Annual report 2022

Swedbank Mortgage AB (publ), 23 February 2023

2022 in brief

Full year 2022 compared to full year 2021

- Profit for the year of 2022 amounted to SEK 8 655m (9 801)
- Net interest income decreased by SEK 1 542m to SEK 11 401m (12 943)
- Lending to the public increased by 2 per cent or SEK 22bn to SEK 1 116bn (1 094)
- Profit before impairments, Swedish bank tax and resolution fees decreased by SEK 851m to SEK 11 814m (12 665)
- Credit impairments amounted to SEK 303m (-75)
- Return on equity was 18.2 per cent (20.9)
- Covered bonds totaling an amount of SEK 87bn (112) were issued during the year

Profit for the year 2022

SEK 8 655m

2021: SEK 9 801m

Market share, mortgages, November 2022

22 %

December2021: 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 2018-2022

SEKm	2022 31 Dec	2021 31 Dec	2020 31 Dec	2019 31 Dec	2018 31 Dec
Profit					
Investment margin, %	0.96	1.09	1.01	1.19	1.26
Average total assets	1 188 665	1 154 097	1 162 381	1 088 855	1 060 148
Return on equity, %	18.2	20.9	19.3	21.2	22.1
Average equity	47 552	46 898	46 875	47 002	46 770
Earnings per share, SEK	376.3	426.1	392.6	432.7	449.0
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2 074.22	2 008.35	2 004.56	2 007.35	2 007.40
Credit quality					
Loans to the public	1 115 561	1 093 674	1 053 802	1 028 746	1 008 724
Loans to credit institutions	64 149	30 178	106 208	89 159	21 783
Credit impairments, net	303	-75	-32	-24	123
Credit impairment ratio, %	0.03	-0.01	0.00	0.00	0.01
Total provisions	730	423	493	527	569
Share of Stage 3 loans, gross %	0.07	0.08	0.08	0.08	0.09
Total credit impairment provision ratio, %	0.06	0.04	0.04	0.05	0.06

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

Business development

	2022 31 Dec	2021 31 Dec	2020 31 Dec	2019 31 Dec	2018 31 Dec
Lending to the public, SEKbn	1 116	1 094	1 054	1 029	1 009
- Private	997	973	931	906	887
of which private, mortgage	913	888	844	813	792
- Corporate	119	121	123	123	122
Number of customers, thousands	1 054	1 074	1 085	1 098	1 122
Private lending					
Market share mortgages % [1)]	22	23	23	24	24
Market share new mortgages, full year % [1)]	16	17	15	12	22
Volume growth mortgage market, full year % [1)]	5	7	6	5	6
Volume growth Swedbank Mortgage, full year % [1)]	3	5	4	3	5
LTV total portfolio %	54	51	54	55	55
LTV new mortgages, actual year %	68	69	70	70	68
Share of total portfolio which amortises %	75	74	68	72	70
Share of portfolio which amortises, new mortgages, actual year %	88	89	82	89	89
Funding					
Issued during year					
Swedish market, SEKbn	46	74	40	101	69
Outside Sweden, SEKbn	41	38	29	30	19
Average maturity of outstanding issued covered bonds, months	32	31	35	37	43

[1)] Market share and volume growth as of November 2022. Source Statistics Sweden (SCB).

Overview

Economy and market
During the year, the global economic outlook deteriorated. Rising inflation and central bank tightening policies, together with the effects of the war in Ukraine and sweeping Covid-related shutdowns in China, impeded global growth. Higher energy, commodity and food prices are added to the already high inflation, which is biting into consumer purchasing power and reduced consumption. Rising interest rates also affected the willingness of companies to invest. Inflation in many countries is higher than it has been in decades.

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

Swedish inflation increased sharply during the year. Together with rising interest rates, this eroded consumer purchasing power, while many companies are being squeezed by substantially higher costs. During the year the Riksbank raised its policy rate to 2.5 per cent, the highest level since 2008.

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

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

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

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

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

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

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

The company's development

(Comparative figures refer to 31 December 2021, unless otherwise indicated)

Result
Swedbank Mortgage reported profit of SEK 8 655m for the full-year 2022, compared with SEK 9 801m in the full-year 2021. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 11 401m (12 943). The main reason was higher funding expenses following a sharp increase in market rates during the year. Customer rates have been raised accordingly but not to the same extent as the funding costs have increased, resulting in a negative effect on margins.

Net gains and losses on financial items increased to SEK 683m (-8), in part due to positive effects in hedge accounting and repurchases of bond.

Expenses were stable at SEK 274m (277).

Credit impairments amounted to SEK 303m (gain of 75). The largest increases in provisions are within property management, private sector and forestry and agriculture. Primarily the effects are due to changes in the macroeconomic scenarios that have been worsening due to the war in Ukraine, higher interest rates and high inflation. As there is a risk that credit quality may start to deteriorate further due the economic environment and that the quantitative risk models may not appropriately incorporate this, post-model adjustments to the credit impairment provisions were deemed necessary. The post model adjustments have increased by SEK 65m to SEK 122m (57) during the year primarily in the property management sector.

The tax expense amounted to SEK 2 245m (2 543), corresponding to an effective tax rate of 20.6 per cent (20.6).

Income statement, SEKm	2022	2021[1]
Net interest income	11 401	12 943
Net commission income	1	4
Net gains and losses on financial items	683	-8
Total income	**12 088**	**12 942**
Total general administrative expenses	274	277
Profit before impairments, Swedish bank tax and resolution fees	**11 814**	**12 665**
Credit impairments	303	-75
Swedish bank tax and resolution fees	611	396
Tax	2 245	2 543
Profit for the year	**8 655**	**9 801**

1) Presentation of the Income statement has been changed, see note 32.

Lending
Total loans to the public increased by SEK 22bn in 2022, to SEK 1 116bn as of 31 December 2022 (SEK 1 094bn as of 31 December 2021), corresponding to an annual growth rate of 2 per cent.

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

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

Corporate lending decreased by SEK 2bn to SEK 119bn (121) primarily within the agricultural, forestry and fishing sector.

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

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

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 stable in 2022 at the same time as the funding need decreased during the year after deposits grew in Swedish banks, including Swedbank. Swedbank Mortgage issued SEK 87bn (112) in covered bonds in 2022. Maturities in 2022 were SEK 136bn (85), calculated from the beginning of the year.

As of 31 December 2022, outstanding funding through covered bonds amounted to SEK 355bn (468) at the same time that funding from Swedbank amounted to SEK 746bn (591).

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

As part of its liquidity planning, Swedbank Mortgage actively buys back a large portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In this way it reduces the liquidity risk when large volumes mature at the same time. In 2022, SEK 34bn (61) was repurchased on the Swedish market. The average maturity of all outstanding covered bonds was 31 months (35) on 31 December.

Risk management

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

Credit risks

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

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

The majority of Swedbank Mortgage's lending consists of 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.

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

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

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

The average loan-to-value ratio for private lending was 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 stable levels.

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

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

Operational risks

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

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

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR). Swedbank Mortgage's total capital ratio was 16.6 per cent as of 31st of December 2022 (16.0), to be compared with the capital requirement of 12.8 per cent.

Total own funds increased during the year by SEK 1.6bn to SEK 47.7bn (46.1). REA decreased by SEK 0.3bn to SEK 288.0bn (288.3). The decrease was mainly due to credit risk REA by SEK 0.6bn and REA for operational risk by SEK 0.4bn. The decrease was offset by additional REA for article 458, which increased REA by SEK 0.7bn.
The capital adequacy is further disclosed in note 4.

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

Future capital regulation

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

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

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

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

Rating

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

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

Other events

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

Events after 31 December 2022

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

Corporate governance

Swedbank Hypotek 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 has Swedbank Mortgage's regulated activities been outsourced to Swedbank. Swedbank Mortgage is staffed by a CEO and a management team consisting of a number of key functions such as (but not limited to) the CFO, CRO and the Chief Credit Officer. The company has in addition a number of employees working with governance, control and analysis. As Swedbank Mortgage's sole owner, Swedbank ultimately decides on Swedbank Mortgage's structure and governance. Swedbank appoints the Board of the company and its 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 seven 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 overarching nature. The Board appoints the CEO. The CEO does not form 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 directly to the Board. Apart from frequent board meetings, the Board is updated on the company's development on an ongoing basis in order to enable it to assess the company's risks and oversee its risk management. The Board has established an audit committee.

Internal governance and controls
The Board is ultimately responsible for ensuring good governance and internal controls. Internal controls functions are responsible for conducting duties an obligations in this part. All internal controls functions such as the CCO, 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 legal and regulatory counsel.

Internal Audit
Internal audit services are conducted by Swedbank, Group Internal Audit, as per the Company's outsourcing arrangements. The Board approves an internal audit policy on an annual basis. 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 directly to the board.

Compliance
The compliance function is an independent second line of defence 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 chief compliance officer (CCO) reports to the CEO on an ongoing basis and directly to the Board, at a minimum on quarterly basis. The CEO approves an annual audit plan for the compliance function's work.

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

Internal control over financial reporting
The CEO and ultimately the Board, have ultimate responsibility for ensuring that any financial reporting complies with external and internal regulations. The company applies Internal Controls to its Financial Reporting (ICFR). The internal rules cover controls to ensure the reliability of financial reporting.
Controls of financial reporting are made on several levels. This includes processes to analyse and monitor the company's business operations. Furthermore, other parts ensure reliability of the financial reporting and monitoring of any discrepancies. There is a Group-wide internal-framework on accounting policies applicable to all companies in the Swedbank Group. The internal framework covers in this part, planning and monitoring processes as well as reporting routines. The finance department performs controls through reconciliations between subledgers and the general ledger and ensures that assets, liabilities and business transactions have been accurately reported. Swedbank 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	2022	2021[1]	2020[1]	2019[1]	2018[1]
Interest income	20 586	16 419	17 545	17 282	16 087
Interest expenses	-9 185	-3 476	-5 424	-3 808	-1 911
Net interest income	**11 401**	**12 943**	**12 121**	**13 473**	**14 176**
Net commission income	1	4	17	15	26
Other operating income	686	-5	20	-5	-180
Total income	**12 088**	**12 942**	**12 158**	**13 483**	**14 022**
Other operating expenses	**274**	**277**	**276**	**284**	**264**
Profit before impairments, Swedish bank tax and resolution fees	**11 814**	**12 665**	**11 882**	**13 199**	**13 758**
Credit impairments	303	-75	-32	-24	123
Swedish bank tax and resolution fees	611	396	426	560	846
Operating profit	**10 900**	**12 344**	**11 488**	**12 663**	**12 789**
Appropriations					-450
Tax expense	2 245	2 543	2 459	2 710	2 913
Profit for the year	**8 655**	**9 801**	**9 029**	**9 953**	**10 326**

1) Presentation of the Income statement has been changed, see note 32.

Balance sheet

SEKm	2022	2021	2020	2019	2018
Assets					
Loans to credit institutions	64 149	30 178	106 208	89 159	21 783
Loans to the public	1 115 561	1 093 674	1 053 802	1 028 746	1 008 724
Other assets	12 010	12 314	21 025	27 925	23 045
Total assets	**1 191 720**	**1 136 166**	**1 181 035**	**1 145 830**	**1 053 552**
Liabilities and equity					
Liabilities					
Amount owed to credit institutions	746 078	590 715	599 745	471 623	488 240
Debt securities in issue	354 722	467 763	501 413	592 097	502 881
Other liabilities	43 213	31 496	33 772	35 941	16 262
Total liabilities	**1 144 013**	**1 089 974**	**1 134 930**	**1 099 661**	**1 007 383**
Equity	**47 707**	**46 192**	**46 105**	**46 169**	**46 169**
Total liabilities and equity	**1 191 720**	**1 136 166**	**1 181 035**	**1 145 830**	**1 053 552**

Financial statements and notes

Income statement

SEKm	Note	2022	2021[1]
Interest income on financial assets measured at amortised cost		20 586	16 419
Interest income		**20 586**	**16 419**
Interest expense		-9 185	-3 476
Interest expense		**-9 185**	**-3 476**
Net interest income	6	**11 401**	**12 943**
Commission income		36	43
Commission expenses		-35	-39
Net commission income	7	**1**	**4**
Net gains and losses on financial items	8	683	-8
Other operating income		3	3
Total income		**12 088**	**12 942**
Total general administrative expenses	9.10	**274**	**277**
Profit before impairments, Swedish bank tax and resolution fees		**11 814**	**12 665**
Credit impairments	11	303	-75
Swedish bank tax and resolution fees	12	611	396
Operating profit		**10 900**	**12 344**
Tax	13	**2 245**	2 543
Profit for the year		**8 655**	**9 801**
Of which attributable to the shareholders of the parent company		8 655	9 801
Earnings per share, before and after dilution, SEK	14	376.30	426.13

[1] Presentation of the Income statement has been changed, see note 32.

Statement of comprehensive income

SEKm	Note	2022	2021
Profit for the year - income statement		**8 655**	**9 801**
Items that may be reclassified to the income statement			
Cash flow hedges:			
Gains/losses for the period		5 439	-452
Reclassification adjustments to the income statement, net gains and losses		-5 316	470
Foreign currency basis risk:			
Gains/losses arising during the period		734	41
Tax relating to components of other comprehensive income	15	-176	-12
Total comprehensive income for the year, attributable to shareholders of Swedbank Mortgage		**9 336**	**9 848**
Of which attributable to the shareholders of the parent company		9 336	9 848

Balance sheet

SEKm	Note	2022	2021
Assets			
Loans to credit institutions		64 149	30 178
Loans to the public	16	1 115 561	1 093 674
Value change of interest hedged items in portfolio hedge		-20 369	-1 755
Derivatives	17	31 740	13 851
Deferred tax assets			138
Other assets	19	639	80
Total assets		**1 191 720**	**1 136 166**
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions		746 078	590 715
Debt securities in issue	20	354 722	467 763
Derivatives	17	17 299	3 240
Current tax liabilities	21	228	11
Deffered tax liabilities	21	38	0
Other liabilities and provisions	21	10 090	12 587
Accrued expenses and prepaid income	22	490	653
Eligible liabitities		15 068	15 005
Total liabilities		**1 144 013**	**1 089 974**
Equity	23	**47 707**	**46 192**
Total liabilities and equity		**1 191 720**	**1 136 166**

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity			
	Share capital	Statutory reserve	Cash flow hedge reserve	Foreign currency basis reserve	Retained earnings	Total equity
Opening balance 1 January 2022	**11 500**	**3 100**	**12**	**-544**	**32 124**	**46 192**
Group contributions paid					-9 849	-9 849
Tax reduction due to Group contributions paid					2 028	2 028
Total comprehensive income for the year			98	583	8 655	9 336
of which reported through other comprehensive income, before tax			123	734		857
of which income tax reported through other comprehensive income			-25	-151		-176
Closing balance 31 December 2022	**11 500**	**3 100**	**110**	**39**	**32 958**	**47 707**
of which, conditional shareholders' contributions					2 400	2 400
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

Statement of cash flow

SEKm	2022	2021
Operating activities		
Operating profit	10 900	12 344
Adjustments for non-cash items in operating activities	6 276	2 377
Taxes paid [1)]	-589	-26
Increase (-) /decrease (+) in loans to the public	-21 786	-39 886
Increase (-) /decrease (+) in other assets	18	4
Increase (+) /decrease (-) in amounts owed to credit institutions	154 880	-9 015
Increase (+) /decrease (-) in debt securities in issue	-103 615	-30 442
Increase (+) /decrease (-) in other liabilities	180	52
Cash flow from operating activities	**46 264**	**-64 592**
Financing activities		
Issuance of eligible liabitities	0	10 000
Redemption of eligible liabilites	0	-10 000
Group contributions paid	-12 293	-11 438
Cash flow from financing activities	**-12 293**	**-11 438**
Cash flow for the period	**33 971**	**-76 030**
Cash and cash equivalents at the beginning of the period	**30 178**	**106 208**
Cash flow for the period	33 971	-76 030
Cash and cash equivalents at end of the period	**64 149**	**30 178**

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

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 20 145m (16 538) and interest payments, including capitalised interest, of SEK 9 328m (3 656).

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

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

Specification of adjustment of non-cash items

SEKm	2022	2021
Unrealised fx effects, bonds in issue	2 471	2 470
Accrued income and prepaid expenses	-174	85
Accrued expenses and prepaid income	2 238	1 786
Change in value of loans to the public and credit institutions	18 921	3 452
Change in value of funding and derivatives	-17 180	-5 416
Total	**6 276**	**2 377**

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 2022 was approved for issuance by the Board of Directors and the CEO on 22 February 2023. Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ). Swedbank Mortgage's operations are described in the Board of Directors' report. The annual report will be presented for adoption by the Company's Annual General Meeting.

2 Accounting Policies

Contents

1 BASIS FOR ACCOUNTING

The financial reports 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
- 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 AND PRESENTATION

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2022.

Other changes in IFRS and Swedish regulations

Amended IFRS, IFRS-interpretations and Swedish regulations which have been adopted during 2022 did not have a significant impact on the Group's financial position, results, cash flows or disclosures.

Definition of default and credit-impaired assets

Swedbank Mortgage's IFRS 9 definitions of default and credit-impaired assets are aligned to Swedbank Mortgage´s regulatory definition of default, as this is what is used for risk management purposes. During Q3 2022, Swedbank Mortgage implemented the new regulatory definition of default according to EBA Guideline on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013.

According to the new definition, default for sovereigns and financial institutions is no longer solely triggered based on manual decisions. Consequently, Swedbank Mortgage now applies the 90 days past due criterion for these borrowers. This consequential amendment is implemented prospectively and had no impact on the Stage allocation of these borrowers.

New Swedish bank tax and changed presentation of resolution fees

A new Swedish bank tax (Risk tax on credit institutions) was introduced from 1 January 2022 and is presented on a new row in the income statement. From 2022 the Group also presents resolution fees on this row, which is named Swedish bank tax and resolution fees. Previously the resolution fees have been included in Interest expense within Net interest income. Comparative figures have been restated, see note 32.

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 losst
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.

- Steg 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
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 in-formation 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.

Finansiel instruments

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.

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.

Finansial 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 2023. 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.

Note 3 Risk

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.

Lost 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 compay. Swedbank Mortgage uses a behavioural life model for private mortgage lending which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

Determination of significant increase in credit risk
Swedbank Mortgage uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The 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: Increase in threshold by 1 grade, %	Impairment provision impact of: Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 31 December 2022	Share of total portfolio in terms of gross carrying amount, % 31 December 2022
18-21	<0.1	5 - 7 grades	-3.6	3.2	28	23
13-17	0.1 - 0.5	3 - 5 grades	-9.4	9.5	62	19
9-12	>0.5 - 2.0	1 - 2 grades	-17.4	16.8	67	5
6-8	>2.0 - 5.7	1 grade	-7.6	5.7	20	2
0-5	>5.7 - 99.9	1 grade	-0.9	0.0	8	0
			-13.2	**12.6**	**185**	**49**
Sovereigns and financial institutions with low credit risk					0	0
Stage 3 financial instruments					145	0
Post-model expert credit adjustment[4]					39	
Total					**369**	**49**

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

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

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

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

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

Internal risk grade at initial recognition	12-months PD band at initial recognition, %	Threshold, rating down grade[1,2,3]	Impairment provision impact of: Increase in threshold by 1 grade, %	Impairment provision impact of: Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
18-21	<0.1	5 - 7 grades	-4.8	6.3	14	24
13-17	0.1 - 0.5	3 - 5 grades	-15.9	13.0	34	21
9-12	>0.5 - 2.0	1 - 2 grades	-18.9	23.8	49	6
6-8	>2.0 - 5.7	1 grade	-16.6	9.6	10	2
0-5	>5.7 - 99.9	1 grade	-10.1	0.0	3	0
			-15.7	**16.2**	**110**	**53**
Sovereigns and financial institutions with low credit risk					0	0
Stage 3 financial instruments					145	0
Post-model expert credit adjustment[4]					29	
Total					**284**	**53**

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

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

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

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

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD¹, %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 31 December 2022	Share of total portfolio in terms of gross carrying amount, % 31 December 2022
18-21	200-300	-20.4	27.9	40	30
13-17	100-200	-3.3	11.9	81	15
9-12	100	-2.0	12.1	102	5
6-8	50	-4.5	13.8	25	1
0-5	50	-7.7	7.6	3	0
		-6.6	**18.8**	**251**	**51**
Sovereigns and financial institutions with low credit risk				0	0
Stage 3 financial instruments				27	0
Post-model expert credit adjustment²				83	
Total				**361**	**51**

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

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

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 PD¹, %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
18-21	200-300	-13.6	29.3	11	28
13-17	100-200	-2.2	5.2	32	13
9-12	100	-0.3	3.1	38	5
6-8	50	-5.0	0.4	13	1
0-5	50	-0.6	2.7	1	0
		-3.1	**6.5**	**95**	**47**
Sovereigns and financial institutions with low credit risk				0	0
Stage 3 financial instruments				16	0
Post-model expert credit adjustment²				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.

Incorporation of forward-looking macroeconomic scenarios

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses. From analyses of historical data, Swebank Mortgage 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

It has been a turbulent year. The war in Ukraine and the European energy crisis is affecting the world economy and GDP growth has been revised downwards. Compared to our expectations a year ago inflation has been much higher, while interest rates have increased much faster than in a very long time. Consumption has started to decline as households' purchasing power has fallen. In the housing market, activity has slowed down markedly. In Sweden, housing prices have decreased since the peak in the beginning of the year. Compared with the Swedbank Economic Outlook, the GDP and unemployment rates used in the expected credit losses calculations are seasonally adjusted.

31 December 2022				31 December 2021			
		Credit impairment provisions				Credit impairment provisions	
Impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario	Impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
730	122	842	694	423	57	448	415

Post-model expert credit adjustment

High inflation, energy prices and rising interest rates combined with geopolitical instability 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 to increase the credit impairment provisions continue to be deemed necessary. Credit impairment provisions in the form of post-model expert credit adjustments increased by SEK 65m and amounted to SEK 122m (57), and are allocated as SEK 44m in stage 1, SEK 78m 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. As of year-end, the main changes were that Hotels and restaurant were reduced whilst Property management and Agriculture were increased. The most significant post-model adjustments were in the Property management.

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 work-out 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 2022 and the risk grade information is found on page 25.

Gross carrying amount by internal risk grade 2022

SEKm	Stage 1	Stage 2	Stage 3	Total
Loans to the public				
18-21	761 745	7 987	137	769 869
13-17	250 636	18 475	181	269 292
9-12	38 331	19 766	66	58 163
6-8	4 240	9 620	119	13 979
0-5	246	4 414	236	4 896
Default			92	92
Non-rated exposures				
Total	1 055 198	60 262	831	1 116 291

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

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

SEKm	Stage 1 Gross carrying amount	Stage 1 Credit impairment provision	Stage 1 Net	Stage 2 Gross carrying amount	Stage 2 Credit impairment provision	Stage 2 Net	Stage 3 Gross carrying amount	Stage 3 Credit impairment provision	Stage 3 Net	Total
Loans to credit institutions										
Banks	64 149		64 149							64 149
Loans to credit institutions	**64 149**		**64 149**							**64 149**
Loans to the public										
Private customers	952 466	27	952 439	43 579	132	43 447	641	143	498	996 384
Private mortgage	871 947	23	871 924	41 012	122	40 890	639	143	496	913 310
Tenant owner associations	80 519	4	80 515	2 567	10	2 557	2	0	2	83 074
Corporate customers	102 732	78	102 654	16 683	321	16 362	190	29	161	119 177
Agriculture, forestry, fishing	40 743	30	40 713	5 314	80	5 234	95	13	82	46 029
Manufacturing	562	0	562	89	2	87	0	0	0	649
Public sector and utilities	1 431	1	1 430	235	11	224	10	1	9	1 663
Construction	2 247	2	2 245	414	7	407	4	1	3	2 655
Retail and wholesale	825	1	824	123	2	121				945
Transportation	319	1	318	45	2	43	0	0	0	361
Shipping and offshore	3	0	3							3
Hotels and restaurants	383	1	382	232	11	221	10	1	9	612
Information and communication	137	0	137	73	1	72				209
Finance and insurance	553	0	553	84	1	83	8	2	6	642
Property management, including	52 660	40	52 620	9 423	193	9 230	54	9	45	61 895
Residential properties	38 782	28	38 754	6 152	132	6 020	39	7	32	44 806
Commercial	8 660	5	8 655	2 458	41	2 417	11	1	10	11 082
Industrial and Warehouse	724	1	723	76	2	74				797
Other	4 494	6	4 488	737	18	719	4	1	3	5 210
Professional services	1 775	1	1 774	365	5	360	6	1	5	2 139
Other corporate lending	1 094	1	1 093	286	6	280	3	1	2	1 375
Loans to the public	**1 055 198**	**105**	**1 055 093**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 115 561**
Loans to the public and credit institutions	**1 119 347**	**105**	**1 119 242**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 179 710**
Share of loans, %	94.82			5.11			0.07			100
Credit impairment provision ratio, %	0.01			0.75			20.7			0.06
Loans to the public, collateral										
Real Estate Residential	963 480	44	963 436	48 477	228	48 249	660	141	519	1 012 204
Real Estate Commercial	86 417	54	86 363	11 112	188	10 924	160	26	134	97 421
Guarantees	25	0	25	0	0	0	0	0	0	25
Received cash	2 538	4	2 534	461	29	432	0	0	0	2 966
Other collateral	2 738	3	2 735	212	8	204	11	5	6	2 945
Total	**1 055 198**	**105**	**1 055 093**	**60 262**	**453**	**59 809**	**831**	**172**	**659**	**1 115 561**

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

SEKm	Stage 1 Gross carrying amount	Stage 1 Credit impairment provision	Stage 1 Net	Stage 2 Gross carrying amount	Stage 2 Credit impairment provision	Stage 2 Net	Stage 3 Gross carrying amount	Stage 3 Credit impairment provision	Stage 3 Net	Total
Loans to credit institutions										
Banks	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**

Concentration risk, customer exposure

At end of 2022, 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 2022

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2022	**1 087 034**	**36 393**	**848**	**1 124 275**
Closing balance as of 31 December 2022	**1 119 348**	**60 262**	**831**	**1 180 441**
Credit impairment provisions				
Opening balance as of 1 January 2022	**37**	**225**	**161**	**423**
Movements affecting credit impairments				
New financial assets	15	1	0	16
Derecognised financial assets	-6	-51	-48	-105
Write-offs	0	0	-4	-4
Changes in risk factors (EADF, PD, LGD)	17	-29	27	15
Changes in macroeconomic scenarios	38	104	8	150
Changes to models	-2	6	1	5
Post-model expert credit adjustments	29	36	0	65
Individual assessments	0	0	0	0
Stage transfers	-23	161	27	165
from 1 to 2	-27	216	0	189
from 1 to 3	0	0	31	31
from 2 to 1	4	-51	0	-47
from 2 to 3	0	-12	41	29
from 3 to 2	0	8	-27	-19
from 3 to 1	0	0	-18	-18
Other	0	0	-4	-4
Total movements affecting credit impairments	**68**	**228**	**7**	**303**
Movements recognised outside credit impairments				
Interest			4	4
Closing balance as of 31 December 2022	**105**	**453**	**172**	**730**
Carrying amount				
Opening balance as of 1 January	**1 086 997**	**36 168**	**687**	**1 123 852**
Closing balance as of 31 December	**1 119 243**	**59 809**	**659**	**1 179 711**

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**

Forbone 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 2022 and are still subject to enforcement activity is SEK 5m.

Gross carrying amount of forborne loans

SEKm	2022	2021
Performing	435	256
Non-performing	98	57
Total	**533**	**313**

3b Liquidity risk

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

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

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

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

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

Undiscounted contractual cash flows, remaining maturity

SEKm

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

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

2021	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discoun t effect [1]	Total
Assets								
Loans to credit instiutions	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								**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								**1 089 974**

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

3c Market risk - Interest risk

Definition

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

The majority of Swedbank Mortgage's interest rate risk is structural and arises within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives. The interest rate risk in fixed rate assets, primarily customer loans, accounts for the large part of this risk and is hedged through fixed-rate funding or by entering into various types of swap agreements with Swedbank AB. An increase in all market interest rates of one percentage point would have reduced the value of the Swedbank Mortgage's assets and liabilities, including derivatives by SEK 1 421m (loss: 1 157) as of 31 December 2022.

Net gains and losses on financial items, before taking into account cash flow hedges, would have increased by SEK 15m (decreased 10) for the portion of Swedbank Mortgage's balance sheet measured at fair value through the income statement. This would have increased equity by SEK 12m (decreased 8).

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

2022

	< 3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	982	-49	-728	-921	-403	-35	-58	-57	-2	-1 271
Foreign currency	2	0	-1	-2	-5	-6	-9	-18	-111	-150
Total	**984**	**-49**	**-729**	**-923**	**-408**	**-41**	**-67**	**-75**	**-113**	**-1 421**

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

	< 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	25									25
Foreign currency	-12	1		1						-10
Total	**13**	**1**		**1**						**15**

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		1	4	5	4	4		-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

	< 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	85	1	1							87
Foreign currency	-90	-6	-1							-97
Total	**-5**	**-5**								**-10**

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

2022

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

2021

SEKm	SEK	EUR	USD	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	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**	**5 403**	**1 520**	**1 089 974**
Derivatives		**-136 050**	**-57**	**-5 403**	**-1 520**	
Net position in currencies		**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	2022 31 Dec	2021 31 Dec
Available own funds		
Common equity tier 1 (CET1) capital	47 447	46 092
Tier 1 capital	47 447	46 092
Total capital	47 675	46 099
Risk-weighted exposure amounts		
Total risk exposure amount	288 013	288 297
Capital ratios as a percentage of risk-weighted exposure amount		
Common equity tier 1 ratio	16.5	16.0
Tier 1 ratio	16.5	16.0
Total capital ratio	16.6	16.0
Additional own funds requirements to address risks other than the risk of excessive leverage as a percentage of risk-weighted exposure amount		
Additional own funds requirements to address risks other than the risk of excessive leverage	1.3	1.0
of which: to be made up of CET1 capital	0.8	0.7
of which: to be made up of Tier 1 capital	1.0	0.8
Total SREP own funds requirements	9.3	9.0
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	1.0	0.0
Systemic risk buffer	0.0	0.0
Global Systemically Important Institution buffer		
Other Systemically Important Institution buffer		
Combined buffer requirement	3.5	2.5
Overall capital requirements	12.8	11.5
CET1 available after meeting the total SREP own funds requirements	7.2	7.0
Leverage ratio		
Total exposure measure	1 099 186	1 097 200
Leverage ratio, %	4.3	4.2

SEKm	2022 31 Dec	2021 31 Dec
Additional own funds requirements to address the risk of excessive leverage as a percentage of total exposure measure		
Additional own funds requirements to address the risk of excessive leverage		
of which: to be made up of CET1 capital		
Total SREP leverage ratio requirements	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement as a percentage of total exposure measure		
Leverage ratio buffer requirement		
Overall leverage ratio requirement	3.0	3.0

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

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

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

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

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

[3)] Individual Pillar 2 requirement according to decision from SFSA SREP 2022.

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

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

Internal Capital Adequacy Assessment Process (ICAAP)

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

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

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

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

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

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

Total capital requirement
Swedbank Mortgage’s internal capital requirement as of 31 December 2022 amounted to SEK 11.0bn. The capital that meets this requirement, i.e. the capital base, amounted to SEK 47.7bn.

5 Operating segments

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

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

6 Net interest income

SEKm	2022	2021[1]
Interest income		
Loans to credit institutions	446	45
Loans to the public	20 140	16 374
Total interest income	**20 586**	**16 419**
Interest expense		
Amounts owed to credit institutions	-7 061	-995
Debt securities in issue	-3 257	-3 050
Derivatives	1 344	682
Eligible liabilities	-209	-104
Other	-2	-9
Total interest expense	**-9 185**	**-3 476**
Total net interest income	**11 401**	**12 943**
Average balance		
Loans to credit institutions	70 899	67 406
Loans to the public	1 107 879	1 069 772
Amount owed to credit institutions	686 503	593 593
Debt securities in issue	420 509	483 664
Negative yield on financial liabilities	103	181
Interest expense on financial liabilities at amortised cost	10 523	4 152
Interest income on Stage 3 loans	17	13

[1] Presentation of the Income statement has been changed, see note 32.

7 Net commission income

SEKm	2022	2021
Commission income		
Payment processing	36	43
Total	**36**	**43**
Commission expenses		
Fees to the Swedish National Board of Housing, Building and Planning	0	0
Market maker fees	-35	-39
Total	**-35**	**-39**
Total net commission income	**1**	**4**

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	2022	2021
Fair value through profit and loss		
Debt securities in issue	14	10
Derivatives	25	12
Total fair value through profit and loss	**39**	**22**
Hedge accounting		
Ineffective part in hedge accounting at fair value	145	-50
of which hedging instruments	-21 743	-6 103
of which hedged items	21 888	6 053
Ineffective part in portfolio hedge accounting at fair value	-142	-61
of which hedging instruments	18 472	3 461
of which hedged items	-18 614	-3 522
Ineffective part in cash flow hedge	-26	-19
Total hedge accounting	**-23**	**-130**
Derecognition gain or loss for financial liabilities at amortised cost	**577**	**-35**
Derecognition gain or loss for loans at amortised cost	**41**	**168**
Change in exchange rates	**49**	**-33**
Total net gains and losses on financial items	**683**	**-8**

9 Staff expenses

Remuneration within Swedbank Mortgage

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

SEKm	2022	2021
President		
Salaries and other remuneration	1.2	1.3
Pension costs	0.7	0.9
Social insurance charges	0.4	0.4
Other employees		
Salaries and other remuneration	7.0	6.4
Pension costs	2.7	2.4
Social insurance charges	2.4	2.1
Other staff costs	0.0	0.3
Total	**14.4**	**13.8**

Number of employees

The number of employees at year-end were 11 persons, of whom 55 per cent were women and 45 percent men.

Loans to the Board and employees

SEKm	2022	2021
Loans to the President	0	4
Loans to Board members	23	28
No. of employees with loans	9	9

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

Gender distribution

number of persons	2022	2021
Board of Directors	7	6
of which men	4	3
of which women	3	3

10 Other expenses

SEKm	2022	2021
Purchased services	225	228
Other	35	35
of which PWC AB [1]		
Statutory audit	2	3
Total	**260**	**263**

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

11 Credit impairments

SEKm	2022	2021
Loans at amortised cost		
Credit impairment provisions - stage 1	68	-19
Credit impairment provisions - stage 2	228	-43
Credit impairment provisions - stage 3	7	-12
Total	**303**	**-74**
Write-offs	7	10
Recoveries	-7	-11
Total	**0**	**-1**
Total - loans at amortised cost	**303**	**-75**
Total credit impairments	**303**	**-75**
Credit impairment ratio, %	0.03	-0.01

12 Swedish bank tax and resolution fees

SEKm	2022	2021
Swedish bank tax	233	
Resolution fees	378	396
Total	**611**	**396**

13 Tax

SEKm	2022	2021
Tax expense		
Tax related to previous years	0	0
Current tax	2 245	2 543
Total	**2 245**	**2 543**

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

	SEKm	%	SEKm	%
Result	2 245	20,6	2 543	20,6
Prevailing tax rate	2 245	20,6	2 543	20,6
Difference	**0**	**0**	**0**	**0**

14 Earnings per share

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

SEKm	2022	2021
Profit attributable to the shareholders of Swedbank Mortgage, SEKm	8 655	9 801
Average number of shares outstanding, million	23	23
Earnings per share, SEK	**376.30**	**426.13**

15 Tax for each component in other comprehensive income

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

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**

16 Loans to the public

SEKm	2022	2021
Loans to the public	1 115 561	1 093 674
Total loans to the public	**1 115 561**	**1 093 674**
Number of loans	1 653 847	1 648 964

17 Derivatives

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

SEKm	2022				2021	2022	2021	2022	2021
	Remaining contractual maturity, nominal amount					Positive market values		Negative market values	
	<1 year	1-5 year	> 5 year	Total	Total				
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate swaps	70 481	214 935	25 378	310 794	348 502	734	7 381	16 071	701
Portfolio fair value hedge									
Interest-rate swaps	140 750	282 925	12 330	436 005	494 895	20 289	1 968	23	851
Cash flow hedge									
Cross currency basis swaps	12 541	59 185	22 540	94 266	99 683	8 781	3 949	0	1 395
Total	**223 772**	**557 045**	**60 248**	**841 065**	**943 080**	**29 804**	**13 298**	**16 094**	**2 947**
Other derivatives									
Interest-rate related contracts									
Interest-rate swaps		1 000	111	1 111	19 482	5	89	60	0
Currency-related contracts									
Cross currency basis swaps	1 505	52 382	111	53 998	38 127	1 931	464	1 145	293
Total	**1 505**	**53 382**	**222**	**55 109**	**57 609**	**1 936**	**553**	**1 205**	**293**
Grand total	**225 277**	**610 427**	**60 470**	**896 174**	**1 000 689**	**31 740**	**13 851**	**17 299**	**3 240**

18 Hedge accounting

Fair value hedge

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

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

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

Portfolio hedges– effectiveness test under IAS 39

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

Hedging instruments and hedge ineffectiveness

	2022			2021		
	Interest rate risk					
	Portfolio hedge	Debt securities in issue	**Total**	Portfolio hedge	Debt securities in issue	**Total**
Nominal amount	436 005	310 794	**746 799**	494 895	348 502	**843 397**
Carrying amount [1]						
Assets	20 289	734	**21 023**	1 968	7 381	**9 349**
Liabilities	23	16 071	**16 094**	851	701	**1 552**
Change in fair value used for recognising hedge ineffectiveness	20 276	-16 214	**4 062**	1 713	5 741	**7 454**
Ineffectiveness recognised in Profit or loss [2]	-142	146	**3**	-61	-50	**-111**

[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	2022				2021			
	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	436 005			**436 005**	494 895	-1 755		**493 140**
Liabilities			296 350	**296 350**			358 454	**358 454**
Accumulated amount of fair value hedge adjustment on the hedged item								
Assets		-20 369		**-20 369**		-1 755		**-1 755**
Liabilities			-16 263	**-16 263**			5 682	**5 682**
Change in value used for recognising hedge ineffectiveness	-20 369		16 263	**-4 106**	-1 755		-5 682	**-7 437**

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

	Remaining contractual maturity					
	2022			2021		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Portfolio hedge						
Nominal amount (m SEK)	140 750	282 925	12 330	135 280	350 300	9 315
Average fixed interest rate %	0.15	0.54	1.26	0.18	0.20	0.64
Fair value hedges						
Nominal amount (m SEK)	70 481	214 935	25 378	94 215	223 550	30 737
Average fixed interest rate %	0.45	0.77	2.29	0.32	0.44	2.06

Hedge relationships in scope for Interest Rate Benchmark

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.

Currency ditribution fair value hedges

	2022	2021
SEKm	USD	USD
Hedged items and hedging instruments		
Total	62	54
Directly attributal to Ibor reform	62	54
See further information in note 4		

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	2022	2021
Cross currency basis swaps, EUR(SEK		
Nominal amount	94 266	99 683
Carrying amount		
Assets	8 781	3 949
Liabilities	0	1 395
Hedge effectiveness		
Change in fair value of hedging instrument used for measuring hedge ineffectiveness	8 848	3 374
EUR debt securities in issue and interest rate swaps	-8 782	-3 343
Ineffectiveness recognised in the income statement during the year	-26	-19
Cash flow hedge reserve		
Opening balance 1 January	12	-3
Gains or losses from hedges recognised in othere comprehensive income	5 439	-452
Amount reclassified to the incom statement, net gains and losses on financial items	-5 316	470
Other comprehensive income before tax	123	18
Tax	-25	-3
Closing balance 31 December	110	12

Maturity profile and average price, hedging instrument

	Remaining contractual maturity					
	2022			2021		
	<1 yr	1-5 yrs.	>5 yrs.	<1 yr	1-5 yrs.	>5 yrs.
Foreign currency risk						
Nominal amount (m SEK)	12 541	59 185	22 540	21 884	55 009	22 790
Average EUR FX rate	9.79	10.19	9.95	9.40	10.09	9.88

19 Other assets

SEKm	2022	2021
Tax account	364	15
Other assets	275	65
Total	**639**	**80**

20 Debt securities in issue and subordinated liabilities

SEKm	2022	2021
Covered bonds	338 459	462 081
Change in value due to hedge accounting at fair value	16 263	5 682
Total debt securities in issue	**354 722**	**467 763**

Turnover during the period

SEKm	2022	2021
Opening balance	**467 763**	**501 413**
Issued	86 759	111 876
Repurchased	-54 012	-60 521
Repaid	-136 363	-85 042
Interest	3 258	3 050
Interest, change in market values or in hedged item in hedge accounting at fair value	-22 490	-6 030
Changes in exchange rates	9 807	3 017
Closing balance	**354 722**	**467 763**

21 Other liabilities

SEKm	2022	2021
Current tax liabilities	228	11
Deferred tax liabilities	38	
Debt to group entity	9 849	12 293
Other liabilities	241	294
Total	**10 356**	**12 598**

22 Accrued expenses and prepaid income

SEKm	2022	2021
Other	490	653
Total	**490**	**653**

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

SEKm	2022	2021
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	110	12
Foreign currency basis reserve	38	-544
Other retained earnings	20 814	19 979
Total	**33 107**	**31 592**
Total equity	**47 707**	**46 192**
Changes in equity during the period are reported in the statement of changes in equity	1 515	87
Number of shares		
Approved and issued, million	23	23

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

24 Pledged assets, contingent liabilities and commitments

SEKm	2022	2021
Assets pledged		
Loans receivable pledged for covered bonds [1)]	381 513	472 864
Commitments	7 190	8 516
Total	**388 703**	**481 380**

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

25 Related parties

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

SEKm	2022	2021
Group receivables		
Loans to credit institutions	64 149	30 178
Derivatives	31 740	13 851
Other assets	26	25
Total	**95 915**	**44 054**
Group liabilities		
Amounts owed to credit institutions	746 078	590 715
Debt securities in issue	785	1 657
Derivatives	17 299	3 240
Other liabilities	9 855	12 495
Eligible liabilities	15 068	15 005
Total	**789 085**	**623 112**
Statement of comprehensive income		
Interest income	446	45
Interest expense	-5 866	-415
Other expenses	-8	-7
Total	**-5 428**	**-377**

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	2022	2021
Group receivables		
Other assets	35	34
Total	**35**	**34**
Group liabilities		
Debt securities in issue	10 654	29 117
Total	**10 654**	**29 117**
Statement of comprehensive income		
Commission expense	0	0
Interest income	35	35
Interest expense	23	163
Total	**58**	**198**

Senior executives, see note 9 for further information.

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

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

SEKm	2022	2021
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	31 740	13 851
Carrying amount presented in the balance sheet	**31 740**	**13 851**
Related amount not offset in the balance sheet		
Derivatives, netting agreements	17 299	3 240
Net amount - assets	**14 441**	**10 611**
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	17 299	3 240
Carrying amount presented in the balance sheet	**17 299**	**3 240**
Related amount not offset in the balance sheet		
Derivatives, netting agreements	17 299	3 240
Net amount - liabilities	**0**	**0**

27 Valuation categories of financial instruments

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

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

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

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

Financial liabilities	2021						
	Amortised cost	Fair value through profit or loss			Hedging instruments	Total	Fair value
Carrying Amount in SEKm		Trading	Designated	Total			
Amounts owed to credit institutions	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

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 and EONIA on 3 January 2022. 1m, 3m, 6m and 12m USD Libor will end in June 2023.

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 2023. 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.

The focus in 2023 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.

	2022
SEKm	USD
Total	62
Maturity before Ibor reform	
Directly attributal to Ibor reform	62

28 Fair value of financial instruments

Determination of fair value of financial instruments

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

The methods are divided into three different levels:

• Level 1: Unadjusted, quoted price on an active market

• Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market

• Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

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

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

Financial instruments recognised at fair value

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

Level 1 contains debt securities in issue that are traded on an active market. Fair values are determined using unadjusted quoted market prices.

Level 2 contains derivatives and debt securities in issue that are not traded on an active market. Fair value of these instruments is determined based on discounted cash flow models using market implied curves.

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

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

SEKm	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives		31 740		31 740		13 851		13 851
Total		**31 740**		**31 740**		**13 851**		**13 851**
Liabilities								
Debt securities in issue		122		122		137		137
Derivatives		17 299		17 299		3 240		3 240
Total		**17 421**		**17 421**		**3 377**		**3 377**

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	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to credit institutions		64 149		64 149		30 178		30 178
Loans to the public		1 110 571		1 110 571		1 093 431		1 093 431
Total		**1 174 720**		**1 174 720**		**1 123 609**		**1 123 609**
Liabilities								
Amounts owed to credit institutions			746 135	746 135			591 459	591 459
Debt securities in issue	234 715	118 010		352 725	312 088	157 337		469 425
Eligible liabilities			15 845	15 845			15 147	15 147
Total	**234 715**	**118 010**	**761 980**	**1 114 705**	**312 088**	**157 337**	**606 606**	**1 076 031**

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

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

29 Proposed distribution of profit

In accordance with the balance sheet for Swedbank Mortgage, the following profit after deduction for a paid group contribution of SEK 9 849 m are at the disposal of the annual general meeting:

SEKm	**2022**	**2021**
Retained earnings earlier years	**24 304**	**22 323**
Fair value fund	148	-532
Profit for the year	8 655	9 801
Total at disposal	**33 107**	**31 592**
The Board proposes that the profit be carried forward to the next year	33 107	31 592
Total	**33 107**	**31 592**

30 Events after 31 December 2022

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

31 Sustainability report

Swedbank Mortgage AB (publ) does not publish a statutory Sustainability Report according to the Annual Accounting Act Chapter 7, 31 a. Parent Company, Swedbank AB (publ) org. No. 502017-7753, which is based in Stockholm, publishes a Sustainability Report for the Group in which the company is included. The Group's sustainability report is available in Swedbank AB's annual report on page 198 to 239.

32 Changed presentation regarding resolution fees

Income statement

		2021		
SEKm	**Note**	**Previous reporting**	**Change**	**New reporting**
Interest income on financial assets measured at amortised cost		16 419		16 419
Interest income		**16 419**		**16 419**
Interest expense		-3 872	396	-3 476
Net interest income	6	**12 547**	**396**	**12 943**
Commission income		43		43
Commission expenses		-39		-39
Net commissions	7	**4**		**4**
Net gains and losses on financial items	8	-8		-8
Other income		3		3
Total income		**12 546**	**396**	**12 942**
Total general administrative expenses	9, 10	**277**		**277**
Profit before impairments, Swedish bank tax and resolution fees		**12 269**	**396**	**12 665**
Credit impairments	11	-75		-75
Swedish bank tax and resolution fees	12		396	396
Operating profit		**12 344**		**12 344**
Tax	13	2 543		2 543
Profit for the period		**9 801**		**9 801**

Net interest income

SEKm	2021 Previous reporting	Change	New reporting
Interest income			
Loans to credit institutions	45		45
Loans to the public	16 374		16 374
Total interest income	**16 419**		**16 419**
Interest expense			
Amounts owed to credit institutions	-995		-995
Debt securities in issue	-3 050		-3 050
Derivatives	682		682
Eligible liabilities	-104		-104
Other	-405	396	-9
of which resolution	-396	396	
Total interest expense	**-3 872**	**396**	**-3 476**
Total net interest income	**12 547**	**396**	**12 943**
Average balance			
Loans to credit institutions	67 406		67 406
Loans to the public	1 069 772		1 069 772
Amount owed to credit institutions	593 593		593 593
Debt securities in issue	483 664		483 664
Negative yield on financial liabilities	181		181
Interest expense on financial liabilities at amortised cost	4 547	-396	4 152
Interest income on Stage 3 loans	13		13

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 perfomance measures

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

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

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

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

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

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

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

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

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

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

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

Equity and total assets, monthly

2022

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

2021

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

2020

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

2019

mSEK	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Assets	1 090 789	1 093 660	1 091 103	1 113 980	1 086 097	1 091 951	1 083 593	1 098 703	1 093 850	1 095 214	1 081 314	1 081 314
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

Signatures of the Board of Director and the CEO

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

Stockholm 22 February 2023

Johan Smedman Chairman	Urban Alsholm CEO
Mattias Persson	Jennifer Barck
Elizabet Jönsson	Nina Larsson
Thomas Åhman	Mats Lindgren

Auditor's report submitted on 22 February 2023

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 (publl) 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 2022 except for the corporate governance statement on page 10. The annual accounts of the company are included on pages 1-9 and 11-62.

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 2022 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 10. 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 of Swedbank Hypotek AB (publ).

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

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 marketplace such as foreign exchange rates or interest rates. Level 3 are instruments where the value is calculated using a model that is to a large extent dependent on estimates and judgements made by Swedbank Hypotek.

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 is inherently complex due to several 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 is subject to significant estimation uncertainty and therefore involves significant judgement and estimates made by management.

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

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 IT environment for key systems and applications used in the valuation of financial instruments held at fair value.

We have tested the design and operating effectiveness of key controls supporting the identification and measurement, and oversight of valuation of financial instruments.

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or 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 2022 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 Hypotek AB (publ) for the financial year 2022.

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

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

Basis for the opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Swedbank Hypotek AB (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 Director and the Managing Director

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

Auditor's responsibility

Our responsibility is to 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 10 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.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Swedbank Hypotek AB (publ) by the general meeting of the shareholders on the 30 March 2022 and has been the company's auditor since 2019.

Stockholm 22 February 2023

PricewaterhouseCoopers AB

Anneli Granqvist Authorised Public Accountant Auditor in charge	Martin By Authorised Public Accountant

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