Interim report 2022

Swedbank Mortgage AB, 31 January 2023

Interim report for second half of 2022

July-December 2022 compared with January-June 2022

- Net interest income affected by lower margins
- Higher net gains and losses
- Increased provisions, continued low write-offs
- Solid capital position

Financial information

	2022	2022		2021[1]		2022	2021[1]	
SEKm	**Jul-Dec**	**Jan-Jun**	**%**	**Jul-Dec**	**%**	**Full-year**	**Full-year**	**%**
Net interest income	5,496	5,905	-7	6,449	-15	11,401	12,943	-12
Net commissions	0	1	-100	-4	-100	1	4	-75
Net gains and losses on financial items	446	237	88	-87		683	-8	
Other income	1	2	-50	1	0	3	3	0
Total income	**5,943**	**6,145**	**-3**	**6,359**	**-7**	**12,088**	**12,942**	**-7**
Total general administrative expenses	**136**	**138**	**-1**	**139**	**-2**	**274**	**277**	**-1**
Profit before impairments, Swedish bank tax and resolution fees	**5,807**	**6,007**	**-3**	**6,220**	**-7**	**11,814**	**12,665**	**-7**
Credit impairments, net	249	54		-8		303	-75	
Swedish bank tax and resolution fees[2]	304	307	-1	198	54	611	396	54
Operating profit	**5,254**	**5,646**	**-7**	**6,030**	**-13**	**10,900**	**12,344**	**-12**
Tax	1,082	1,163	-7	1,242	-13	2,245	2,543	-12
Profit for the period	**4,172**	**4,483**	**-7**	**4,788**	**-13**	**8,655**	**9,801**	**-12**

[1] Presentation of the Income statement has been changed, see note 16.

[2] The Swedish bank tax (risk tax on creditinstitutions) came into force on 1 January 2022.

Business performance

	2022 31 Dec	2022 30 Jun	2021 31 Dec	2021 30 Jun	2020 31 Dec	2020 30 Jun	2019 31 Dec
Lending to the public, SEKbn	1,116	1,110	1,094	1,068	1,054	1,041	1,029
- Private	997	991	973	948	931	918	906
of which private, mortgage	913	907	888	862	844	828	813
- Corporate	119	119	121	120	123	123	123
Number of customers, thousand	1,054	1,066	1,074	1,078	1,085	1,092	1,098
Private lending							
Market share mortgages % [1]	22	23	23	23	23	23	24
Market share of net growth, full and half year % [1]	16	17	17	15	15	15	12
Volume growth market, Δ 12-months % [1]	5	7	7	6	6	6	5
Volume growth Swedbank Mortgage, Δ 12-months % [1]	3	5	5	4	4	3	3
LTV total portfolio %	54	52	51	52	54	56	55
LTV new mortgages, current year	68	68	69	69	70	70	70
Share of total portfolio which amortises %	75	75	74	69	68	67	72
Share of portfolio which amortises, new mortgages, current year %	88	89	89	86	82	82	89
Funding							
Issued in last six months							
Swedish market, SEKbn	10	36	51	23	6	34	24
Outside Sweden, SEKbn		41	28	10		29	6
Average maturity of outstanding issued covered bonds, months	32	34	31	31	35	41	37

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

Financial overview and key ratios

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021[1] Jul-Dec	%	2022 Full-year	2021[1] Full-year	%
Net interest income	5,496	5,905	-7	6,449	-15	11,401	12,943	-12
Net commissions	0	1	-100	-4	-100	1	4	-75
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Tax	1,082	1,163	-7	1,242	-13	2,245	2,543	-12
Profit for the period	**4,172**	**4,483**	**-7**	**4,788**	**-13**	**8,655**	**9,801**	**-12**

[1)] Presentation of the Income statement has been changed, see note 16.

[2)] The Swedish bank tax (risk tax on creditinstitutions) came into force on 1 January 2022.

SEKm	2022 31 Dec	2022 30 Jun	2021 31 Dec	2021 30 Jun	2020 31 Dec
Profit					
Investment margin, %	0.96	0.98	1.09	1.09	1.01
Average total assets	1,188,665	1,208,856	1,154,097	1,154,803	1,162,381
Return on equity, %	18.2	19.0	20.9	21.4	19.3
Average equity	47,552	47,159.0	46,898.0	46,807.0	46,875.0
Earnings per share, SEK	376.3	194.9	426.1	218.0	392.6
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2,074	2,034	2,008	2,002	2,005
Credit quality					
Loans to the public	1,115,561	1,110,363	1,093,674	1,067,802	1,053,802
Loans to credit institutions	64,149	78,873	30,178	100,792	106,208
Credit impairments, net	303	54	-75	-67	-32
Credit impairment ratio, %	0.03	0.01	-0.01	-0.01	0.00
Total provisions	730	479	423	430	493
Share of Stage 3 loans, gross %	0.07	0.09	0.08	0.07	0.08
Total credit impairment provision ratio, %	0.06	0.04	0.04	0.04	0.04

For more information on definitions and calculation of key ratios, please see page 33 and the 2021 Annual Report, page 57.

Overview

About Swedbank Mortgage AB

Swedbank Mortgage AB (publ) ("Swedbank Mortgage"), corporate identification number 556003-3283, is a wholly owned subsidiary of Swedbank AB (publ) 502017-7753 ("Swedbank") and is responsible for mortgage lending in Sweden. With over one million customers, Swedbank Mortgage has a leading position on the Swedish market. Mortgages are mainly sold through Swedbank's and the Swedish savings banks' retail network, one of the largest bank-owned retail networks in Sweden, as well as through the telephone services and Internet Bank.

No lending with collateral outside of Sweden is performed.

Swedbank Mortgage finances properties and individual tenant-owned apartments up to 85 per cent of their estimated market value. The company also lends directly to municipalities or other borrowers with municipal guarantees as collateral as well as to the forestry and agricultural sector.

Swedbank Mortgage's operations are integrated in Swedbank, which creates economies of scale with the bank's other operations.

Economy and market

During the half year, the global economic outlook deteriorated. The purchasing managers' index for both manufacturing and the service sector pointed to weaker growth, and in the U.S. inflation pressure fell from high levels. Monetary policy in the U.S. and the euro area is rapidly being tightened with both the Federal Reserve and the ECB raising their policy rates. The protracted war in Ukraine contributed to the negative sentiment. Covid-19 spread dramatically in China once it began loosening its previously tight restrictions.

The Swedish economy is characterised by stable public finances with low government debt, albeit with high levels of indebtedness among firms and households. Economic activity seems to have held up fairly well, although business output slowed and new manufacturing orders declined. Sentiment in the economy continued to weaken and Swedbank's purchasing managers' index for manufacturing industry and services pointed to a slowdown. The improvement in the labour market weakened and the number of bankruptcies rose.

Swedish inflation continued to rise. Together with rising interest rates, this eroded consumer purchasing power, while many companies are being squeezed by substantially higher costs. In November, the Riksbank raised its policy rate by 0.75 percentage points to 2.5 per cent, the highest level since 2008.

House prices in Sweden have fallen by approximately 13 per cent since peaking in February 2022 and even more in major metropolitan areas. Uncertainty about mortgage rates and energy prices have made homebuyers cautious. The number of property transactions continued to fall and homes are staying on the market for longer than normal. These factors suggest that price pressure will continue despite the housing shortages and stalling new home construction. Consumer credit growth has slowed as well due to the cautious housing market.

Important to note

The interim report contains alternative performance measures that Swedbank Mortgage considers valuable information for the reader, since they are used by the Swedbank Mortgage executive management and the Swedbank Group executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 33.

The company's development

Result second half of 2022 compared with first half of 2022

Swedbank Mortgage reported profit of SEK 4 172m in the second half of 2022, compared with SEK 4 483m in the previous half-year. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 5 496m (5 905). Market rates have increased sharply, primarily on the short-term maturities. Customer rates have been raised accordingly but with a lag compared to the market, resulting in a negative effect on mortgage margins.

Net gains and losses on financial items increased to SEK 446m (237), in part due to repurchases of covered bond and positive effects from hedge accounting.

Expenses amounted to SEK 136m (138).

Credit impairments amounted to SEK 249m, compared with of SEK 54m previous half year. The largest increases in provisions are within property management, private loans and forestry and agriculture. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation with war in Ukraine, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These post-model adjustments have increased primarily within property management.

The tax expense amounted to SEK 1 082m (1 163), corresponding to an effective tax rate of 20.6 per cent (20.6).

Result second half of 2022 compared with second half of 2021

Swedbank Mortgage reported profit of SEK 4 172m for the second half of 2022, compared with SEK 4 788m in the second half of 2021. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 5 496m (6 449). The main reason was increased funding expenses due to higher market interest rates.

Net gains and losses on financial items increased to SEK 446m (-87), in part due to a repurchases of covered bond.

Expenses were stable at SEK 136m (139).

Credit impairments amounted to SEK 249m (positive credit impairments 8). The largest increases in provisions are within property management, private loans and forestry and agriculture. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation with war in Ukraine, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These post-model adjustments have increased primarily property.

The tax expense amounted to SEK 1 082m (1 242), corresponding to an effective tax rate of 20.6 per cent (20.6).

Lending

Total loans to the public increased by SEK 6bn in the second half of 2022, to SEK 1 116bn as of 31 December 2022 (SEK 1 110bn as of 30 June 2022). Compared with 31 December 2021, the increase was SEK 22bn, corresponding to an annual growth rate of 2 per cent.

Lending to general public, SEKbn	31 Dec 2022	30 Jun 2022	31 Dec 2021
Private customers	997	991	973
Private, mortgage	913	907	888
Tenant owner associations	84	84	85
Corporate customers	119	119	121
Agricultural, forestry, fishing	46	47	47
Property management	62	60	62
Other corporate lending	11	12	12
Total	**1,116**	**1,110**	**1,094**

The increase in the second half of 2022 was due to higher private mortgage volumes. Mortgage lending to the private segment increased in total by SEK 25bn compared with 31 December 2021, to SEK 913bn (888). The total market share was 22 per cent (23) as of 30 November. Lending to tenant-owner associations fell by SEK 1bn, to SEK 84bn (85).

Corporate lending of SEK 119bn (121) decreased by SEK 2bn mainly within forestry and agriculture.

Funding and liquidity

Swedbank Mortgage funds its lending by issuing covered bonds on the Swedish and international capital market and by intragroup funding through loans from Swedbank AB.

As of 31 December 2022, outstanding funding through covered bonds amounted to SEK 355bn (468bn) while intragroup funding from Swedbank AB amounted to SEK 746bn (591bn).

Demand for Swedbank Mortgage's bonds has been stable at the same time that the funding need has been low given the deposit growth within the Group. Swedbank Mortgage issued SEK 10bn in covered bonds in the second half of 2022 (77 first half of 2022). Buybacks of outstanding covered bonds amounted to SEK 36bn during the second half year 2022, comparted to SEK 18bn during the first half year 2022. Maturities in the second half of 2022 were nominally SEK 29bn (107 first half of 2022).

Amounts owed to credit institutions and issued debt, SEKbn	31 Dec 2022	30 Jun 2022	31 Dec 2021
Amounts owed to credit institutions	746	709	591
Debt securities in issue	355	409	468
Eligible liabilities	15	15	15
Total	**1,116**	**1,133**	**1,074**

Funding needs and issuance volumes, are mainly affected by lending growth as well as changes in available funding from Swedbank AB. The funding process is streamline as Swedbank Mortgage has several standardised borrowing programmes that are adapted to meet the legal requirements of various types of markets and investors.

As part of its liquidity planning, Swedbank Mortgage aims to actively buy back a portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In the second half of 2022, SEK 16bn was repurchased in the Swedish market (18 first half of 2022). The average maturity of all outstanding covered bonds was 32 months (31) at 31 December.

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR), which sets the minimum requirement for Swedbank Mortgage per 31st of December 2022. Swedbank Mortgage's total capital ratio was 16.6 per cent as of 31st of December 2022 (16.2 per cent as of 30th of June 2022), to be compared with the capital requirement of 12.8 per cent.

Total capital increased to SEK 47.7bn (SEK 46.6bn as of 30th of June 2022). REA decreased by SEK 0.2bn to SEK 288.0bn (288.2 as of 30th of June 2022). The decrease was mainly due to article 458 and operational risk which decreased by SEK 1.2bn. The decrease was offset by an increase in credit risk by SEK 1.0bn during the second half of the year. The capital adequacy is further disclosed in note 15.

Swedbank Mortgage's leverage ratio as of 31st of December 2022 was 4.3 per cent (4.2).

Future capital regulations

Contracyclical buffer, which currently amounts to 1 percent, will from the second quarter of 2023 be increased to 2 percent according to previous decisions by the Swedish Financial Supervisory Authority.

Following new guidelines from the European Banking Authority (EBA) Swedbank has previously applied to have new internal models for risk classification approved. The review processes of the models is ongoing and the implementation began last quarter with the introduction of a new default definition.

The new Resolution Act, which entered into force in 2021, gradually phases in the minimum requirement for own funds and eligible liabilities (MREL) by 1 January 2024. The new law is based on the EU's Bank Recovery and Resolution Directive (BRRD II).

The European Commission's proposal to finalise Basel III, also known as Basel IV, would be introduced in stages in 2025 – 2030. The actions include revisions of the standardised approaches and internal models used to calculate capital requirements for credit and market risk as well as operational risk. For the internal models, it has been proposed to introduce a capital requirement floor where the risk-weighted assets may not fall below 72.5 per cent of the amount calculated using standardised approach. The requirements are proposed to be phased in gradually by 2032. The European Council reached an agreement on the proposal in November 2022, and the next step is for it to be considered in the European Parliament. The regulations will result in a limited increase in risk-weighted assets for Swedbank Hypotek.

Risks

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 and asset quality

Swedbank's credit quality remained good during the second half of 2022. The visible economic impact from the war in Ukraine and geopolitical turmoil was limited and the credit quality in the mortgage portfolio continued to be stable. Swedbank Mortgage's credit impairments and impaired loans remain at low levels.

House prices and the number of transactions in Sweden has decreased markedly in the year, due to central bank rate hikes and lower expectations on future economic development in 2023.

The macroeconomic outlook has continued to turn negative in the second half of 2022. Higher mortgage rates in combination with weaker cash flow can affect highly leveraged individuals and legal entities with small margins. In the lending process, customers' long-term solvency is critical in order to ensure high quality and low risk also in times of stress. Despite the negative macroeconomic development, the mortgage portfolio remains of high quality with credit impairments on low levels, although provisions under IFRS9 are expected to increase due to the worsening macro outlook.

The average loan-to-value ratio for private lending was 54 per cent (52), based on property level. For new lending in the half-year the loan-to-value ratio was 68 per cent (68).

For more information on asset quality, see the fact book for the Swedbank Group as well as Swedbank.

Operational risks

During the second half of 2022, no incidents occurred which materially affected Swedbank Mortgage. Losses related to operational risks remained very low.

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	Negative	A+	Stable
Short-term funding	P-1	N/A	A-1	Stable

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 AB fact book.

Other events

At an Extraordinary General Meeting on December 5 2022, Thomas Åhman and Mats Lindgren were elected as new members of the board.

Events after 31 December 2022

The Board of Directors has appointed Thomas Åhman to CEO of Swedbank Hypotek AB from 1 March 2023. Thomas Åhman will replace Urban Alsholm, who returns to his position as CFO of the company. In connection with taking office on 1 March 2023, Thomas Åhman will resign from his board position.

Income statement, condensed

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021[1] Jul-Dec	%	2022 Full-year	2021[1] Full-year	%
Interest income on financial assets measured at amortised cost	12,158	8,428	44	8,117	50	20,586	16,419	25
Interest income	**12,158**	**8,428**	**44**	**8,117**	**50**	**20,586**	**16,419**	**25**
Interest expense	-6,662	-2,523		-1,668		-9,185	-3,476	
Net interest income (note 3)	**5,496**	**5,905**	**-7**	**6,449**	**-15**	**11,401**	**12,943**	**-12**
Commission income	18	18	0	21	-14	36	43	-16
Commission expenses	-18	-17	6	-25	-28	-35	-39	-10
Net commissions	**0**	**1**	**-100**	**-4**	**-100**	**1**	**4**	**-75**
Net gains and losses on financial items (note 4)	446	237	88	-87		683	-8	
Other income	1	2	-50	1	0	3	3	0
Total income	**5,943**	**6,145**	**-3**	**6,359**	**-7**	**12,088**	**12,942**	**-7**
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Statement of comprehensive income, condensed

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021 Jul-Dec	%	2022 Full-year	2021 Full-year	%
Profit for the period reported via income statement	**4,172**	**4,483**	**-7**	**4,788**	**-13**	**8,655**	**9,801**	**-12**
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains and losses arising during the period	2,093	3,346		1,062		5,439	-452	
Reclassification adjustments to income statement, net gains and losses	-2,096	-3,220		-1,040		-5,316	470	
Foreign currency basis risk:								
Gains/losses arising during the period	131	603		100		734	41	
Tax relating to components of other comprehensive income	-26	-150		-25		-176	-12	
Total comprehensive income attributable to shareholders of Swedbank Mortgage AB	**4,274**	**5,062**	**-16**	**4,885**	**-13**	**9,336**	**9,848**	**-5**

Balance sheet, condensed

SEKm	2022 31 Dec	2022 30 Jun	Δ mkr	% 	2021 31 Dec	%
Assets						
Loans to credit institutions (note 7)	64,149	78,873	-14,724	-19	30,178	
Loans to the public (note 7)	1,115,561	1,110,363	5,198	0	1,093,674	2
Value change of interest hedged items in portfolio hedge	-20,369	-18,610	-1,759	9	-1,755	
Derivatives (note 9)	31,740	27,957	3,783	14	13,851	
Deferred tax assets			0		138	-100
Other assets	639	120	519		80	
Prepaid expenses and accrued income		207	-207	-100		
Total assets	**1,191,720**	**1,198,910**	**-7,190**	**-1**	**1,136,166**	**5**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	746,078	708,848	37,230	5	590,715	26
Debt securities in issue (note 10)	354,722	409,292	-54,570	-13	467,763	-24
Derivatives (note 9)	17,299	12,361	4,938	40	3,240	
Current tax liabilities	228	42	186		11	
Deferred tax liabilities	38	12	26			
Other liabilities	10,090	5,989	4,101	68	12,587	-20
Accrued expenses and prepaid income	490	587	-97	-17	653	-25
Eligible liabilities	15,068	15,008	60	0	15,005	0
Total liabilities	**1,144,013**	**1,152,139**	**-8,126**	**-1**	**1,089,974**	**5**
Equity	47,707	46,771	936	2	46,192	3
Total liabilities and equity	**1,191,720**	**1,198,910**	**-7,190**	**-1**	**1,136,166**	**5**

Statement of changes in equity, condensed

	Restricted equity		Non-restricted equity			
SEKm	**Share capital**	**Statutory reserve**	**Cash flow hedges**	**Foreign currency basis risk reserve**	**Retained earnings**	**Total equity**
Opening balance 1 January 2022	**11,500**	**3,100**	**12**	**-544**	**32,124**	**46,192**
Group contributions paid					-9,849	-9,849
Tax on group distributions paid					2,028	2,028
Shareholders' contribution						
Total comprehensive income for the year			98	583	8,655	9,336
Closing balance 31 December 2022	**11,500**	**3,100**	**110**	**39**	**32,958**	**47,707**
of which, conditional shareholders' contributions					2,400	2,400
Opening balance 1 January 2021	**11,500**	**3,100**	**-3**	**-576**	**32,084**	**46,105**
Group contributions paid					-12,293	-12,293
Tax on group distributions paid					2,532	2,532
Total comprehensive income for the year			15	32	9,801	9,848
Closing balance 31 December 2021	**11,500**	**3,100**	**12**	**-544**	**32,124**	**46,192**
of which, conditional shareholders' contributions					2,400	2,400

Cash flow statement, condensed

SEKm	2022 Full-year	2021 Full-year
Operating activities		
Operating profit	10,900	12,344
Adjustments for non-cash items in operating activities	6,276	2,377
Taxes paid [1]	-589	-26
Increase (-) /decrease (+) in loans to the public	-21,786	-39,886
Increase (-) /decrease (+) in other assets	18	4
Increase (+) /decrease (-) in amounts owed to credit institutions	154,880	-9,015
Increase (+) /decrease (-) of issued interest-bearing securities	-103,615	-30,442
Increase (+) /decrease (-) in other liabilities	180	52
Cash flow from operating activities	**46,264**	**-64,592**
Financing activities		
Issuance of eligible liabitities		10,000
Redemption of eligible liabilites		-10,000
Group contributions paid	-12,293	-11,438
Cash flow from financing activities	**-12,293**	**-11,438**
Cash flow for the period	**33,971**	**-76,030**
Cash and cash equivalents at the beginning of the period	**30,178**	**106,208**
Cash flow for the period	33,971	-76,030
Cash and cash equivalents at end of the period	**64,149**	**30,178**

[1] Including also the tax effect of the Group contribution, amounting to SEK 2028m.

Notes

The interim report has been prepared on a going concern basis.
On 30 January 2023, the Board of Directors and the CEO approved the interim report for publication.
Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ).
All amounts in the notes are in millions of Swedish kronor (SEKm) and at book value unless otherwise indicated.

Note 1 Accounting policies

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

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2021, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to Swedbank Mortgage's accounting policies set out in the 2021 Annual Report, except for the new standards and change as set out below.

New Swedish bank tax and changed presentation of resolution fees

A new Swedish bank tax (Risk tax on credit institutions) was introduced from 1 January 2022 and is presented on a new row in the income statement. From 2022 the Swedbank Mortgage also presents resolution fees on this row, which is named Swedish bank tax and resolution fees. Previously the resolution fees have been included in interest expense within Net interest income. Comparative figures have been restated, see note 16.

Changes in Swedish regulations

The amended Swedish regulations that have been adopted from 1 January 2022 have not had a significant impact on Swedbank Mortgage´s financial position, results, cash flows or disclosures.

Note 2 Business segments

	2022 Full-year					2021 Full-year				
SEKm	Private	Cor-porate	Forestry and Agricultural	Not distributed	**Total**	Private	Cor-porate	Forestry and Agricultural	Not distributed	**Total**
Net interest income	9,001	1,276	676	448	11,401	10,335	1,603	764	241	12,943
Net commissions	1				1	3	1			4
Net gains and losses on financial items				683	683				-8	-8
Other income				3	3				3	3
Total income	**9,002**	**1,276**	**676**	**1,134**	**12,088**	**10,338**	**1,604**	**764**	**236**	**12,942**
Total general administrative expenses	207	1	16	50	274	209	2	17	49	277
Profit before impairments, Swedish bank tax and resolution fees	**8,795**	**1,275**	**660**	**1,084**	**11,814**	**10,129**	**1,602**	**747**	**187**	**12,665**
Credit impairments	87	134	82		303	-18	-38	-19		-75
Swedish bank tax and resolution fees	500	81	30		611	322	54	20		396
Operating profit	**8,208**	**1,060**	**548**	**1,084**	**10,900**	**9,825**	**1,586**	**746**	**187**	**12,344**
Loans to the public	913,643	147,265	54,653		1,115,561	888,201	149,519	55,955		1,093,675

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

Note 3 Net interest income

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021[1] Jul-Dec	%	2022 Full-year	2021[1] Full-year	%
Interest income								
Loans to credit institutions	360	86		7		446	45	
Loans to the public	11,798	8,342	41	8,110	45	20,140	16,374	23
Total interest income	**12,158**	**8,428**	**44**	**8,117**	**50**	**20,586**	**16,419**	**25**
Interest expense								
Amounts owed to credit institutions	-5,825	-1,236		-453		-7,061	-995	
Debt securities in issue	-1,765	-1,492	18	-1,437	23	-3,257	-3,050	7
Derivatives	1,102	242		273		1,344	682	97
Eligible liabilities	-173	-36		-50		-209	-104	
Other	-1	-1	0	-1	0	-2	-9	-78
Total interest expense	**-6,662**	**-2,523**		**-1,668**		**-9,185**	**-3,476**	
Total net interest income	**5,496**	**5,905**	**-7**	**6,449**	**-15**	**11,401**	**12,943**	**-12**
Negative yield on financial assets	12	91	-87	108		103	181	
Interest expense on financial liabilities at amortised cost	7,762	2,761		1,941		10,523	4,152	

1) Presentation of the Income statement has been changed, see note 16.

Note 4 Net gains and losses on financial items

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021 Jul-Dec	%	2022 Full-year	2021 Full-year	%
Fair value through profit and loss								
Debt securities in issue	-15	29		4		14	10	40
Derivatives	8	17	-53	4	100	25	12	
Total fair value through profit and loss	**-7**	**46**		**8**		**39**	**22**	**77**
Hedge accounting								
Ineffective part in hedge accounting at fair value	100	45		-24		145	-50	
of which hedging instruments	-5,130	-16,613	-69	-2,708	89	-21,743	-6,103	
of which hedged items	5,230	16,658	-69	2,684	95	21,888	6,053	
Ineffective part in portfolio hedge accounting at fair value	15	-157		-83		-142	-61	
of which hedging instruments	1,774	16,698	-89	2,069	-14	18,472	3,461	
of which hedged items	-1,759	-16,855	-90	-2,152	-18	-18,614	-3,522	
Ineffective part in cash flow hedge	-42	16		-15		-26	-19	37
Total hedge accounting	**73**	**-96**		**-122**		**-23**	**-130**	**-82**
Derecognition gain or loss for financial liabilities at amortised cost	**351**	**226**	**55**	**-18**		**577**	**-35**	
Derecognition gain or loss for loans at amortised cost	**4**	**37**	**-89**	**79**	**-95**	**41**	**168**	**-76**
Change in exchange rates	**25**	**24**	**4**	**-34**		**49**	**-33**	
Total net gains and losses on financial items	**446**	**237**	**88**	**-87**		**683**	**-8**	

Note 5 Credit impairments

SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021 Jul-Dec	%	2022 Full-year	2021 Full-year	%
Loans at amortised cost								
Credit impairment provisions - stage 1	48	20		-9		68	-19	
Credit impairment provisions - stage 2	191	37		-1		228	-43	
Credit impairment provisions - stage 3	9	-2		0		7	-12	
Total	**248**	**55**		**-10**		**303**	**-74**	
Write-offs	4	3	33	5	-20	7	10	-30
Recoveries	-3	-4	-25	-3	0	-7	-11	-36
Total	**1**	**-1**		**2**	**-50**	**0**	**-1**	**-100**
Total - loans at amortised cost	**249**	**54**		**-8**		**303**	**-75**	
Total credit impairments	**249**	**54**		-8		**303**	**-75**	
Credit impairment ratio, %	**0.04**	**0.01**		**0.00**		**0.03**	**-0.01**	

Calculation of credit impairment provisions
The measurement of expected credit losses is described in Note 3a Credit risk on pages 24-26 of the 2021 Annual Report. There have been no significant changes during the year to the methodology.

Measurement of 12-month and lifetime expected credit losses
High inflation, energy prices and rising interest rates combined with geopolitical instability continue to weigh on private persons and companies, yielding high uncertainty regarding economic growth going forward. As the quantitative risk models do not yet reflect all potential deteriorations in credit quality, post-model adjustments to increase the credit impairment provisions continue to be deemed necessary.

The post-model expert credit adjustments increased to SEK 122m (SEK 57m as of 31 December 2021) and are allocated as SEK 44m in stage 1 and SEK 78m in stage 2. Customers and industries have been reviewed and analysed considering the current situation, particularly in more vulnerable sectors. The most significant post-model adjustments are in the Agricultural and Forestry and Property management sectors.

Determination of a significant increase in credit risk

The tables below show the quantitative thresholds used by Swedbank Mortgage for assessing a significant increase in credit risk, namely:

- changes in the 12-month 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. Internal risk ratings are assigned according to the risk management framework outlined in Note 3a Credit risk in the Annual Report for 2021.

- 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.

These limits reflect a lower sensitivity to change in the low-risk end of the risk scale and a higher sensitivity to change in the high-risk end of the scale. The Group has performed a sensitivity analysis on how credit impairment provisions would change if 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 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

			Impairment provision impact of			
Internal risk grade at initial recognition	12-month PD band at initial recognition, %	Threshold, rating downgrade[1,2,3]	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**
Sovereigns and financial institutions with low credit risk					0	0
Stage 3 financial instruments					145	0
Post-model expert credit adjustment[4]					39	
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 grade.

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

4) Represents post-model expert credit adjustments for stages 1 and 2.

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

		Impairment provision impact of			
Internal risk grade at initial recognition	Threshold, increase in lifetime PD[1], %	Increase in threshold by 100%, %	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**
Sovereigns and financial institutions with low credit risk				0	0
Stage 3 financial instruments				27	0
Post-model expert credit adjustment[2]				83	
Total				**361**	**51**

1) Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk grade.

2) Represents post-model expert credit adjustments for stages 1 and 2.

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

Internal risk grade at initial recognition	12-month PD band at initial recognition, %	Threshold, rating downgrade[1,2,3]	Impairment provision impact of: Increase in threshold by 1 grade, %	Impairment provision impact of: Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
18-21	<0,1	5 - 7 grades	-4.8	6.3	14	24
13-17	0,1 - 0,5	3 - 5 grades	-15.9	13.0	34	21
9-12	>0,5 - 2,0	1 - 2 grades	-18.9	23.8	49	6
6-8	>2,0 - 5,7	1 grade	-16.6	9.6	10	2
0-5	>5,7 - 99,9	1 grade	-10.1	0.0	3	0
			-15.7	**16.2**	**110**	**53**
		Sovereigns and financial institutions with low credit risk			0	0
		Stage 3 financial instruments			145	0
		Post-model expert credit adjustment[4]			29	
		Total			**284**	**53**

[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 grade.

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

[4] Represents post-model expert credit adjustments for stages 1 and 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 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
18-21	200-300	-13.6	29.3	11	28
13-17	100-200	-2.2	5.2	32	13
9-12	100	-0.3	3.1	38	5
6-8	50	-5.0	0.4	13	1
0-5	50	-0.6	2.7	1	0
		-3.1	**6.5**	**95**	**47**
	Sovereigns and financial institutions with low credit risk			0	0
	Stage 3 financial instruments			16	0
	Post-model expert credit adjustment[2]			28	
	Total			**139**	**47**

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

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

Incorporation of forward-looking macroeconomic scenarios

The Swedbank Economic Outlook was published on 25 October and would typically serve as the baseline scenario. The baseline scenario was updated to 8 December by Swedbank Macro Research, with an assigned probability weight of 66.6 per cent. Aligned with the updated baseline scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to the Group's monthly process. The table below sets out the key assumptions of the scenarios at 31 December 2022.

IFRS 9 scenarios

High interest rates and inflation weigh on real economic activities. The outlook for 2023 and 2024 have been revised down, not least for the European economies, where the energy crisis is hitting hard. Global GDP growth is expected to drop below 2% next year. The forecasts are surrounded by uncertainty, not least related to monetary and fiscal policy. The overall assessment is that risks are tilted slightly downwards.

In both the US and the euro area, inflation is expected to fall back markedly in 2023. This is partly due to base effects, but also to lower demand. Lower commodity prices, lower freight prices, and large inventories within the retail sector also suggest reduced price pressures ahead. The Fed and the ECB are expected to raise their policy rates further over the next few months, but then start easing at the end of 2023.

The Swedish economy is slowing markedly. It is expected that consumption will decline as households' purchasing power falls. The housing market is put under pressure, and it is expected that housing prices will have fallen about 20% from peak to bottom. The Riksbank continues to tighten monetary policy in the near term and then start cutting the policy rate in about a year.

31 Dec 2022			
		Credit impairment provisions	
Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
730	122	842	694

31 Dec 2021			
		Credit impairment provisions	
Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
423	57	448	415

Note 6 Swedish bank tax and resolution fees

SEKm	2022 Jul-Dec	2022 Jan-Jun	2021 Jul-Dec	2022 Full-year	2021 Full-year
Swedish bank tax	115	118		233	
Resolution fees	189	189	198	378	396
Total	**304**	**307**	**198**	**611**	**396**

Note 7 Loans

31 Dec 2022	Stage 1			Stage 2			Stage 3			
SEKm	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Total
Loans to the public at amortised cost										
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 credit institutions	**64,149**		**64,149**							**64,149**
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

31 Dec 2021	Stage 1			Stage 2			Stage 3			
SEKm	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Summa
Loans to the public at amortised cost										
Private customers	**949,191**	**12**	**949,179**	**22,935**	**50**	**22,885**	**671**	**139**	**532**	**972,596**
Private mortgage	865,410	11	865,399	21,939	47	21,892	671	139	532	887,823
Tenant owner associations	83,781	1	83,780	996	3	993	0	0	0	84,773
Corporate customers	**107,665**	**25**	**107,640**	**13,458**	**175**	**13,283**	**177**	**22**	**155**	**121,078**
Agriculture, forestry, fishing	42,755	2	42,753	4,665	35	4,630	83	13	70	47,453
Manufacturing	592	0	592	81	1	80				672
Public sector and utilities	1,577	0	1,577	290	17	273	7	1	6	1,856
Construction	2,284	0	2,284	425	5	420	4	0	4	2,708
Retail and wholesale	901	1	900	79	2	77	1	0	1	978
Transportation	344	0	344	49	1	48				392
Shipping and offshore	3	0	3							3
Hotels and restaurants	519	5	514	189	23	166				680
Information and communication	191	0	191	21	0	21				212
Finance and insurance	466	0	466	137	1	136	0	0	0	602
Property management, including	54,825	16	54,809	7,038	82	6,956	79	8	71	61,836
Residential properties	39,064	10	39,054	4,958	59	4,899	53	5	48	44,001
Commercial	8,720	2	8,718	1,407	14	1,393	24	2	22	10,133
Industrial and Warehouse	750	1	749	146	2	144				893
Other	6,291	3	6,288	527	7	520	2	1	1	6,809
Professional services	1,882	0	1,882	302	3	299	0	0	0	2,181
Other corporate lending	1,326	1	1,325	182	5	177	3	0	3	1,505
Loans to the public	**1,056,856**	**37**	**1,056,819**	**36,393**	**225**	**36,168**	**848**	**161**	**687**	**1,093,674**
Loans to credit institutions	**30,178**		**30,178**							**30,178**
Loans to the public and credit institutions	**1,087,034**	**37**	**1,086,997**	**36,393**	**225**	**36,168**	**848**	**161**	**687**	**1,123,852**
Share of loans, %	96.68			3.24			0.08			100
Credit impairment provision ratio, %	0.00			0.62			18.99			0.04

Note 8 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

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

Loans to the public and credit institutions				
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 and derecognised financial assets, net	9	-50	-52	-93
Changes in risk factors (EADF, PD, LGD)	17	-29	27	15
Changes in macroeconomic scenarios	38	104	8	150
Changes to models	-2	6	1	5
Post-model expert credit adjustments	29	36	0	65
Individual assessments	0	0	0	0
Stage transfers	-23	161	27	165
from 1 to 2	-27	216	0	189
from 1 to 3	0	0	31	31
from 2 to 1	4	-51	0	-47
from 2 to 3	0	-12	41	29
from 3 to 2	0	8	-27	-19
from 3 to 1	0	0	-18	-18
Other	0	0	-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**

Loans to the public and credit institutions

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2021	**1,120,249**	**39,372**	**882**	**1,160,503**
Closing balance as of 31 December 2021	**1,087,034**	**36,393**	**848**	**1,124,275**
Credit impairment provisions				
Opening balance as of 1 January 2021	**56**	**268**	**169**	**493**
Movements affecting credit impairments				
New and derecognised financial assets, net	2	-23	-37	-58
Changes in risk factors (EADF, PD, LGD)	1	-44	13	-30
Changes in macroeconomic scenarios	-11	-14	0	-25
Post-model expert credit adjustments	-6	19	0	13
Individual assessments			2	2
Stage transfers	-5	19	14	28
from 1 to 2	-6	62		56
from 1 to 3	0		6	6
from 2 to 1	1	-41		-40
from 2 to 3		-4	18	14
from 3 to 2		2	-7	-5
from 3 to 1	0		-3	-3
Other			-4	-4
Total movements affecting credit impairments	**-19**	**-43**	**-12**	**-74**
Movements recognised outside credit impairments				
Interest			4	4
Closing balance as of 31 December 2021	**37**	**225**	**161**	**423**
Carrying amount				
Opening balance as of 1 January 2021	**1,120,193**	**39,104**	**713**	**1,160,010**
Closing balance as of 31 December 2021	**1,086,997**	**36,168**	**687**	**1,123,852**

Note 9 Derivatives

	2022			**2021**		
	31 Dec			**31 Dec**		
SEKm	**Interest**	**Currency**	**Total**	**Interest**	**Currency**	**Total**
Derivatives with positive book value	21,028	10,712	31,740	9,439	4,412	13,851
of which in hedge accounting	21,023	8,781	29,804	9,349	3,949	13,298
Derivatives with negative book value	16,154	1,145	17,299	1,552	1,688	3,240
of which in hedge accounting	16,094		16,094	1,552	1,395	2,947
Nominal amount	**747,910**	**148,264**	**896,174**	**862,880**	**137,809**	**1,000,689**

Note 10 Debt securities in issue and subordinated liabilities

SEKm	2022 31 Dec	2022 30 Jun	%	2021 31 Dec	%
Bond loans	338,459	398,371	-15	462,081	-27
Change in value due to hedge accounting at fair value	16,263	10,921	49	5,682	
Total	**354,722**	**409,292**	**-13**	**467,763**	**-24**

Turnover during the period SEKm	2022 Jul-Dec	2022 Jan-Jun	%	2021 Jul-Dec	%	2022 Full-year	2021 Full-year	%
Opening balance	**409,292**	**467,763**	**-13**	**486,110**	**-16**	**467,763**	**501,413**	**-7**
Issued	10,174	76,585	-87	78,795	-87	86,759	111,876	-22
Repurchased	-35,928	-18,084	99	-45,497	-21	-54,012	-60,521	-11
Repaid	-28,908	-107,455	-73	-51,816	-44	-136,363	-85,042	60
Interest	1,766	1,492	18	1,437	23	3,258	3,050	7
Change in market values or in hedged item in hedge accounting at fair value	-5,588	-16,902	-67	-2,670		-22,490	-6,030	
Changes in exchange rates	3,914	5,893	-34	1,404		9,807	3,017	
Closing balance	**354,722**	**409,292**	**-13**	**467,763**	**-24**	**354,722**	**467,763**	**-24**

Note 11 Valuation categories of financial instruments

Financial assets	31 Dec 2022				
		Fair value through profit or loss			
		Mandatorily			
Carrying Amount in SEKm	Amortised cost	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	31 Dec 2022						
		Fair value through profit or loss					
Carrying Amount in SEKm	Amortised cost	Trading	Designated	Total	Hedging instruments	Total	Fair value
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 in issue designated at fair value through profit or loss was SEK 111m.

Financial assets	31 Dec 2021				
		Fair value through profit or loss			
		Mandatorily			
Carrying Amount in SEKm	Amortised cost	Trading	Hedging instruments	Total	Fair value
Loans to credit institutions	30,178			30,178	30,178
Loans to the public	1,093,674			1,093,674	1,093,431
Value change of interest hedged items in portfolio hedge	-1,755			-1,755	-1,755
Derivatives		553	13,298	13,851	13,851
Other financial assets	80			80	80
Total	**1,122,177**	**553**	**13,298**	**1,136,028**	**1,135,785**

Financial liabilities	31 Dec 2021						
		Fair value through profit or loss					
Carrying Amount in SEKm	Amortised cost	Trading	Designated	Total	Hedging instruments	Total	Fair value
Amounts owed to credit institutions	590,715					590,715	591,459
Debt securites in issue [1)]	467,626		137	137		467,763	469,563
Derivatives		293		293	2,947	3,240	3,240
Other financial liabilities	12,587					12,587	12,587
Eligible liabilities	15,005					15,005	15,147
Total	**1,085,933**	**293**	**137**	**430**	**2,947**	**1,089,310**	**1,091,996**

[1)] Nominal amount of debt securities in issue designated at fair value through profit or loss was SEK 102m.

Note 12 Financial instruments at fair value

31 Dec 2022 **SEKm**	Instruments with quoted market prices in an active market **(Level 1)**	Valuation techniques using observable market data **(Level 2)**	Valuation techniques using non-observable market data **(Level 3)**	**Total**
Assets				
Derivatives		31,740		31,740
Total		**31,740**		**31,740**
Liabilities				
Debt securities in issue		122		122
Derivatives		17,299		17,299
Total		**17,421**		**17,421**

The table above contains financial instruments measured at fair value by valuation level. 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. Market activity is 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.

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 valuation levels 1 and 2 during the period.

31 Dec 2021 **SEKm**	Instruments with quoted market prices in an active market **(Level 1)**	Valuation techniques using observable market data **(Level 2)**	Valuation techniques using non-observable market data **(Level 3)**	**Total**
Assets				
Derivatives		13,851		13,851
Total		**13,851**		**13,851**
Liabilities				
Debt securities in issue		137		137
Derivatives		3,240		3,240
Total		**3,377**		**3,377**

Note 13 Assets pledged, contingent liabilities and commitments

SEKm	2022 31 Dec	2022 30 Jun	%	2021 31 Dec	%
Loans, used as collateral for covered bonds[1)]	381,513	438,733	-13	472,864	-19
Commitments[2)]	7,190	12,932	-44	8,516	-16
Pledged assets and contingent liabilities	**388,703**	**451,665**	**-14**	**481,380**	**-19**

[1)] Consist of collateral for covered bonds. Liabilities for covered bonds are reported as Debt securities in issue or, when sold in a repurchase transaction, as Amounts owed to credit institution. Collateral refers to customers' nominal debt including accrued interest.

[2)] Binding offers are included in accordence with the new mortgage directive and fair value option loans are excluded in accordence with IFRS 9.

Note 14 Related parties

The table specifies transactions with other companies in the Swedbank Group.

SEKm	2022 31 Dec	2022 30 Jun	2021 31 Dec
Group receivables			
Loans to credit institutions	64,149	78,873	30,178
Derivatives	31,740	27,957	13,851
Other assets	61	43	59
Total	**95,950**	**106,873**	**44,088**
Group payables			
Amounts owed to credit institutions	746,078	708,848	590,715
Debt securities in issue	11,436	41,999	30,774
Derivatives	17,299	12,361	3,240
Other liabilities	9,855	5,650	12,495
Eligible liabilities	15,068	15,008	15,005
Total	**799,736**	**783,866**	**652,229**
Income statement			
Interest income	481	104	80
Interest expense	-5,843	-935	-252
Other expenses	-8	-4	-7
Total	**-5,370**	**-835**	**-179**

Note 15 Capital Adequacy

Capital adequacy analysis

Capital adequacy regulations determine how much capital, designated as the own funds, a credit institution must have in relation to its risk weighted assets. For Swedbank Mortgage the capital adequacy rules according to CRR mean that the minimum capital requirement for credit risks is based, with the approval of the SFSA, on an internal risk measurement using the IRB approach established by Swedbank. For a small share of the assets the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated, with the approval of the SFSA, using the standardised approach.

Swedbank Mortgage also establishes and documents its own methods and processes for evaluating the company's capital requirements. The capital requirement is evaluated systematically on the basis of the total level of risks to which Swedbank Mortgage is exposed. All risks are taken into account, including those not included in the calculation of capital adequacy.

The note contains the information made public according to SFSA Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No 575/2013 of the European Parliament and the Council on supervisory requirements for credit institutions as well as Implementing Regulation (EU) No 1423/2013 of the European Commission can be found in the Swedbank group´s report on Swedbank's website:
https://www.swedbank.com/investor-relations/reports-and-presentations/risk-reports.html

SEKm	2022 31 Dec	2022 30 Sep	2022 30 Jun	2022 31 Mar	2021 31 Dec
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	47,447	47,268	46,498	46,470	46,092
Tier 1 capital	47,447	47,268	46,498	46,470	46,092
Total capital	47,675	47,403	46,562	46,520	46,099
Risk-weighted exposure amounts					
Total risk exposure amount	288,013	288,451	288,236	288,120	288,297
Capital ratios as a percentage of risk-weighted exposure amount					
Common Equity Tier 1 ratio	16.5	16.4	16.1	16.1	16.0
Tier 1 ratio	16.5	16.4	16.1	16.1	16.0
Total capital ratio	16.6	16.4	16.2	16.1	16.0
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	1.3	1.3	1.0	1.0	1.0
of which: to be made up of CET1 capital	0.8	0.8	0.7	0.7	0.7
of which: to be made up of Tier 1 capital	1.0	1.0	0.8	0.8	0.8
Total SREP own funds requirements	9.3	9.3	9.0	9.0	9.0
Combined buffer and overall capital requirement as a percentage of risk-weighted exposure amount					
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
Institution specific countercyclical capital buffer	1.0	1.0	0.0	0.0	0.0
Systemic risk buffer	0.0	0.0	0.0	0.0	0.0
Global Systemically Important Institution buffer					
Other Systemically Important Institution buffer					
Combined buffer requirement	3.5	3.5	2.5	2.5	2.5
Overall capital requirements	12.8	12.8	11.5	11.5	11.5
CET1 available after meeting the total SREP own funds requirements	7.2	7.1	7.1	7.1	7.0
Leverage ratio					
Total exposure measure	1,099,186	1,099,798	1,096,689	1,096,457	1,097,200
Leverage ratio, %	4.3	4.3	4.2	4.2	4.2
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	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement as a percentage of total exposure measure					
Leverage ratio buffer requirement					
Overall leverage ratio requirement	3.0	3.0	3.0	3.0	3.0

Common Equity Tier 1 Capital, SEKm	2022 31 Dec	2021 31 Dec
Shareholders' equity according to the balance sheet	47,707	46,192
Value changes in own financial liabilities	-127	-69
Cash flow hedges	-110	-12
Additional valuation adjustments	-23	-19
Total Common Equity Tier 1 capital	**47,447**	**46,092**

Risk exposure amount, SEKm	2022 31 Dec	2021 31 Dec
Risk exposure amount credit risks, IRB	37,888	38,494
Risk exposure amount operational risks	18,183	18,600
Additional risk exposure amount, Article 458 CRR	231,942	231,203
Total risk exposure amount	**288,013**	**288,297**

	SEKm		Per cent	
Capital requirements[1)] **SEKm / per cent**	**2022** **31 Dec**	**2021** **31 Dec**	**2022** **31 Dec**	**2021** **31 Dec**
Capital requirement Pillar 1	33,123	30,271	11.5	10.5
of which Buffer requirements [2)]	10,082	7,207	3.5	2.5
Total capital requirement Pillar 2 [3)]	3,831	2,998	1.3	1.0
Total capital requirement including Pillar 2 guidance	**36,954**	**33,269**	**12.8**	**11.5**
Own funds	**47,675**	**46,099**		

[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 2021.

	SEKm		Per cent	
Leverage ratio requirements[1)] **SEKm / per cent**	**2022** **31 Dec**	**2021** **31 Dec**	**2022** **31 Dec**	**2021** **31 Dec**
Leverage ratio requirement Pillar 1	32,976	32,916	3.0	3.0
Total leverage ratio requirement including Pillar 2 guidance	**32,976**	**32,916**	**3.0**	**3.0**

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

Note 16 Changed presentation regarding resolution fees

Income statement

SEKm	Jul-Dec 2021 Previous reporting	Jul-Dec 2021 Change	Jul-Dec 2021 New reporting	Full-year 2021 Previous reporting	Full-year 2021 Change	Full-year 2021 New reporting
Interest income on financial assets measured at amortised cost	8,117		8,117	16,419		16,419
Other interest income						
Interest income	**8,117**		**8,117**	**16,419**		**16,419**
Interest expense	-1,866	198	-1,668	-3,872	396	-3,476
Net interest income (note 3)	**6,251**	**198**	**6,449**	**12,547**	**396**	**12,943**
Commission income	21		21	43		43
Commission expenses	-25		-25	-39		-39
Net commissions	**-4**		**-4**	**4**		**4**
Net gains and losses on financial items (note 4)	-87		-87	-8		-8
Other income	1		1	3		3
Total income	**6,161**	**198**	**6,359**	**12,546**	**396**	**12,942**
Total general administrative expenses	**139**		**139**	**277**		**277**
Profit before impairments, Swedish bank tax and resolution fees	**6,022**	**198**	**6,220**	**12,269**	**396**	**12,665**
Credit impairments (note 5)	-8		-8	-75	0	-75
Swedish bank tax and resolution fees (note 6)		198	198		396	396
Operating profit	**6,030**		**6,030**	**12,344**		**12,344**
Appropriations						
Tax	1,242		1,242	2,543		2,543
Profit for the period	**4,788**		**4,788**	**9,801**		**9,801**

Net interest income

SEKm	Jul-Dec 2021 Previous reporting	Jul-Dec 2021 Change	Jul-Dec 2021 New reporting	Full-year 2021 Previous reporting	Full-year 2021 Change	Full-year 2021 New reporting
Interest income						
Loans to credit institutions	7		7	45		45
Loans to the public	8,110		8,110	16,374		16,374
Total interest income	**8,117**		**8,117**	**16,419**		**16,419**
Interest expense						
Amounts owed to credit institutions	-453		-453	-995		-995
Debt securities in issue	-1,437		-1,437	-3,050		-3,050
Derivatives	273		273	682		682
Eligible liabilities	-50		-50	-104		-104
Other	-199	198	-1	-405	396	-9
of which resolution	-198	198		-396	396	
Total interest expense	**-1,866**	**198**	**-1,668**	**-3,872**	**396**	**-3,476**
Total net interest income	**6,251**	**198**	**6,449**	**12,547**	**396**	**12,943**
Negative yield on financial assets	108		108	181		181
Interest expense on financial liabilities at amortised cost	2,139	-198	1,941	4,547	-396	4,151

Alternative performance measures

The interim report includes several alternative performance measures, which provide more comparative information between the reporting 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.

Measure	Definition
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.
Credit impairment provision ratio Stage 1 loans	Credit impairment provisions Stage 1 in relation to the gross carrying amount Stage 1 loans
Credit impairment provision ratio Stage 2 loans	Credit impairment provisions Stage 2 in relation to the gross carrying amount Stage 2 loans
Credit impairment provision ratio Stage 3 loans	Credit impairment provisions Stage 3 in relation to the gross carrying amount Stage 3 loans
Equity per share	Shareholders equity in relation to the number of shares outstanding.
Investment margin	Net interest margin is calculated as Net interest income in relation to average total assets. The average is calculated using month-end figures, including the prior year end.
Return on equity	Profit for the period allocated to shareholders in relation to average equity attributable to shareholders. The average is calculated using month-end figures.
Share of stage 1 loans, gross	Carrying amount of Stage 1 loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.
Share of stage 2 loans, gross	Carrying amount of Stage 2 loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.
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 credit impairment provision ratio	Credit impairment provisions in relation to the gross carrying amount loans

Signatures of the Board of Directors and the President

The Board of Directors and the CEO certify that the interim report for 2022 provides a fair and accurate overview of the operations, financial position and the results of the Company and that it describes the significant risks and uncertainties faced by the Company.

Stockholm 30 January 2023

Johan Smedman
Chairman

Urban Alsholm
CEO

Mattias Persson

Jennifer Barck

Elizabet Jönsson

Nina Larsson

Thomas Åhman

Mats Lindgren

Auditor’s report

Introduction

We have reviewed the interim report of Swedbank Hypotek AB (publ) as of 31 December 2022 and the year then ended. The board of directors and the CEO is responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 30 January 2023

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

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