

Annual report 2021

Swedbank Mortgage AB, 23 February 2022



2021 in brief

Full year 2021 compared to full year 2020

- Profit for the year of 2021 amounted to SEK 9 801m (9 029)
 - Net interest income increased by SEK 852m to SEK 12 547m (11 695)
 - Lending to the public increased by 4 per cent or SEK 40bn to SEK 1 094bn (1 054)
 - Profit before impairments increased by SEK 813m to SEK 12 269m (11 456)
 - Credit impairments amounted to SEK -75m (-32)
 - Return on equity was 20.9 per cent (19.3)
 - Covered bonds totaling an amount of SEK 112bn (69) were issued during the year
-

Profit for the year 2021

SEK **9 801**_m

2020: SEK 9 029m

Market share, mortgages, November 2021

23 %

December 2020: 23 %

About Swedbank Mortgage AB

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

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

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

Swedbank Mortgage finances properties and individual tenant-owner 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 outsourced to Swedbank, which creates value and synergies.

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Key ratios 2017-2021

SEKm	2021 31 Dec	2020 31 Dec	2019 31 Dec	2018 31 Dec	2017 31 Dec
Profit					
Investment margin, %	1.09	1.01	1.19	1.26	1.27
Average total assets	1 154 097	1 162 381	1 088 855	1 060 148	1 016 390
Return on equity, %	20.9	19.3	21.2	22.1	21.1
Average equity	46 898	46 875	47 002	46 770	45 683
Earnings per share, SEK	426.1	392.6	432.7	449.0	419.7
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2008.35	2004.56	2 007.35	2 007.40	2 015.40
Credit quality					
Loans to the public	1 093 674	1 053 802	1 028 746	1 008 724	968 222
Loans to credit institutions	30 178	106 208	89 159	21 783	23 534
Credit impairments, net	-75	-32	-24	123	62
Credit impairment ratio, %	-0.01	0.00	0.00	0.01	0.00
Total provisions ¹⁾	423	493	527	569	124
Share of Stage 3 loans, gross %	0.08	0.08	0.08	0.09	
Share of impaired loans, gross, loans to the public, %					0.02
Total credit impairment provision ratio, %	0.04	0.04	0.05	0.06	

¹⁾ In 2018 IFRS 9 Financial instruments was adopted. Prior periods have not been restated.
For more information on definitions and calculation of key ratios, refer to page 58.

Business development

	2021 31 Dec	2020 31 Dec	2019 31 Dec	2018 31 Dec	2017 31 Dec
Lending to the public, SEKbn	1 094	1 054	1 029	1 009	968
- Private	973	931	906	887	847
of which private, mortgage	888	844	813	792	753
- Corporate	121	123	123	122	121
Number of customers, thousands	1 074	1 085	1 098	1 122	1 128
Private lending					
Market share mortgages % ¹⁾	23	23	24	24	24
Market share new mortgages, full year % ¹⁾	17	15	12	22	20
Volume growth mortgage market, full year % ¹⁾	7	6	5	6	7
Volume growth Swedbank Mortgage, full year % ¹⁾	5	4	3	5	6
LTV total portfolio %	51	54	55	55	53
LTV new mortgages, actual year %	69	70	70	68	67
Share of total portfolio which amortises %	74	68	72	70	67
Share of portfolio which amortises, new mortgages, actual year %	89	82	89	89	87
Funding					
Issued during year					
Swedish market, SEKbn	74	40	101	69	108
Outside Sweden, SEKbn	38	29	30	19	24
Average maturity of outstanding issued covered bonds, months	31	35	37	43	39

¹⁾ Market share and volume growth as of November 2021 Source Statistics Sweden (SCB).

Overview

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 laybourn 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.

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.

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.

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 75 per cent, agricultural of 70 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 implementation of the European Covered Bond Directive (DIRECTIVE (EU) 2019/2162) will come into force, which will harmonize different jurisdictional definitions and treatment for what is classified as Covered Bonds eligible for preferential treatment under European capital regulation. This will entail some amendments to the Swedish covered bond law, including 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.

Important to note

The annual report contains alternative performance measures that Swedbank Mortgage considers valuable information for the reader, since they are used by Swedbank Mortgage for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the annual report can be found on page 58.

The company's development

(Comparative figures refer to 31 December 2020, unless otherwise indicated)

Result

Swedbank Mortgage reported profit of SEK 9 801m for the full-year 2021, compared with SEK 9 029m in the full-year 2020. The increase is mainly due to higher net interest income.

Net interest income increased to SEK 12 547m (11 695). The main reason was low funding expenses compared to high short-term market interest rates during the initial phase of the Covid-19 pandemic spring 2020.

Net gains and losses on financial items decreased to SEK -8m (16), in part due to increased portfolio hedge ineffectiveness.

Expenses were stable at SEK 277m (276).

Credit impairments amounted to a gain of SEK 75m (32). Updated models, lower shares and outflows in Stage 2 as well as changes in macroeconomic scenarios had a positive impact as some parameters, such as house price growth, developed positively compared to earlier scenarios. 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 2 543m (2 459), corresponding to an effective tax rate of 20.6 per cent (21.4).

Income statement, SEKm	2021	2020
Net interest income	12 546	11 695
Net commission income	4	17
Net gains and losses on financial items	-8	16
Total income	12 546	11 732
Total general administrative expenses	277	276
Profit before impairments	12 269	11 456
Credit impairments	-75	-32
Tax	2 543	2 459
Profit for the year	9 801	9 029

Lending

Total loans to the public increased by SEK 40bn in 2021, to SEK 1 094bn as of 31 December 2021 (SEK 1 054bn as of 31 December 2020), corresponding to an annual growth rate of 4 per cent.

Loans to the public, SEKbn	31 Dec 2021	31 Dec 2020
Private customers	973	931
Private, mortgage	888	844
Tenant owner associations	85	87
Corporate customers	121	123
Agricultural, forestry, fishing	47	48
Property management	62	62
Other corporate lending	12	13
Total	1 094	1 054

A large part of the increase was due to higher residential mortgage volumes. Mortgage lending to the private segment increased in total by SEK 44bn during the year, to SEK 888bn (844bn). The total market share was 23 per cent (23) as of 30 November. Lending to tenant-owner associations fell by SEK 2bn, to SEK 85bn (87).

Corporate lending of SEK 121bn (123) decreased due to lower lending to the agricultural, forestry and fishing sector.

Funding and liquidity

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

Amounts owed to credit institutions and issued debt, SEKbn	31 Dec 2021	31 Dec 2020
Amounts owed to credit institutions	590	600
Debt securities in issue	468	501
Eligible liabilities	15	15
Total	1 073	1 116

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

Demand for Swedbank Mortgage's bonds was good in 2021 at the same time that the funding need decreased during the year after deposits grew in Swedish banks, including Swedbank, more than forecast. Swedbank Mortgage issued SEK 112bn (69) in covered bonds in 2021. Maturities in 2021 were SEK 85bn (103), calculated from the beginning of the year.

As of 31 December, outstanding funding through covered bonds amounted to SEK 468bn (501) at the same time that funding from Swedbank AB amounted to SEK 590bn (600).

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

As part of its liquidity planning, Swedbank Mortgage actively buys back a large portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In this way it reduces the liquidity risk when large volumes mature at the same time. In 2021, SEK 61bn (56) was repurchased. The average maturity of all outstanding covered bonds was 31 months (35) at 31 December.

Risk management

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

Risk refers here to a potentially negative impact on Swedbank Mortgage's value which may arise due to ongoing internal processes or future events either internally or externally.

Credit risks

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

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

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

The ongoing COVID-19 pandemic and the actions to limit the contagion are having a major impact on the economy. 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. The mortgage portfolio is high in 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 risks. 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.

The average loan-to-value ratio for private lending was 51 per cent (54), based on property level. For new lending the loan-to-value ratio was 69 per cent (70).

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

Market risks

Despite increased macroeconomic uncertainty, Swedbank Mortgage's market risks remain at low, stable levels.

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

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

Operational risks

Swedbank Mortgage is exposed to operational risks in all its operations. As regulation and digitisation increase, the work with operational risks becomes more complex, not least because the number of places where, and ways in which, the bank meets its customers also increase. The aim as far as possible is to minimise operational risks.

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

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR). Swedbank Mortgage's total capital ratio was 16.0 per cent as of 31st of December 2021 (16.4), to be compared with the capital requirement of 11.5 per cent.

Total own funds was unchanged during the year and amounted to SEK 46.1bn (46.1). REA increased by SEK 7.1bn to SEK 288.3bn (281.2). The increase was mainly due to credit risk REA including additional risk exposure amount according to article 458, which increased REA by SEK 7.4bn. The increase was partially offset by a decrease in REA due to operational risk which decreased by SEK 0.3bn during the year. The capital adequacy is further disclosed in note 4.

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

Future capital regulation

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 reduce 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.

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

RuR = Rating under Review

Other events

At an Extraordinary General Meeting on December 22, Johan Smedman was elected new Chairman of the Board of Swedbank Hypotek AB. Joakim Jansson, Elizabet Jönsson and Mattias Persson were elected as new members.

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.

Corporate governance

Swedbank Mortgage AB ("Swedbank Mortgage") is a wholly owned subsidiary of Swedbank AB. The company is responsible for mortgage operations in Sweden. In order to create synergies with Swedbank AB has Swedbank Mortgage's regulated activities been outsourced to the bank. Swedbank Mortgage is staffed by a CEO and a management team consisting of a number of key functions such as the CFO and CRO. The company has in addition a number of employees working with governance, controls and analysis. As Swedbank Mortgage's sole owner, Swedbank AB ultimately decides on Swedbank Mortgage's structure and governance. Swedbank appoints the Board and the auditors at the Annual General Meeting. The Board of Swedbank Mortgage reports ultimately to Swedbank in respect of the company's organisation and management. The company's Board appoints the CEO who is responsible for overseeing the company's business on a daily basis. Swedbank Mortgage's auditors issues on an annual basis an external audit report to the Board.

The Board of Directors and Chief Executive Officer

Swedbank Mortgage's Board consists of six members. All members of the Board are employed by Swedbank. All members of the board are authorised signatories. The Board is ultimately responsible for governance and management of the company. The Board decides on strategic issues, which means that it addresses and decides on issues of significant importance and an overarching nature. The Board appoints the CEO. The CEO is not part of the Board. The Board's work includes, apart from governing the company, duties such as approving policies, rules of procedure and the instruction for the CEO. The CEO is responsible for the daily running of the company and for implementing the Board's decisions. The CEO reports to the Board. The Board is updated on the company's development on an ongoing basis in order to enable the Board to assess the company's risks and oversee its risk management. The Board has established an audit committee.

Internal governance and controls

The Board is ultimately responsible for ensuring good governance and internal controls. Internal controls functions are responsible for conducting duties and obligations in this part. All internal controls functions such as the CO, the CRO including the Internal Audit as the third line of defence, have straight reporting lines to the board. The CEO and the Board are supported in governance related matters by specialists and legal/regulatory counsel.

Internal Audit

Internal audit services are conducted as per the company's outsourcing arrangements, by the Swedbank Group Internal Audit department. Internal audit's reviews are based on the annually Board approved internal audit policy. Internal audit's role is to independently review Swedbank Mortgage's operations and accounting standards. Any work

conducted by the Internal audit function also covers to ascertain sufficient systems and controls. The Internal audit function reports to the board on a regular basis.

Compliance

The compliance function is an independent control function which ensures that the company follows the external and internal regulatory framework. The compliance function provides in addition advice and support to the company and ensures that the company's management is continuously informed of any regulatory changes relating to any business conducted within the company's regulatory scope of license. The company's compliance officer (CO) reports to the CEO on an ongoing basis and at least quarterly to the Board of Directors. The Board approves an annual audit plan for the compliance function's work.

Risk

The Board appoints the company's Chief Risk Officer (CRO). This function serves as support to the Board, CEO and other operations with respect to risk management and control. The CRO ensures that operations are conducted in accordance with good risk management principles, risk control and that risks are managed in accordance with the risk framework approved by the Board. The CRO identifies, measures, analyses and reports on material operational risks to the Board. The CRO works independently and informs the CEO on an ongoing basis of any risks and actions taken. The CRO reports to the Board on a quarterly basis.

Internal control over financial reporting

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

Five-year summary

Income statement					
SEKm	2021	2020	2019	2018	2017
Interest income	16 419	17 545	17 281	16 087	16 218
Interest expenses	-3 872	-5 850	-4 368	-2 757	-3 284
Net interest income	12 547	11 695	12 913	13 330	12 934
Net commission income	4	17	15	26	1
Other operating income	-5	20	-5	-180	-850
Total income	12 546	11 732	12 923	13 176	12 085
Other operating expenses	277	276	284	264	259
Profit before impairments	12 269	11 456	12 639	12 912	11 826
Credit impairments	-75	-32	-24	123	62
Operating profit	12 344	11 488	12 663	12 789	11 764
Appropriations				-450	-618
Tax expense	2 543	2 459	2 710	2 913	2 728
Profit for the year	9 801	9 029	9 953	10 326	9 654

Balance sheet					
SEKm	2021	2020	2019	2018	2017
Assets					
Loans to credit institutions	30 178	106 208	89 159	21 783	23 534
Loans to the public	1 093 674	1 053 802	1 028 746	1 008 724	968 222
Other assets	12 314	21 025	27 925	23 045	21 247
Total assets	1 136 166	1 181 035	1 145 830	1 053 552	1 013 003
Liabilities and equity					
Liabilities					
Amount owed to credit institutions	590 715	599 745	471 623	488 240	419 608
Debt securities in issue	467 763	501 413	592 097	502 881	522 090
Other liabilities	31 496	33 772	35 941	16 262	24 951
Subordinated liabilities					
Total liabilities	1 089 974	1 134 930	1 099 661	1 007 383	966 649
Equity	46 192	46 105	46 169	46 169	46 354
Total liabilities and equity	1 136 166	1 181 035	1 145 830	1 053 552	1 013 003

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Income statement

SEKm	Note	2021	2020
Interest income on financial assets measured at amortised cost		16 419	17 545
Interest income		16 419	17 545
Interest expense		-3 872	-5 850
Interest expense		-3 872	-5 850
Net interest income	6	12 547	11 695
Commission income		43	49
Commission expenses		-39	-32
Net commission income	7	4	17
Net gains and losses on financial items	8	-8	16
Other operating income		3	4
Total income		12 546	11 732
Total general administrative expenses	9,10	277	276
Profit before impairments		12 269	11 456
Credit impairments	11	-75	-32
Operating profit		12 344	11 488
Tax	12	2 543	2 459
Profit for the year		9 801	9 029
Of which attributable to the shareholders of the parent company		9 801	9 029
Earnings per share, before and after dilution, SEK	13	426.13	392.57

Statement of comprehensive income

SEKm	Note	2021	2020
Profit for the year - income statement		9 801	9 029
Items that may be reclassified to the income statement			
Cash flow hedges:			
Gains/losses for the period		-452	-8 305
Reclassification adjustments to the income statement, net gains and losses		470	8 258
Foreign currency basis risk:			
Gains/losses arising during the period		41	-78
Tax relating to components of other comprehensive income	14	-12	22
Total comprehensive income for the year, attributable to shareholders of Swedbank Mortgage		9 848	8 926
Of which attributable to the shareholders of the parent company		9 848	8 926

Balance sheet

SEKm	Note	2021	2020
Assets			
Loans to credit institutions		30 178	106 208
Loans to the public	15	1 093 674	1 053 802
Value change of interest hedged items in portfolio hedge		-1 755	1 767
Derivatives	16	13 851	19 033
Deferred tax assets		138	150
Other assets	18	80	75
Prepaid expenses and accrued income		0	0
Total assets		1 136 166	1 181 035
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions		590 715	599 745
Debt securities in issue	19	467 763	501 413
Derivatives	16	3 240	6 630
Current tax liabilities	20	11	22
Other liabilities and provisions	20	12 587	11 484
Accrued expenses and prepaid income	21	653	631
Eligible liabilities		15 005	15 005
Total liabilities		1 089 974	1 134 930
Equity	22	46 192	46 105
Total liabilities and equity		1 136 166	1 181 035

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Cash flow hedge reserve	Foreign currency basis reserve	Retained earnings	
Opening balance 1 January 2021	11 500	3 100	-3	-576	32 084	46 105
Group contributions paid					-12 293	-12 293
Tax reduction due to Group contributions paid					2 532	2 532
Total comprehensive income for the year			15	32	9 801	9 848
of which reported through other comprehensive income, before tax			18	41		59
of which income tax reported through other comprehensive income			-3	-9		-12
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 reduction due to Group contributions paid					2 448	2 448
Total comprehensive income for the year			-37	-66	9 029	8 926
of which reported through other comprehensive income, before tax			-47	-78		-125
of which income tax reported through other comprehensive income			10	12		22
Closing balance 31 December 2020	11 500	3 100	-3	-576	32 084	46 105
of which, conditional shareholders' contributions					2 400	2 400

Statement of cash flow

SEKm	2020	2020
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 (-) in debt securities in issue	-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 liabilities	10 000	5 000
Redemption of eligible liabilities	-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 2 532m.

Comment on statement of cash flow

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

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for income tax paid and items not included in cash flow from operating activities. Changes in assets and liabilities in operating activities consist of items that are part of regular business activities, such as loans to and funding from the public and credit institutions and that are not attributable to investing and financing activities. The profit generated cash flow includes interest deposits of SEK 16 538m (17 630) and interest payments, including capitalised interest, of SEK 3 656m (6 796).

Specification of adjustment of non-cash items

SEKm	2021	2020
Unrealised fx effects, bonds in issue	2 470	-276
Accrued income and prepaid expenses	85	87
Accrued expenses and prepaid income	1 786	-1 404
Change in value of loans to the public and credit institutions	3 452	-1 506
Change in value of funding and derivatives	-5 416	13 310
Other items	0	-153
Total	2 377	10 058

Financing activities

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

Cash and cash equivalents

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

Notes

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

1 Corporate information

The annual report for Swedbank Mortgage (publ) for the financial year 2021 was approved for issuance by the Board of Directors and the CEO on 22 February 2022. Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ). Swedbank Mortgage's operations are described in the Board of Directors' report. The annual report will be presented for adoption by the Company's Annual General Meeting.

- notes, comprising a summary of significant accounting policies and other explanatory information.

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

The financial statements are based on the historical cost basis. Subsequent measurements are based on the valuation category assigned to the financial instrument. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value have been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless indicated otherwise.

2 CHANGES IN ACCOUNTING POLICIES

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2021.

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 discontinued. The adoption did not have any impact on the Swedbank Mortgage's financial position, results, cash flows or disclosures.

Other changes in IFRS and Swedish regulations

Other amended IFRS, IFRS-interpretations and Swedish regulations which have been adopted during 2021 did not have a significant impact on the Group's financial position, results, cash flows or disclosures.

2 Accounting policies

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1 BASIS OF ACCOUNTING

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

- balance sheet as at the end of the period,
- statement of comprehensive income for the period,
- statement of changes in equity for the period,
- cash flow statement for the period, and

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of financial statements (IAS 1)

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

3.2 Assets and liabilities in foreign currency (IAS 21)

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

3.3 Financial instruments (IAS 32, IFRS 9, IAS 39)

3.3.1 General

Financial instruments represent the largest part of Swedbank Mortgage's balance sheet. A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Cash and contractual rights to receive cash are examples of financial assets, whereas a contractual obligation to deliver cash or another financial asset is an example of a financial liability. A derivative is a financial instrument that is distinguished by the fact that its value changes in response to the change in a specified variable, such as foreign exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date. Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific

counterparty or it is listed on the market, the instrument is classified on the balance sheet as securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. Eligible liabilities that fulfil the individual minimum requirements for own funds and eligible liabilities (IMREL) are presented on a separate row in the balance sheet.

Recognition and derecognition

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

When a financial asset is modified, Swedbank Mortgage assesses whether the modification results in derecognition. A financial asset is considered modified where the contractual terms governing the cash flows are amended versus the original agreement, for example due to forbearance measures being applied, changes in market conditions, customer retention reasons or other factors unrelated to the credit deterioration of a borrower. Modified financial assets are derecognised from the balance sheet and a new loan recognised where an agreement is cancelled and replaced with a new agreement on substantially different terms or where the terms of an existing agreement are substantially modified. Modifications due to financial difficulties, including forbearance measures, are not considered substantial on their own.

Financial liabilities are derecognised when the obligation in the agreement has been discharged, cancelled or expired.

Offsetting

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

Net interest income

Interest income on financial assets and interest expenses on financial liabilities include interest payments received or paid and changes in an instrument's amortised cost during the period, which produces a constant rate of return over the instrument's life, referred to as the effective interest rate. The effective interest rate is the rate that discounts future cash flows to the gross carrying amount of a financial instrument, taking into account transaction costs, premiums or discounts and fees

paid or received that are an integral part of the return.

Interest income on financial assets is generally calculated by applying the effective interest rate to the gross carrying amount, with two exceptions. Where financial assets measured at amortised cost have become credit-impaired subsequent to initial recognition (Stage 3 financial assets), interest income is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount less credit impairment provisions. If such financial assets are no longer credit-impaired, the calculation of interest income reverts back to the gross carrying amount basis. Where financial assets measured at amortised cost are credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost until the financial asset is derecognised from the balance sheet. The credit-adjusted effective interest rate is calculated based on the amortised cost of the financial asset rather than the gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Interest expense is calculated by applying the effective interest rate to the amortised cost of financial liabilities.

Swedbank Mortgage holds some financial liabilities at amortised cost with negative yields, which are presented in note 6.

3.3.2 Classification and measurement

Financial assets are classified as measured at either amortised cost or fair value through profit or loss, based on the business model for managing the assets and the asset's contractual terms. Swedbank Mortgage does not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model).

The business model reflects how Swedbank Mortgage manages portfolios of financial assets in order to generate cash flows. The factors considered in determining the business model for a portfolio of financial assets include past experience on how the cash flows have been collected, how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed and how compensation is linked to performance.

Swedbank Mortgage assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, Swedbank Mortgage considers whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of a financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the

related financial asset is not compliant with the solely payments of principal and interest criterion. Financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

Financial assets at amortised cost

Financial assets which are debt instruments are classified as measured at amortised cost if they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the issue or acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit impairment provisions. Accounting policies regarding credit impairment provisions are disclosed in section 3.3.3.

Financial assets at fair value through profit or loss

Financial assets classified as measured at fair value through profit or loss is comprised of derivative assets that are not designated for hedge accounting.

The fair value of financial instruments is determined based on quoted prices in active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are based on observable market data, such as quoted prices in active markets for similar instruments or quoted prices for identical instruments in inactive markets. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so-called 'date 1-profits or losses', are recognised in the income statement only when the valuation model is based entirely on observable market data. In all other cases the difference is amortised during the financial instrument's remaining maturity.

Changes in fair value are recognised through profit or loss in Net gains and losses on financial items at fair value. Changes in fair value due to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss line. Decreases in fair value attributable to debtor insolvency are recognised as credit impairments.

Financial liabilities at amortised cost

Financial liabilities classified as measured at amortised cost include those that are not classified as fair value through profit or loss. Such financial liabilities are recognised on the trade date at fair value, which is typically the amount borrowed, and

subsequently measured at amortised cost using the effective interest method. The amortised cost measurement is analogous to that which is applied to financial assets, however it does not include adjustments for credit impairment provisions

Financial liabilities at fair value through profit or loss

Financial liabilities classified as measured at fair value through profit or loss is comprised of:

- Derivatives that are not designated for hedge accounting
- A limited volume off financial liabilities designated at fair value through profit or loss at initial recognition

Changes in fair value are recognised in profit or loss within Net gains and losses on financial items at fair value.

Reclassification of financial assets and liabilities

Swedbank Mortgage does not reclassify its financial assets unless the business model under which the financial assets are held changes, which is expected to be very exceptional. Financial liabilities are never reclassified.

3.3.3 Credit impairment

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

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

12-month expected credit losses are recognized on instruments in Stage 1 and lifetime expected credit losses are recognized on instruments in Stage 2 and Stage 3. The lifetime expected credit losses represent losses from all possible default events over the remaining life of the financial instrument.

The 12-month expected credit losses are the portion of the lifetime expected credit losses resulting from the default events that are possible within 12 months after the reporting date.

Measurement of expected credit losses

Expected credit losses are measured for each individual exposure as the discounted product of a probability of default (PD), an exposure at default (EAD), and a loss given default (LGD). The PD represents the likelihood that a borrower will default on its obligation, during the next 12 months or during the remaining lifetime of the obligation. The EAD is an expected exposure at the time of default, taking into account scheduled repayments of principal and interest, and expected further drawdowns on irrevocable facilities. The LGD represents the expected loss on a defaulted exposure, taking into account such factors as counterparty characteristics, collateral and product type.

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

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

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

Definition of default and credit-impaired assets

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

The Swedbank Mortgage's IFRS 9 definitions of default and credit-impaired assets are aligned to the Swedbank Mortgage's regulatory definition of default, as this is what is used for risk management

purposes. Default and credit-impairment are triggered when one of the following occurs: an exposure is more than 90 days past due, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, Swedbank Mortgage takes into account both qualitative and quantitative factors including but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. Swedbank Mortgage has elected to rebut the presumption that instruments which are 90 days past due are in default or credit-impaired for instruments in the sovereign and financial institutions exposure classes only. An instrument is no longer considered to be in default or credit-impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

Determining a significant increase in credit risk since initial recognition

Swedbank Mortgage assesses changes in credit risk using a combination of individual and collective information and reflects significant increases in credit risk at the individual financial instrument level. For financial instruments with an initial recognition date of 1 January 2018 or later, the primary indicator used to assess changes in credit risk is changes in the forward-looking lifetime probability of default since initial recognition, which incorporates the effects of past and current forecasted economic conditions. Changes in Swedbank Mortgage internal credit ratings since initial recognition, where each rating corresponds to a 12-month probability of default, is used as a secondary indicator of significant increase in credit risk. The estimation of the forward-looking lifetime probabilities of default for initial recognition dates prior to the adoption of IFRS 9 would not have been possible without the use of hindsight and would have required undue cost and effort. Consequently, for those instruments with an initial recognition date prior to 1 January 2018, changes in Swedbank Mortgage internal credit ratings since initial recognition is used as the primary indicator.

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

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

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

Expected lifetime

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

Modifications

Where a loan is modified but is not derecognised, significant increases in credit risk continue to be assessed for impairment purposes as compared to the initial recognition credit risk. Modifications do not automatically lead to a decrease in credit risk and all quantitative and qualitative indicators will continue to be assessed. Further to this, a modification gain or loss is recognised in the income statement within Credit impairments, which represents the difference in the present value of the contractual cash flows, discounted at the original effective interest rate.

Where a loan is modified and derecognised, the date of the modification is the initial recognition date of the new loan for credit impairment purposes, including for the assessment of significant increases in credit risk. Where the new loan is considered to be credit-impaired on initial recognition, it is classified as a purchased or originated credit-impaired asset and therefore in Stage 3 until the loan is repaid or written-off.

Presentation of credit impairments

For financial assets measured at amortised cost, credit impairment provisions are presented in the balance sheet as a reduction of the gross carrying amount of the assets.

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

3.3.4 Hedge accounting (IFRS 9, IAS 39)

Fair value hedges

One-to-one hedges (IFRS 9):

Fair value hedge accounting is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the individual hedged item is also measured at fair value. The value of the hedged risk in an individual financial asset or financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items at fair value.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

Portfolio hedges (IAS 39):

Portfolio fair value hedge accounting is applied by Swedbank Mortgage in certain cases where the interest rate exposure in loan portfolios is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. The item is recognised in connection with Loans to the public. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in Net gains and losses on financial items at fair value.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in the fair value of the hedged risk.

Cash flow hedges (IFRS 9)

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in exchange rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative hedging instrument, is recognised directly in other comprehensive income. Where the derivative hedging instrument is a cross currency basis swap, Swedbank Mortgage excludes the foreign currency basis spread from the hedging relationship. The changes in fair value of the cross currency basis swap are recognised in other

comprehensive income; however, the changes related to the effective portion of the hedge relationship and the foreign currency basis spread component are recognised separately in the cash flow hedge reserve and the foreign currency basis reserve, respectively.

The amounts accumulated in the respective reserves are subsequently reclassified to profit or loss in the same periods that the hedged future cash flows or the foreign currency basis spread cash flows affect profit or loss. Any ineffective portion is recognised through profit or loss in Net gains and losses on financial items.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument, and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

3.4 Pensions (IAS 19)

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

3.5 Revenues, 2017 (IFRS 15)

The principles of revenue recognition for financial instruments are described in a separate section, Financial instruments, recognition (IFRS 9). Interest income and interest expenses for financial instruments calculated according to the effective interest method are recognised as net interest income. Changes in value in the valuation category financial instruments at fair value through profit or loss as well as all changes in exchange rates between functional and other currencies are recognised in net gains and losses on financial items. Service fees are recognised as income when the services are rendered under Commission income or Other income.

3.6 Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to the tax authority. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are tax attributable to taxable temporary differences and must be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing date and recognised to the extent it is likely on each closing date that they can be utilised. As a

result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations. All current and deferred taxes are recognised through profit or loss as tax with the exception of tax attributable to items recognised directly in other comprehensive income or equity.

3.7 Operating segments (IFRS 8)

Segment reporting is presented on the basis of management's perspective and relates to the parts of Swedbank Mortgage that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker. Swedbank Mortgage has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting. Swedbank Mortgage has three operating segments that meet the requirements of IFRS 8: Private, Corporate, and Forestry and Agriculture. Revenue is distributed with the help of customer interest rates, internal interest rates, commission agreements and relevant distribution factors. Interest income and interest expenses are netted, since Swedbank Mortgage's chief operating decision maker uses net interest income to determine the segment's result. Items such as changes in value of financial instruments, return on legal equity and other minor items are not distributed to the operating segments. Among balance sheet items, loans to the public are distributed.

4 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing date as well as recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans and deferred taxes. The executive management bases its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

Financial instruments

When financial instruments are valued at fair value, quoted prices on active markets are primarily used. When quoted prices on active markets are not available, various valuation models are used instead. The company determines when markets are considered inactive and when quoted prices no longer correspond to fair value, requiring valuation models to be used. The markets are considered inactive when the number of completed transactions is too few and when the amounts of the transactions are too small. Swedbank Mortgage determines which valuation model and which pricing parameters are most appropriate for the individual instrument. All the valuation models Swedbank Mortgage uses are generally accepted and are subject to independent risk control. Swedbank Mortgage uses primarily accounting at amortised cost and hedge accounting. The company evaluates these as the most true accounting principles for the business conducted in the company.

Estimates

Swedbank Mortgage uses various estimates and assumptions about the future to determine the value of certain assets and liabilities.

Provision for credit impairments

Credit impairment provisions that are estimated using quantitative models incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. In particular, the following can have a significant impact on the level of impairment provisions: the determination of a significant increase in credit risk and the incorporation of forward-looking macroeconomic scenarios. Incorporating forward-looking information requires significant judgment, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses. There have been no significant changes to the methodologies applied during the reporting period. However, due to the continued uncertainties related to Covid-19 and that the quantitative risk models may not appropriately incorporate the specific dynamics related to the pandemic, post-model adjustments to the credit impairment provisions were deemed necessary. An analysis of the sensitivity of credit impairment provisions in relation to significant increase in credit risk assumptions and in relation to the forward-looking macroeconomic scenarios is found on page 26.

Significant credit-impaired exposures (which are those where the borrower's or limit group's total group credit limit is SEK 50m or more), are assessed on an individual basis and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, of which at least one is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrowerspecific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and

sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Swedbank Mortgage's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognized in the income statement in relation to individually assessed loans is SEK 2m.

The Swedbank Mortgage has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Financial instruments at fair value

When financial instruments are measured at fair value according to valuation models, an estimate is made which observable market data should be used in those models. The assumption is that quoted prices from financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note 28 shows financial instruments at fair value divided into three valuation levels: quoted prices (Level 1), valuation models with observable market inputs (Level 2) and valuation models with internal assumptions (Level 3). Swedbank Mortgage has no financial instruments measured at fair value within Level 3.

5 NEW STANDARDS AND INTERPRETATIONS

5.1 Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued standards, amendments to standards and interpretations that apply in or after 2022. The IASB permits earlier application. For Swedbank Mortgage to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules.

3 Risks

Swedbank Mortgage defines risk as a potentially negative impact on the company's valuation that can occur due to internal processes or future internal or external events. The risk concept encompasses both the probability that an event will occur and the impact that event would have on the Swedbank Mortgage's profitability, equity or value. The Board has adopted a policy for Enterprise Risk Management (ERM) which describes the risk framework, the risk management process, and the roles and responsibilities for risk management and risk control. Swedbank Mortgage continuously identifies the risks in its business and has developed a process for risk assessment review and management.

The risk management process encompasses eight steps: prevent risks, identify risks, quantify risks, analyse risks, suggest measures, control and monitor risks, report risks and follow up risk management. The process encompasses all risk categories and results in a description of Swedbank Mortgage's risk profile.

To ensure that Swedbank Mortgage maintains a long-term low risk profile, the Board has established an overall risk appetite. Individual CEO limits have been established for the types of risks to which the company is exposed. The CEO limits cover exposures and the portfolio's development. The limits are complemented with risk indicators that are continuously monitored and whose purpose is to give early signals if risk conditions change.

The capital adequacy assessment process evaluates capital needs based on Swedbank Mortgage's aggregate risk level. The aim is to ensure efficient use of capital while Swedbank Mortgage meets the minimum legal capital requirement and maintains access to domestic and international capital markets, even under adverse market conditions.

Credit risk

The risk that a borrower fails to meet its obligations to Swedbank Mortgage and the risk that the pledged collateral does not cover the claims. Credit risk also includes Counterparty Risk, Concentration Risk and Foreign Exchange Settlement risk.

Liquidity risk

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

Market risk

The risk to value, earnings, or capital arising from movements of risk factors in financial markets. This risk includes Interest rate risk (including real- and nominal interest rates, credit spreads, and basis

spreads), Currency risk and risks from changes in volatilities or correlations.

Operational risk

The risk of losses, business process disruptions and negative reputational impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition of Operational Risk includes Information security risk.

Other risks

Encompasses compliance risk including conduct risk and money laundering- and terrorist financing risk, capital risk, sustainability (ESG) risk and strategic risk.

Operational risk management

Operational risks are managed with qualitative methods such as vulnerability assessment, business continuity planning and a process to authorise new products, systems and processes, as well as quantitative methods where, among other things, incident reporting and operational losses are used to quantify the operational risks.

Other risk management

Business risk, strategic risk, reputational risk, conduct risk, money laundering and terrorist financing risk and sustainability risk are an important part of Swedbank Mortgage's risk exposure, because of which they are carefully monitored and managed.

3a Credit risk

Definition

Credit risk refers to the risk that a borrower will fail to meet their contractual obligations towards Swedbank Mortgage and the risk that the collateral will not cover the claim. Credit risk includes counterparty risk, concentration risk, default risk, collateral value risk and country risk.

Counterparty risk is the risk that a counterparty in a transaction will fail to meet their financial obligations towards Swedbank Mortgage and that the collateral which has been received is insufficient to cover the claim against the counterparty.

Concentration risk comprises, among other things, large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographies. Settlement risk is the risk that a counterparty will fail to meet its obligations before Swedbank Mortgage fulfils its obligations when a transaction is executed (delivery/payment).

Risk management

A central principle for Swedbank Mortgage's lending is that credit decisions adhere to the credit process and are made in accordance with applicable regulations, and that these decisions are in line with Swedbank Mortgage's business and credit strategies. Depending on the size and nature of each credit, a lending decision can be made, for

example, by an officer with the help from system support or by a credit committee. The duality principle serves as guidance for credit and credit risk management. A distinct sustainability risk evaluation process is conducted for corporate customers that include corruption and environmental risks.

The risk classification system is a central part of the credit process and comprises operating and decision-making processes for lending, credit monitoring, and quantification of credit risk. The decision to grant credit requires that the borrower, on good grounds, is expected to fulfil its commitment towards Swedbank Mortgage. All credit exposures are systematically assessed on a continuous basis for early identification of significant increase in credit risk. Exposures to corporate customers, financial institutions and sovereigns are also reviewed at least once a year to ensure a comprehensive assessment of the borrower's financial situation and forward-looking creditworthiness, review and establishment of risk class and assessment of long-term relationship with the borrower.

Counterparty risks arise in the treasury department mainly in derivative contracts. All derivative contracts have the parent company as counterparty. Counterparty risks are reduced through bilateral agreements, which allow the risks to be netted according to standardised procedures.

Risk measurement

Swedbank Mortgage's internal risk classification system is the basis for:

- Risk assessment and credit decisions
- Calculating risk-adjusted returns (including RAROC, risk adjusted return on capital)
- Calculating portfolio provisions
- Monitoring and managing credit risks (including migrations)
- Reporting credit risks to the Board and CEO
- Developing credit strategies and associated risk management activities
- Calculating capital requirements and capital allocation

Risk class is assessed and assigned as part of each credit decision. The risk class also affects the scope of the analysis and documentation and how customers are monitored. In this way, low-risk transactions can be approved through a simpler and faster credit process. The risk classification is also a key part of the monitoring of individual credit exposures.

Swedbank Mortgage has received approval from SFSA to apply the IRB approach, which is used to calculate the majority of the capital requirement for credit risks. The IRB approach used for the large part of lending to the public. For exposures where the IRB approach is not used, the SFSA standardised approach is used instead.

The goal of the risk classification is to predict defaults within 12 months. This is expressed on a scale of 22 classes, where 0 represents the greatest risk and 21 represent the lowest risk, with one class for defaulted loans. The table below describes the Swedbank Mortgage's risk classification and how it relates to the probability of default within 12 months (PD) as well as an indicative rating from S&P.

Risk grade according to IRB methodology

Internal risk grade	PD, %	Indicativ rating Standard & Poor's
18-21	<0.1	A- to AAA
13-17	0.1-0.5	BBB- to BBB+
9-12	>0.5-2.0	BB to BB+
6-8	>2.0-5.7	B+ to BB-
0-5	>5.7-99.9	C to B
Default	100	D

To ensure the most accurate internal rating possible, various risk classification models have been developed. There are primarily two types of models; one is based on statistical methods, requiring access to a large amount of information on counterparties and sufficient information regarding counterparties that have entered into default. In cases where statistical methods are not applied, models are created where the evaluation criteria are based on expert opinions.

The models are validated when new models are introduced and when major changes are made, as well as on a periodic basis (at least annually). The validation is designed to ensure that each model measures risk in a satisfactory manner. In addition, the models are evaluated to ensure that they work well in daily credit operations. The models normally produce a likelihood of default over a one-year horizon.

Measurement of expected credit losses

From 1 January 2018, Swedbank Mortgage adopted IFRS 9 and measures credit impairment provisions based on expected credit losses. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. For financial assets with no significant increase in credit risk since initial recognition (Stage 1), impairment provisions reflect 12-month expected credit losses. For financial assets with a significant increase in credit risk (Stage 2) and those which are credit impaired (Stage 3), impairment provisions reflect lifetime expected credit losses. Such measurements are estimated using internally developed statistical models or individual assessments of expected contractual cash flows, both of which involve a high degree of management judgement. The key inputs used in the quantitative models are: probability of default, loss given default, exposure at default and expected lifetime. Expected credit losses reflect both historical data and probability-weighted forward-looking scenarios. The portfolios for estimating expected credit losses are

segmented according to the same segmentation that is applied for regulatory purposes, with shared risk characteristics. This is based on homogeneous sub segments of the total credit portfolio, such as business area and product group.

Probability of default (PD)

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

Internal risk rating grades based on IRB PD models are an input to the IFRS 9 PD models and historic default rates are used to generate the PD term structure, covering the lifetime of assets. The developed PD models are segmented based on shared risk characteristics such as obligor type, country, product group and industry segment, and are used to derive both the 12-month and lifetime PDs. Segment and country specific credit cycle indexes are forecasted given the macroeconomic outlook and alternative scenarios. For each ingoing scenario, PD term structures are adjusted based on the correlation to the forecasted credit cycle indexes, to obtain forward-looking point-in-time PD estimates.

Consequently a worsening of an economic outlook or an increase in the probability of the downside scenario occurring results in higher 12-month and lifetime PDs, thus increasing the estimated expected credit losses as well as the number of loans migrating from Stage 1 to Stage 2.

Loss given default (LGD)

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

Exposure at default (EAD)

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

Expected lifetime

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

Determination of significant increase in credit risk

Swedbank Mortgage uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The table on the next page shows the quantitative thresholds, namely:

- changes in 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.

- 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 thresholds 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 the thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and, also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect. The tables below disclose the impacts of this sensitivity analysis on the year-end credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognized.

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

Internal risk grade at initial recognition	12-months PD band at initial recognition, %	Threshold, rating down grade ^{1,2,3}	Impairment provision impact of		Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
			Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %		
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 rating.

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

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

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

Internal risk grade at initial recognition	12-months PD band at initial recognition, %	Threshold, rating down grade ^{1,2,3}	Impairment provision impact of		Recognised credit impairment provisions 31 December 2020	Share of total portfolio in terms of gross carrying amount, % 31 December 2020
			Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %		
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 stage 1 and stage 2.

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD ¹ , %	Impairment provision impact of		Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
		Increase in threshold by 100%, %	Decrease in threshold by 50%, %		
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 ⁴				28	
Total				139	47

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

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

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		Recognised credit impairment provisions 31 December 2020	Share of total portfolio in terms of gross carrying amount, % 31 December 2020
		Increase in threshold by 100%, %	Decrease in threshold by 50%, %		
18-21	200-300	-9.7	23.5	10	22
13-17	100-200	-1.9	6.1	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 stage 1 and stage 2.

Incorporation of forward-looking macroeconomic scenarios

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

The macroeconomic scenarios are provided by Swedbank Macro Research and are aligned with the Swedbank Economic Outlook. The scenarios are developed to reflect assumptions about future economic conditions given the current state of the local and global economies. The macroeconomic forecasts consider internal and external information and are consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The base scenario is based on the assumptions corresponding to the Swedbank's budget scenario, and alternative

scenarios reflecting more positive as well as more negative outlook are developed accordingly. Swedbank Mortgage considers three scenarios when estimating expected credit losses, which are incorporated into the PD and LGD inputs for model-based expected credit losses. The base scenario has an assigned probability weight of 66.6 per cent and 16.7 per cent is assigned to both the upside and downside alternative scenarios.

Scenarios

The recovery has been much faster than expected a year ago. GDP growth as well as inflation have been revised upwards. 2021 was dominated by a swift recovery following the downturn caused by the Covid-19 pandemic. In many countries, economic activity rebounded to pre-pandemic levels during the year, and in Sweden GDP is already back at the pre-pandemic trend. Growth could have been even higher; however, the strong demand has created a global shortage of many input goods and labour. On top of that, the energy crisis hit, which has lifted inflation to record highs.

The housing market surprised during the pandemic and prices have increased much faster than expected. As there is still an imbalance between supply and demand and mortgage rates remain relatively low, house prices are expected to increase going forward. Compared with the Swedbank Economic Outlook, the GDP and unemployment rates used in the expected credit losses calculations are seasonally adjusted.

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

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

Post-model expert credit adjustment

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 total post-model expert credit adjustments reported as of 31 December 2021 was SEK 57m allocated as SEK 15m in Stage 1, SEK 42m in Stage 2 and SEK 0m in Stage 3.

Credit-impaired assets

The criteria for credit-impaired assets are disclosed on page 19. Swedbank Mortgage estimates expected credit losses on significant impaired exposures individually and without the use of modelled inputs. Significant means that the borrower's or limit group's total credit limit is SEK 50m or higher. The credit impairment provisions for these exposures are established using discounted

expected cash flows and considering a minimum which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and

sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the workout process as well as current and future economic conditions.

IFRS 9 vs Regulatory capital framework

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

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

Gross carrying amount by credit risk rating

The table below presents the credit quality, gross carrying or nominal amount of financial instruments and stage, where the financial instruments are subject to the IFRS 9 impairment requirements. The associated credit impairment provisions are also presented. This credit quality information is at 31 December 2021 and the risk grade information is found on page 25.

Gross carrying amount by internal risk grade 2021

SEKm	Stage 1	Stage 2	Stage 3	Total
Loans to the public				
18-21	752 219	921	9	753 149
13-17	258 291	7 782	15	266 088
9-12	41 497	17 059	8	58 564
6-8	4 615	7 273	26	11 914
0-5	234	3 358	90	3 682
Default			700	700
Non-rated exposures				
Total	1 056 856	36 393	848	1 094 097

Gross carrying amount by internal risk grade 2020

SEKm	Stage 1	Stage 2	Stage 3	Total
Loans to the public				
18-21	715 718	916	11	716 645
13-17	252 382	8 860	14	261 256
9-12	40 654	17 462	13	58 129
6-8	5 037	8 041	28	13 106
0-5	250	4 093	94	4 437
Default			722	722
Non-rated exposures				
Total	1 014 041	39 372	882	1 054 295

Loans to the public and credit institutions, at amortised cost, carrying amount 2021

SEKm	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	Gross carrying amount	Credit impairment provision	Net	
Loans to credit institutions										
Banks	30 178		30 178							30 178
Loans to credit institutions	30 178		30 178							30 178
Loans to the public										
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
Private other										
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 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
Loans to the public, collateral										
Real Estate Residential	961 987	18	961 969	27 387	98	27 289	692	137	555	989 813
Real Estate Commercial	88 430	14	88 416	8 400	91	8 309	143	20	123	96 848
Guarantees	140	1	139	0	0	0				139
Received cash	3 613	3	3 610	387	30	357				3 967
Other collateral	2 686	1	2 685	219	6	213	13	4	9	2 907
Total	1 056 856	37	1 056 819	36 393	225	36 168	848	161	687	1 093 674

Loans to the public and credit institutions, at amortised cost, carrying amount 2020

Loans to credit institutions										
Banks	106 208		106 208							106 208
Loans to credit institutions	106 208		106 208							106 208
Loans to the public										
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
Private other										
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		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	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				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 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
Loans to the public, collateral										
Real Estate Residential	923 428	25	923 403	28 422	100	28 322	713	140	573	952 298
Real Estate Commercial	83 847	20	83 827	10 299	135	10 164	148	23	125	94 116
Guarantees	26	0	26	0	0	0				26
Received cash	3 964	9	3 955	386	28	358				4 313
Other collateral	2 776	2	2 774	265	5	260	21	6	15	3 049
Total	1 014 041	56	1 013 985	39 372	268	39 104	882	169	713	1 053 802

Concentration risk, customer exposure

At end of 2021, Swedbank Mortgage did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Reconciliations of gross carrying amount and credit impairment provisions

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

Loans to the public and credit institutions 2021

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 financial assets	7	13	0	20
Derecognised financial assets	-5	-36	-31	-72
Write-offs			-6	-6
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 2020

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 financial assets	10	12		22
Derecognised financial assets	-6	-46	-28	-80
Write-offs			-9	-9
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			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

Forborne loans

Forborne loans refer to loans where the contractual terms have been revised due to the customer's financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again, or when this is not considered possible, to maximise the repayment of outstanding loans. Revisions to contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts or avoid default. Revisions to contractual terms which are non-performing forbearance measures result in that the loan is also considered credit impaired. Before a forborne loan ceases to be reported as forborne, all the criteria set by the European Banking Authority must be met. The following table shows the carrying amounts of forborne loans by credit impairment stage.

Loan write-offs

Loans are written off when the loss amount is ultimately established. The remaining loan amount for those that are partially written off is still included in credit-impaired (stage 3) loans or and forborne loans. Previous provisions are utilised in connection with the write-off. The loss amount is ultimately determined when a receiver has presented a bankruptcy distribution, when a bankruptcy settlement has been reached, when a concession has been granted, or when the Swedish Enforcement Agency, or a collection company Swedbank Mortgage partners with, has reported that an individual has no distrainable assets. A write-off normally does not mean that the claim against the borrower has been forgiven. Generally, a proof of claim is filed against the borrower or guarantor after the write-off. A proof of claim is not filed when a legal entity has ceased to exist due to a bankruptcy, when a bankruptcy settlement has been reached or when receivables have been completely forgiven. The contractual amount outstanding on

loans that were written off during 2021 and are still subject to enforcement activity is SEK 5m.

Gross carrying amount of forborne loans

SEKm	2021	2020
Performing	256	253
Non-performing	57	28
Total	313	281

3b Liquidity risk

Definition

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

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

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

Liquidity risk is also limited by covered bond regulations. The high credit rating of covered bonds broadens the investor base, facilitates favourable funding costs and constitutes approved collateral when pledged with the Riksbank. Swedbank Mortgage has access to the parent company's liquidity reserve, where one of the purposes of maintaining a liquidity reserve is to reduce the Swedbank Mortgage's liquidity risk. When

Swedbank Mortgage faces a high volume of maturing bonds that exceeds maturing lending, the liquidity reserve must be adjusted to meet these maturities in various types of stressed scenarios in the capital markets where access to financing may be limited or where markets are fully or partly closed over an extended period of time. This also means that when Swedbank Mortgage's volume of maturing bonds in the near term are lower, the liquidity reserve can be lower, since refinancing needs and thus liquidity risk decrease.

Summary of maturities

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

Undiscounted contractual cash flows, remaining maturity

SEKm

2021	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discou nt effect ¹⁾	Total
Assets								
Loans to credit instiutions	30 178							30 178
Loans to the public		8 337	20 000	84 413	95 605	904 072	-18 753	1 093 674
Derivatives		1 528	2 157	6 642	1 792	886	846	13 851
Other assets							-1 537	-1 537
Total assets	0	0	0	0	0	0	0	1 136 166
Liabilities								
Amounts owed to credit institutions		952	590 454	128			-819	590 715
Debt securities in issue		13 616	132 764	288 574	22 666	16 602	-6 459	467 763
Derivatives		264	721	3 228	421	308	-1 702	3 240
Eligible liabilities				15 005				15 005
Other liabilities							13 251	13 251
Total liabilities		0	0	0	0	0	0	1 089 974

¹⁾ Refers to discount effect for all items, except other assets and other liabilities w ithout a defined maturity date

2020	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discou nt effect ¹⁾	Total
Assets								
Loans to credit instiutions	106 208							106 208
Loans to the public		7 858	18 001	72 975	81 221	892 933	-19 186	1 053 802
Derivatives		1 882	3 204	8 723	2 801	1 662	761	19 033
Other assets							1 992	1 992
Total assets	106 208	9 740	21 205	81 698	84 022	894 595	-16 433	1 181 035
Liabilities								
Amounts owed to credit institutions		59 940	540 568	157			-920	599 745
Debt securities in issue		20 028	101 581	338 892	26 347	17 519	-2 954	501 413
Derivatives		764	2 051	4 407	1 074	598	-2 264	6 630
Eligible liabilities				15 005				15 005
Other liabilities							12 137	12 137
Total liabilities		80 732	644 200	358 461	27 421	18 117	5 999	1 134 930

¹⁾ Refers to discount effect for all items, except other assets and other liabilities w ithout a defined maturity date

3c Market risk - Interest rate risk

Definition

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

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

including derivatives by SEK 1 157m (loss: 1 078) as of 31 December 2020.

Net gains and losses on financial items, before taking into account cash flow hedges, would have decreased by SEK 10m (increased 9) for the portion of Swedbank Mortgage's balance sheet measured at fair value through the income statement. This would have decreased equity by SEK 8m (increased 7).

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

SEKm

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

2021

	< 3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	334	-81	-327	-436	-412	-10	-47	-77	19	-1 037
Foreign currency	0	1	4	5	4	4	0	-17	-121	-120
Total	334	-80	-323	-431	-408	-6	-47	-94	-102	-1 157

of which financial instruments measured at fair value through profit and loss

SEK	85	1	1	0	0	0	0	0	0	87
Foreign currency	-90	-6	-1	0	0	0	0	0	0	-97
Total	-5	-5	0	0	0	0	0	0	0	-10

2020

	< 3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	-250	-50	-175	-102	-251	92	-187	-97	6	-1 014
Foreign currency	-1	-5	5	2	5	4	12	-8	-78	-64
Total	-251	-55	-170	-100	-246	96	-175	-105	-72	-1 078

of which financial instruments measured at fair value through profit and loss

SEK	109	3	10	0	0	0	0	0	0	122
Foreign currency	-106	-12	6	0	0	0	0	-1	0	-113
Total	3	-9	16	0	0	0	0	-1	0	9

3d Market risk – Currency risk

Definition

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

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

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

Currency distribution

2021

SEKm	SEK	EUR	USD	GBP	NOK	Other	Total
Assets							
Loans to credit institutions	30 178						30 178
Loans to the public	1 093 674						1 093 674
Other assets, not distributed	12 314						12 314
Total	1 136 166						1 136 166
Liabilities							
Amounts owed to credit institutions	590 715						590 715
Debt securities in issue	324 733	136 050	57	0	5 403	1 520	467 763
Senior non preferred debt	15 005						15 005
Other liabilities, not distributed	16 491						16 491
Total	946 944	136 050	57	0	5 403	1 520	1 089 974
Derivatives		-136 050	-57	0	-5 403	-1 520	
Net position in currencies		0	0	0	0	0	

2020

SEKm	SEK	EUR	USD	GBP	NOK	Other	Total
Assets							
Loans to credit institutions	106 208						106 208
Loans to the public	1 053 802						1 053 802
Other assets, not distributed	21 025						21 025
Total	1 181 035						1 181 035
Liabilities							
Amounts owed to credit institutions	599 745						599 745
Debt securities in issue	320 300	162 730	53	6 886	8 081	3 363	501 413
Senior non preferred debt	15 005						15 005
Other liabilities, not distributed	18 767						18 767
Total	953 817	162 730	53	6 886	8 081	3 363	1 134 930
Derivatives		162 730	53	6 886	8 081	3 363	
Net position in currencies		0	0	0	0	0	

4 Capital adequacy

Capital adequacy analysis

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

Swedbank's own methods and processes are also established and documented to evaluate the

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

The note contains the information that must be published according to the SFSA's regulations (FFFS 2008:25), Chapter 6 paragraph 4. Additional periodic information according to the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions and the Commission's implementing regulation (EU) No 1423/2013 can be found in Swedbank group reporting at Swedbank's website <https://www.swedbank.com/investor-relations/reports-and-presentations/risk-reports.html>

SEKm	2021 31 Dec	2020 31 Dec
Available own funds		
Common equity tier 1 (CET1) capital	46 092	46 103
Tier 1 capital	46 092	46 103
Total capital	46 099	46 149
Risk-weighted exposure amounts		
Total risk exposure amount	288 297	281 223
Capital ratios as a percentage of risk-weighted exposure amount		
Common equity tier 1 ratio	16.0	16.4
Tier 1 ratio	16.0	16.4
Total capital ratio	16.0	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	0.6
of which: to be made up of CET1 capital	0.7	0.4
of which: to be made up of Tier 1 capital	0.8	0.5
Total SREP own funds requirements	9.0	8.6
Combined buffer and overall capital requirement as a percentage of risk-weighted exposure amount		
Capital conservation buffer	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State		
Institution specific countercyclical capital buffer	0.0	0.0
Systemic risk buffer	0.0	0.0
Global Systemically Important Institution buffer		
Other Systemically Important Institution buffer		
Combined buffer requirement	2.5	2.5
Overall capital requirements	11.5	11.1
CET1 available after meeting the total SREP own funds requirements	6.9	7.8
Leverage ratio		
Total exposure measure	1 097 200	1 060 432
Leverage ratio, %	4.2	4.3

SEKm	2021 31 Dec	2020 31 Dec
Additional own funds requirements to address the risk of excessive leverage as a percentage of total exposure measure		
Additional own funds requirements to address the risk of excessive leverage		
of which: to be made up of CET1 capital		
Total SREP leverage ratio requirements	3.0	
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	

	2021 31 Dec	2020 31 Dec
Common Equity Tier 1 Capital, SEKm		
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

	2021 31 Dec	2020 31 Dec
Risk exposure amount, SEKm		
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⁾	2021 31 Dec	2020 31 Dec	2021 31 Dec	2020 31 Dec
SEKm / per cent				
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 Mortgage'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.

Leverage ratio requirements ¹⁾ SEKm / per cent	SEKm		Per cent	
	2021 31 Dec	2020 31 Dec	2021 31 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 Mortgage's calculation based on the SFSA's announced leverage ratio requirements, including Pillar 2 requirements and Pillar 2 guidance.

Internal Capital Adequacy Assessment Process (ICAAP)

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

Measurement

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

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

Risk types

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

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

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

Total capital requirement

Swedbank Mortgage's internal capital requirement as of 31 December 2021 amounted to SEK 6.4bn. The capital that meets this requirement, i.e. the capital base, amounted to SEK 46.1bn.

5 Operating segments

SEKm	2021				2020			
	Private	Corporate	Forestry and Agriculture	Total	Private	Corporate	Forestry and Agriculture	Total
Net interest income	10 134	1 406	766	12 306	9 230	1 417	728	11 375
Net commissions	3	1	0	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, segments	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

SEKm	2021					2020				
	Net interest income	Total income	Total expenses	Credit impair- ments	Opera- ting profit	Net interest income	Total income	Total expenses	Credit impair- ments	Opera- ting profit
Total segments	12 306	12 310	228	-75	12 157	11 375	11 392	231	-32	11 193
Interest on legal equity	241	241			241	320	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
Operating profit according to income statement	12 547	12 546	277	-75	12 344	11 695	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 to loans to municipal housing companies and tenant-owner associations with underlying collateral in multi-family housing. The Forestry and Agriculture segment comprises loans to finance forest and agricultural properties. The commission income in net commissions are services provided point in time and are related to payment processing commissions. The allocation to segments is based on business volume.

Items in operating profit/loss that are not included in the segments consist of changes in the value of financial instruments, the return on legal equity and other undistributed minor items. Return on equity comprises interest income on assets funded by equity. Swedbank Mortgage does not have any single customer that generates 10% or more of the Company's total income.

6 Net interest income

SEKm	2021	2020
Interest income		
Loans to credit institutions	45	308
Loans to the public	16 374	17 237
Total interest income	16 419	17 545
Interest expense		
Amounts owed to credit institutions	-995	-2 391
Debt securities in issue	-3 050	-4 305
Derivatives	682	1 409
Eligible liabilities	-104	-131
Other	-405	-432
of which resolution fee	-396	-426
Total interest expense	-3 872	-5 850
Total net interest income	12 547	11 695
Average balance		
Loans to credit institutions	67 406	96 866
Loans to the public	1 069 772	1 040 599
Amount owed to credit institutions	593 593	525 463
Debt securities in issue	483 664	568 890
Negative yield on financial liabilities	181	59
Interest expense on financial liabilities at amortised cost	4 547	7 219
Interest income on Stage 3 loans	13	15

7 Net commission income

SEKm	2021	2020
Commission income		
Payment processing	43	49
Total	43	49
Commission expenses		
Fees to the Swedish National Board of Housing, Building and Planning	0	0
Market maker fees	-39	-32
Total	-39	-32
Total net commission income	4	17

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

8 Net gains and losses on financial items

SEKm	2021	2020
Fair value through profit and loss		
Debt securities in issue	10	43
Derivatives	12	-46
Total fair value through profit and loss	22	-3
Hedge accounting		
Ineffective part in hedge accounting at fair value	-50	4
of which hedging instruments	-6 103	2 177
of which hedged items	6 053	-2 173
Ineffective part in portfolio hedge accounting at fair value	-61	-27
of which hedging instruments	3 461	-1 533
of which hedged items	-3 522	1 506
Ineffective part in cash flow hedge	-19	-2
Total hedge accounting	-130	-25
Derecognition gain or loss for financial liabilities at amortised cost	-35	-125
Derecognition gain or loss for loans at amortised cost	168	170
Change in exchange rates	-33	-1
Total net gains and losses on financial items	-8	16

9 Staff expenses

Remuneration within Swedbank Mortgage

The Board receives compensation from Swedbank AB (publ). Swedbank has a common remuneration policy for the Group.

SEKm	2021	2020
President		
Salaries and other remuneration	1.3	1.3
Pension costs	0.9	0.7
Social insurance charges	0.4	0.4
Other employees		
Salaries and other remuneration	6.4	5.2
Pension costs	2.4	1.8
Social insurance charges	2.1	1.8
Other staff costs	0.3	0.3
Total	13.8	11.5

of which profit-based staff costs 0.0 0.0

Number of employees

The number of employees at year-end were 12 persons, of whom 50 per cent were women and 50 percent men.

Loans to the Board and employees

SEKm	2021	2020
Loans to the President	4	4
Loans to Board members	28	5
No. of employees with loans	9	7

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

Gender distribution

number of persons	2021	2020
Board of Directors	6	5
of which men	3	3
of which women	3	2

10 Other expenses

SEKm	2021	2020
Purchased services	228	232
Other	35	32
of which PWC AB ¹⁾		
Statutory audit	3	2
Total	263	264

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

11 Credit impairments

SEKm	2021	2020
Loans at amortised cost		
Credit impairment provisions - stage 1	-19	12
Credit impairment provisions - stage 2	-43	-62
Credit impairment provisions - stage 3	-12	13
Total	-74	-37
Write-offs	10	14
Recoveries	-11	-9
Total	-1	5
Total - loans at amortised cost	-75	-32
Total credit impairments	-75	-32
Credit impairment ratio, %	-0.01	0.00

12 Tax

SEKm	2021	2020
Tax expense		
Tax related to previous years	0	0
Current tax	2 543	2 459
Total	2 543	2 459

The tax expense corresponds to 20.6% (21.4%) of the company's pretax profit. The difference between the company's tax expense and the tax expense based on current tax rates is explained below:

	SEKm	%	SEKm	%
Result	2 543	20.6	2 459	21.4
Prevailing tax rate	2 543	20.6	2 459	21.4
Difference	0	0	0	0

13 Earnings per share

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

SEKm	2021	2020
Profit attributable to the shareholders of Swedbank Mortgage, SEKm	9 801	9 029
Average number of shares outstanding, million	23	23
Earnings per share, SEK	426.13	392.57

14 Tax for each component in other comprehensive income

SEKm	2021		
	Amount before tax	Deferred tax	Amount after tax
Cash flow hedges	18	-3	15
Foreign currency basis risk reserve	41	-9	32
Other comprehensive income	59	-12	47

SEKm	2020		
	Amount before tax	Deferred tax	Amount after tax
Cash flow hedges	-47	10	-37
Foreign currency basis risk reserve	-78	12	-66
Other comprehensive income	-125	22	-103

15 Loans to the public

SEKm	2021	2020
Loans to the public	1 093 674	1 053 802
Total loans to the public	1 093 674	1 053 802
Number of loans	1 648 964	1 628 475

16 Derivatives

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

SEKm	2021				2020	2021	2020	2021	2020
	Remaining contractual maturity, nominal amount					Positive market values		Negative market values	
SEKm	<1 year	1-5 year	> 5 year	Total	Total				
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate sw aps	94 215	223 550	30 737	348 502	371 556	7 381	12 844	701	37
Portfolio fair value hedge									
Interest-rate sw aps	135 280	350 300	9 315	494 895	456 370	1 968	137	851	2 406
Cash flow hedge									
Cross currency basis sw aps	21 884	55 009	22 790	99 683	124 417	3 949	5 027	1 395	2 060
Total	251 379	628 859	62 842	943 080	952 343	13 298	18 008	2 947	4 503
Other derivatives									
Interest-rate related contracts									
Interest-rate sw aps	19 380	0	102	19 482	10 104	89	62	0	13
Currency-related contracts									
Cross currency basis sw aps	36 034	1 988	105	38 127	51 068	464	963	293	2 114
Total	55 414	1 988	207	57 609	61 172	553	1 025	293	2 127
Grand total	306 793	630 847	63 049	1 000 689	1 013 515	13 851	19 033	3 240	6 630

17 Hedge accounting

Fair value hedge

Swedbank Mortgage's approach to managing market risk, including interest rate risk, and its exposure to those risks are presented in note 4. The risk of changes in interest rates on the fair value of certain fixed rate financial instruments is mitigated in accordance with the Swedbank Mortgage's risk management strategy by using interest rate swaps. Where hedge accounting is applied, interest rate risk on fixed rate loans to the public is hedged on a portfolio basis whereas debt securities in issue are identified and hedged on an issuance by issuance basis. Interest rate swaps designated as the hedging instruments are reported in the balance sheet in the Derivatives line.

Designated fair value hedge relationships are used to hedge the benchmark interest rate risk, which is an observable and reliably measurable component of the interest rate risk and of the fair value. Where hedge accounting is applied, Swedbank Mortgage ensures that the relationships meet the criteria outlined in note 2 including the effectiveness requirements.

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

One-to-one hedges – effectiveness assessment under IFRS 9

The economic relationship between the debt securities and the interest rate swap are assessed using a qualitative analysis of the critical terms. The critical terms are matched between the financial instruments, particularly regarding notional amount, reference interest rate, repricing dates and tenor. The fair values of the instruments are expected to move in opposite directions as a result of changes in the hedged benchmark interest rate risk. The hedge ratio is 1:1 as the nominal amount of the interest rate swap matches the issued amount of the hedged debt securities or subordinated liabilities. Swedbank Mortgage assesses hedge effectiveness by

comparing the changes in fair value of the debt securities resulting from movements in the benchmark interest rate with the changes in fair value of the designated interest rate swaps.

Portfolio hedges– effectiveness test under IAS 39

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

Hedging instruments and hedge ineffectiveness

	2021			2020		
	Interest rate risk					
	Interst rate sw aps			Interst rate sw aps		
	Portfolio hedge	Debt securities in issue	Total	Portfolio hedge	Debt securities in issue	Total
Nominal amount	494 895	348 502	843 397	456 370	371 556	827 926
Carrying amount ¹⁾						
Assets	1 968	7 381	9 349	137	12 843	12 980
Liabilities	851	701	1 552	2 406	37	2 443
Change in fair value used for recognising hedge ineffectiveness	1 713	5 741	7 454	-1 811	11 605	9 794
Ineffectiveness recognised in Profit or loss ²⁾	-61	-50	-111	-27	4	-23

¹⁾ Hedging instrument are presented on the balance sheet line derivatives

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

Hedged items

	2021				2020			
	Portfolio hedge, Loans to the public	Value change of interest hedged item in portfolio hedge	Debt securities in issue, one-to-one hedges	Total	Portfolio hedge, Loans to the public	Value change of interest hedged item in portfolio hedge	Debt securities in issue, one-to-one hedges	Total
Carrying amount								
Assets	494 895	-1 755		493 140	456 370	1 767		458 137
Liabilities			358 454	358 454			387 197	387 197
Accumulated amount of fair value hedge adjustment on the hedged item								
Assets		-1 755		-1 755		1 767		1 767
Liabilities			5 682	5 682			11 634	11 634
Change in value used for recognising hedge ineffectiveness	-1 755		-5 682	-7 437	1 767		-11 634	-9 867

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

	Återstående kontraktssenlig löptid					
	2021			2020		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Portfolio hedge						
Nominal amount (m SEK)	135 280	350 300	9 315	110 625	335 255	10 490
Average fixed interest rate %	0.18	0.20	0.64	0.10	0.19	0.42
Fair value hedges						
Nominal amount (m SEK)	94 215	223 550	30 737	66 198	267 163	38 195
Average fixed interest rate %	0.32	0.44	2.06	0.42	0.41	1.90

Hedge relationships in scope for Interest Rate Benchmark Reform

Swedbank Mortgage applies the Amendments to IFRS 9, IAS 39 and IFRS 7 due to the Interest Rate Benchmark Reform– Phase 1. For more information on the Reform itself and Swedbank Mortgage's assessments, see Note 26. The amendments provide certain temporary relief from the hedge accounting requirements in connection with the Reform. This has the effect that the Reform will not generally cause hedge accounting relationships to be terminated.

The tables below provide details, based on the nominal amounts, of Swedbank Mortgage's relationships which are considered in scope. In December 2021, the hedge relationships referring to Libor in CHF and GBP were transitioned to an alternative reference. Hedge relations in GBP matured in December 2021 and hedge relations in CHF were discontinued.

Hedge relationships in scope for Interest rate benchmark reform

Currency distribution fair value hedges

SEKm	2021	2020		
	USD	CHF	GBP	USD
Hedged items and hedging instruments				
Total	54	2 316	6 280	49
Maturity before Ibor reform		926	6 280	
Directly attributable to Ibor reform	54	1 389		49

Cash flow hedge

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

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

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

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

Hedging instruments	2021	2020
Cross currency basis swaps, EUR(SEK)		
Nominal amount	99 683	124 417
Carrying amount		
Assets	3 949	5 027
Liabilities	1 395	2 060
Hedge effectiveness		
Change in fair value of hedging instrument used for measuring hedge ineffectiveness	3 374	3 796
Change in fair value of hedged items used for measuring hedge ineffectiveness		
EUR debt securities in issue and interest rate swaps	-3 343	-3 794
Ineffectiveness recognised in the income statement during the year	-19	-2
Cash flow hedge reserve		
Opening balance 1 January	-3	34
Gains or losses from hedges recognised in other comprehensive income	-452	-8 305
Amount reclassified to the income statement, net gains and losses on financial items	470	8 258
Other comprehensive income before tax	18	-47
Tax	-3	10
Closing balance 31 December	12	-3

Maturity profile and average price, hedging instrument

	Remaining contractual maturity					
	2021			2020		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Foreign currency risk						
Nominal amount (m SEK)	21 884	55 009	22 790	25 747	63 726	34 944
Average EUR FX rate	9,40	10,09	9,88	9.21	9.81	10.03

18 Other assets

SEKm	2021	2020
Tax account	15	16
Other assets	65	59
Total	80	75

19 Debt securities in issue and subordinated liabilities

SEKm	2021	2020
Covered bonds	-744	489 779
Change in value due to hedge accounting at fair value	-322	11 634
Total debt securities in issue	-1 066	501 413

Turnover during the period

SEKm	2021	2020
Opening balance	501 413	592 097
Issued	111 876	69 278
Repurchased	-60 521	-56 203
Repaid	-85 042	-102 712
Interest	3 050	4 304
Interest, change in market values or in hedged item in hedge accounting at fair value	-6 030	2 255
Changes in exchange rates	3 017	-7 606
Closing balance	467 763	501 413

20 Other liabilities

SEKm	2021	2020
Current tax liabilities	11	22
Debt to group entity	12 293	11 438
Other liabilities	294	46
Total	12 598	11 506

21 Accrued expenses and prepaid income

SEKm	2021	2020
Other	653	631
Total	653	631

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

SEKm	2021	2020
Restricted equity		
Share capital	11 500	11 500
Statutory reserve	3 100	3 100
Total	14 600	14 600
Non-restricted equity		
Conditional shareholders' contribution	2 400	2 400
Unconditional shareholders' contribution	9 745	9 745
Cash flow hedge reserve	12	-3
Foreign currency basis reserve	-544	-576
Other retained earnings	19 979	19 939
Total	31 592	31 505
Total equity	46 192	46 105
Changes in equity during the period are reported in the statement of changes in equity	87	-64
Number of shares		
Approved and issued, million	23	23

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

23 Pledged assets, contingent liabilities and commitments

SEKm	2021	2020
Assets pledged		
Loans receivable pledged for covered bonds ¹⁾	472 864	561 209
Commitments	8 516	7 817
Total	481 380	569 026

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

24 Related parties

Parent company

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

SEKm	2021	2020
Group receivables		
Loans to credit institutions	30 178	106 208
Derivatives	13 851	19 033
Other assets	25	24
Total	44 054	125 265
Group liabilities		
Amounts owed to credit institutions ¹⁾	590 715	599 745
Debt securities in issue	1 657	2 517
Derivatives	3 240	6 630
Other liabilities	12 495	11 446
Eligible liabilities	15 005	15 005
Total	623 112	635 343
Statement of comprehensive income		
Interest income	45	332
Interest expense	-415	-1 117
Other expenses	-7	-8
Total	-377	-793

Other companies in the Swedbank Group

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

SEKm	2021	2020
Group receivables		
Other assets	34	33
Total	34	33
Group liabilities		
Debt securities in issue	29 117	27 406
Total	29 117	27 406
Statement of comprehensive income		
Commission expense	0	0
Interest income	35	33
Interest expense	163	47
Total	198	80

Senior executives, see note 9 for further information.

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

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

SEKm	2021	2020
Assets		
Financial assets, which have not been offset or are subject to netting or similar agreements	0	0
Financial assets, which have been offset or are subject to netting or similar agreements	13 851	19 033
Carrying amount presented in the balance sheet	13 851	19 033
Related amount not offset in the balance sheet		
Derivatives, netting agreements	3 240	6 630
Net amount - assets	10 611	12 403
Liabilities		
Financial liabilities, which have not been offset and not subject to netting or similar agreements		
Financial liabilities, which have been offset or are subject to netting or similar agreements	3 240	6 630
Carrying amount presented in the balance sheet	3 240	6 630
Related amount not offset in the balance sheet		
Derivatives, netting agreements	3 240	6 630
Net amount - liabilities	0	0

26 Valuation categories of financial instruments

Financial assets	2021				
	Amortised cost	Fair value through profit or loss	Hedging instru- ments	Total	Fair value
		Mandatorily			
		Trading			
Carrying Amount in SEKm					
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	0	553	1 136 028	1 135 785

Financial liabilities	2021						
	Amor- tised cost	Fair value through profit or loss			Hedging instru- ments	Total	Fair value
		Trading	Designated	Total			
Carrying Amount in SEKm							
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 designated at fair value through profit or loss was SEK 102m

Financial assets

Financial assets	2020				
	Amortised cost	Fair value through profit or loss	Hedging instru- ments	Total	Fair value
		Mandatorily			
		Trading			
Carrying Amount in SEKm					
Loans to credit institutions	106 208			106 208	106 208
Loans to the public	1 053 802			1 053 802	1 057 106
Value change of interest hedged items in portfolio hedge	1 767			1 767	1 767
Derivatives		1 026	18 007	19 033	19 033
Other financial assets	75			75	75
Total	1 160 085	1 026	18 007	1 179 118	1 184 189

Financial liabilities

	2020				
	Amortised cost	Fair value through profit or loss			Total
		Trading	Designated	Total	
Carrying Amount in SEKm					Fair value
Amounts owed to credit institutions	599 745				599 745
Debt securities in issue ¹⁾	500 323		1 090	1 090	501 413
Derivatives		2 127		2 127	4 503
Other financial liabilities	12 115				12 115
Eligible liabilities	15 005				15 005
Total	1 127 188	2 127	1 090	3 217	1 134 908

¹⁾ Nominal amount of debt securities designated at fair value through profit or loss was SEK 1 027m

Interest Rate Benchmark Reform

IBOR transition is a market move from existing Interbank Offered Rates (IBORs) towards alternative Risk Free Rates (RFRs). IBORs act as reference rates for a broad range of financial instruments and are therefore key to financial stability. At Swedbank Mortgage, IBORs are currently used across lending and funding products and feature across internal processes. To address the challenge and ensure smooth transition, Swedbank runs an IBOR Transition programme across the Group. The goal is to ensure the Group's ability to issue, trade, and utilize the RFRs, as well as supporting the transition of the back book to the alternative rates.

Libor rates (GBP, USD, CHF, EUR, JPY) ceased to exist on 31 December 2021 (except for 1m, 3m, 6m and 12m USD Libor which will end in June 2023). EONIA ceased to exist on 3rd of January 2022.

Euribor (EUR), Stibor (SEK), Nibor (NOK) and Cibor (DKK) have undergone a reform to meet the requirements of the Benchmark Regulation. Euribor and Cibor were approved in 2019 and Nibor in 2020. The Stibor administrator, Swedish Financial Benchmark Facility (SFBF), applied for authorisation in the end of 2021 and the expectation is that this application will be approved by the Swedish Financial Supervisory Authority during 2022. These IBORs are expected to be available beyond 2021 for the foreseeable future. If there is a transfer of liquidity from an IBOR to a RFR or if a relevant authority announces that any of the interbank rates will cease, Swedbank Mortgage will act in accordance with the new circumstances.

Swedbank Mortgage has updated its issuance programs for covered bonds with proper fallback language for the benchmark rates expected to cease.

During 2021, Swedbank Mortgage has developed new products with alternative reference rates to replace the products that refer to any term of GBP Libor, EUR Libor, CHF Libor and JPY Libor and EONIA. Swedbank Mortgage has also migrated existing instruments that reference these interbank rates to alternative reference rates.

The focus in 2022 will be to transfer USD Libor to alternative reference rates. Preparations will start for the eventual transition of the Nordic IBORs, by updating agreements and developing new products based on the RFRs in each currency.

	2021
SEKm	USD
Total	54
Maturity before Ibor reform	
Directly attributable to Ibor reform	54

27 Fair value of financial instruments

Determination of fair value of financial instruments

The Swedbank Mortgage uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible, and which demonstrates regularity. Market activities are continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided into three different levels:

- Level 1: Unadjusted, quoted price on an active market
- Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair values of the risk positions that offset each other. For any open net positions, bid rates are applied for long positions and ask rates for short positions.

Swedbank Mortgage has a continuous process whereby financial instruments that indicate a high level of internal estimates or low level of observable market data are captured. The process determines the way to calculate and how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis and evaluation based on the quality of the

valuation data as well as whether a type of financial instrument is to be transferred between levels.

Financial instruments recognised at fair value

The below table shows assets and liabilities that are recognised at fair value disaggregated by valuation technique (fair value hierarchy).

Level 1 contains debt securities in issue that are traded on an active market. Fair values are determined using unadjusted quoted market prices. Level 2 contains derivatives and debt securities in issue that are not traded on an active market. Fair value of these instruments is determined based on discounted cash flow models using market implied curves. The change in the value of debt securities in issue in Level 2, which are measured according to the fair value option and attributable to changes in own creditworthiness, amounted to SEK 0m (7) during the period. The value change is recognised in net gains and losses on financial items at fair value. No cumulative value changes remain (SEK 0m). The change due to own credit risk has been determined by calculating the difference in value based on current prices from external dealers for own credit risk in its own unquoted issues and the value based on prices of its own credit risk for its own unquoted issues on the origination date.

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

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

SEKm	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives		13 851		13 851		19 033		19 033
Total		13 851		13 851		19 033		19 033
Liabilities								
Debt securities in issue		137		137		1 090		1 090
Derivatives		3 240		3 240		6 630		6 630
Total		3 377		3 377		7 720		7 720

Financial instruments at amortised cost

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

SEKm	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to credit institutions		30 178		30 178		106 208		106 208
Loans to the public		1 093 431		1 093 431		1 057 106		1 057 106
Total		1 123 609		1 123 609		1 163 314		1 163 314
Liabilities								
Amounts owed to credit institutions			591 459	591 459			600 481	600 481
Debt securities in issue	312 088	157 337		469 425	310 256	192 728		502 984
Eligible liabilities			15 147	15 147			15 291	15 291
Total	312 088	157 337	606 606	1 076 031	310 256	192 728	615 772	1 118 756

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

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

28 Proposed distribution of profit

In accordance with the balance sheet for Swedbank Mortgage, the following profit after deduction for a paid group contribution of SEK 12 293 m are at the disposal of the annual general meeting:

SEKm	2021
Retained earnings earlier years	22 323
Fair value fund	-532
Profit for the year	9 801
Total at disposal	31 592
The Board proposes that the profit be carried forward to the next year	31 592
Total	31 592

29 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.

30 Sustainability report

Swedbank Mortgage does not publish a statutory Sustainability Report according to Chapter 7, 31 a. Parent Company, Swedbank AB org. No. 502017-7753, which is based in Stockholm, publishes a Sustainability Report for the Group in which the company is included. The Group's sustainability report is available in Swedbank AB's annual report on page 198 and 237.

Definitions

Capital adequacy ratio

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

Capital base

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

Common Equity Tier 1 capital

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

Common Equity Tier 1 capital ratio

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

Credit impairment

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

Earnings per share before and after dilution

Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the period.

Impaired loans

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

Leverage ratio

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

Loan-to-value ratio (LTV)

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

Past due

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

Provision for credit impairment

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

Restructured loan

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

Risk exposure amount

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

Tier 1 capital

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

Tier 1 capital ratio

Tier 1 capital in relation to risk exposure amount.

Alternative performance measures

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

Credit impairment ratio

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

Equity per share

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

Investment margin

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

Provision ratio for individually assessed impaired loans

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

Return on equity

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

Share of impaired loans, gross

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

Share of impaired loans, net

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

Share of stage 3 loans, gross

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

Total provision ratio for impaired loans

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

Equity and total assets, monthly

2021

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1179 741	1171868	1146 909	1114 406	1104 782	1184 879	1187 470	1187 676	1129 414	1129 037	1149 874	1136 166
Equity	46 904	47 866	46 123	46 960	47 637	46 056	46 961	47 898	46 218	47 132	47 627	46 192

2020

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1145 117	1141704	1166 192	1165 900	1127 998	1159 216	1157 002	1193 192	1194 643	1197 898	1199 740	1181035
Equity	46 847	47 583	46 330	47 002	47 629	46 198	46 925	47 741	46 175	46 918	47 752	46 105

2019

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1090 789	1093 660	1091103	1113 980	1086 097	1091951	1083 593	1098 703	1093 850	1095 214	1081314	1081314
Equity	47 186	47 919	46 148	47 051	47 907	46 210	47 030	47 994	46 830	46 837	47 578	46 169

2018

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1032 974	1049 358	1040 061	1044 891	1086 727	1096 544	1096 960	1101052	1054 897	1056 742	1056 116	1053 552
Equity	46 448	47 108	46 260	47 099	47 716	46 045	46 965	47 760	46 046	46 941	47 839	46 169

Signatures of the Board of Directors and the CEO

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

Stockholm 22 February 2022

Johan Smedman
Chairman

Magdalena Frostling
CEO

Joakim Jansson

Jennifer Barck

Elizabet Jönsson

Nina Larsson

Mattias Persson

Auditor's report submitted on 22 February 2021
PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Author in charge

Martin By
Public accountant

Auditor's report

To the general meeting of the shareholders of Swedbank Mortgage AB (publ) corporate identity number 556003-3283

Report on the annual accounts

Opinions

We have audited the annual accounts of Swedbank Hypotek AB (publ) for the financial year 2021 except for the corporate governance statement on page 9. The annual accounts of the company are included on pages 1-8 and 10-59 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Swedbank Hypotek AB (publ) as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on page 9. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

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

Basis for Opinions

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

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

Our audit approach

Audit scope

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

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

Materiality

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Credit Impairment allowances on loans Accounting for impairment of loans to customers requires subjective judgement over both timing and size of any such impairment. Swedbank makes provisions for expected credit losses (ECL) in accordance with the accounting standard IFRS 9 which categorise loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. Stage 1 representing a probable 12 month Expected Credit Loss (ECL) applies to all loans performing as originally intended. For loans where there is deemed to be a significant increase in credit risk since initial recognition, stage 2, or loans in default, stage 3, a lifetime ECL is calculated. The ECL is calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. IFRS 9 also allows for expert credit judgement to be applied to loan loss provisioning. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Entity's estimation of ECLs are: Model estimations – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD models are the key drivers of the ECLs and also impact the staging of assets. As a result, the PD models are considered the most significant judgemental aspect of the Entity's ECL modelling approach. Economic scenarios – IFRS 9 requires the Entity to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is	In our audit we perform a variety of procedures over the credit impairments. Throughout the audit, the effects of the Corona pandemic have been considered. Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process. Key aspects of our controls testing included testing the design and operating effectiveness of the controls covering the completeness and accuracy of the input data as well as the application of the staging criteria. We also evaluated the controls over the design, implementation and monitoring of the models as well as controls over the calculation and authorisation of year end management overlays. Model estimations: Our experts on credit modelling have, together with the audit team, reviewed key assumptions and estimates and performed detailed recalculations for a sample of loans and model outputs in order for us to obtain comfort that the ECL is calculated correctly and that it is in line with our expectations. These recalculations were performed on the most significant models used in the loan portfolio. Economic scenarios: We have involved our valuation experts to assess the reasonability of the assumptions the Entity uses in its calculations of economic scenarios. This included analysis of Gross Domestic Product, property price increase and unemployment rate projections against other independent sources as well as our own professional judgement. Tests of details: We have performed tests of details in many areas including the testing of key model inputs for a sample of loan contracts as well as testing the year end management overlays. Disclosures: We have assessed whether the disclosures in the annual report appropriately disclose and address the uncertainty which exists when determining the expected credit losses. In addition, we have assessed whether the

applied in determining the economic scenarios used and the probability weightings applied to them.

Management overlays – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.

The economic scenarios and qualitative adjustments have been subject to an increased level of subjective judgement this year due to the effects of the Corona pandemic which has meant that the uncertainty involved in forward looking information has been increased from prior years.

disclosure of the key judgements and assumptions used is sufficiently clear.

Refer to Annual Report note 3, 5 and 11.

Valuation of financial instruments held at fair value

When accounting for financial instruments held at fair value, these are divided into three levels in accordance with IFRS 9. Level 1 are actively traded instruments where the value can be derived from a marketplace. Level 2 are instruments where the value is calculated using a model but the model inputs can be derived from an actively traded market place such as foreign exchange rates or interest rates. Level 3 are instruments where the value is calculated using a model that is to a large extent dependent on estimates and judgements made by Swedbank.

Valuation of level 2 and level 3 financial instruments held at fair value was an area of audit focus due to the degree of complexity involved in valuing these positions, the judgements and estimates made by management and their significance in presenting both financial position and performance in the financial statements.

Determining the fair value of level 2 and level 3 financial instruments held at fair value is inherently complex due to a number of factors including the structure of the instrument. The value of level 3 instruments is also based on inputs which are not observable in active markets and the use of valuation models to calculate the fair value. Because of these factors, the valuation of level 3 instruments

In our audit we perform a variety of procedures over valuation of financial instruments held at fair value.

Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the valuation processes. We tested the relevant general IT and applications controls over key systems used in the valuation of financial instruments held at fair value.

Key aspects of our controls testing included testing the design and operating effectiveness of key controls supporting the identification, measurement and oversight of valuation risk of financial instruments, including:

- test of appropriate segregation of duties;
- examined Swedbank's model validation and approval processes;
- controls over data feeds and valuation inputs;
- fair value adjustments; and
- Swedbank's governance and reporting processes.

Test of details: We have performed tests of details for all three levels of financial instruments. For valuations dependent on unobservable inputs or models which involved a higher degree of judgement, we used our valuation specialists to perform independent valuations of a sample of positions.

Disclosures: We have assessed whether the disclosures in the annual report are appropriate.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or mistakes.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the entity's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Directors of Swedbank Hypotek AB (publ) for the financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Swedbank AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for the opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibilities

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistakes and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or mistakes. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on page 9 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 22 February 2022
PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

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