Interim report 2021

Swedbank Mortgage AB, 2 February 2022

Swedbank

Interim report for second half of 2021

July-December 2021 compared with January-June 2021

- Strong volume development for mortgages
- Lower net gains and losses
- Good credit quality with continued very low loss levels
- Solid capital position

Financial information

SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Net interest income	6 251	6 296	-1	5 999	4	12 547	11 695	7
Net commissions	-4	8		8		4	17	-76
Net gains and losses on financial items	-87	79		96		-8	16	
Other income	1	2	-50	2	-50	3	4	-25
Total income	**6 161**	**6 385**	**-4**	**6 105**	**1**	**12 546**	**11 732**	**7**
Total general administrative expenses	**139**	**138**	**1**	**138**	**1**	**277**	**276**	**0**
Profit before impairments	**6 022**	**6 247**	**-4**	**5 967**	**1**	**12 269**	**11 456**	**7**
Credit impairments, net	-8	-67		-111		-75	-32	
Operating profit	**6 030**	**6 314**	**-4**	**6 078**	**-1**	**12 344**	**11 488**	**7**
Tax	1 242	1 301	-5	1 302	-5	2 543	2 459	3
Profit for the period	**4 788**	**5 013**	**-4**	**4 776**	**0**	**9 801**	**9 029**	**9**

Business performance

	2021 31 Dec	2021 30 Jun	2020 31 Dec	2020 30 Jun	2019 31 Dec	2019 30 Jun	2018 31 Dec
Lending to the public, SEKbn	1 094	1 068	1 054	1 041	1 029	1 022	1 009
- Private	973	948	931	918	906	898	887
of which private, mortgage	888	862	844	828	813	803	792
- Corporate	121	120	123	123	123	124	122
Number of customers, thousand	1 074	1 078	1 085	1 092	1 098	1 111	1 122
Private lending							
Market share mortgages % [1)]	23	23	23	23	24	24	24
Market share of net growth, full and half year % [1)]	17	15	15	15	12	13	22
Volume growth market, ∆ 12-months % [1)]	7	6	6	6	5	5	6
Volume growth Swedbank Mortgage, ∆ 12-months % [1)]	5	4	4	3	3	4	5
LTV total portfolio %	51	52	54	56	55	57	55
LTV new mortgages, current year	69	69	70	70	70	70	68
Share of total portfolio which amortises %	74	69	68	67	72	71	70
Share of portfolio which amortises, new mortgages, current year %	89	86	82	82	89	89	88
Funding							
Issued in last six months							
Swedish market, SEKbn	51	23	6	34	24	77	18
Outside Sweden, SEKbn	28	10		29	6	24	4
Average maturity of outstanding issued covered bonds, months	31	31	35	41	37	42	43

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

Financial overview and key ratios

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SEKm	2021 31 Dec	2021 30 Jun	2020 31 Dec	2020 30 Jun	2019 31 Dec
Profit					
Investment margin, %	1.09	1.09	1.01	1.00	1.19
Average total assets	1 154 097	1 154 803	1 162 381	1 141 063	1 088 855
Return on equity, %	20.9	21.4	19.3	18.2	21.2
Average equity	46 898	46 807	46 875	46 823	47 002
Earnings per share, SEK	426.1	218.0	392.6	184.9	432.7
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2 008	2 002	2 005	2 009	2 007
Credit quality					
Loans to the public	1 093 674	1 067 802	1 053 802	1 041 292	1 028 746
Loans to credit institutions	30 178	100 792	106 208	88 278	89 159
Credit impairments, net	-75	-67	-32	79	-24
Credit impairment ratio, %	-0.01	-0.01	0.00	0.01	0.00
Total provisions	423	430	493	604	527
Share of Stage 3 loans, gross %	0.08	0.07	0.08	0.08	0.08
Total credit impairment provision ratio, %	0.04	0.04	0.04	0.05	0.05

For more information on definitions and calculation of key ratios, please see page 30 and the 2020 Annual Report, page 59.

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.

Market

The economic recovery during the year has been broad-based. The spread of Covid in Europe has risen to the highest levels during the pandemic and several countries have reintroduced restrictions. Sweden has also introduced new restrictions to slow the spread and reduce the impact on society. While we expect the economic impact of Omicron to be fairly brief, the reintroduced restrictions will mean that it will take time before spending on services fully recovers.

The decline that followed the pandemic's outbreak has been recouped. In addition to the effects of new variants, global supply constraints and shortages of qualified manpower have continued to slow production.

The financial markets were also affected by the new variant and stocks have declined somewhat on a global basis. The capital markets recovered at the end of the year, however, before closing at or near yearly highs. The krona weakened slightly against the U.S. dollar and euro.

Several central banks have signalled that tighter monetary policy is imminent to prevent the currently high inflation rate from taking hold. Swedbank expect the Riksbank to begin reducing its asset purchases around the mid-year and raise the repo rate twice in 2023, which is earlier than it has announced.

Inflation in November was over 4 per cent on an annual basis, but since wages have not risen at the same pace, Swedish households saw their purchasing power decline last autumn.

House prices in Sweden rose by 11 per cent in the half year compared with the same half year in 2020, a significantly slower pace than earlier in the year. On a full-year basis, house prices were up nearly 15 per cent. In 2022, we expect prices to continue to rise by approximately 5 per cent, since borrowers should still be in good financial situation and mortgage rates are expected to increase at a fairly slow rate. Together with the continued high turnover in the housing market, this suggests a further increase in credit growth.

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 30.

The company’s development

Result second half of 2021 compared with first half of 2021

Swedbank Mortgage reported profit of SEK 4 788m in the second half of 2021, compared with SEK 5 013m in the previous half-year. The decrease is mainly due to lower net gains and losses and lower gains on credit impairments.

Net interest income decreased to SEK 6 251 (6 296). The main reason was lower margins on fixed interest mortgage loans.

Net gains and losses on financial items decreased to SEK -87m (79), in part due to increased portfolio hedge ineffectiveness.

Expenses were unchanged at SEK 139m (138).

Credit impairments amounted to a gain of SEK 8m (gain of SEK 67) due to lower provisions within mortgage lending to property management. As there is a risk that credit quality may start to deteriorate due to Covid-19 and that the quantitative risk models may not appropriately incorporate this, post-model adjustments to the credit impairment provisions were deemed necessary resulting in higher provisions in the hotels and restaurants segment.

The tax expense amounted to SEK 1 242m (1 301), corresponding to an effective tax rate of 20.6 per cent (20.6).

Result second half of 2021 compared with second half of 2020

Swedbank Mortgage reported profit of SEK 4 788m for the second half of 2021, compared with SEK 4 776m in the second half of 2020. The increase is mainly due to higher net interest income.

Net interest income increased to SEK 6 251m (5 999). The main reason was that decreased funding expenses due to lower short-term market interest rates and higher lending volumes.

Net gains and losses on financial items decreased to SEK -87m (96), in part due to increased portfolio hedge ineffectiveness.

Expenses were stable at SEK 139m (138).

Credit impairments amounted to a gain of SEK 8m (gain of 111). The main reason was lower provisions within mortgage lending to property management. The gains in second half of 2020 were connected to macroeconomic scenarios that had a positive impact. As there is a risk that credit quality may start to deteriorate due to Covid-19 and that the quantitative risk models may not appropriately incorporate this, post-model adjustments to the credit impairment provisions were deemed necessary resulting in higher provisions in the hotels and restaurants segment.

The tax expense amounted to SEK 1 242 (1 302), corresponding to an effective tax rate of 20.6 per cent (21.4).

Lending

Total loans to the public increased by SEK 26bn in the second half of 2021, to SEK 1 094bn as of 31 December 2021 (SEK 1 068bn as of 30 June 2021). Compared with 31 December 2020, the increase was SEK 40bn, corresponding to an annual growth rate of 4 per cent.

Lending to general public, SEKbn	2021 31 Dec	2021 30 Jun	2020 31 Dec
Private customers	973	948	931
Private, mortgage	888	862	844
Tenant owner associations	85	86	87
Corporate customers	121	120	123
Agricultural, forestry, fishing	47	48	48
Property management	62	60	62
Other corporate lending	12	12	13
Total	**1 094**	**1 068**	**1 054**

The large part of the increase in the second half of 2021 was due to higher private mortgage volumes. Mortgage lending to the private segment increased in total by SEK 26bn compared with 30 June 2021, to SEK 888bn (862). The total market share was 23 per cent (23) as of 30 November. Lending to tenant-owner associations fell by SEK 1bn, to SEK 85bn (86).

Corporate lending of SEK 121bn (120) increased by SEK 1bn mainly within property management.

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, outstanding funding through covered bonds amounted to SEK 468bn (486bn) while intragroup funding from Swedbank AB amounted to SEK 591bn (625bn).

Demand for Swedbank Mortgage’s bonds has been good at the same time that the funding need has been low given the deposit growth within the Group. Swedbank Mortgage issued SEK 79bn (33 first half of 2021) in covered bonds in the second half of 2021. Maturities in the second half of 2021 were nominally SEK 52bn (33 first half of 2021).

Amounts owed to credit institutions and issued debt, SEKbn	2021 31 Dec	2021 30 Jun	2020 31 Dec
Amounts owed to credit institutions	591	625	600
Debt securities in issue	468	486	501
Eligible liabilities	15	15	15
Total	**1 074**	**1 126**	**1 116**

Funding needs and consequent 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 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 the second half of 2021, SEK 45bn (15 first half of 2021) was repurchased. The average maturity of all outstanding covered bonds was 31 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 2021. Swedbank Mortgage's total capital ratio was 16.0 per cent as of 31st of December 2021 (16.2 per cent as of 30th of June 2021), to be compared with the capital requirement of 11.5 per cent.

Total own funds was unchanged during the second half of the year and amounted to SEK 46.1bn (46.1). REA increased by SEK 4.7bn to SEK 288.3bn (283.6). The increase was mainly due to credit risk REA including article 458, which increased REA by SEK 5.0bn. The increase was partially offset by a decrease in REA due to operational risk which decreased by SEK 0.3bn during the second half of the year. The capital adequacy is further disclosed in note 13.

Swedbank Mortgage's leverage ratio as of 31st of December 2021 was 4.2 per cent (4.3).

Future capital regulations

In the fourth quarter 2018, the Swedish FSA published a memorandum explaining its view of the European Banking Authority's (EBA) updated guidelines on banks' internal risk rating based models. In the memorandum the Swedish FSA states that Swedish banks must adjust their internal rating based models to ensure that they continue to live up to the new requirements. The bank has submitted its updated internal risk classification models to the Swedish FSA for evaluation and is awaiting a response. The implementation is expected to decrease Swedbank Mortgage's risk-weighted assets.

In the third quarter 2021, an amended Resolution Act took effect. The amendments are based on the EU's Bank Recovery and Resolution Directive (BRRD II), which among other things contains provisions on the minimum requirement for own funds and eligible liabilities (MREL). Due to the amended law, the Swedish National Debt Office decided how MREL will be applied as of 1 January 2022. The phase-in will be completed by 1 January 2024.

In the third quarter 2021, the Swedish FSA announced that it is raising the countercyclical buffer rate to 1 per cent of REA. The requirement enters into force in the third quarter 2022. As a result of the pandemic, the countercyclical buffer in Sweden was lowered from 2.5 per cent to 0 per cent.

In the fourth quarter 2021, the EU Commission published its finalised Basel III proposal, also called Basel IV. The proposal contains actions to strengthen the comparability of risk-weighted capital ratios between banks in different countries and thereby reduce unjustified differences. The actions include revisions to the standardised approaches and internal models used to calculate the capital requirements for credit risk. A capital requirement floor was introduced for internal models where the risk-weighted assets may not fall below 72.5 per cent of the amount calculated using the standardised approach. The proposal also contains temporary exemptions beyond those previously proposed by the Basel Committee. The EU Commission's proposed changes would be gradually introduced in the period 2025 – 2030. The temporary exemptions would apply through 2032. In the next stage the proposal will be negotiated by the European Council and the EU Parliament. The impact of the proposal is currently hard to assess.

Risks

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

Credit and asset quality

Swedbank's credit quality remained good during 2021. The visible economic impact from Covid-19 remained small for the majority of Swedbank's lending and credit quality in the bank's large mortgage portfolio continued to be stable. Government support mainly targeted at the hardest hit sectors has dampened the effects of Covid-19 and kept the number of customers with payment problems at low levels. Despite the pandemic, Swedbank Mortgage's credit impairments and impaired loans remain at very low levels.

House prices and the number of transactions in Sweden reached new highs in the first half of 2021 but the pace has stabilized during the second half of 2021. The mortgage portfolio is of high quality, and historical credit impairments remain very low. In the lending process, customers' long-term solvency is critical in order to ensure high quality and low risk. In addition, the measures taken by authorities have strengthened social welfare systems, such as health and unemployment insurance, mitigating the negative effects of COVID-19 at the household level. Despite the ongoing pandemic underlying macroeconomic fundamentals such as unemployment and GDP growth has been strong during the year, supporting the low levels of loan losses.

The average loan-to-value ratio for private lending was 51 per cent (52), based on property level. For new lending in the half-year the loan-to-value ratio was 69 per cent (69).

For more information on asset quality, see the fact book for the Swedbank Group as well as Swedbank Mortgage's Pillar 3 report.

Operational risks

During 2021, 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	Stable	A+	Stable
Short-term funding	P-1	N/A	A-1	N/A

Other events

At an Extraordinary General Meeting on December 22, Johan Smedman was elected new Chairman of the Board of Swedbank Hypotek AB.

Events after 31 December 2021

Due to Magdalena Frostling's change of position within Swedbank Group the Board of Directors has at an Extraordinary General Meeting appointed Urban Alsholm to acting CEO of Swedbank Hypotek AB. Urban Alsholm will assume the position on 1 March 2022.

Income statement, condensed

SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Interest income on financial assets measured at amortised cost	8 117	8 302	-2	8 697	-7	16 419	17 545	-6
Interest income	**8 117**	**8 302**	**-2**	**8 697**	**-7**	**16 419**	**17 545**	**-6**
Interest expense	-1 866	-2 006	-7	-2 698	-31	-3 872	-5 850	-34
Net interest income (note 3)	**6 251**	**6 296**	**-1**	**5 999**	**4**	**12 547**	**11 695**	**7**
Commission income	21	22	-5	23	-9	43	49	-12
Commission expenses	-25	-14	79	-15	67	-39	-32	22
Net commissions	**-4**	**8**		**8**		**4**	**17**	**-76**
Net gains and losses on financial items (note 4)	-87	79		96		-8	16	
Other income	1	2	-50	2	-50	3	4	-25
Total income	**6 161**	**6 385**	**-4**	**6 105**	**1**	**12 546**	**11 732**	**7**
Total general administrative expenses	**139**	**138**	**1**	**138**	**1**	**277**	**276**	**0**
Profit before impairments	**6 022**	**6 247**	**-4**	**5 967**	**1**	**12 269**	**11 456**	**7**
Credit impairments (note 5)	-8	-67		-111		-75	-32	
Operating profit	**6 030**	**6 314**	**-4**	**6 078**	**-1**	**12 344**	**11 488**	**7**
Tax	1 242	1 301	-5	1 302	-5	2 543	2 459	3
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Statement of comprehensive income, condensed

SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Profit for the period reported via income statement	**4 788**	**5 013**	**-4**	**4 776**	**0**	**9 801**	**9 029**	**9**
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains and losses arising during the period	1 062	-1 514		-6 730		-452	-8 305	-95
Reclassification adjustments to income statement, net gains and losses	-1 040	1 510		6 707		470	8 258	-94
Foreign currency basis risk:								
Gains/losses arising during the period	100	-59		-139		41	-78	
Tax relating to components of other comprehensive income	-25	13		30		-12	22	
Total comprehensive income attributable to shareholders of Swedbank Mortgage AB	**4 885**	**4 963**	**-2**	**4 644**	**5**	**9 848**	**8 926**	**10**

Balance sheet, condensed

SEKm	2021 31 Dec	2021 30 Jun	Δ SEKm	%	2020 31 Dec	%
Assets						
Loans to credit institutions (note 6)	30 178	100 792	-70 614	-70	106 208	-72
Loans to the public (note 6)	1 093 674	1 067 802	25 872	2	1 053 802	4
Value change of interest hedged items in portfolio hedge	-1 755	397	-2 152		1 767	
Derivatives (note 8)	13 851	14 326	-475	-3	19 033	-27
Deferred tax assets	138	163	-25	-15	150	-8
Other assets	80	1 183	-1 103	-93	75	7
Prepaid expenses and accrued income		216	-216	-100		
Total assets	**1 136 166**	**1 184 879**	**-48 713**	**-4**	**1 181 035**	**-4**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	590 715	625 374	-34 659	-6	599 745	-2
Debt securities in issue (note 9)	467 763	486 110	-18 347	-4	501 413	-7
Derivatives (note 8)	3 240	5 007	-1 767	-35	6 630	-51
Current tax liabilities	11	6	5	83	22	-50
Other liabilities	12 587	6 601	5 986	91	11 484	10
Accrued expenses and prepaid income	653	720	-67	-9	631	3
Eligible liabilities	15 005	15 005	0	0	15 005	0
Total liabilities	**1 089 974**	**1 138 823**	**-48 849**	**-4**	**1 134 930**	**-4**
Equity	46 192	46 056	136	0	46 105	0
Total liabilities and equity	**1 136 166**	**1 184 879**	**-48 713**	**-4**	**1 181 035**	**-4**

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 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
Opening balance 1 January 2020	**11 500**	**3 100**	**34**	**-510**	**32 045**	**46 169**
Group contributions paid					-11 438	-11 438
Tax on group distributions paid					2 448	2 448
Total comprehensive income for the year			-37	-66	9 029	8 926
Closing balance 31 December 2020	**11 500**	**3 100**	**-3**	**-576**	**32 084**	**46 105**
of which, conditional shareholders' contributions					2 400	2 400

Cash flow statement, condensed

SEKm	2021 Full-year	2020 Full-year
Operating activities		
Operating profit	12 344	11 488
Adjustments for non-cash items in operating activities	2 377	10 058
Taxes paid [1)]	-26	-15
Increase (-) /decrease (+) in loans to the public	-39 886	-25 107
Increase (-) /decrease (+) in other assets	4	-1
Increase (+) /decrease (-) in amounts owed to credit institutions	-9 015	128 121
Increase (+) /decrease (-) of issued interest-bearing securities	-30 442	-89 637
Increase (+) /decrease (-) in other liabilities	52	-246
Cash flow from operating activities	**-64 592**	**34 661**
Financing activities		
Issuance of eligible liabitities	10 000	5 000
Redemption of eligible liabilites	-10 000	-10 000
Group contributions paid	-11 438	-12 612
Cash flow from financing activities	**-11 438**	**-17 612**
Cash flow for the period	**-76 030**	**17 049**
Cash and cash equivalents at the beginning of the period	**106 208**	**89 159**
Cash flow for the period	-76 030	17 049
Cash and cash equivalents at end of the period	**30 178**	**106 208**

[1)] Including also the tax effect of the Group contribution, amounting to SEK 2532m.

Notes

The interim report has been prepared on a going concern basis.
On 1 February 2022, 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 2020, 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 2020 Annual Report, except for the new standards and change as set out below.

Amendments for Interest Rate Benchmark Reform (phase 2)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the Interest Rate Benchmark Reform – Phase 2 are applied from 1 January 2021.

The amendments address the accounting issues that arise when financial instruments that reference an IBOR interest rate transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest Rate Benchmark Reform (the Reform), to be treated as changes to a floating interest rate. They also permit changes required by the Reform to be implemented in hedge designations and hedge documentation without the hedging relationship being discounted. The adoption did not have any impact on Swedbank Mortgage´s financial position, results, cash flows or disclosure.

Changes in Swedish regulations

The amended Swedish regulations that have been adopted from 1 January 2021 have not had a significant impact on Swedbank Mortgage´s financial position, results, cash flows or disclosures.

Note 2 Business segments

SEKm	2021 Full-year Private	Cor-porate	Forestry and Agricultural	Total	2020 Full-year Private	Cor-porate	Forestry and Agricultural	Total
Net interest income	10 134	1 406	766	12 306	9 230	1 417	728	11 375
Net commissions	3	1		4	14	2	1	17
Total income	**10 137**	**1 407**	**766**	**12 310**	**9 244**	**1 419**	**729**	**11 392**
Total cost	209	2	17	228	210	2	19	231
Profit before impairments	**9 928**	**1 405**	**749**	**12 082**	**9 034**	**1 417**	**710**	**11 161**
Credit impairments	-19	-37	-19	-75	1	-18	-15	-32
Operating profit	**9 947**	**1 442**	**768**	**12 157**	**9 033**	**1 435**	**725**	**11 193**
Loans to the public	888 200	149 519	55 955	1 093 674	844 488	152 167	57 147	1 053 802

Reconciliation of segment reporting and income statement, condensed

SEKm	2021 Full-year Total income	Total expen-ses	Credit impair-ments	Opera-ting profit	2020 Full-year Total income	Total expenses	Credit impair-ments	Opera-ting profit
Total segments	12 310	228	-75	12 157	11 392	231	-32	11 193
Interest on legal equity	241			241	320			320
Net gains and losses on financial items	-8			-8	16			16
Other income	3			3	4			4
Other expenses		49		49		45		45
Total financial report	**12 546**	**277**	**-75**	**12 344**	**11 732**	**276**	**-32**	**11 488**

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	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Interest income								
Loans to credit institutions	7	38	-82	118	-94	45	308	-85
Loans to the public	8 110	8 264	-2	8 579	-5	16 374	17 237	-5
Total interest income	**8 117**	**8 302**	**-2**	**8 697**	**-7**	**16 419**	**17 545**	**-6**
Interest expense								
Amounts owed to credit institutions	-453	-542	-16	-1 053	-57	-995	-2 391	-58
Debt securities in issue	-1 437	-1 613	-11	-1 893	-24	-3 050	-4 305	-29
Derivatives	273	409	-33	511	-47	682	1 409	-52
Eligible liabilities	-50	-54	-7	-49	2	-104	-131	-21
Other	-199	-206	-3	-214	-7	-405	-432	-6
of which resolution	-198	-198	0	-213	-7	-396	-426	-7
Total interest expense	**-1 866**	**-2 006**	**-7**	**-2 698**	**-31**	**-3 872**	**-5 850**	**-34**
Total net interest income	**6 251**	**6 296**	**-1**	**5 999**	**4**	**12 547**	**11 695**	**7**
Negative yield on financial assets	108	73	48	52		181	59	
Interest expense on financial liabilities at amortised cost	6 956	2 409		3 192		4 547	7 219	

Note 4 Net gains and losses on financial items

SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Fair value through profit and loss								
Debt securities in issue	4	6	-33	18	-78	10	43	-77
Derivatives	4	8	-50	-19		12	-46	
Total fair value through profit and loss	**8**	**14**	**-43**	**-1**		**22**	**-3**	
Hedge accounting								
Ineffective part in hedge accounting at fair value	-24	-26	-8	128		-50	4	
of which hedging instruments	-2 708	-3 395	-20	-1 179		-6 103	2 177	
of which hedged items	2 684	3 369	-20	1 307		6 053	-2 173	
Ineffective part in portfolio hedge accounting at fair value	-83	22		-112	-26	-61	-27	
of which hedging instruments	2 069	1 392	49	426		3 461	-1 533	
of which hedged items	-2 152	-1 370	57	-538		-3 522	1 506	
Ineffective part in cash flow hedge	-15	-4		0		-19	-2	
Total hedge accounting	**-122**	**-8**		**16**		**-130**	**-25**	
Derecognition gain or loss for financial liabilities at amortised cost	**-18**	**-17**	**6**	**-29**	**-38**	**-35**	**-125**	**-72**
Derecognition gain or loss for loans at amortised cost	**79**	**89**	**-11**	**110**	**-28**	**168**	**170**	**-54**
Change in exchange rates	**-34**	**1**		**0**		**-33**	**-1**	
Total net gains and losses on financial items	**-87**	**79**		**96**		**-8**	**16**	

Note 5 Credit impairments

SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Loans at amortised cost								
Credit impairment provisions - stage 1	-9	-10	-10	-39	-77	-19	12	
Credit impairment provisions - stage 2	-1	-42	-98	-81	-99	-43	-62	-31
Credit impairment provisions - stage 3	0	-12	-100	8	-100	-12	13	
Total	**-10**	**-64**	**-84**	**-112**	**-91**	**-74**	**-37**	**100**
Write-offs	5	5	0	6	-17	10	14	-29
Recoveries	-3	-8	-63	-5	-40	-11	-9	22
Total	**2**	**-3**		**1**	**100**	**-1**	**5**	
Total - loans at amortised cost	**-8**	**-67**	**-88**	**-111**	**-93**	**-75**	**-32**	
Total credit impairments	**-8**	**-67**	**-88**	**-111**	**-93**	**-75**	**-32**	
Credit impairment ratio, %	**0.00**	**-0.01**	**-50**	**-0.02**	**-100**	**-0.01**	**0.00**	

Calculation of credit impairment provisions
The measurement of expected credit losses is described in Note 4a Credit risk on pages 24-26 of the 2020 Annual Report. There have been no significant changes during the year to the methodology.

Measurement of 12-month and lifetime expected credit losses
The onset of Covid-19 in 2020 brought a deterioration of macroeconomic indicators – inter alia GDP growth, housing and property prices, unemployment, oil prices and interest rates – that would typically have contributed to increased credit risk. The downturn, however, did not result in the increased credit losses or default rates that would be expected from historical experience of similar economic shocks. Support measures have thus far been successful in limiting the economic impacts of Covid-19 but there is a risk that credit quality may start to deteriorate as the impacts of the support measures dissipate. Uncertainties which could further delay the recovery continue to exist, including in relation to unvaccinated populations, new virus variants, the potential for further outbreaks and localised restrictions. As the quantitative risk models do not appropriately incorporate these dynamics, post-model adjustments to increase the credit impairment provisions continue to be deemed necessary.

The post-model expert credit adjustments amounted to SEK 58m (SEK 45m as of 31 December 2020). The post-model expert credit adjustments are allocated as: SEK 15m in Stage 1 and SEK 43m in Stage 2. The most significant impacts are reflected in the property management (SEK 26m) and the Hotels and restaurants (SEK 25m) 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 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 3 to 8 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note 4 Risks in the 2020 Annual Report.
- 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 13 and 21, an increase of 150-300 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

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.

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 2020	Share of total portfolio in terms of gross carrying amount, % 31 December 2020
18-21	<0.1	5 - 7 grades	-5.3	-4.9	18	28
13-17	0.1 - 0.5	3 - 5 grades	-17.0	12.0	51	24
9-12	>0.5 - 2.0	1 - 2 grades	-20.6	24.9	68	7
6-8	>2.0 - 5.7	1 grade	-13.1	6.3	18	2
0-5	>5.7 - 99.9	1 grade	-8.3	0.0	6	1
			-16.5	**15.7**	**161**	**62**
		Sovereigns and financial institutions with low credit risk			0	0
		Stage 3 financial instruments			160	0
		Post-model expert credit adjustment[4]			19	
		Total			**340**	**62**

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 2020	Share of total portfolio in terms of gross carrying amount, % 31 December 2020
18-21	200-300	-9.70	23.50	10	22
13-17	100-200	-1.90	6.10	36	11
9-12	100	-32.2	6.4	58	4
6-8	50	-0.4	5.9	12	1
0-5	50	0.0	0.2	3	0
		-17.1	**7.5**	**119**	**38**
	Sovereigns and financial institutions with low credit risk			0	0
	Stage 3 financial instruments			9	0
	Post-model expert credit adjustment[2]			25	
	Total			**153**	**38**

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 16 November, which serves as the base scenario, with an assigned probability weight of 66.6 per cent. Aligned with the updated base scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to the Group's monthly process.

The global economic recovery goes on, and the outlook for 2022 and 2023 still looks relatively bright. However, the global GDP forecast has been revised down compared to August on the back of lower expected growth in the US and China. Supply problems are weighing on trade-dependent sectors, and, in many European countries, both retail sales and industrial production have more or less stagnated over the past year. The Chinese economy has also lost momentum during the year. The world economy is expected to grow by 4.3% in 2022 and 3.9% in 2023.

The economic recovery in Sweden will continue over the next few years but at a somewhat slower pace. The rise in inflation is to some extent protracted, which means that the Riksbank will slowly ease its stimulus over the next few years. Household consumption remains the major driver of the economic recovery. The labour market is improving but matching issues are increasing.

The spread of the virus picked up in many countries during the autumn, although the number of new serious cases and deaths overall remains relatively low in the US and the EU. The baseline scenario assumes that the high vaccination rates will be enough to contain the virus and keep those economies mostly open.

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

31 Dec 2020			
		Credit impairment provisions	
Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
493	44	536	474

Note 6 Loans

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	Total
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				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

31 Dec 2020	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	**907 100**	**13**	**907 087**	**23 724**	**62**	**23 662**	**716**	**144**	**572**	**931 321**
Private mortgage	821 029	10	821 019	22 517	58	22 459	712	144	568	844 046
Tenant owner associations	86 071	3	86 068	1 207	4	1 203	4	0	4	87 275
Corporate customers	**106 941**	**43**	**106 898**	**15 648**	**206**	**15 442**	**166**	**25**	**141**	**122 481**
Agriculture, forestry, fishing	43 228	5	43 223	5 183	45	5 138	110	15	95	48 456
Manufacturing	665	0	665	68	1	67	1	0	1	733
Public sector and utilities	1 644	1	1 643	298	13	285	14	1	13	1 941
Construction	2 528	1	2 527	379	4	375	12	3	9	2 911
Retail and wholesale	916	0	916	135	2	133				1 049
Transportation	362	0	362	38	1	37	1	0	1	400
Shipping and offshore	4	0	4							4
Hotels and restaurants	453	2	451	262	9	253				704
Information and communication	156	0	156	7	0	7	0	0	0	163
Finance and insurance	541	0	541	44	0	44				585
Property management, including	53 423	32	53 391	8 514	118	8 396	19	3	16	61 803
Residential properties	38 512	22	38 490	5 805	72	5 733	8	1	7	44 230
Commercial	8 406	4	8 402	1 441	19	1 422	6	1	5	9 829
Industrial and Warehouse	847	2	845	50	0	50				895
Other	5 658	4	5 654	1 218	27	1 191	5	1	4	6 849
Professional services	1 789	1	1 788	463	6	457	4	2	2	2 247
Other corporate lending	1 232	1	1 231	257	7	250	5	1	4	1 485
Loans to the public	**1 014 041**	**56**	**1 013 985**	**39 372**	**268**	**39 104**	**882**	**169**	**713**	**1 053 802**
Loans to credit institutions	**106 208**		**106 208**							**106 208**
Loans to the public and credit institutions	**1 120 249**	**56**	**1 120 193**	**39 372**	**268**	**39 104**	**882**	**169**	**713**	**1 160 010**
Share of loans, %	96.53			3.39			0.08			100
Credit impairment provision ratio, %	0.00			0.68			19.16			0.04

Note 7 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 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**

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 2020	**1 074 780**	**42 719**	**933**	**1 118 432**
Closing balance as of 31 December 2020	**1 120 249**	**39 372**	**882**	**1 160 503**
Credit impairment provisions				
Opening balance as of 1 January 2020	**44**	**330**	**153**	**527**
Movements affecting credit impairments				
New and derecognised financial assets, net	4	-34	-37	-67
Changes in risk factors (EADF, PD, LGD)	4	-97	41	-52
Changes in macroeconomic scenarios	-6	-23	-1	-30
Post-model expert credit adjustments	21	23		44
Individual assessments			-1	-1
Stage transfers	-11	69	14	72
from 1 to 2	-13	105		92
from 1 to 3	0		14	14
from 2 to 1	2	-34		-32
from 2 to 3		-3	12	9
from 3 to 2		1	-7	-6
from 3 to 1	0		-5	-5
Other			-3	-3
Total movements affecting credit impairments	**12**	**-62**	**13**	**-37**
Movements recognised outside credit impairments				
Interest			3	3
Closing balance as of 31 December 2020	**56**	**268**	**169**	**493**
Carrying amount				
Opening balance as of 1 January 2020	**1 074 736**	**42 389**	**780**	**1 117 905**
Closing balance as of 31 December 2020	**1 120 193**	**39 104**	**713**	**1 160 010**

Note 8 Derivatives

	2021			2020		
	31 Dec			31 Dec		
SEKm	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book value	9 439	4 412	13 851	13 043	5 990	19 033
of which in hedge accounting	9 349	3 949	13 298	12 980	5 027	18 007
Derivatives with negative book value	1 552	1 688	3 240	2 456	4 174	6 630
of which in hedge accounting	1 552	1 395	2 947	2 443	2 060	4 503
Nominal amount	**862 880**	**137 809**	**1 000 689**	**838 030**	**175 485**	**1 013 515**

Swedbank Mortgage uses derivatives to hedge certain exposures to interest-rate and currency risks

Note 9 Debt securities in issue and subordinated liabilities

SEKm	2021 31 Dec	2021 30 Jun	%	2020 31 Dec	%
Bond loans	462 081	477 811	-3	489 779	-6
Change in value due to hedge accounting at fair value	5 682	8 299	-32	11 634	-51
Total	**467 763**	**486 110**	**-4**	**501 413**	**-7**

Turnover during the period SEKm	2021 Jul-Dec	2021 Jan-Jun	%	2020 Jul-Dec	%	2021 Full-year	2020 Full-year	%
Opening balance	**486 110**	**501 413**	**-3**	**571 531**	**-15**	**501 413**	**592 097**	**-15**
Issued	78 795	33 081		6 364		111 876	69 278	61
Repurchased	-45 497	-15 024		-19 910		-60 521	-56 203	8
Repaid	-51 816	-33 226	56	-49 676	4	-85 042	-102 712	-17
Interest	1 437	1 613	-11	1 892	-24	3 050	4 304	
Change in market values or in hedged item in hedge accounting at fair value	-2 670	-3 360	-21	-1 296		-6 030	2 255	
Changes in exchange rates	1 404	1 613	-13	-7 492		3 017	-7 606	
Closing balance	**467 763**	**486 110**	**-4**	**501 413**	**-7**	**467 763**	**501 413**	**-7**

Note 10 Financial instruments at fair value

SEKm	2021 31 Dec Fair value	2021 31 Dec Carrying amount	2021 31 Dec Diff-erence	2020 31 Dec Fair value	2020 31 Dec Carrying amount	2020 31 Dec Diff-erence
Assets						
Loans to credit institutions	30 178	30 178		106 208	106 208	
Loans to the public	1 093 432	1 093 674	-242	1 057 106	1 053 802	3 304
Value change of interest hedged item in portfolio hedge	-1 755	-1 755		1 767	1 767	
Derivatives	13 851	13 851		19 033	19 033	
Other financial assets	80	80		75	75	
Total	**1 135 786**	**1 136 028**	**-242**	**1 184 189**	**1 180 885**	**3 304**
Non-financial assets		138			150	
Total		**1 136 166**			**1 181 035**	
Liabilities						
Amounts owed to credit institutions	591 459	590 715	744	600 481	599 745	736
Debt securities in issue	469 562	467 763	1 799	504 074	501 413	2 661
Derivatives	3 240	3 240		6 630	6 630	
Other financial liabilities	13 240	13 240		12 115	12 115	
Eligible liabilities	15 147	15 005	142	15 291	15 005	286
Total	**1 092 648**	**1 089 963**	**2 685**	**1 138 591**	**1 134 908**	**3 683**
Non-financial liabilities		11			22	
Total		**1 089 974**			**1 134 930**	

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**

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 2020	Instruments with quoted market prices in an active market	Valuation techniques using observable market data	Valuation techniques using non-observable market data	
SEKm	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
Assets				
Derivatives		19 033		19 033
Total		**19 033**		**19 033**
Liabilities				
Debt securities in issue		1 090		1 090
Derivatives		6 630		6 630
Total		**7 720**		**7 720**

Note 11 Assets pledged, contingent liabilities and commitments

SEKm	**2021 31 Dec**	**2021 30 Jun**	**%**	**2020 31 Dec**	**%**
Loans, used as collateral for covered bonds[1)]	472 864	497 090	-5	561 209	-16
Commitments [2)]	8 516	10 882	-22	7 817	9
Pledged assets and contingent liabilities	**481 380**	**507 972**	**-5**	**569 026**	**-15**

[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 12 Related parties

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

SEKm	2021 31 Dec	2021 30 Jun	2020 31 Dec
Group receivables			
Loans to credit institutions	30 178	100 792	106 208
Derivatives	13 851	14 326	19 033
Other assets	59	35	57
Total	**44 088**	**115 153**	**125 298**
Group payables			
Amounts owed to credit institutions	590 715	625 374	599 745
Debt securities in issue	30 774	40 420	29 923
Derivatives	3 240	5 007	6 630
Other liabilities	12 495	18	11 446
Eligible liabilities	15 005	15 005	15 005
Total	**652 229**	**685 824**	**662 749**
Income statement			
Interest income	80	48	365
Interest expense	-252	-181	-1 070
Other expenses	-7	-5	-8
Total	**-179**	**-137**	**-713**

Note 13 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	2021 31 Dec	2021 30 Sep	2021 30 Jun	2021 31 Mar	2020 31 Dec
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	46 092	46 215	46 058	46 115	46 103
Tier 1 capital	46 092	46 215	46 058	46 115	46 103
Total capital	46 099	46 242	46 068	46 150	46 149
Risk-weighted exposure amounts					
Total risk exposure amount	288 297	288 072	283 624	282 207	281 223
Capital ratios as a percentage of risk-weighted exposure amount					
Common Equity Tier 1 ratio	16.0	16.2	16.2	16.3	16.4
Tier 1 ratio	16.0	16.2	16.2	16.3	16.4
Total capital ratio	16.0	16.2	16.2	16.4	16.4
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	1.0	1.0	0.6	0.6	0.6
of which: to be made up of CET1 capital	0.7	0.7	0.4	0.4	0.4
of which: to be made up of Tier 1 capital	0.8	0.8	0.5	0.5	0.5
Total SREP own funds requirements	9.0	9.0	8.6	8.6	8.6
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	0.0	0.0	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	2.5	2.5	2.5	2.5	2.5
Overall capital requirements	11.5	11.5	11.1	11.1	11.1
CET1 available after meeting the total SREP own funds requirements	6.9	7.1	7.6	7.7	7.8
Leverage ratio					
Total exposure measure	1 097 200	1 087 065	1 051 963	1 064 724	1 060 432
Leverage ratio, %	4.2	4.3	4.4	4.3	4.3
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		
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		

Common Equity Tier 1 Capital, SEKm	2021 31 Dec	2020 31 Dec
Shareholders' equity according to the balance sheet	46 192	46 105
Value changes in own financial liabilities	-69	0
Cash flow hedges	-12	3
Additional valuation adjustments	-19	-5
Total Common Equity Tier 1 capital	**46 092**	**46 103**

Risk exposure amount, SEKm	2021 31 Dec	2020 31 Dec
Risk exposure amount credit risks, IRB	38 494	41 427
Risk exposure amount operational risks	18 600	18 915
Additional risk exposure amount, Article 458 CRR	231 203	220 881
Total risk exposure amount	**288 297**	**281 223**

	SEKm		Per cent	
Capital requirements[1)] SEKm / per cent	**2021 31 Dec**	**2020 31 Dec**	**2021 30 Dec**	**2020 31 Dec**
Capital requirement Pillar 1	30 271	29 528	10.5	10.5
of which Buffer requirements [2)]	7 207	7 031	2.5	2.5
Total capital requirement Pillar 2 [3)]	2 998	1 730	1.0	0.6
Total capital requirement including Pillar 2 guidance	**33 269**	**31 258**	**11.5**	**11.1**
Own funds	**46 099**	**46 149**		

[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	**2021 31 Dec**	**2020 31 Dec**	**2021 30 Dec**	**2020 31 Dec**
Leverage ratio requirement Pillar 1	32 916		3.0	
Total leverage ratio requirement including Pillar 2 guidance	**32 916**		**3.0**	

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

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 2021 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 1 February 2022

Johan Smedman
Chairman

Magdalena Frostling
CEO

Joakim Jansson

Jennifer Barck

Elizabet Jönsson

Nina Larsson

Mattias Persson

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank Hypotek AB (publ) as of 31 December 2021 and the twelve-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and such internal control that the board of directors and the CEO deems necessary to be able to produce the financial information without material misstatements whether these are due to irregularties or mistakes.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report 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, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do 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 the day stated on our electronic signature.

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

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