assets and liabilities, including derivatives, will be negatively affected by changes in exchange rates or other relevant risk factors.

Currency risk arises as Swedbank Mortgage's lending in SEK is partly financed with funding in other liquid currencies.

Swedbank Mortgage's policy is to hedge any exposure to currency risk. Currency risk is essentially neutralised through derivatives on the currency market. The table below shows assets and liabilities broken down by currency.

Currency distribution

2023

SEKm	SEK	EUR	USD	Total
Assets				
Loans to credit institutions	23 025			23 025
Loans to the public	1 115 385			1 115 385
Other assets, not distributed	15 214			15 214
Total	**1 153 624**			**1 153 624**
Liabilities				
Amounts owed to credit institutions	680 697			680 697
Debt securities in issue	257 052	104 325	58	361 435
Senior non preferred debt	41 205			41 205
Other liabilities, not distributed	16 679			16 679
Total	**995 634**	**104 325**	**58**	**1 100 017**
Derivatives		**-104 325**	**-58**	
Net position in currencies		**0**	**0**	

2022

SEKm	SEK	EUR	USD	Total
Assets				
Loans to credit institutions	64 149			64 149
Loans to the public	1 115 561			1 115 561
Other assets, not distributed	12 010			12 010
Total	**1 191 720**			**1 191 720**
Liabilities				
Amounts owed to credit institutions	746 078			746 078
Debt securities in issue	252 865	101 797	60	354 722
Senior non preferred debt	15 068			15 068
Other liabilities, not distributed	28 145			28 145
Total	**1 042 156**	**101 797**	**60**	**1 144 013**
Derivatives		**-101 797**	**-60**	
Net position in currencies		**0**	**0**	

4 Capital Adequacy

Capital adequacy analysis
The capital adequacy regulation is the legislators' requirement of how much capital, designated as the own funds, a bank must have in relation to the size of the risks it faces. For Swedbank Mortgage, the capital adequacy regulation (CRR) states that the minimum capital requirement for credit risks, with permission from the Swedish Financial Supervisory Authority (SFSA), is based on internal risk measurement according to the Internal Risk Classification Method (IRB method) developed by Swedbank. For a small part of the assets, the capital requirement for credit risks is calculated according to the standard method. The capital requirement for operational risk is calculated, with the approval by the SFSA, according to the standard method.

Swedbank's own methods and processes are also established and documented to evaluate the Group's capital needs. This evaluation includes Swedbank Mortgage. The need for capital is systematically assessed based on the total level of risks that Swedbank Mortgage is exposed to. All risks are considered, including risks in addition to those included in the calculation of capital adequacy.

The note contains the information that must be published according to the SFSA's regulations (FFFS 2008:25). Additional periodic information according to the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions and the Commission's implementing regulation (EU) No 2021/637 can be found in Swedbank group reporting at Swedbank's website https://www.swedbank.com/investor-relations/reports-and-presentations/risk-reports

SEKm	**2023 31 Dec**	**2022 31 Dec**
Available own funds		
Common equity tier 1 (CET1) capital	53 275	47 447
Tier 1 capital	53 275	47 447
Total capital	53 530	47 675
Risk-weighted exposure amounts		
Total risk exposure amount	293 262	288 013
Capital ratios as a percentage of risk-weighted exposure amount		
Common equity tier 1 ratio	18.2	16.5
Tier 1 ratio	18.2	16.5
Total capital ratio	18.3	16.6
Additional own funds requirements to address risks other than the risk of excessive leverage as a percentage of risk-weighted exposure amount		
Additional own funds requirements to address risks other than the risk of excessive leverage	4.2	1.3
of which: to be made up of CET1 capital	2.8	0.8
of which: to be made up of Tier 1 capital	3.2	1.0
Total SREP own funds requirements	12.2	9.3
Combined buffer and overall capital requirement as a percentage of risk-weighted exposure amount		
Capital conservation buffer	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State		
Institution specific countercyclical capital buffer	2.0	1.0
Systemic risk buffer	0.0	0.0
Global Systemically Important Institution buffer		
Other Systemically Important Institution buffer		
Combined buffer requirement	4.5	3.5
Overall capital requirements	16.7	12.8
CET1 available after meeting the total SREP own funds requirements	6.0	7.2
Leverage ratio		
Total exposure measure	1 111 157	1 099 186
Leverage ratio, %	4.8	4.3

SEKm	2023 31 Dec	2022 31 Dec
Additional own funds requirements to address the risk of excessive leverage as a percentage of total exposure measure		
Additional own funds requirements to address the risk of excessive leverage		
of which: to be made up of CET1 capital		
Total SREP leverage ratio requirements	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement as a percentage of total exposure measure		
Leverage ratio buffer requirement		
Overall leverage ratio requirement	3.0	3.0

Common Equity Tier 1 Capital, SEKm	**2023 31 Dec**	**2022 31 Dec**
Shareholders' equity according to the balance sheet	53 607	47 707
Value changes in own financial liabilities	-129	-127
Cash flow hedges	-180	-110
Additional valuation adjustments	-23	-23
Insufficient coverage for non-performing exposures	0	
Total	**53 275**	**47 447**

Risk exposure amount, SEKm	**2023 31 Dec**	**2022 31 Dec**
Credit risks, IRB	42 517	37 888
Operational risks	16 644	18 183
Additional risk exposure amount, Article 458 CRR	234 101	231 942
Total	**293 262**	**288 013**

Capital requirements [1)]	**SEKm**		**Per cent**	
SEKm / per cent	**2023 31 Dec**	**2022 31 Dec**	**2023 31 Dec**	**2022 31 Dec**
Capital requirement Pillar 1	36 658	33 123	12.5	11.5
of which Buffer requirements [2)]	13 197	10 082	4.5	3.5
Total capital requirement Pillar 2 [3)]	12 434	3 831	4.2	1.3
Total capital requirement including Pillar 2 guidance	**49 093**	**36 954**	**16.7**	**12.8**
Own funds	53 530	47 675		

[1)] Swedbank Morgage's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements and Pillar 2 guidance.

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

[3)] Individual Pillar 2 requirement according to decision from SFSA SREP 2023.

Leverage ratio requirements [1]	SEKm		Per cent	
	2023	2022	2023	2022
SEKm / per cent	31 Dec	31 Dec	31 Dec	31 Dec
Leverage ratio requirement Pillar 1	33 335	32 976	3.0	3.0
Total leverage ratio requirement including Pillar 2 guidance	**33 335**	**32 976**	**3.0**	**3.0**
Tier 1 capital	53 275	47 447		

[1] Swedbank Morgage's calculation based on the SFSA's announced leverage ratio requirements, including Pillar 2 requirements and Pillar 2 guidance.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) aims to ensure that Swedbank Mortgage is adequately capitalised to cover its risks and to operate and develop the business.

Measurement
Swedbank Mortgage prepares and documents its own methods and processes to evaluate its capital requirement. The ICAAP takes into account all relevant risks that arise.

The models that serve as the basis for the internal capital assessment measure the need for economic capital over a one-year horizon with a 99.9 per cent confidence interval for each risk type. Diversification effects between risk types are not taken into consideration in the calculation of economic capital.

Risktypes
The risks for which Swedbank Mortgage calculates an internal capital requirement are:

- Credit risk
- Concentration risk
- Market risk
- Market risk: Interest risk in banking book
- Operational risk

Other risks such as reputational risk and liquidity risk are not quantified, even though the capital buffer also implicitly protects against such risks. These risks remain an important part of Swedbank Mortgage's risk exposure and are therefore carefully monitored and managed.

Total capital requirement
Swedbank Mortgage's internal capital requirement as of 31 December 2023 amounted to SEK 10.7bn. The capital that meets this requirement, i.e. the capital base, amounted to SEK 53.5bn.

5 Operating segments

SEKm	2023					2022				
	Private	Corporate	Forestry and Agriculture	Not distributed	Total	Private	Corporate	Forestry and Agriculture	Not distributed	Total
Net interest income	5 456	1 204	438	1 322	8 420	9 001	1 276	676	448	11 401
Net commissions	-5	-1			-6	1				1
Net gains and losses on financial items				235	235				683	683
Other income				5	5				3	3
Total income	**5 451**	**1 204**	**437**	**1 561**	**8 653**	**9 002**	**1 276**	**676**	**1134**	**12 088**
Total general administrative expenses	202	1	15	61	278	207	1	16	50	274
Profit before impairments, Swedish bank tax and resolution fees	**5 250**	**1 203**	**422**	**1 500**	**8 375**	**8 795**	**1 275**	**660**	**1084**	**11 814**
Credit impairments	351	195	28		573	87	134	82		303
Swedish bank tax and resolution fees	491	82	28		601	500	81	30		611
Operating profit	**4 407**	**926**	**366**	**1 500**	**7 200**	**8 208**	**1 060**	**548**	**1084**	**10 900**
Loans to the public	910 904	151 895	52 585		1 115 385	913 643	147 265	54 653		1 115 561

Results and balance in the Private segment relate to consumer loans to finance residential housing. The coresponding items for Corporate relate to loans to municipal housing companies and tenant-owner associations with underlying collateral in multi-family housing. The Forestry and Agriculture segment comprises loans to finance forest and agricultural properties. The commission income in net commissions are services provided point in time and are related to payment processing commissions. The alloction to segments is based on business volume. Items in operating profit/loss 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 equity comprises interest income on assets funded by equity. Swedbank Mortgage does not have any single customer that generates 10% or more of the Company´s total income.

6 Net interest income

SEKm	2023	2022
Interest income		
Loans to credit institutions	1 409	446
Loans to the public	36 368	20 140
Other	6	
Total interest income	**37 783**	**20 586**
Interest expense		
Amounts owed to credit institutions	-26 034	-7 061
Debt securities in issue	-5 537	-3 257
Derivatives	3 347	1 344
Eligible liabilities	-1 134	-209
Other	-6	-2
Total interest expense	**-29 363**	**-9 185**
Total net interest income	**8 420**	**11 401**
Average balance		
Loans to credit institutions	40 161	70 899
Loans to the public	1 112 830	1 107 879
Amount owed to credit institutions	714 985	686 503
Debt securities in issue	363 445	420 509
Negative yield on financial liabilities	1	103
Interest expense on financial liabilities at amortised cost	32 703	10 523
Interest income on Stage 3 loans	44	17

7 Net commission income

SEKm	2023	2022
Commission income		
Payment processing	35	36
Total	**35**	**36**
Commission expenses		
Fees to the Swedish National Board of Housing, Building and Planning	0	0
Market maker fees	-41	-35
Total	**-41**	**-35**
Total net commission income	**-6**	**1**

Commission income are services provided point in time. Allocation to operating segments is based on business volume.

8 Net gains and losses on financial items

SEKm	2023	2022
Fair value through profit and loss		
Debt securities in issue	-1	14
Derivatives	47	25
Total fair value through profit and loss	**47**	**39**
Hedge accounting		
Ineffective part in hedge accounting at fair value	18	145
of which hedging instruments	10 650	-21 743
of which hedged items	-10 631	21 888
Ineffective part in portfolio hedge accounting at fair value	165	-142
of which hedging instruments	-11 715	18 472
of which hedged items	11 880	-18 614
Ineffective part in cash flow hedge	-16	-26
Total hedge accounting	**168**	**-23**
Derecognition gain or loss for financial liabilities at amortised cost	**13**	**577**
Derecognition gain or loss for loans at amortised cost	**6**	**41**
Change in exchange rates	**2**	**49**
Total net gains and losses on financial items	**235**	**683**

9 Staff expenses

Remuneration within Swedbank Mortgage

The Board receives compensation from Swedbank. Swedbank has a common remuneration policy for the Group.

SEKm	2023	2022
President		
Salaries and other remuneration	2.2	1.2
Pension costs	0.7	0.7
Social insurance charges	1.0	0.4
Other employees		
Salaries and other remuneration	15.8	7.0
Pension costs	4.1	2.7
Social insurance charges	5.1	2.4
Other staff costs	0.6	0.0
Total	**29.4**	**14.4**

Number of employees

The number of employees at year-end were 30 persons, of whom 63 per cent were women and 37 percent men.

Loans to the Board and employees

SEKm	2023	2022
Loans to the President	3	0
Loans to Board members	20	23
No. of employees with loans	25	9

The company has not pledged any assets, other security or accepted any contingent liabilities on behalf of any members of the companys executive management.

Gender distribution

number of persons	2023	2022
Board of Directors	5	7
of which men	3	4
of which women	2	3

10 Other expenses

SEKm	2023	2022
Purchased services	217	225
Other	31	35
of which PWC AB [1)]		
Statutory audit	2	2
Total	**249**	**260**

[1)] Remuneration to Auditors elected by Annual General Meeting, PWC AB

11 Credit impairments

SEKm	2023	2022
Credit impairments for loans at amortised cost		
Credit impairments – stage 1	91	68
Credit impairments – stage 2	296	228
Credit impairments – stage 3	167	7
Total	**555**	**303**
Write-offs	24	7
Recoveries	-5	-7
Total	**19**	**0**
Total - credit impairments for loans at amortised cost	**573**	**303**
Total credit impairments	**573**	**303**
Credit impairment ratio, %	0.05	0.03

12 Swedish bank tax and resolution fees

SEKm	2023	2022
Swedish bank tax	213	233
Resolution fees	388	378
Total	**601**	**611**

Swedish bank tax refers to Risk tax on credit institutions that was introduced from 1 January 2022. It is applied on credit institutions with a tax base exceeding SEK 150bn. The tax rate is 0.05 per cent of the tax base for 2022 and 0.06 per cent for 2023.

13 Tax

SEKm	2023	2022
Tax expense		
Tax related to previous years	0	0
Current tax	1 482	2 245
Total	**1 482**	**2 245**

The tax expense corresponds to 20.6% (20.6%) of the company's pretax profit. The difference between the company's tax expense and the tax expense based on current tax rates is explained below:

	SEKm	%	SEKm	%
Result	1 482	20,6	2 245	20,6
Prevailing tax rate	1 482	20,6	2 245	20,6
Difference	**0**	**0**	**0**	**0**

14 Earnings per share

Earnings per share are calculated by dividing net profit attributable to the shareholders of the company by the weighted average number of shares outstanding

SEKm	2023	2022
Profit attributable to the shareholders of Swedbank Mortgage, SEKm	5 718	8 655
Average number of shares outstanding, million	23	23
Earnings per share, SEK	**248.63**	**376.30**

15 Tax for each component in other comprehensive income

SEKm	2023		
	Amount before tax	Deferred tax	Amount after tax
Cash flow hedges	88	-18	70
Foreign currency basis risk reserve	-397	82	-315
Other comprehensive income	**-309**	**64**	**-245**

SEKm	2022		
	Amount before tax	Deferred tax	Amount after tax
Cash flow hedges	123	-25	98
Foreign currency basis risk reserve	734	-151	583
Other comprehensive income	**857**	**-176**	**681**

16 Loans to the public

SEKm	2023	2022
Loans to the public	1 115 385	1 115 561
Total loans to the public	**1 115 385**	**1 115 561**
Number of loans	1 632 049	1 653 847

17 Derivatives

Swedbank Mortgage trades in derivatives for the purpose of hedging certain positions that are exposed to interest rate and currency risks. Interest rate swaps that hedge the interest rate risk component in loan portfolios or in certain debt securities in issue are sometimes recognized as hedging instruments in hedge accounting at fair value. The derivatives are recognized at fair value with changes in value through profit or loss in the same manner as for other derivatives.

SEKm	2023				2022	2023	2022	2023	2022
	Remaining contractual maturity, nominal amount					Positive market values		Negative market values	
	<1 year	1-5 year	> 5 year	Total	Total				
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate swaps	68 399	216 953	35 114	320 466	310 794	4 642	734	8 036	16 071
Portfolio fair value hedge									
Interest-rate swaps	147 560	191 095	8 180	346 835	436 005	9 436	20 289	503	23
Cash flow hedge									
Cross currency basis swaps	12 999	63 251	16 765	93 015	94 266	7 177	8 781	156	0
Total	**228 958**	**471 299**	**60 059**	**760 316**	**841 065**	**21 255**	**29 804**	**8 695**	**16 094**
Other derivatives									
Interest-rate related contracts									
Interest-rate swaps	11 400	0	111	11 511	1 111	8	5	286	60
Currency-related contracts									
Cross currency basis swaps	51 884	1 726	1 075	54 685	53 998	1 612	1 931	1 085	1 145
Total	**63 284**	**1 726**	**1 186**	**66 196**	**55 109**	**1 620**	**1 936**	**1 371**	**1 205**
Grand total	**292 242**	**473 025**	**61 245**	**826 512**	**896 174**	**22 875**	**31 740**	**10 066**	**17 299**

18 Hedge accounting

Fair value hedge

Swedbank Mortgage´s approach to managing market risk, including interest rate risk, and its exposure to those risks are presented in note 4. The risk of changes in interest rates on the fair value of certain fixed rate financial instruments is mitigated in accordance with the Swedbank Mortgage´s risk management strategy by using interest rate swaps. Where hedge accounting is applied, interest rate risk on fixed rate loans to the public is hedged on a portfolio basis whereas debt securities in issue are identified and hedged on an issuance by issuance basis. Interest rate swaps designated as the hedging instruments are reported in the balance sheet in the Derivatives line. Designated fair value hedge relationships are used to hedge the benchmark interest rate risk, which is an observable and reliably measurable component of the interest rate risk and of the fair value. Where hedge accounting is applied, Swedbank Mortgage ensures that the relationships meet the criteria outlined in note 2 including the effectiveness requirements

Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are primarily related to different discount curves applied for the valuation of the respective hedged item and the interest rate swaps.

One-to-one hedges – effectiveness assessment under IFRS 9
The economic relationship between the debt securities and the interest rate swap are assessed using a qualitative analysis of the critical terms. The critical terms are matched between the financial instruments, particularly regarding notional amount, reference interest rate, repricing dates and tenor. The fair values of the instruments are expected to move in opposite directions as a result of changes in the hedged benchmark interest rate risk. The hedge ratio is 1:1 as the nominal amount of the interest rate swap matches the issued amount of the hedged debt securities or subordinated liabilities. Swedbank Mortgage assesses hedge effectiveness by comparing the changes in fair value of the debt securities resulting from movements in the benchmark interest rate with the changes in fair value of the designated interest rate swaps.

Portfolio hedges– effectiveness test under IAS 39

Mortgage loans are grouped into quarterly time buckets based on the next interest rate fixing dates. Each time bucket position is hedged using interest rate swaps with a nominal amount covering a portion of the total loans. A specified loan amount in each time bucket is therefore designated as the hedged item. The portfolio fair value hedges are assessed for effectiveness both prospectively and retrospectively. The prospective assessment is performed using a qualitative analysis of the critical terms of the hedged item and the interest rate swap. The retrospective assessment is performed daily on cumulative basis by using of the dollar offset method. The changes in fair value of the mortgage loans due resulting from movements in the benchmark interest rate are compared with the changes in fair value of the designated interest rate swaps. The tables below provide information relating to the hedged items and hedging instruments in qualifying fair value hedge relationships.

Hedging instruments and hedge ineffectiveness

	2023			2022		
	Interest rate risk					
	Portfolio hedge	Debt securities in issue	**Total**	Portfolio hedge	Debt securities in issue	**Total**
Nominal amount	346 835	320 466	**667 301**	436 005	310 794	**746 799**
Carrying amount [1]						
Assets	9 436	4 642	**14 077**	20 289	734	**21 023**
Liabilities	503	8 036	**8 539**	23	16 071	**16 094**
Change in fair value used for recognising hedge ineffectiveness	8 485	-5 280	**3 204**	20 276	-16 214	**4 062**
Ineffectiveness recognised in Profit or loss [2]	165	18	**183**	-142	146	**3**

[1] Hedging instrument are presented on the balance sheet line derivatives

[2] Ineffectiveness in hedge accounting are presented on line Net gains and losses in the income statement

Hedged items	2023				2022			
	Portfolio hedge, Loans to the public	Value change of interest hedged item in portfolio hedge	Debt securities in issue, one-to-one hedges	**Total**	Portfolio hedge, Loans to the public	Value change of interest hedged item in portfolio hedge	Debt securities in issue, one-to-one hedges	**Total**
Carrying amount								
Assets	346 835			**346 835**	436 005			**436 005**
Liabilities			314 056	**314 056**			296 350	**296 350**
Accumulated amount of fair value hedge adjustment on the hedged item								
Assets		-8 489		**-8 489**		-20 369		**-20 369**
Liabilities			-5 392	**-5 392**			-16 263	**-16 263**
Change in value used for recognising hedge ineffectiveness	-8 489		5 392	**-3 097**	-20 369		16 263	**-4 106**

Maturity profile and average price, Fair value hedges of interest rate risk

	Remaining contractual maturity					
	2023			2022		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Portfolio hedge						
Nominal amount (m SEK)	147 560	191 095	8 180	140 750	282 925	12 330
Average fixed interest rate %	0.84	1.16	1.30	0.15	0.54	1.26
Fair value hedges						
Nominal amount (m SEK)	68 399	216 953	35 114	70 481	214 935	25 378
Average fixed interest rate %	0.42	1.80	2.50	0.45	0.77	2.29

Cash flow hedge

Swedbank Mortgage´s approach to managing market risk, including currency risk, and its exposure to those risks are presented in note 4. In accordance with Swedbank Mortgage's risk management strategy, cross currency basis swaps are entered into to mitigate the foreign currency risk on future principal and interest payments of foreign currency debt securities. The hedged items are the aggregate exposures of foreign currency fixed rate debt securities in issue and interest rate swaps in the same foreign currency. The hedging instruments are cross currency basis swaps, which convert the foreign currency cash flows into SEK. The foreign currency basis spread in the cross-currency basis swaps is excluded from the hedge accounting relationship and is accounted for as described in note 2. Cross currency basis swaps designated as hedging instruments are reported in the balance sheet in the Derivatives line.

Designated cash flow hedge relationships are used to hedge against movements in foreign currency. Where hedge accounting is applied, Swedbank Mortgage ensures that the relationships meet the criteria outlined in note 2. Swedbank Mortgage ensures that designated hedge relationships fulfil the effectiveness requirements. The economic relationship between the aggregate exposure and the cross-currency basis swap are assessed using a qualitative analysis of the critical terms, which are matched. The fair values of the instruments are expected to move in opposite directions as a result of a change in the foreign currency rate. The hedge ratio is 1:1 as the nominal amount of the currency swap matches the nominal amount of the hedged aggregate exposure.

Swedbank Mortgage assesses hedge effectiveness by comparing the changes in fair value of the aggregate exposure due to movements in the foreign currency rate with the changes in fair value of the designated part of the cross-currency basis swaps. The changes in fair value of the aggregate exposure are calculated using a hypothetical derivative, which reflects the terms of the aggregate exposure. Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are primarily related to different discount curves applied for the valuation of the respective hedged item and the interest rate swaps.

The tables below provide information relating to the hedged items and hedging instruments in qualifying cash flow hedge relationships.

Hedging instruments	2023	2022
Cross currency basis swaps, EUR(SEK		
Nominal amount	93 015	94 266
Carrying amount		
Assets	7 177	8 781
Liabilities	156	0
Hedge effectiveness		
Change in fair value of hedging instrument used for measuring hedge ineffectiveness	7 423	8 848
EUR debt securities in issue and interest rate swaps	-7 378	-8 782
Ineffectiveness recognised in the income statement during the year	-16	-26
Cash flow hedge reserve		
Opening balance 1 January	110	12
Gains or losses from hedges recognised in othere comprehensive income	-1 393	5 439
Amount reclassified to the incom statement, net gains and losses on financial items	1 481	-5 316
Other comprehensive income before tax	88	123
Tax	-18	-25
Closing balance 31 December	180	110

Maturity profile and average price, hedging instrument

	Remaining contractual maturity					
	2023			2022		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Foreign currency risk						
Nominal amount (m SEK)	12 999	63 251	16 765	12 541	59 185	22 540
Average EUR FX rate	9.60	10.46	10.00	9.79	10.19	9.95

19 Other assets

SEKm	2023	2022
Tax account	481	364
Other assets	321	275
Total	**802**	**639**

20 Debt securities in issue

SEKm	2023	2022
Covered bonds	366 827	338 459
Change in value due to hedge accounting at fair value	-5 392	16 263
Total debt securities in issue	**361 435**	**354 722**

Turnover during the period

SEKm	2023	2022
Opening balance	**354 722**	**467 763**
Issued	88 673	86 759
Repurchased	-16 066	-54 012
Repaid	-82 155	-136 363
Interest	5 537	3 258
Interest, change in market values or in hedged item in hedge accounting at fair value	10 619	-22 490
Changes in exchange rates	105	9 807
Closing balance	**361 435**	**354 722**

21 Other liabilities

SEKm	2023	2022
Current tax liabilities	359	228
Deferred tax liabilities	0	38
Debt to group entity	5 760	9 849
Other liabilities	169	241
Total	**6 289**	**10 356**

22 Accrued expenses and prepaid income

SEKm	2023	2022
Other	325	490
Total	**325**	**490**

23 Equity according to Annual Accounts Act for Credit Institutions and Securities Companies

SEKm	2023	2022
Restricted equity		
Share capital	11 500	11 500
Statutory reserve	3 100	3 100
Total	**14 600**	**14 600**
Non-restricted equity		
Conditional shareholders' contribution	2 400	2 400
Unconditional shareholders' contribution	14 745	9 745
Cash flow hedge reserve	180	110
Foreign currency basis reserve	-277	38
Other retained earnings	21 958	20 814
Total	**39 007**	**33 107**
Total equity	**53 607**	**47 707**
Changes in equity during the period are reported in the statement of changes in equity	5 900	1 515
Number of shares		
Approved and issued, million	23	23

The quote value per share is SEK 0.50. All shares are fully paid.

24 Pledged assets, contingent liabilities and commitments

SEKm	2023	2022
Assets pledged		
Loans receivable pledged for covered bonds [1]	381 369	381 513
Commitments	6 843	7 190
Total	**388 212**	**388 703**

[1] Consists of collateral for covered bonds. This collateral is reported as the customers nominal loan principal, including accrued interest. The holders of the covered bonds have preferentail rights to the collateral in the event of a bankruptcy.

25 Related parties

Parent company
Swedbank Mortgage is a wholly-owned subsidiary of Swedbank. The following headings in the balance sheet and statement of comprehensive income include transactions with the parent company in the amounts specified.

SEKm	2023	2022
Group receivables		
Loans to credit institutions	23 025	64 149
Derivatives	22 875	31 740
Other assets	27	26
Total	**45 927**	**95 915**
Group liabilities		
Amounts owed to credit institutions	680 697	746 078
Debt securities in issue	5 246	785
Derivatives	10 066	17 299
Other liabilities	5 769	9 855
Eligible liabilities	41 205	15 068
Total	**742 984**	**789 085**
Statement of comprehensive income		
Interest income	1 409	446
Interest expense	-23 938	-5 866
Other expenses	-9	-8
Total	**-22 538**	**-5 428**

Other companies in the Swedbank Group
The following headings in the balance sheet and statement of comprehensive income include transactions with other companies in the Swedbank Group in the amounts specified.

SEKm	2023	2022
Group receivables		
Other assets	35	35
Total	**35**	**35**
Group liabilities		
Debt securities in issue	10 595	10 654
Total	**10 595**	**10 654**
Statement of comprehensive income		
Commission expense	0	0
Interest income	35	35
Interest expense	-358	23
Total	**-323**	**58**

Senior executives, see note 9 for further information.

26 Financial assets and liabilities, which have been offset or are subject to netting or similar agreements

The disclosures below refer to reported financial instruments that are subject to legally binding netting agreements, even when they have not been offset in the balance sheet. All financial instruments which are subject to netting agreements have the parent company Swedbank as counterparty.

SEKm	2023	2022
Assets		
Financial assets, which have not been offset or are subject to netting or similar agreements	0	0
Financial assets, which have been offset or are subject to netting or similar agreements	22 875	31 740
Carrying amount presented in the balance sheet	**22 875**	**31 740**
Related amount not offset in the balance sheet		
Derivatives, netting agreements	10 066	17 299
Net amount - assets	**12 809**	**14 441**
Liabilities		
Financial liabilities, which have not been offset and not subject to netting or similar agreements		
Financial liabilities, which have been offset or are subject to netting or similar agreements	10 066	17 299
Carrying amount presented in the balance sheet	**10 066**	**17 299**
Related amount not offset in the balance sheet		
Derivatives, netting agreements	10 066	17 299
Net amount - liabilities	**0**	**0**

27 Valuation categories of financial instruments

Financial assets	**2023**				
	Amortised cost	**Fair value through profit or loss**	**Hedging instruments**	**Total**	**Fair value**
		Mandatorily			
Carrying Amount in SEKm		**Trading**			
Loans to credit institutions	23 025			23 025	23 025
Loans to the public	1 115 385			1 115 385	1 115 199
Value change of interest hedged items in portfolio hedge	-8 489			-8 489	-8 489
Derivatives		1 620	21 255	22 875	22 875
Other financial assets	802			802	802
Total	**1 130 723**	**1 620**	**21 255**	**1 153 598**	**1 153 412**

Financial liabilities	**2023**						
	Amortised cost	**Fair value through profit or loss**			**Hedging instruments**	**Total**	**Fair value**
Carrying Amount in SEKm		**Trading**	**Designated**	**Total**			
Amounts owed to credit institutions	680 697					680 697	680 822
Debt securites in issue [1]	361 312		123	123		361 435	359 179
Derivatives		1 371		1 371	8 695	10 066	10 066
Other financial liabilities	5 929					5 929	5 929
Eligible liabilities	41 205					41 205	42 929
Total	**1 089 143**	**1 371**	**123**	**1 494**	**8 695**	**1 099 332**	**1 098 925**

[1] Nominal amount of debt securities designated at fair value through profit or loss was SEK 111m

Financial assets

Carrying Amount in SEKm	2022 Amortised cost	Fair value through profit or loss Mandatorily Trading	Hedging instruments	Total	Fair value
Loans to credit institutions	64 149			64 149	64 149
Loans to the public	1 115 561			1 115 561	1 110 571
Value change of interest hedged items in portfolio hedge	-20 369			-20 369	-20 369
Derivatives		1 936	29 804	31 740	31 740
Other financial assets	639			639	639
Total	**1 159 980**	**1 936**	**29 804**	**1 191 720**	**1 186 730**

Financial liabilities

	2022						
	Amortised cost	Fair value through profit or loss			Hedging instruments	Total	Fair value
Carrying Amount in SEKm		**Trading**	**Designated**	**Total**			
Amounts owed to credit institutions	746 078					746 078	746 135
Debt securites in issue [1)]	354 600		122	122		354 722	352 847
Derivatives		1 205		1 205	16 094	17 299	17 299
Other financial liabilities	10 090					10 090	10 090
Eligible liabilities	15 068					15 068	15 845
Total	**1 125 836**	**1 205**	**122**	**1 327**	**16 094**	**1 143 257**	**1 142 216**

[1)]Nominal amount of debt securities designated at fair value through profit or loss was SEK 111m

28 Fair value of financial instruments

Determination of fair value of financial instruments
The Swedbank Mortgage uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible, and which demonstrates regularity. Market activities are continuously evaluated by analysing factors such as differences in bid and ask prices.
The methods are divided into three different levels:
• Level 1: Unadjusted, quoted price on an active market
• Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
• Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.
When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair values of the risk positions that offset each other. For any open net positions, bid rates are applied for long positions and ask rates for short positions.
Swedbank Mortgage has a continuous process whereby financial instruments that indicate a high level of internal estimates or low level of observable market data are captured. The process determines the way to calculate and how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis and evaluation based on the quality of the valuation data as well as whether a type of financial instrument is to be transferred between levels.

Financial instruments recognised at fair value
The below table shows assets and liabilities that are recongnised at fair value disaggregated by valuation technique (fair value hierarchy).
Level 1 contains debt securities in issue that are traded on an active market. Fair values are determined using unadjusted quoted market prices.
Level 2 contains derivatives and debt securities in issue that are not traded on an active market. Fair value of these instruments is determined based on discounted cash flow models using market implied curves.

When transfers occur between fair value hierarchy levels those are reflected as taking place at the end of each period. There were no transfers of financial instruments between level 1 and level 2 during the period.

Swedbank Mortgage has no financial instruments that are carried at fair value within Level 3.

SEKm	**2023**				**2022**			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives		22 875		22 875		31 740		31 740
Total		**22 875**		**22 875**		**31 740**		**31 740**
Liabilities								
Debt securities in issue		123		123		122		122
Derivatives		10 066		10 066		17 299		17 299
Total		**10 189**		**10 189**		**17 421**		**17 421**

Financial instruments at amortised cost

The following table summarises the fair value disaggregated into the three fair value levels for financial assets and liabilities measured at amortised cost on the balance sheet.

SEKm	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to credit institutions		23 025		23 025		64 149		64 149
Loans to the public		1 115 199		1 115 199		1 110 571		1 110 571
Total		**1 138 224**		**1 138 224**		**1 174 720**		**1 174 720**
Liabilities								
Amounts owed to credit institutions			680 822	680 822			746 135	746 135
Debt securities in issue	208 963	150 093		359 056	234 715	118 010		352 725
Eligible liabilities			42 929	42 929			15 845	15 845
Total	**208 963**	**150 093**	**723 751**	**1 082 807**	**234 715**	**118 010**	**761 980**	**1 114 705**

For floating rate loans, the carrying amount is considered a good approximation of fair value. Fair value of fixed rate loans is derived from discounting expected cash flows in a way that reflects the current product margins for lending to borrowers of similar credit quality.

Fair values of amounts owned to credit institutions, which consist of loans owed to the parent company, are estimated using discounted cash flows, where risk-free interest rates are used.
For valuation techniques of debt securities in issue, see section “Financial instruments at fair value.

29 Proposed distribution of profit

In accordance with the balance sheet for Swedbank Mortgage, the following profit after deduction for a paid group contribution of SEK 5 760 m are at the disposal of the annual general meeting:

SEKm	2023	2022
Retained earnings earlier years	**33 385**	**24 304**
Fair value fund	-97	148
Profit for the year	5 718	8 655
Total at disposal	**39 007**	**33 107**
The Board proposes that the profit be carried forward to the next year	39 007	33 107
Total	**39 007**	**33 107**

30 Events after 31 December 2023

No material events have occurred after 31 December 2023.

31 Sustainability report

Swedbank Mortgage AB (publ) does not publish a statutory Sustainability Report according to the Annual Accounting Act Chapter 7, 31 a. Parent Company, Swedbank AB (publ) org. No. 502017-7753, which is based in Stockholm, publishes a Sustainability Report for the Group in which the company is included. The Group's sustainability report is available in Swedbank AB's annual report on page 209 to 279.

Definitions

Average balance
The average is calculated using month-end figures, including the prior year-end.

Capital adequacy ratio
The capital base in relation to the risk-weighted amount.

Capital base
The sum of Tier 1 and Tier 2 capital according to Article 72 in CRR.

Common Equity Tier 1 capital
Common Equity Tier 1 capital according to Article 26 after applicable adjustments specified in Articles 32-35, deductions according to Article 36 and the exemptions and alternatives in Articles 48, 49 and 79 in CRR.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital in relation to the risk exposure amount.

Credit impairment
Established losses and provisions less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Earnings per share before and after dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the period.

Impaired loans
Loans where there is, on individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

Leverage ratio
Tier 1 capital in relation to the total exposure measure, where the exposure measure includes both on- and off-balance sheet items.

Loan-to-value ratio (LTV)
Loan amount in relation to the market value of the collateral, according to definition by the Association of Swedish Covered Bond Issuers (ASCB, www.ascb.se).

Past due
A loan is past due when the counterparty has failed to make a payment within 5 days of the due date.

Provision for credit impairment
Impairment of loans if the solvency of the borrower is not expected to improve sufficiently within two years and the value of the collateral does not cover the loan amount.

Restructured loan
Loan for which the borrower has been granted some form of concession due to the borrower's deteriorated financial position.

Risk exposure amount
Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

Tier 1 capital
The sum of Common Equity Tier 1 capital and additional Tier 1 capital according to Article 25 in CRR.

Tier 1 capital ratio
Tier 1 capital in relation to risk exposure amount.

Alternative perfomance measures

Swedbank Mortgage prepares its financial statements in accordance with IFRS as issued by the IASB, as set out in Note 1. The annual report includes a number of alternative performance measures, which provide more comparative information between periods. The executive management believes that inclusion of these measures provides information to the readers that enable comparability between periods. These alternative performance measures are set out below.

Credit impairment ratio
Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.

Equity per share
Shareholders' equity in relation to the number of shares outstanding.

Investment margin
Net interest income in relation to average total assets. The average is calculated based on monthly figures, including the previous year's financial statements.

Provision ratio for individually assessed impaired loans
Provisions for impaired loans assessed individually in relation to impaired loans, gross.

Return on equity
Profit for the period allocated to shareholders in relation to average (calculated on month-end figures) shareholders' equity.

Share of impaired loans, gross
Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Share of impaired loans, net
Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.

Share of stage 3 loans, gross
Carrying amount of stage 3 loans, gross, in relation to the carrying amount of loans to credit institutions and the public, excluding provisions.

Total provision ratio for impaired loans
All provisions for loans in relation to impaired loans, gross.

All provisions for loans in relation to impaired loans, gross.

Equity and total assets, monthly

2023

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1 206 768	1 203 594	1 159 032	1 151 756	1 158 030	1 158 489	1 157 564	1 152 060	1 166 274	1 168 830	1 171 836	1 153 624
Equity	48 223	48 914	47 955	48 430	48 866	48 283	48 662	49 002	53 320	53 715	54 316	53 607

2022

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1 141 379	1 232 115	1 245 513	1 247 684	1 260 226	1 198 910	1 146 958	1 151 022	1 156 007	1 153 259	1 191 690	1 191 720
Equity	47 084	48 066	46 630	47 466	47 904	46 771	47 669	48 376	47 534	48 079	48 697	47 707

2021

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1 179 741	1 171 868	1 146 909	1 114 406	1 104 782	1 184 879	1 187 470	1 187 676	1 129 414	1 129 037	1 149 874	1 136 166
Equity	46 904	47 866	46 123	46 960	47 637	46 056	46 961	47 898	46 218	47 132	47 627	46 192

2020

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1 145 117	1 141 704	1 166 192	1 165 900	1 127 998	1 159 216	1 157 002	1 193 192	1 194 643	1 197 898	1 199 740	1 181 035
Equity	46 847	47 583	46 330	47 002	47 629	46 198	46 925	47 741	46 175	46 918	47 752	46 105

Signatures of the Board of Director and the CEO

The Board of Directors and the CEO hereby affirm that the annual report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

Stockholm 21 February 2024

Johan Smedman
Chairman

Thomas Åhman
CEO

Mattias Persson

Jennifer Barck

Mats Lindgren

Elizabet Jönsson

Auditor's report submitted on 21 February 2024

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Author in charge

Martin By
Public accountant

Auditor’s report

To the general meeting of the shareholders of Swedbank Hypotek AB, corporate identity number 556003-3283

Report on the annual accounts

Opinions

We have audited the annual accounts of Swedbank Hypotek AB for the financial year 2023.
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Swedbank Hypotek AB as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts.
We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Swedbank Hypotek AB.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section. We are independent of Swedbank Hypotek AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management and the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the entity structure, the accounting processes and controls, and the industry in which the entity operates.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or mistakes. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the entity as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Credit Impairment allowances on loans	
Accounting for impairment of loans to customers requires subjective judgement over both timing and size of any such impairment. Swedbank Hypotek makes provisions for expected credit losses (ECL) in accordance with accounting standard IFRS 9 which categorise loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. Stage 1 representing a probable 12 month Expected Credit Loss (ECL) applies to all loans performing as originally intended. For loans where there is deemed to be a significant increase in credit risk since initial recognition, stage 2, or loans in default, stage 3, a lifetime ECL is calculated. The ECL is calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. IFRS 9 also allows for post model expert credit judgement to be applied to loan loss provisioning. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECLs are: Model estimations - inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD"). The PD models are the key drivers of the ECLs and impact the staging of assets. As a result, the PD models are considered the most significant judgmental aspect of the Group's ECL modelling approach. Macroeconomic factors - IFRS 9 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions.. Post model expert credit adjustment - Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. Refer to Annual Report note 3, 5 and 11.	In our audit we perform a variety of procedures over the credit impairments. Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the IT environment for key systems and applications used in the ECL process. Our testing included testing the design and operating effectiveness of the controls covering input data. We also evaluated controls over models as well as the calculation and authorisation of year end post model expert credit adjustments. Model estimations: We have reviewed key assumptions and estimates used in the models and performed recalculations for a sample of loans for us to obtain comfort that the ECL is calculated correctly and that it is in line with our expectations. These recalculations were performed on the most significant models used in the loan portfolio. Macro economic factors: We have assessed the reasonability of the assumptions Swedbank uses in their assessment of macroeconomic factors. This included analysis of Gross Domestic Product, property price increase and unemployment rate projections against other independent sources as well as our own professional judgement. Tests of details: We have performed tests of details in a number of areas including the individually assessed credits and the calculation of post model expert credit adjustments. Disclosures: We have assessed whether the disclosures in the annual report are appropriate.
Valuation of financial instruments held at fair value	
When accounting for financial instruments held at fair value, these are divided into three levels in accordance with IFRS 9. Level 1 are actively traded instruments where the value can be derived from a	In our audit, we perform a variety of procedures over valuation of financial instruments held at fair value.

marketplace. Level 2 are instruments where the value is calculated using a model, but the model inputs can be derived from an actively traded marketplace such as foreign exchange rates or interest rates. Level 3 are instruments where the value is calculated using a model that is to a large extent dependent on estimates and judgements. Swedbank Hypotek does have any financial instruments held at fair value in Level 3. Valuation of Level 2 financial instruments was an area of focus in the audit due to the degree of complexity involved in valuing these positions and their significance in presenting both financial position and the result. Determining the fair value of Level 2 financial instruments is important due to the properties of the instrument as well as their impact on the financial reporting.

Refer to the Annual Report note 3, 26, 27 and 28.

Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the valuation processes.
We tested the IT environment for key systems and applications used in the valuation of financial instruments held at fair value.
We have tested the design and operating effectiveness of key controls supporting the identification and measurement, and oversight of valuation of financial instruments.
Test of details: We have performed tests of details for all levels of financial instruments.
For valuations based on models, we used our valuation experts to perform independent valuations of a sample of positions.
Disclosures: We have assessed whether the disclosures in the annual report are appropriate.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedbank Hypotek AB for the year 2023 and the proposed appropriations of the company's profit or loss.
We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Swedbank Hypotek AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.
A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Swedbank Hypotek AB for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.
In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for the opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Swedbank Hypotek AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.
RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.
Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.
The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls.

The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Swedbank Hypotek AB by the general meeting of the shareholders on the 31 March 2023 and has been the company's auditor since 2019.

Stockholm 21 February 2024
PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

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