

Interim report for second half of 2023

July-December 2023 compared with January-June 2023

- Net interest income was affected negatively by funding costs increasing earlier than short customer rates
- Higher net gains and losses
- Stable credit impairments and low write-offs
- Stable capital position despite higher regulatory requirements

Financial information

SEKm	2023		2023		2022		2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	Full-year	%
Net interest income	4 026	4 393	-8	5 496	-27	8 420	11 401	-26		
Net commissions	-7	1		0		-6	1			
Net gains and losses on financial items	212	22		446	-52	235	683	-66		
Other income	2	2	2	1		5	3	54		
Total income	4 234	4 419	-4	5 943	-29	8 653	12 088	-28		
Total general administrative expenses	136	142	-4	136	0	278	274	1		
Profit before impairments, Swedish bank tax and resolution fees	4 098	4 277	-4	5 807	-29	8 375	11 814	-29		
Credit impairments, net	299	274	9	249	20	573	303	89		
Swedish bank tax and resolution fees	301	301	0	304	-1	601	611	-2		
Operating profit	3 499	3 701	-5	5 254	-33	7 200	10 900	-34		
Tax	720	762	-6	1 082	-34	1 482	2 245	-34		
Profit for the period	2 779	2 939	-5	4 172	-33	5 718	8 655	-34		

Business performance

	2023 31 Dec	2023 30 Jun	2022 31 Dec	2022 30 Jun	2021 31 Dec	2021 30 Jun	2020 31 Dec
Lending to the public, SEKbn	1 115	1 112	1 116	1 110	1 094	1 068	1 054
- Private	997	994	997	991	973	948	931
of which private, mortgage	911	909	913	907	888	862	844
- Corporate	118	118	119	119	121	120	123
Number of customers, thousand	1 029	1 039	1 054	1 066	1 074	1 078	1 085
Private lending							
Market share mortgages % ¹⁾	22	22	22	23	23	23	23
Market share of net growth, full and half year % ¹⁾	neg	neg	16	17	17	15	15
Volume growth market, Δ 12-months % ¹⁾	1	2	5	7	7	6	6
Volume growth Swedbank Mortgage, Δ 12-months % ¹⁾	-1	0	3	5	5	4	4
LTV total portfolio %	57	58	54	52	51	52	54
LTV new mortgages, current year	69	69	68	68	69	69	70
Share of total portfolio which amortises %	74	74	75	75	74	69	68
Share of portfolio which amortises, new mortgages, current year %	86	86	88	89	89	86	82
Funding							
Issued in last six months							
Swedish market, SEKbn	39	38	10	36	51	23	6
Outside Sweden, SEKbn		12		41	28	10	
Average maturity of outstanding issued covered bonds, months	32	32	32	34	31	31	35

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

Financial overview and key ratios

SEKm	2023		2023		2022		2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	Full-year	%
Net interest income	4 026	4 393	-8	5 496	-27	8 420	11 401	-26		
Net commissions	-7	1		0		-6	1			
Net gains and losses on financial items	212	22		446	-52	235	683	-66		
Other income	2	2	2	1		5	3	54		
Total income	4 234	4 419	-4	5 943	-29	8 653	12 088	-28		
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Tax	720	762	-6	1 082	-34	1 482	2 245	-34		
Profit for the period	2 779	2 939	-5	4 172	-33	5 718	8 655	-34		

SEKm	2023		2023		2022		2022		2021	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	
Profit										
Investment margin, %	0.72	0.75	0.96	0.98	1.09					
Average total assets	1 169 199	1 175 628	1 188 665	1 208 856	1 154 097					
Return on equity, %	11.4	12.2	18.2	19.0	20.9					
Average equity	50 077	48 340	47 552	47 159	46 898					
Earnings per share, SEK	248.6	127.8	376.3	194.9	426.1					
Equity										
Number of shares in issue at beginning/end of period, million	23	23	23	23	23					
Equity per share, SEK	2 331	2 099	2 074	2 034	2 008					
Credit quality										
Loans to the public	1 115 385	1 111 919	1 115 561	1 110 363	1 093 674					
Loans to credit institutions	23 025	24 559	64 149	78 873	30 178					
Credit impairments, net	573	274	303	54	-75					
Credit impairment ratio, %	0.05	0.05	0.03	0.01	-0.01					
Total provisions	1 293	1 001	730	479	423					
Share of Stage 3 loans, gross %	0.23	0.11	0.07	0.09	0.08					
Total credit impairment provision ratio, %	0.11	0.09	0.06	0.04	0.04					

For more information on definitions and calculation of key ratios, please see page 31 and the 2022 Annual Report, page 60.

Overview

About Swedbank Mortgage AB

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

No lending with collateral outside of Sweden is performed.

Swedbank Mortgage issues loans collateralised with properties and individual tenant-owned apartments.

The company also lends directly to municipalities or other borrowers with municipal guarantees as collateral.

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

Important to note

The interim report contains alternative performance measures that Swedbank Mortgage considers valuable information for the reader, since they are used by the Swedbank Mortgage executive management and the Swedbank Group executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 31.

The company's development

Result second half of 2023 compared with first half of 2023

Swedbank Mortgage reported a profit of SEK 2 779 in the second half of 2023, compared with SEK 2 939m in the first half of 2023. The decrease is due to lower net interest income.

Net interest income decreased to SEK 4 026m (4 393). Shorter market rates have continued to increase during the second half year and customer rates have thereafter been adjusted accordingly. Margins are lower due to increased funding costs and increased competition on the private mortgage market.

Net gains and losses on financial items amounted to SEK 212m (22).

Expenses amounted to SEK 136m (142).

Credit impairments amounted to SEK 299m, compared with of SEK 274m previous half year. The largest increases in provisions are within property management and private loans. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These post-model adjustments are primarily within property management.

The tax expense amounted to SEK 720m (762), corresponding to an effective tax rate of 20.6 per cent (20.6).

Result second half of 2023 compared with second half of 2022

Swedbank Mortgage reported profit of SEK 2 779m for the second half of 2023, compared with SEK 4 172m in the second half of 2022. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 4 026m (5 496). The main reason was lower interest margins due to funding costs increasing earlier than customer rates and increased competition on the private mortgage market.

Net gains and losses on financial items decreased to SEK 212m (446), due to a lower volume of repurchases of covered bond.

Expenses amounted to SEK 136m (136).

Credit impairments amounted to SEK 299m (249). The largest increases in provisions are within property management, private loans and forestry and agriculture. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These post-model

adjustments have increased primarily in property management.

The tax expense amounted to SEK 720m (1 082), corresponding to an effective tax rate of 20.6 per cent (20.6).

Lending

Total loans to the public increased by SEK 3bn in the second half of 2023, to SEK 1 115bn as of 30 December 2023 (SEK 1 112bn as of 30 June 2023). Compared with 31 December 2022, the loan volume decreased by SEK 1bn.

	31 Dec	30 Jun	31 Dec
Lending to general public, SEKbn	2023	2023	2022
Private customers	997	994	997
Private, mortgage	911	909	913
Tenant owner associations	86	85	84
Corporate customers	118	118	119
Agricultural, forestry, fishing	44	45	46
Property management	64	62	62
Other corporate lending	10	11	11
Total	1 115	1 112	1 116

The increase in the second half of 2023 was mainly due to higher private mortgage volumes. Mortgage lending to the private segment increased by SEK 2bn compared with 30 June 2023, to SEK 911bn. The total market share was 22 per cent (22) as of 30 November. Lending to tenant-owner associations increased by SEK 1bn, to SEK 86bn (85).

Corporate lending was unchanged and amounted to SEK 118bn (118 as of 31 December 2023). Property management increased by SEK 2bn while forestry and agriculture decreased by SEK 1bn.

Funding and liquidity

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

As of 31 December 2023, outstanding funding through covered bonds amounted to SEK 361bn (361bn as of 30 June 2023) while intragroup funding from Swedbank AB amounted to SEK 681bn (705bn as of 30 June 2023).

Demand for Swedbank Mortgage's bonds has been stable. Swedbank Mortgage issued SEK 39bn in covered bonds in the second half of 2023 (50 first half of 2023). Buybacks of outstanding covered bonds amounted to SEK 12bn during the second half year 2023, compared to SEK 4bn during the first half year 2023. Maturities in the second half of 2023 were nominally SEK 33bn (49 first half of 2023).

Amounts owed to credit institutions and issued debt, SEKbn	31 Dec	30 Jun	31 Dec
	2023	2023	2022
Amounts owed to credit institutions	681	705	746
Debt securities in issue	361	361	355
Eligible liabilities	41	21	15
Total	1 083	1 087	1 116

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

As part of its liquidity planning, Swedbank Mortgage aims to actively buy back a portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In the second half of 2023, SEK 12bn was repurchased in the Swedish market (4 first half of 2023). The average maturity of all outstanding covered bonds was 32 months on 31 December 2023 (32 as of 30 June 2023).

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR), which sets the minimum requirement for Swedbank Mortgage per 31st of December 2023. Swedbank Mortgage's total capital ratio was 18.3 per cent as of 31st of December 2023 (16.7 per cent as of 30th of June 2023), to be compared with the capital requirement of 16.7 per cent (13.8 per cent as of 30 June 2023).

Total capital increased to SEK 53.5bn (48.2), primarily due to a shareholders' contribution from the parent company during the second half of the year. REA increased by SEK 5.1bn to SEK 293.3bn (288.2). The increase was due to credit risk including article 458 which increased REA by SEK 6.6bn, primarily from increased volumes and the implementation of the risk weight floor for exposures collateralised by commercial properties in Pillar 1 REA. The increase was partly offset by a decrease in operational risk REA by SEK 1.5bn during the second half of the year. The capital adequacy is further disclosed in note 15.

Swedbank Mortgage's leverage ratio as of 31st of December 2023 was 4.8 per cent (4.4).

Capital and resolutions regulations

Due to guidelines from the European Banking Authority (EBA), Swedbank has applied to have new internal models for risk classification approved. The assessment process for the models is ongoing. In Q3 2023, the Swedish FSA decided on a temporary capital add-on of 2.4 per cent in Pillar 2 Requirement (P2R) related to the ongoing review of the IRB models. The models are expected to result in lower capital requirements than the add-on. The Swedish FSA's risk weight floor for exposures to commercial real estate, which was previously included as an add-on in the P2R,

at the same time was eliminated and instead transferred directly to the REA. The relocation of the risk weight floor had a limited capital impact on Swedbank Hypotek.

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

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

Risks

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

Credit and asset quality

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

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

Higher mortgage rates in combination with weaker cash flow primarily impact highly indebted individuals and legal entities with small margins. In the lending process however, customers' long-term solvency including stressed interest rates is key to ensure high credit quality and low risk also in times of stress. Despite the negative macroeconomic development, the mortgage portfolio remains of high quality with low credit impairments in relation to total lending.

Modelled provisions under IFRS9 are increasing due to the worsening macro-outlook and additional post-model provisioning has been made to safeguard against downside risk.

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

Operational risks

During the second half of 2023, no incidents occurred which materially affected Swedbank Mortgage. Losses related to operational risks remained very low.

Rating

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

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

Events after 31 December 2023

No material events have occurred after 31 December 2023.

Income statement, condensed

SEKm	2023		2022			2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	
Interest income on financial assets measured at amortised cost	20 658	17 125	21	12 158	70	37 783	20 586	84	
Interest income	20 658	17 125	21	12 158	70	37 783	20 586	84	
Interest expense	-16 632	-12 732	31	-6 662		-29 363	-9 185		
Net interest income (note 3)	4 026	4 393	-8	5 496	-27	8 420	11 401	-26	
Commission income	17	19	-10	18	-6	35	36	-2	
Commission expenses	-24	-18	33	-18	30	-41	-35	18	
Net commissions	-7	1		0		-6	1		
Net gains and losses on financial items (note 4)	212	22		446	-52	235	683	-66	
Other income	2	2	2	1		5	3	42	
Total income	4 234	4 419	-4	5 943	-29	8 653	12 088	-28	
Total general administrative expenses	136	142	-4	136	0	278	274	1	
Profit before impairments, Swedish bank tax and resolution fees	4 098	4 277	-4	5 807	-29	8 375	11 814	-29	
Credit impairments (note 5)	299	274	9	249		573	303	89	
Swedish bank tax and resolution fees (note 6)	301	301	0	304	-1	601	611	-2	
Operating profit	3 499	3 701	-5	5 254	-33	7 200	10 900	-34	
Tax	720	762	-6	1 082	-34	1 482	2 245	-34	
Profit for the period	2 779	2 939	-5	4 172	-33	5 718	8 655	-34	

Statement of comprehensive income, condensed

SEKm	2023		2022			2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	
Profit for the period reported via income statement	2 779	2 939	-5	4 172	-33	5 718	8 655	-34	
Items that may be reclassified to the income statement									
Cash flow hedges:									
Gains and losses arising during the period	-7 590	6 196		2 093		-1 393	5 439		
Reclassification adjustments to income statement, net gains and losses	7 519	-6 038		-2 096		1 481	-5 316		
Foreign currency basis risk:									
Gains/losses arising during the period	-223	-173	29	131		-397	734		
Tax relating to components of other comprehensive income	61	3		-26		64	-176		
Total comprehensive income attributable to shareholders of Swedbank Mortgage AB	2 546	2 927	-13	4 274	-40	5 473	9 336	-41	

Balance sheet, condensed

SEKm	2023	2023	Δ		2022	
	31 Dec	30 Jun	mkr	%	31 Dec	%
Assets						
Loans to credit institutions (note 7)	23 025	24 559	-1 534	-6	64 149	-64
Loans to the public (note 7)	1 115 385	1 111 919	3 465	0	1 115 561	0
Value change of interest hedged items in portfolio hedge	-8 489	-17 544	9 055	-52	-20 369	-58
Derivatives (note 9)	22 875	37 442	-14 566	-39	31 740	-28
Deferred tax assets	25		25			
Other assets	802	1 900	-1 098	-58	639	26
Prepaid expenses and accrued income		212	-212	-100		
Total assets	1 153 624	1 158 489	-4 865	0	1 191 720	-3
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	680 697	705 431	-24 733	-4	746 078	-9
Debt securities in issue (note 10)	361 435	360 954	481	0	354 722	2
Derivatives (note 9)	10 066	18 575	-8 509	-46	17 299	-42
Current tax liabilities	359	318	41	13	228	57
Deferred tax liabilities		35	-35	-100	38	-100
Other liabilities	5 929	3 430	2 500	73	10 090	-41
Accrued expenses and prepaid income	325	359	-34	-10	490	-34
Eligible liabilities	41 205	21 104	20 101	95	15 068	
Total liabilities	1 100 017	1 110 205	-10 188	-1	1 144 013	-4
Equity	53 607	48 283	5 323	11	47 707	12
Total liabilities and equity	1 153 624	1 158 489	-4 865	0	1 191 720	-3

Statement of changes in equity, condensed

SEKm	Restricted equity		Non-restricted equity			
	Share capital	Statutory reserve	Cash flow hedges	Foreign currency basis risk reserve	Retained earnings	Total equity
Opening balance 1 January 2023	11 500	3 100	110	39	32 958	47 707
Group contributions paid					-5 760	-5 760
Tax on group distributions paid					1 187	1 187
Shareholders' contribution					5 000	5 000
Total comprehensive income for the year			70	-315	5 718	5 473
Closing balance 31 December 2023	11 500	3 100	180	-276	39 103	53 607
of which, conditional shareholders' contributions					2 400	2 400
Opening balance 1 January 2022	11 500	3 100	12	-544	32 124	46 192
Group contributions paid					-9 849	-9 849
Tax on group distributions paid					2 028	2 028
Total comprehensive income for the year			98	583	8 655	9 336
Closing balance 31 December 2022	11 500	3 100	110	39	32 958	47 707
of which, conditional shareholders' contributions					2 400	2 400

Cash flow statement, condensed

SEKm	2023	2022
	Full-year	Full-year
Operating activities		
Operating profit	7 200	10 900
Adjustments for non-cash items in operating activities	6 252	6 276
Taxes paid ¹⁾	-500	-589
Increase (-) /decrease (+) in loans to the public	10	-21 786
Increase (-) /decrease (+) in other assets	-10	18
Increase (+) /decrease (-) in amounts owed to credit institutions	-65 570	154 880
Increase (+) /decrease (-) of issued interest-bearing securities	-9 549	-103 615
Increase (+) /decrease (-) in other liabilities	-109	180
Cash flow from operating activities	-62 275	46 264
Financing activities		
Issuance of eligible liabilities	26 000	
Shareholders' contributions	5 000	
Group contributions paid	-9 849	-12 293
Cash flow from financing activities	21 151	-12 293
Cash flow for the period	-41 124	33 971
Cash and cash equivalents at the beginning of the period	64 149	30 178
Cash flow for the period	-41 124	33 971
Cash and cash equivalents at end of the period	23 025	64 149

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

Notes

The interim report has been prepared on a going concern basis.

On 23 January 2024, the Board of Directors and the CEO approved the interim report for publication. Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ).

Note 1 Accounting policies

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

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2022,

which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to Swedbank Mortgage's accounting policies set out in the 2022 Annual Report, except for the new standards and change as set out below.

The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless otherwise indicated. No adjustments for rounding are made, therefore summation differences may occur.

Changes in Swedish regulations

The amended Swedish regulations that have been adopted from 1 January 2023 have not had a significant impact on Swedbank Mortgage's financial position, results, cash flows or disclosures.

Note 2 Business segments

SEKm	2023 Full-year					2022 Full-year				
	Private	Cor- porate	Forestry and Agricultural	Not distributed	Total	Private	Cor- porate	Forestry and Agricultural	Not distributed	Total
Net interest income	5 456	1 204	438	1 322	8 420	9 001	1 276	676	448	11 401
Net commissions	-5	-1	0		-6	1				1
Net gains and losses on financial items				235	235				683	683
Other income				5	5				3	3
Total income	5 451	1 204	437	1 561	8 653	9 002	1 276	676	1 134	12 088
Total general administrative expenses	202	1	15	61	278	207	1	16	50	274
Profit before impairments, Swedish bank tax and resolution fees	5 250	1 203	422	1 500	8 375	8 795	1 275	660	1 084	11 814
Credit impairments	351	195	28		573	87	134	82		303
Swedish bank tax and resolution fees	491	82	28		601	500	81	30		611
Operating profit	4 407	926	366	1 500	7 200	8 208	1 060	548	1 084	10 900
Loans to the public	910 904	151 895	52 585		1 115 385	913 643	147 265	54 653		1 115 561

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

Note 3 Net interest income

SEKm	2023		2022			2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	
Interest income									
Loans to credit institutions	667	741	-10	360	85	1 409	446		
Loans to the public	19 987	16 381	22	11 798	69	36 368	20 140	81	
Total interest income	20 658	17 125	21	12 158	70	37 783	20 586	84	
Interest expense									
Amounts owed to credit institutions	-14 189	-11 845	20	-5 825		-26 034	-7 061		
Debt securities in issue	-3 151	-2 387	32	-1 765	78	-5 537	-3 257	70	
Derivatives	1 396	1 951	-28	1 102	27	3 347	1 344		
Eligible liabilities	-688	-446	54	-173		-1 134	-209		
Other	-1	-5	-78	-1	56	-6	-2		
Total interest expense	-16 632	-12 732	31	-6 662		-29 363	-9 185		
Total net interest income	4 026	4 393	-8	5 496	-27	8 420	11 401	-26	
Negative yield on financial assets	0	1	-100	12	-100	1	103	-99	
Interest expense on financial liabilities at amortised cost	18 024	14 679	23	7 762		32 703	10 523		

Note 4 Net gains and losses on financial items

SEKm	2023		2022			2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%	
Fair value through profit and loss									
Debt securities in issue	-3	2		-15	-81	-1	14		
Derivatives	56	-9		8		47	25	90	
Total fair value through profit and loss	53	-7		-7		47	39	19	
Hedge accounting									
Ineffective part in hedge accounting at fair value	45	-26		100	-55	18	145	-87	
of which hedging instruments	10 262	388		-5 130		10 650	-21 743		
of which hedged items	-10 217	-414		5 230		-10 631	21 888		
Ineffective part in portfolio hedge accounting at fair value	58	107	-46	15		165	-142		
of which hedging instruments	-8 997	-2 719		1 774		-11 715	18 472		
of which hedged items	9 055	2 826		-1 759		11 880	-18 614		
Ineffective part in cash flow hedge	79	-95		-42		-16	-26	-38	
Total hedge accounting	182	-14		73		168	-23		
Derecognition gain or loss for financial liabilities at amortised cost	4	8	-46	351	-99	13	577	-98	
Derecognition gain or loss for loans at amortised cost	3	4	-29	4	-42	6	41	-85	
Change in exchange rates	-30	32		25		2	49	-96	
Total net gains and losses on financial items	212	22		446	-52	235	683	-66	

Note 5 Credit impairments

SEKm	2023		2022		2023		2022	
	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%
Credit impairments for loans at amortised cost								
Credit impairments – stage 1	33	58	-43	48	-32	91	68	33
Credit impairments – stage 2	125	172	-27	191	-35	296	228	30
Credit impairments – stage 3	129	38		9		167	7	
Total	287	268	7	248	15	555	303	83
Write-offs	14	10		4		24	7	
Recoveries	-2	-3	-44	-3	-37	-5	-7	-19
Total	12	7	81	1		19	0	
Total - credit impairments for loans at amortised cost	299	274	9	249	20	573	303	89
Total credit impairments	299	274	9	249	20	573	303	89
Credit impairment ratio, %	0.05	0.05	0	0.04	25	0.05	0.03	67

Calculation of credit impairment provisions

The measurement of expected credit losses is described in Note 3a Credit risk on pages 24-26 of the 2022 Annual Report. There have been no significant changes during the year to the methodology.

Measurement of 12-month and lifetime expected credit losses

High interest rates, costs, and high energy prices, combined with geopolitical instability continue to weigh on private persons and companies, resulting in a high level of uncertainty regarding economic growth going forward. As the quantitative risk models do not yet reflect all potential deteriorations in credit quality, post-model adjustments have been made to capture potential future rating and stage migrations.

Post-model expert credit adjustments to increase the credit impairment provisions continue to be deemed necessary and amounted to SEK 199m (SEK 122m as of 31 December 2022) and are allocated as SEK 61m in stage 1, SEK 138m in stage 2 and SEK 0m in stage 3. Customers and industries are reviewed and analysed considering the current situation, particularly in more vulnerable sectors. The most significant post-model adjustments are in the Property management and Agriculture, forestry, fishing sectors.

Determination of a significant increase in credit risk

As per 30 September 2023, the significant increase in credit risk threshold for the Swedish mortgage portfolio was amended to include an absolute PD threshold. Swedish mortgages originated with risk grades 18 to 21 with a relative increase of 200-300 per cent and an absolute increase in the 12-month PD above 7.5 basis points have experienced a significant increase in credit risk.

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

- Changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with risk grades 0 to 5, a downgrade by 1 grade from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with risk grades 18 to 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note 3a Credit risk in the Annual Report for 2022.
- 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 risk grades 0 to 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 risk grades 18 to 21, a relative increase of 200-300 per cent and an absolute increase in the 12-month PD above 7.5 basis points from initial recognition is considered significant.

These limits reflect a lower sensitivity to change in the low-risk end of the risk scale and a higher sensitivity to change in the high-risk end of the scale. The Group has performed a sensitivity analysis on how credit impairment provisions would change if thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect.

The tables below disclose the impacts of this sensitivity analysis on the credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Internal risk grade at initial recognition	12-month PD band at initial recognition, %	Threshold, rating downgrade ^{1,2,3}	Impairment provision impact of		Recognised credit impairment provisions 31 December 2023	Share of total portfolio in terms of gross carrying amount, % 31 December 2023
			Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %		
18-21	<0,1	5 - 7 grades	-3.0	3.0	50	22
13-17	0,1 - 0,5	3 - 5 grades	-4.9	8.2	94	19
9-12	>0,5 - 2,0	1 - 2 grades	-14.6	13.8	80	5
6-8	>2,0 - 5,7	1 grade	-5.0	3.4	24	2
0-5	>5,7 - 99,9	1 grade	-2.2	0.0	10	0
			-9.0	9.8	258	49
		Post-model expert credit adjustment ⁴			0	0
		Sovereigns and financial institutions with low credit risk			224	0
		Stage 3 financial instruments			46	0
		Total			528	49

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

²⁾ Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk grade.

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

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

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

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

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

²⁾ As per 30 September 2023, Swedish mortgages originated in risk grades 18-21 with a relative increase of 200-300% and an absolute increase in the 12-month PD above 7.5bps have experienced a significant increase in credit risk.

³⁾ Represents post-model expert credit adjustments for stages 1 and 2.

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

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

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

²⁾ Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk grade.

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

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

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

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

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

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

Incorporation of forward-looking macroeconomic scenarios

The Swedbank Economic Outlook was published on 15 November and the baseline scenario was updated by Swedbank Macro Research as of 8 December. The baseline scenario, with an assigned probability weight of 66.6 per cent, is aligned with the published outlook and incorporates updated observed outcome and data points. The alternative scenarios are aligned with the updated baseline scenario, with probability weights of 16.7 per cent assigned to both the upside and downside scenario.

IFRS 9 scenarios

Economic activity will slow down in both the euro area and the US in the near term, as the full impact of higher interest rates is yet to be seen. A modest recovery will start during the second half of 2024. Labour markets will inevitably take a hit and unemployment is expected to rise in the US and the euro area in 2024.

The global easing of supply chains, plummeting input costs and declining energy costs have supported monetary policies in bringing inflation down. Underlying inflation is expected to continue downwards both in the US and the euro area.

The downturn will be deeper in Sweden than in most other European countries. GDP will decline both in 2023 and 2024, before growing by around 2% in 2025. The labour market will weaken, but unemployment is expected to peak 2024. Housing prices are expected to fall further in the coming months before bottoming out.

31 Dec 2023			
Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Credit impairment provisions	
		Negative scenario	Positive scenario
1 293	199	1 415	1 258

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

Note 6 Swedish bank tax and resolution fees

	2023	2023	2022	2023	2022
SEKm	Jul-Dec	Jan-Jun	Jul-Dec	Full-year	Full-year
Swedish bank tax	106	106	115	213	233
Resolution fees	194	194	189	388	378
Total	301	301	304	601	611

Note 7 Loans

31 Dec 2023

SEKm	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	Gross carrying amount	Credit impairment provisions	Net	
Loans to the public at amortised cost										
Private customers	930 736	81	930 655	64 991	289	64 702	2 201	286	1 915	997 272
Private mortgage	847 874	75	847 799	61 210	277	60 933	2 199	285	1 913	910 646
Tenant owner associations	82 862	6	82 855	3 781	12	3 769	2	0	2	86 626
Corporate customers	99 038	114	98 924	19 287	461	18 826	426	63	363	118 113
Agriculture, forestry, fishing	38 312	22	38 290	5 828	86	5 742	213	34	179	44 211
Manufacturing	498	0	498	95	1	94	4	1	4	595
Public sector and utilities	1 329	1	1 328	214	6	208	7	2	5	1 541
Construction	2 133	2	2 131	482	9	473	22	3	19	2 624
Retail and wholesale	716	1	714	170	4	166	0	0	0	881
Transportation	262	0	262	68	2	66	0	0	0	328
Shipping and offshore	3	0	3	0	0	0	0	0	0	3
Hotels and restaurants	317	0	317	206	10	196	5	1	4	517
Information and communication	197	0	197	4	0	4	0	0	0	201
Finance and insurance	530	0	530	110	2	108	0	0	0	638
Property management, including	52 351	84	52 266	11 578	328	11 250	142	20	122	63 638
Residential properties	37 670	60	37 610	8 937	271	8 666	101	13	88	46 364
Commercial	8 959	10	8 949	1 857	32	1 825	27	4	24	10 797
Industrial and Warehouse	715	1	714	72	2	70	2	1	1	785
Other	5 006	13	4 993	711	23	688	11	2	10	5 691
Professional services	1 571	1	1 570	267	3	264	25	1	23	1 858
Other corporate lending	818	1	817	263	9	254	8	2	6	1 077
Loans to the public	1 029 774	196	1 029 578	84 278	749	83 528	2 626	348	2 278	1 115 385
Loans to credit institutions	23 025	0	23 025	0	0	0	0	0	0	23 025
Loans to the public and credit institutions	1 052 799	196	1 052 603	84 278	749	83 528	2 626	348	2 278	1 138 410
Share of loans, %	92.37			7.39			0.23			100
Credit impairment provision ratio, %	0.02			0.89			13.26			0.11

31 Dec 2022

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

Note 8 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

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

Loans to the public and credit institutions				
SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2023	1 119 348	60 262	831	1 180 441
Closing balance as of 31 December 2023	1 052 799	84 278	2 626	1 139 703
Credit impairment provisions				
Opening balance as of 1 January 2023	105	453	172	730
Movements affecting credit impairments				
New and derecognised financial assets, net	30	-88	-57	-115
Changes in PD	48	-27	0	20
Changes in other risk factors	1	-5	121	118
Changes in macroeconomic scenarios	64	96	-4	157
Changes to models	0	0	0	0
Post-model expert credit adjustments	17	59	0	76
Individual assessments			2	2
Stage transfers	-70	261	114	305
from 1 to 2	-87	414	0	328
from 1 to 3	0	0	39	38
from 2 to 1	17	-114	0	-97
from 2 to 3	0	-44	87	43
from 3 to 2	0	5	-9	-4
from 3 to 1	0	0	-3	-3
Other			-9	-9
Total movements affecting credit impairments	91	296	167	555
Movements recognised outside credit impairments				
Interest			9	9
Closing balance as of 31 December 2023	196	749	348	1 293
Carrying amount				
Opening balance as of 1 January 2023	1 119 243	59 809	659	1 179 711
Closing balance as of 31 December 2023	1 052 603	83 528	2 278	1 138 410

Loans to the public and credit institutions

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2022	1 087 034	36 393	848	1 124 275
Closing balance as of 31 December 2022	1 119 348	60 262	831	1 180 441
Credit impairment provisions				
Opening balance as of 1 January 2022	37	225	161	423
Movements affecting credit impairments				
New and derecognised financial assets, net	9	-50	-52	-93
Changes in PD	13	-33		-20
Changes in other risk factors	4	4	27	35
Changes in macroeconomic scenarios	38	104	8	150
Changes to models	-2	6	1	5
Post-model expert credit adjustments	29	36	0	65
Stage transfers	-23	161	27	165
from 1 to 2	-27	216	0	189
from 1 to 3	0	0	31	31
from 2 to 1	4	-51	0	-47
from 2 to 3	0	-12	41	29
from 3 to 2		8	-27	-19
from 3 to 1	0		-18	-18
Other			-4	-4
Total movements affecting credit impairments	68	228	7	303
Movements recognised outside credit impairments				
Interest			4	4
Closing balance as of 31 December 2022	105	453	172	730
Carrying amount				
Opening balance as of 1 January 2022	1 086 997	36 168	687	1 123 852
Closing balance as of 31 December 2022	1 119 243	59 809	659	1 179 711

Note 9 Derivatives

SEKm	2023 31 Dec			2022 31 Dec		
	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book value	14 086	8 789	22 875	21 028	10 712	31 740
of which in hedge accounting	14 077	7 177	21 255	21 023	8 781	29 804
Derivatives with negative book value	8 825	1 241	10 066	16 154	1 145	17 299
of which in hedge accounting	8 539	156	8 695	16 094		16 094
Nominal amount	678 812	147 700	826 513	747 910	148 264	896 174

Note 10 Debt securities in issue

	2023	2023		2022	
SEKm	31 Dec	30 Jun	%	31 Dec	%
Bond loans	366 827	377 182	-3	370 985	-1
Change in value due to hedge accounting at fair value	-5 392	-16 228	-67	-16 263	-67
Total	361 435	360 954	0	354 722	2

Turnover during the period	2023	2023		2022		2023	2022	
SEKm	Jul-Dec	Jan-Jun	%	Jul-Dec	%	Full-year	Full-year	%
Opening balance	360 954	354 722	2	409 292	-12	354 722	467 763	-24
Issued	38 202	50 471	-24	10 174		88 673	86 759	2
Repurchased	-11 678	-4 388		-35 928	-67	-16 066	-54 012	-70
Repaid	-32 842	-49 313	-33	-28 908	14	-82 155	-136 363	-40
Interest	3 150	2 387	32	1 766	78	5 537	3 258	70
Change in market values or in hedged item in hedge accounting at fair value	10 215	404		-5 588		10 619	-22 490	
Changes in exchange rates	-6 566	6 671		3 914		105	9 807	-99
Closing balance	361 435	360 954	0	354 722	2	361 435	354 722	2

Note 11 Valuation categories of financial instruments

Financial assets	31 Dec 2023					
	Amortised cost	Fair value through profit or loss			Total	Fair value
		Mandatorily Trading	Hedging instruments			
Carrying Amount in SEKm						
Loans to credit institutions	23 025				23 025	23 025
Loans to the public	1 115 385				1 115 385	1 115 199
Value change of interest hedged items in portfolio hedge	-8 489				-8 489	-8 489
Derivatives		1 620		21 255	22 875	22 875
Other financial assets	802				802	802
Total	1 130 723	1 620		21 255	1 153 598	1 153 412

Financial liabilities	31 Dec 2023						
	Amortised cost	Fair value through profit or loss			Hedging instruments	Total	Fair value
		Trading	Designated	Total			
Carrying Amount in SEKm							
Amounts owed to credit institutions	680 697					680 697	680 822
Debt securities in issue ¹⁾	361 312		123	123		361 435	359 179
Derivatives		1 371		1 371	8 695	10 066	10 066
Other financial liabilities	5 929					5 929	5 929
Eligible liabilities	41 205					41 205	42 929
Total	1 089 143	1 371	123	1 494	8 695	1 099 332	1 098 925

¹⁾ Nominal amount of debt securities in issue designated at fair value through profit or loss was SEK 111m.

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

Financial liabilities	31 Dec 2022						
	Amortised cost	Fair value through profit or loss			Hedging instruments	Total	Fair value
		Trading	Designated	Total			
Carrying Amount in SEKm							
Amounts owed to credit institutions	746 078					746 078	746 135
Debt securities in issue ¹⁾	354 600		122	122		354 722	352 847
Derivatives		1 205		1 205	16 094	17 299	17 299
Other financial liabilities	10 090					10 090	10 090
Eligible liabilities	15 068					15 068	15 845
Total	1 125 836	1 205	122	1 327	16 094	1 143 257	1 142 216

¹⁾ Nominal amount of debt securities in issue designated at fair value through profit or loss was SEK 111m.

Note 12 Financial instruments at fair value

31 Dec 2023	Instruments with quoted market prices in an active market	Valuation techniques using observable market data	Valuation techniques using non-observable market data	
SEKm	(Level 1)	(Level 2)	(Level 3)	Total
Assets				
Derivatives		22 875		22 875
Total		22 875		22 875
Liabilities				
Debt securities in issue		123		123
Derivatives		10 066		10 066
Total		10 189		10 189

The table above contains financial instruments measured at fair value by valuation level. The Swedbank Mortgage uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. Market activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided into three different levels:

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

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

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

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

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

Note 13 Assets pledged, contingent liabilities and commitments

SEKm	2023	2023	%	2022	%
	31 Dec	30 Jun		31 Dec	
Loans, used as collateral for covered bonds ¹⁾	381 369	382 836	0	381 513	0
Commitments ²⁾	6 843	8 282	-17	7 190	-5
Pledged assets and contingent liabilities	388 212	391 118	-1	388 703	0

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

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

Note 14 Related parties

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

SEKm	2023	2023	2022
	31 Dec	30 Jun	31 Dec
Group receivables			
Loans to credit institutions	23 025	24 559	64 149
Derivatives	22 875	37 442	31 740
Other assets	27	44	61
Total	45 927	62 045	95 950
Group payables			
Amounts owed to credit institutions	680 697	705 431	746 078
Debt securities in issue	5 246	16 017	11 436
Derivatives	10 066	18 575	17 299
Other liabilities	5 769	2 965	9 855
Eligible liabilities	41 205	21 104	15 068
Total	742 984	764 092	799 736
Income statement			
Interest income	1 409	759	481
Interest expense	-23 938	-10 503	-5 843
Other expenses	-9	-4	-8
Total	-22 538	-9 747	-5 370

Note 15 Capital Adequacy

Capital adequacy analysis

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

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

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

SEKm	2023 31 Dec	2023 30 Sep	2023 30 Jun	2023 31 Mar	2022 31 Dec
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	53 275	52 984	47 943	47 732	47 447
Tier 1 capital	53 275	52 984	47 943	47 732	47 447
Total capital	53 530	53 226	48 177	47 964	47 675
Risk-weighted exposure amounts					
Total risk exposure amount	293 262	292 716	288 178	288 074	288 013
Capital ratios as a percentage of risk-weighted exposure amount					
Common Equity Tier 1 ratio	18.2	18.1	16.6	16.6	16.5
Tier 1 ratio	18.2	18.1	16.6	16.6	16.5
Total capital ratio	18.3	18.2	16.7	16.6	16.6
Additional own funds requirements to address risks other than the risk of excessive leverage as a percentage of risk-weighted exposure amount					
Additional own funds requirements to address risks other than the risk of excessive leverage	4.2	4.2	1.3	1.3	1.3
of which: to be made up of CET1 capital	2.8	2.8	0.8	0.8	0.8
of which: to be made up of Tier 1 capital	3.2	3.2	1.0	1.0	1.0
Total SREP own funds requirements	12.2	12.2	9.3	9.3	9.3
Combined buffer and overall capital requirement as a percentage of risk-weighted exposure amount					
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
Institution specific countercyclical capital buffer	2.0	2.0	2.0	1.0	1.0
Systemic risk buffer	0.0	0.0	0.0	0.0	0.0
Global Systemically Important Institution buffer					
Other Systemically Important Institution buffer					
Combined buffer requirement	4.5	4.5	4.5	3.5	3.5
Overall capital requirements	16.7	16.7	13.8	12.8	12.8
CET1 available after meeting the total SREP own funds requirements	6.0	5.9	7.4	7.3	7.2
Leverage ratio					
Total exposure measure	1 111 157	1 101 846	1 100 434	1 110 531	1 099 186
Leverage ratio, %	4.8	4.8	4.4	4.3	4.3
Additional own funds requirements to address the risk of excessive leverage as a percentage of total exposure measure					
Additional own funds requirements to address the risk of excessive leverage					
of which: to be made up of CET1 capital					
Total SREP leverage ratio requirements	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement as a percentage of total exposure measure					
Leverage ratio buffer requirement					
Overall leverage ratio requirement	3.0	3.0	3.0	3.0	3.0

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

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

	SEKm		Per cent	
Capital requirements¹⁾	2023	2022	2023	2022
SEKm / per cent	31 Dec	31 Dec	31 Dec	31 Dec
Capital requirement Pillar 1	36 658	33 123	12.5	11.5
of which Buffer requirements ²⁾	13 197	10 082	4.5	3.5
Total capital requirement Pillar 2 ³⁾	12 434	3 831	4.2	1.3
Total capital requirement including Pillar 2 guidance	49 093	36 954	16.7	12.8
Own funds	53 530	47 675		

¹⁾ Swedbank 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 2023.

	SEKm		Per cent	
Leverage ratio requirements¹⁾	2023	2022	2023	2022
SEKm / per cent	31 Dec	31 Dec	31 Dec	31 Dec
Leverage ratio requirement Pillar 1	33 335	32 976	3.0	3.0
Total leverage ratio requirement including Pillar 2 guidance	33 335	32 976	3.0	3.0
Tier 1 capital	53 275	47 447		

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

Alternative performance measures

The interim report includes several alternative performance measures, which provide more comparative information between the reporting periods. The executive management believes that inclusion of these measures provides information to the readers that enable comparability between periods. These alternative performance measures are set out below.

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

Signatures of the Board of Directors and the President

The Board of Directors and the CEO certify that the interim report for 2023 provides a fair and accurate overview of the operations, financial position and the results of the Company and that it describes the significant risks and uncertainties faced by the Company.

Stockholm 23 January 2024

Johan Smedman
Chairman

Thomas Åhman
CEO

Mattias Persson

Jennifer Barck

Mats Lindgren

Elizabet Jönsson

Auditor's report

Introduction

We have reviewed the interim report of Swedbank Hypotek AB as of 31 December 2023 and the year then ended. The board of directors and the CEO is responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

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

Stockholm, 23 January 2024

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

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Authorised Public Accountant

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