Interim report 2022

Swedbank Mortgage AB, 19 July 2022

Swedbank

Interim report for first half of 2022

January-June 2022 compared with July-December 2021

- Net interest income affected by lower margins
- Higher net gains and losses
- Continued good credit quality and very low loss levels
- Solid capital position

Financial information

SEKm	2022 Jan-Jun	2021[1] Jul-Dec	%	2021[1] Jan-Jun	%
Net interest income	5,905	6,449	-8	6,494	-9
Net commissions	1	-4		8	
Net gains and losses on financial items	237	-87		79	
Other income	2	1	100	2	0
Total income	**6,145**	**6,359**	**-3**	**6,583**	**-7**
Total general administrative expenses	**138**	**139**	**-1**	**138**	**0**
Profit before impairments, Swedish bank tax and resolution fees	**6,007**	**6,220**	**-3**	**6,445**	**-7**
Credit impairments, net	54	-8		-67	
Swedish bank tax and resolution fees[2]	307	198	55	198	
Operating profit	**5,646**	**6,030**	**-6**	**6,314**	**-11**
Tax	1,163	1,242	-6	1,301	-11
Profit for the period	**4,483**	**4,788**	**-6**	**5,013**	**-11**

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

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

Business performance

	2022 30 Jun	2021 31 Dec	2021 30 Jun	2020 31 Dec	2020 30 Jun	2019 31 Dec	2019 30 Jun
Lending to the public, SEKbn	1,110	1,094	1,068	1,054	1,041	1,029	1,022
- Private	991	973	948	931	918	906	898
of which private, mortgage	907	888	862	844	828	813	803
- Corporate	119	121	120	123	123	123	124
Number of customers, thousand	1,066	1,074	1,078	1,085	1,092	1,098	1,111
Private lending							
Market share mortgages % [1)]	23	23	23	23	23	24	24
Market share of net growth, full and half year % [1)]	17	17	15	15	15	12	13
Volume growth market, D 12-months % [1)]	7	7	6	6	6	5	5
Volume growth Swedbank Mortgage, D 12-months % [1)]	5	5	4	4	3	3	4
LTV total portfolio %	52	51	52	54	56	55	57
LTV new mortgages, current year	68	69	69	70	70	70	70
Share of total portfolio which amortises %	75	74	69	68	67	72	71
Share of portfolio which amortises, new mortgages, current year %	89	89	86	82	82	89	89
Funding							
Issued in last six months							
Swedish market, SEKbn	36	51	23	6	34	24	77
Outside Sweden, SEKbn	41	28	10		29	6	24
Average maturity of outstanding issued covered bonds, months	34	31	31	35	41	37	42

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

Financial overview and key ratios

SEKm	2022 Jan-Jun	2021[1] Jul-Dec	%	2021[1] Jan-Jun	%
Net interest income	5,905	6,449	-8	6,494	-9
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[2)] The Swedish bank tax (risk tax on creditinstitutions) came into force on 1 January 2022.

SEKm	2022 30 Jun	2021 31 Dec	2021 30 Jun	2020 31 Dec	2020 30 Jun
Profit					
Investment margin, %	0.98	1.09	1.09	1.01	1.00
Average total assets	1,208,856	1,154,097	1,154,803	1,162,381	1,141,063
Return on equity, %	19.0	20.9	21.4	19.3	18.2
Average equity	47,159	46,898	46,807	46,875	46,823
Earnings per share, SEK	194.9	426.1	218.0	392.6	184.9
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2,034	2,008	2,002	2,005	2,009
Credit quality					
Loans to the public	1,110,363	1,093,674	1,067,802	1,053,802	1,041,292
Loans to credit institutions	78,873	30,178	100,792	106,208	88,278
Credit impairments, net	54	-75	-67	-32	79
Credit impairment ratio, %	0.01	-0.01	-0.01	0.00	0.01
Total provisions	479	423	430	493	604
Share of Stage 3 loans, gross %	0.09	0.08	0.07	0.08	0.08
Total credit impairment provision ratio, %	0.04	0.04	0.04	0.04	0.05

For more information on definitions and calculation of key ratios, please see page 34 and the 2021 Annual Report, page 57.

Overview

About Swedbank Mortgage AB

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

No lending with collateral outside of Sweden is performed.

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

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

Market

The global outlook grew more uncertain in the second quarter. Rising inflation and central bank tightening, together with the effects of the war in Ukraine and sweeping Covid-related shutdowns in China, are impeding global growth. Higher energy, commodity and food prices are adding to the already high inflation, which is biting into consumer purchasing power and reducing consumption. The rising rates are also affecting the willingness of companies to invest. Inflation in many countries is higher than it has been in decades.

Several central banks, including the Riksbank, the Federal Reserve and the ECB, have signalled that monetary policy has to be rapidly tightened to check the high inflation, which has reduced the risk appetite in the financial markets. The war in Ukraine and concerns about an economic slowdown also continue to impact market sentiment.

The Riksbank has launched a monetary policy shift. After announcing as recently as February that its policy rate would not be raised before the second half of 2024, the Riksbank did just that in April, raising it to 0.25 percent, followed by an additional 50 basis points in June. Additionally, asset purchases will be cut beginning in the second half of 2022. Swedbank’s macroeconomists are forecasting that the Riksbank will continue to raise rates until it reaches 1.75% percent in February 2023.

Sweden’s GDP fell in the first quarter and the GDP forecast for 2022 has been revised downward. The data indicate a slight recovery in the second quarter but growth is expected to fall in the coming months. Inflation has risen to over 7 per cent, which is affecting consumer purchasing power and consumption. High household savings of nearly 17 percent of disposable income provide a shock absorber, however. The labour market remains stable and unemployment is expected to continue to drop, although the labour mismatch could have some affect.

The latest data from Valueguard show that the Swedish housing market has slowed and prices have turned lower. Higher mortgage rates and lower purchasing power will probably continue to cut into house prices. The number of property sales decreased in the second quarter compared with 2021 and Swedbank’s macroeconomists expect further weakness this year.

Important to note

The interim report contains alternative performance measures that Swedbank Mortgage considers valuable information for the reader, since they are used by the Swedbank Mortgage executive management and the Swedbank Group executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 34.

The company's development

Result first half of 2022 compared with second half of 2021

Swedbank Mortgage reported profit of SEK 4 483m in the first half of 2022, compared with SEK 4 788m in the previous half-year. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 5 905m (6 449). The main reason was that higher funding expenses, negatively affecting mortgage margins.

Net gains and losses on financial items increased to SEK 237m (-87), in part due to larger volume of covered bond repurchases while ineffectiveness in hedge accounting had a negative effect.

Expenses amounted to SEK 138m (139).

Credit impairments amounted to SEK 54m, compared with positive credit impairments of SEK 8m. The largest increases in provisions are within forestry and agriculture as well as on private loans. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation with war in Ukraine, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These have been reduced on hotel and restaurants and property management while they have been increased on forestry and agricultural segments.

The tax expense amounted to SEK 1 163m (1 242), corresponding to an effective tax rate of 20.6 per cent (20.6).

Result first half of 2022 compared with first half of 2021

Swedbank Mortgage reported profit of SEK 4 483m for the first half of 2022, compared with SEK 5 013m in the first half of 2021. The decrease is mainly due to lower net interest income.

Net interest income decreased to SEK 5 905m (6 494). The main reason was increased funding expenses due to higher market interest rates.

Net gains and losses on financial items increased to SEK 237m (79), in part due to a larger volume of covered bond repurchases.

Expenses were stable at SEK 138m (138).

Credit impairments amounted to SEK 54m (positive credit impairments 67). The largest increases in provisions are within forestry and agriculture as well as on private loans. As there is a risk that credit quality may start to deteriorate due to negative development of the macro-economic situation with war in Ukraine, higher interest rates and high inflation, and that the quantitative risk models may not appropriately incorporate this, post-model adjustments are still assessed to be necessary. These have been reduced on property management while they have been increased on forestry and agricultural segments.

The tax expense amounted to SEK 1 163m (1 301), corresponding to an effective tax rate of 20.6 per cent (20.6).

Lending

Total loans to the public increased by SEK 16bn in the first half of 2022, to SEK 1 110bn as of 30 June 2022 (SEK 1 094bn as of 31 December 2021). Compared with 30 June 2021, the increase was SEK 42bn, corresponding to an annual growth rate of 4 per cent.

Lending to general public, SEKbn	30 Jun 2022	31 Dec 2021	30 Jun 2021
Private customers	991	973	948
Private, mortgage	907	888	862
Tenant owner associations	84	85	86
Corporate customers	119	121	120
Agricultural, forestry, fishing	47	47	48
Property management	60	62	60
Other corporate lending	12	12	12
Total	**1,110**	**1,094**	**1,068**

The increase in the first half of 2022 was due to higher private mortgage volumes. Mortgage lending to the private segment increased in total by SEK 19bn compared with 31 December 2021, to SEK 907bn (888). The total market share was 23 per cent (23) as of 31 May. Lending to tenant-owner associations fell by SEK 1bn, to SEK 84bn (85).

Corporate lending of SEK 119bn (121) decreased by SEK 2bn mainly within property management.

Funding and liquidity

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

As of 30 June 2022, outstanding funding through covered bonds amounted to SEK 409bn (468bn) while intragroup funding from Swedbank AB amounted to SEK 709bn (591bn).

Demand for Swedbank Mortgage's bonds has been stable at the same time that the funding need has been low given the deposit growth within the Group. Swedbank Mortgage issued SEK 77bn (79 second half of 2021) in covered bonds in the first half of 2022. Due to the volatile interest rate environment resulting from inflation and geopolitical turmoil, buybacks of outstanding covered bonds decreased considerably, leading to increasing maturities. Maturities in the second half of 2021 were nominally SEK 107bn (52 second half of 2021).

Amounts owed to credit institutions and issued debt, SEKbn	30 Jun 2022	31 Dec 2021	30 Jun 2021
Amounts owed to credit institutions	709	591	625
Debt securities in issue	409	468	486
Eligible liabilities	15	15	15
Total	**1,133**	**1,074**	**1,126**

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

As part of its liquidity planning, Swedbank Mortgage aims to actively buy back a portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In the first half of 2022, SEK 18bn (45 second half of 2021) was repurchased. The average maturity of all outstanding covered bonds was 34 months (31) at 31 June.

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR), which sets the minimum requirement for Swedbank Mortgage per 30th of June 2022. Swedbank Mortgage's total capital ratio was 16.2 per cent as of 31st of June 2022 (16.0 per cent as of 31st of December 2021), to be compared with the capital requirement of 11.5 per cent.

Total own funds increased during the second half of the year and amounted to SEK 46.6bn (46.1). REA decreased by SEK 0.1bn to SEK 288.2bn (288.3). The decrease was mainly due to credit risk REA including article 458, which decreased REA by SEK 0.1bn. The capital adequacy is further disclosed in note 15.

Swedbank Mortgage's leverage ratio as of 30th of June 2022 was 4.2 per cent (4.2).

Future capital regulations

In the second quarter 2022, the Swedish FSA decided to raise the countercyclical buffer in Sweden to 2 per cent of risk-weighted assets as of the second quarter 2023. In the third quarter 2022, the countercyclical buffer will be raised to 1 per cent. In connection with the pandemic, the countercyclical buffer was reduced from 2.5 per cent to 0 per cent. The Swedish FSA assesses the buffer rate's neutral level at 2 per cent.

Swedbank Hypotek had earlier submitted updated internal risk classification models to the Swedish FSA for evaluation and approval. This aligns with the updated guidelines from the European Banking Authority (EBA) on banks' internal risk classification systems. The approval process has been delayed and is now expected to be completed later this year and early next year. Swedbank Mortgage's risk-weighted assets will probably decrease as a result.

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

As proposed, the EU Commission's proposal to finalise Basel III, also called Basel IV, would be introduced in stages in 2025–2030. The actions include revisions of the standardised approaches and internal models used to calculate the capital requirements for credit, market and operational risk. A capital requirement floor was introduced for internal models where the risk-weighted assets may not fall below 72.5 per cent of the amount calculated using the standardised approach. Temporary exemptions would apply through 2032. In the next stage, the proposal will be negotiated by the European Council and the EU Parliament.

Risks

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

Credit and asset quality

Swedbank's credit quality remained good during the first 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 in the latter part of the period, due to increasing mortgage rates and lower expectations on future economic development.

The macroeconomic outlook has turned negative in the first 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.

The average loan-to-value ratio for private lending was 52 per cent (51), based on property level. For new lending in the half-year the loan-to-value ratio was 68 per cent (69).

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

Operational risks

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

Rating

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

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

Covered Bonds

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

Under Swedish law, cover pool eligible assets are mortgage loans or public-sector debt, secured by residential, agricultural or commercial property up to a maximum of 10 per cent. Loan-to-Value (LTV) ratios caps are set to differentiate between the property type risk, with maximum LTV for residential property of 75 per cent, agricultural of 70 per cent and commercial of 60 per cent.

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

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

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

Events after 30 June 2022

No material events have occurred after 30 June 2022.

Income statement, condensed

SEKm	2022 Jan-Jun	2021[1] Jul-Dec	%	2021[1] Jan-Jun	%
Interest income on financial assets measured at amortised cost	8,428	8,117	4	8,302	2
Interest income	**8,428**	**8,117**	**4**	**8,302**	**2**
Interest expense	-2,523	-1,668	51	-1,808	40
Net interest income (note 3)	**5,905**	**6,449**	**-8**	**6,494**	**-9**
Commission income	18	21	-14	22	-18
Commission expenses	-17	-25	-32	-14	21
Net commissions	**1**	**-4**		**8**	
Net gains and losses on financial items (note 4)	237	-87		79	
Other income	2	1	100	2	0
Total income	**6,145**	**6,359**	**-3**	**6,583**	**-7**
Total general administrative expenses	**138**	**139**	**-1**	**138**	**0**
Profit before impairments, Swedish bank tax and resolution fees	**6,007**	**6,220**	**-3**	**6,445**	**-7**
Credit impairments (note 5)	54	-8		-67	
Swedish bank tax and resolution fees (note 6)	307	198		198	
Operating profit	**5,646**	**6,030**	**-6**	**6,314**	**-11**
Tax	1,163	1,242	-6	1,301	-11
Profit for the period	**4,483**	**4,788**	**-6**	**5,013**	**-11**

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

Statement of comprehensive income, condensed

SEKm	2022 Jan-Jun	2021 Jul-Dec	%	2021 Jan-Jun	%
Profit for the period reported via income statement	**4,483**	**4,788**	**-6**	**5,013**	**-11**
Items that may be reclassified to the income statement					
Cash flow hedges:					
Gains and losses arising during the period	3,346	1,062		-1,514	
Reclassification adjustments to income statement, net gains and losses	-3,220	-1,040		1,510	
Foreign currency basis risk:					
Gains/losses arising during the period	603	100		-59	
Tax relating to components of other comprehensive income	-150	-25		13	
Total comprehensive income attributable to shareholders of Swedbank Mortgage AB	**5,062**	**4,885**	**4**	**4,963**	**2**

Balance sheet, condensed

	2022	2021	Δ		2021	
SEKm	**30 Jun**	**31 Dec**	**mkr**	**%**	**30 Jun**	**%**
Assets						
Loans to credit institutions (note 7)	78,873	30,178	48,695		100,792	-22
Loans to the public (note 7)	1,110,363	1,093,674	16,689	2	1,067,802	4
Value change of interest hedged items in portfolio hedge	-18,610	-1,755	-16,855		397	
Derivatives (note 9)	27,957	13,851	14,106		14,326	95
Deferred tax assets		138	-138	-100	163	-100
Other assets	120	80	40	50	1,183	-90
Prepaid expenses and accrued income	207		207		216	
Total assets	**1,198,910**	**1,136,166**	**62,744**	**6**	**1,184,879**	**1**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	708,848	590,715	118,133	20	625,374	13
Debt securities in issue (note 10)	409,292	467,763	-58,471	-13	486,110	-16
Derivatives (note 9)	12,361	3,240	9,121		5,007	
Current tax liabilities	42	11	31		6	
Deferred tax liabilities	12		12			
Other liabilities	5,989	12,587	-6,598	-52	6,601	-9
Accrued expenses and prepaid income	587	653	-66	-10	720	-18
Eligible liabilities	15,008	15,005	3	0	15,005	0
Total liabilities	**1,152,139**	**1,089,974**	**62,165**	**6**	**1,138,823**	**1**
Equity	46,771	46,192	579	1	46,056	2
Total liabilities and equity	**1,198,910**	**1,136,166**	**62,744**	**6**	**1,184,879**	**1**

Statement of changes in equity, condensed

	Restricted equity		Non-restricted equity			
SEKm	**Share capital**	**Statutory reserve**	**Cash flow hedges**	**Foreign currency basis risk reserve**	**Retained earnings**	**Total equity**
Opening balance 1 January 2022	**11,500**	**3,100**	**12**	**-544**	**32,124**	**46,192**
Group contributions paid					-5,646	-5,646
Tax on group distributions paid					1,163	1,163
Shareholders' contribution						
Total comprehensive income for the year			101	478	4,483	5,062
Closing balance 30 June 2022	**11,500**	**3,100**	**113**	**-66**	**32,124**	**46,771**
of which, conditional shareholders' contributions					2,400	2,400
Opening balance 1 January 2021	**11,500**	**3,100**	**-3**	**-576**	**32,084**	**46,105**
Group contributions paid					-12,293	-12,293
Tax on group distributions paid					2,532	2,532
Total comprehensive income for the year			15	32	9,801	9,848
Closing balance 31 December 2021	**11,500**	**3,100**	**12**	**-544**	**32,124**	**46,192**
of which, conditional shareholders' contributions					2,400	2,400
Opening balance 1 January 2021	**11,500**	**3,100**	**-3**	**-576**	**32,084**	**46,105**
Group contributions paid					-6,313	-6,313
Tax on group distributions paid					1,300	1,300
Shareholders' contribution						
Total comprehensive income for the year			-3	-47	5,013	4,963
Closing balance 30 June 2021	**11,500**	**3,100**	**-6**	**-623**	**32,085**	**46,056**
of which, conditional shareholders' contributions					2,400	2,400

Cash flow statement, condensed

SEKm	2022 Jan-Jun	2021 Full-year	2021 Jan-Jun
Operating activities			
Operating profit	5,646	12,344	6,314
Adjustments for non-cash items in operating activities	2,812	2,377	2,977
Taxes paid [1]	-170	-26	-26
Increase (-) /decrease (+) in loans to the public	-16,701	-39,886	-13,981
Increase (-) /decrease (+) in other assets	37	4	36
Increase (+) /decrease (-) in amounts owed to credit institutions	118,061	-9,015	25,629
Increase (+) /decrease (-) of issued interest-bearing securities	-48,954	-30,442	-15,169
Increase (+) /decrease (-) in other liabilities	257	52	242
Cash flow from operating activities	**60,988**	**-64,592**	**6,022**
Financing activities			
Issuance of eligible liabitities		10,000	
Redemption of eligible liabilites		-10,000	
Group contributions paid	-12,293	-11,438	-11,438
Cash flow from financing activities	**-12,293**	**-11,438**	**-11,438**
Cash flow for the period	**48,695**	**-76,030**	**-5,416**
Cash and cash equivalents at the beginning of the period	**30,178**	**106,208**	**106,208**
Cash flow for the period	48,695	-76,030	-5,416
Cash and cash equivalents at end of the period	**78,873**	**30,178**	**100,792**

[1] Including also the tax effect of the Group contribution, amounting to SEK 1163m.

Notes

The interim report has been prepared on a going concern basis.
On 18 July 2022, the Board of Directors and the CEO approved the interim report for publication. Swedbank Mortgage, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank (publ).
All amounts in the notes are in millions of Swedish kronor (SEKm) and at book value unless otherwise indicated.

Note 1 Accounting policies

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

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

New Swedish bank tax and changed presentation of resolution fees

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

Changes in Swedish regulations

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

Note 2 Business segments

SEKm	2022 Jan-Jun Private	Cor-porate	Forestry and Agricultural	Not distributed	Total	2021 Jan-Jun Private	Cor-porate	Forestry and Agricultural	Not distributed	Total
Net interest income	4,772	643	357	133	5,905	5,242	728	400	124	6,494
Net commissions	1				1	7	1			8
Net gains and losses on financial items				237	237			79		79
Other income				2	2			2		2
Total income	**4,773**	**643**	**357**	**372**	**6,145**	**5,249**	**729**	**481**	**124**	**6,583**
Total general administrative expenses	104	1	8	25	138	104	1	9	24	138
Profit before impairments, Swedish bank tax and resolution fees	**4,669**	**642**	**349**	**347**	**6,007**	**5,145**	**728**	**472**	**100**	**6,445**
Credit impairments	7	7	40		54	-19	-35	-13		-67
Swedish bank tax and resolution fees	251	41	15		307	160	28	10		198
Operating profit	**4,411**	**594**	**294**	**347**	**5,646**	**5,004**	**735**	**475**	**100**	**6,314**
Loans to the public	907,646	147,027	55,690		1,110,363	862,689	148,675	56,438		1,067,802

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

Note 3 Net interest income

SEKm	2022 Jan-Jun	2021[1] Jul-Dec	%	2021[1] Jan-Jun	%
Interest income					
Loans to credit institutions	86	7		38	
Loans to the public	8,342	8,110	3	8,264	1
Total interest income	**8,428**	**8,117**	**4**	**8,302**	**2**
Interest expense					
Amounts owed to credit institutions	-1,236	-453		-542	
Debt securities in issue	-1,492	-1,437	4	-1,613	-8
Derivatives	242	273	-11	409	-41
Eligible liabilities	-36	-50	-28	-54	-33
Other	-1	-1	0	-8	-88
Total interest expense	**-2,523**	**-1,668**	**51**	**-1,808**	**40**
Total net interest income	**5,905**	**6,449**	**-8**	**6,494**	**-9**
Negative yield on financial assets	91	108	-16	73	
Interest expense on financial liabilities at amortised cost	2,761	1,941	42	2,211	

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

Note 4 Net gains and losses on financial items

SEKm	2022 Jan-Jun	2021 Jul-Dec	%	2021 Jan-Jun	%
Fair value through profit and loss					
Debt securities in issue	29	4		6	
Derivatives	17	4		8	
Total fair value through profit and loss	**46**	**8**		**14**	
Hedge accounting					
Ineffective part in hedge accounting at fair value	45	-24		-26	
of which hedging instruments	-16,613	-2,708		-3,395	
of which hedged items	16,658	2,684		3,369	
Ineffective part in portfolio hedge accounting at fair value	-157	-83	89	22	
of which hedging instruments	16,698	2,069		1,392	
of which hedged items	-16,855	-2,152		-1,370	
Ineffective part in cash flow hedge	16	-15		-4	
Total hedge accounting	**-96**	**-122**	**-21**	**-8**	
Derecognition gain or loss for financial liabilities at amortised cost	**226**	**-18**		**-17**	
Derecognition gain or loss for loans at amortised cost	**37**	**79**	**-53**	**89**	**-58**
Change in exchange rates	**24**	**-34**		**1**	
Total net gains and losses on financial items	**237**	**-87**		**79**	

Note 5 Credit impairments

SEKm	2022 Jan-Jun	2021 Jul-Dec	%	2021 Jan-Jun	%
Loans at amortised cost					
Credit impairment provisions - stage 1	20	-9		-10	
Credit impairment provisions - stage 2	37	-1		-42	
Credit impairment provisions - stage 3	-2	0		-12	-83
Total	**55**	**-10**		**-64**	
Write-offs	3	5	-40	5	-40
Recoveries	-4	-3	33	-8	-50
Total	**-1**	**2**		**-3**	**-67**
Total - loans at amortised cost	**54**	**-8**		**-67**	
Total credit impairments	**54**	**-8**		-67	
Credit impairment ratio, %	**0.01**	**0.00**		**-0.01**	

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

Measurement of 12-month and lifetime expected credit losses
The war in Ukraine has exacerbated many of the weaknesses and imbalances in the economy that arose during the Covid-19 pandemic, particularly in relation to supply chain disruptions, shortages of input goods and significantly higher energy prices. Other implications include higher inflation and earlier than anticipated interest rate hikes. As the quantitative risk models do not yet reflect all potential deteriorations in credit quality, post-model adjustments to increase the credit impairment provisions continue to be deemed necessary.

The post-model expert credit adjustments increased to SEK 61m (SEK 57m as of 31 December 2021) and are allocated as SEK 22m in stage 1, SEK 39m in stage 2 and SEK 0m in stage 3. Customers and industries have been reviewed and analysed considering the current situation, particularly in more vulnerable sectors. The most significant post-model adjustments are in the Agricultural and Forestry and Property management sectors.

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

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 grade from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 18 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note 3a Credit risk in the Annual Report for 2021.

- changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 18 and 21, an increase of 200-300 per cent from initial recognition is considered significant.

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

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

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

			Impairment provision impact of			
Internal risk grade at initial recognition	12-month PD band at initial recognition, %	Threshold, rating downgrade[1,2,3]	Increase in threshold by 1 grade, %	Decrease in threshold by 1 grade, %	Recognised credit impairment provisions 30 June 2022	Share of total portfolio in terms of gross carrying amount, % 30 June 2022
18-21	<0,1	5 - 7 grades	0.0	0.1	17	22
13-17	0,1 - 0,5	3 - 5 grades	-0.1	0.1	40	19
9-12	>0,5 - 2,0	1 - 2 grades	-0.2	0.2	57	5
6-8	>2,0 - 5,7	1 grade	-0.1	0.1	12	2
0-5	>5,7 - 99,9	1 grade	0.0	0.0	6	0
			-0.1	**0.2**	**132**	**48**
Sovereigns and financial institutions with low credit risk					0	0
Stage 3 financial instruments					138	0
Post-model expert credit adjustment[4]					29	
Total					**299**	**48**

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

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

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

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

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD[1], %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 30 June 2022	Share of total portfolio in terms of gross carrying amount, % 30 June 2022
18-21	200-300	-0.1	0.3	15	31
13-17	100-200	0.0	0.1	40	15
9-12	100	0.0	0.1	53	5
6-8	50	0.0	0.0	17	1
0-5	50	0.0	0.0	1	0
		0.0	**0.1**	**126**	**52**
			Sovereigns and financial institutions with low credit risk	0	0
			Stage 3 financial instruments	22	0
			Post-model expert credit adjustment[2]	32	
			Total	**180**	**52**

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

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

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

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

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

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

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

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

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

Internal risk grade at initial recognition	Threshold, increase in lifetime PD[1], %	Impairment provision impact of: Increase in threshold by 100%, %	Impairment provision impact of: Decrease in threshold by 50%, %	Recognised credit impairment provisions 31 December 2021	Share of total portfolio in terms of gross carrying amount, % 31 December 2021
18-21	200-300	-13.6	29.3	11	28
13-17	100-200	-2.2	5.2	32	13
9-12	100	-0.3	3.1	38	5
6-8	50	-5.0	0.4	13	1
0-5	50	-0.6	2.7	1	0
		-3.1	**6.5**	**95**	**47**
	Sovereigns and financial institutions with low credit risk			0	0
	Stage 3 financial instruments			16	0
	Post-model expert credit adjustment[2]			28	
	Total			**139**	**47**

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

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

Incorporation of forward-looking macroeconomic scenarios

The Swedbank Economic Outlook was published on 6 April and would typically serve as the baseline scenario. Given the war in Ukraine, an updated baseline scenario was necessary and was updated to 7 June by Swedbank Macro Research, with an assigned probability weight of 66.6 per cent. Aligned with the updated baseline scenario, new alternative scenarios were developed, with assigned probability weights of 16.7 per cent on both the upside and downside scenario. These new macroeconomic scenarios were included in the expected credit losses calculations according to Swedbank Mortgage's monthly process.

IFRS 9 scenarios

Global GDP is slowing down in 2022 and 2023 due to the economic consequences of the war in Ukraine. High and volatile energy and commodity prices are expected to dampen household consumption and firms' investments. Mitigating factors, such as expansionary fiscal policy and pent-up demand following the pandemic, will allow global economies to avoid stagnation. However, risks are tilted downwards.

The forecast is based on the assumption that the Western sanctions and boycotts on Russia will remain in place throughout the forecast horizon, i.e., it is not foreseen that many more sanctions will be added, nor is it expected that the ones in place will be lifted. This assumption implies that oil and gas prices are likely to remain high, but not increase further during the forecast horizon.

Although inflation is about to peak soon or has just peaked in many countries, consumer price inflation will be higher than normal for a while yet. The forecasts for central banks are being revised and the removal of stimulus is now expected to happen faster compared to the previous forecast.

The negative effect on GDP growth will be less extensive in Sweden than in most of Europe. However, growth is slowing, and inflation is rising even higher. Monetary policy will tighten sharply in the near term while fiscal support has been introduced to compensate households for high energy prices.

30 Jun 2022			
		Credit impairment provisions	
Credit impairment provisions (probability weighted)	Of which: post-model expert credit adjustment	Negative scenario	Positive scenario
479	61	526	464

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

Note 6 Swedish bank tax and resolution fees

SEKm	2022 Jan-Jun	2021 Jul-Dec	2021 Jan-Jun
Swedish bank tax	118		
Resolution fees	189	198	198
Total	**307**	**198**	**198**

Note 7 Loans

30 Jun 2022	Stage 1			Stage 2			Stage 3			
SEKm	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Total
Loans to the public at amortised cost										
Private customers	**967,864**	**16**	**967,848**	**22,883**	**66**	**22,817**	**849**	**140**	**709**	**991,374**
Private mortgage	885,009	14	884,995	21,683	62	21,621	767	133	634	907,250
Tenant owner associations	82,855	2	82,853	1,200	4	1,196	82	7	75	84,124
Corporate customers	**106,319**	**41**	**106,278**	**12,756**	**196**	**12,560**	**171**	**20**	**151**	**118,989**
Agriculture, forestry, fishing	42,232	18	42,214	4,746	57	4,689	94	12	82	46,985
Manufacturing	584	0	584	63	1	62	0	0	0	646
Public sector and utilities	1,443	1	1,442	230	10	220	13	1	12	1,674
Construction	2,309	2	2,307	367	6	361	4	1	3	2,671
Retail and wholesale	900	1	899	87	2	85	1	0	1	985
Transportation	339	0	339	42	2	40	0	0	0	379
Shipping and offshore	3	0	3	0	0	0	0	0	0	3
Hotels and restaurants	465	1	464	245	11	234	4	1	3	701
Information and communication	191	0	191	19	0	19	0	0	0	210
Finance and insurance	519	0	519	98	2	96	0	0	0	615
Property management, including	54,304	16	54,288	6,234	93	6,141	51	5	46	60,475
Residential properties	39,297	11	39,286	4,312	67	4,245	45	4	41	43,572
Commercial	9,514	2	9,512	1,243	16	1,227	4	0	4	10,743
Industrial and Warehouse	729	1	728	69	1	68	1	0	1	797
Other	4,764	2	4,762	610	9	601	1	1	0	5,363
Professional services	1,801	1	1,800	357	5	352	1	0	1	2,153
Other corporate lending	1,229	1	1,228	268	7	261	3	0	3	1,492
Loans to the public	**1,074,183**	**57**	**1,074,126**	**35,639**	**262**	**35,377**	**1,020**	**160**	**860**	**1,110,363**
Loans to credit institutions	**78,873**		**78,873**							**78,873**
Loans to the public and credit institutions	**1,153,056**	**57**	**1,152,999**	**35,639**	**262**	**35,377**	**1,020**	**160**	**860**	**1,189,236**
Share of loans, %	96.96			3.00			0.09			100
Credit impairment provision ratio, %	0.00			0.74			15.69			0.04

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

30 Jun 2021	Stage 1			Stage 2			Stage 3			
SEKm	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Gross carrying amount	Credit impair-ment provi-sions	Net	Total
Loans to the public at amortised cost										
Private customers	**924,989**	**11**	**924,978**	**22,309**	**52**	**22,257**	**661**	**138**	**523**	**947,758**
Private mortgage	840,751	9	840,742	21,045	49	20,996	660	138	522	862,260
Tenant owner associations	84,238	2	84,236	1,264	3	1,261	1	0	1	85,498
Corporate customers	**106,126**	**35**	**106,091**	**14,012**	**174**	**13,838**	**135**	**20**	**115**	**120,044**
Agriculture, forestry, fishing	42,913	3	42,910	4,887	40	4,847	87	13	74	47,831
Manufacturing	626	0	626	62	1	61	0	0	0	687
Public sector and utilities	1,647	1	1,646	281	12	269	9	0	9	1,924
Construction	2,398	1	2,397	333	4	329	8	1	7	2,733
Retail and wholesale	880	0	880	137	2	135				1,015
Transportation	368	0	368	38	1	37	1	0	1	406
Shipping and offshore	4	0	4							4
Hotels and restaurants	486	2	484	247	9	238	7	1	6	728
Information and communication	140	0	140	15	0	15				155
Finance and insurance	379	0	379	134	1	133				512
Property management, including	53,098	26	53,072	7,251	93	7,158	14	3	11	60,241
Residential properties	38,422	18	38,404	4,734	55	4,679	7	1	6	43,089
Commercial	8,497	4	8,493	1,154	13	1,141	5	1	4	9,638
Industrial and Warehouse	733	1	732	144	1	143				875
Other	5,446	3	5,443	1,219	24	1,195	2	1	1	6,639
Professional services	1,839	1	1,838	389	4	385	4	2	2	2,225
Other corporate lending	1,348	1	1,347	238	7	231	5	0	5	1,583
Loans to the public	**1,031,115**	**46**	**1,031,069**	**36,321**	**226**	**36,095**	**796**	**158**	**638**	**1,067,802**
Loans to credit institutions	**100,792**		**100,792**							**100,792**
Loans to the public and credit institutions	**1,131,907**	**46**	**1,131,861**	**36,321**	**226**	**36,095**	**796**	**158**	**638**	**1,168,594**

Note 8 Credit impairment provisions

Reconciliation of credit impairment provisions for loans

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

Loans to the public and credit institutions

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2022	**1,087,034**	**36,393**	**848**	**1,124,275**
Closing balance as of 30 June 2022	**1,153,056**	**35,639**	**1,020**	**1,189,715**
Credit impairment provisions				
Opening balance as of 1 January 2022	**37**	**225**	**161**	**423**
Movements affecting credit impairments				
New and derecognised financial assets, net	2	-26	-33	-57
Changes in risk factors (EADF, PD, LGD)	4	-13	11	2
Changes in macroeconomic scenarios	13	37	5	55
Post-model expert credit adjustments	7	-4	0	3
Individual assessments			-2	-2
Stage transfers	-6	43	18	55
from 1 to 2	-8	65	0	57
from 1 to 3	0	0	17	17
from 2 to 1	2	-20	0	-18
from 2 to 3	0	-4	17	13
from 3 to 2		2	-8	-6
from 3 to 1	0		-8	-8
Other			-1	-1
Total movements affecting credit impairments	**20**	**37**	**-2**	**55**
Movements recognised outside credit impairments				
Interest			1	1
Closing balance as of 30 June 2022	**57**	**262**	**160**	**479**
Carrying amount				
Opening balance as of 1 January 2022	**1,086,997**	**36,168**	**687**	**1,123,852**
Closing balance as of 30 June 2022	**1,152,999**	**35,377**	**860**	**1,189,236**

Loans to the public and credit institutions

SEKm	Stage 1	Stage 2	Stage 3	Total
Carrying amount before provisions				
Opening balance as of 1 January 2021	**1,120,249**	**39,372**	**882**	**1,160,503**
Closing balance as of 30 June 2021	**1,131,907**	**36,321**	**796**	**1,169,024**
Credit impairment provisions				
Opening balance as of 1 January 2021	**56**	**268**	**169**	**493**
Movements affecting credit impairments				
New and derecognised financial assets, net	2	-20	-23	-41
Changes in risk factors (EADF, PD, LGD)	0	-30	7	-23
Changes in macroeconomic scenarios	-8	-12	0	-20
Post-model expert credit adjustments	0	-2	0	-2
Individual assessments			1	1
Stage transfers	-4	22	4	22
from 1 to 2	-5	36		31
from 1 to 3	0		3	3
from 2 to 1	1	-13		-12
from 2 to 3		-2	8	6
from 3 to 2		1	-6	-5
from 3 to 1	0		-1	-1
Other			-1	-1
Total movements affecting credit impairments	**-10**	**-42**	**-12**	**-64**
Movements recognised outside credit impairments				
Interest			1	1
Closing balance as of 30 June 2021	**46**	**226**	**158**	**430**
Carrying amount				
Opening balance as of 1 January 2021	**1,120,193**	**39,104**	**713**	**1,160,010**
Closing balance as of 30 June 2021	**1,131,861**	**36,095**	**638**	**1,168,594**

Note 9 Derivatives

	2022			2021		
	30 Jun			31 Dec		
SEKm	**Interest**	**Currency**	**Total**	**Interest**	**Currency**	**Total**
Derivatives with positive book value	19,860	8,097	27,957	9,439	4,412	13,851
of which in hedge accounting	19,850	6,626	26,476	9,349	3,949	13,298
Derivatives with negative book value	12,055	306	12,361	1,552	1,688	3,240
of which in hedge accounting	12,055	120	12,175	1,552	1,395	2,947
Nominal amount	**798,037**	**150,219**	**948,256**	**862,880**	**137,809**	**1,000,689**

Note 10 Debt securities in issue and subordinated liabilities

	2022	2021		2021	
SEKm	**30 Jun**	**31 Dec**	**%**	**30 Jun**	**%**
Bond loans	398,371	462,081	-14	477,811	-17
Change in value due to hedge accounting at fair value	10,921	5,682	92	8,299	32
Total	**409,292**	**467,763**	**-13**	**486,110**	**-16**

Turnover during the period	**2022**	**2021**		**2021**	
SEKm	**Jan-Jun**	**Jul-Dec**	**%**	**Jan-Jun**	**%**
Opening balance	**467,763**	**486,110**	**-4**	**501,413**	**-7**
Issued	76,585	78,795	-3	33,081	
Repurchased	-18,084	-45,497	-60	-15,024	20
Repaid	-107,455	-51,816		-33,226	
Interest	1,492	1,437	4	1,613	-8
Change in market values or in hedged item in hedge accounting at fair value	-16,902	-2,670		-3,360	
Changes in exchange rates	5,893	1,404		1,613	
Closing balance	**409,292**	**467,763**	**-13**	**486,110**	**-16**

Note 11 Valuation categories of financial instruments

Financial assets	30 Jun 2022				
		Fair value through profit or loss			
		Mandatorily			
Carrying Amount in SEKm	Amortised cost	Trading	Hedging instruments	Total	Fair value
Loans to credit institutions	78,873			78,873	78,873
Loans to the public	1,110,363			1,110,363	1,105,331
Value change of interest hedged items in portfolio hedge	-18,610			-18,610	-18,610
Derivatives		1,480	26,477	27,957	27,957
Other financial assets	120			120	120
Total	**1,170,746**	**1,480**	**26,477**	**1,198,703**	**1,193,671**

Financial liabilities	30 Jun 2022						
		Fair value through profit or loss					
Carrying Amount in SEKm	Amortised cost	Trading	Designated	Total	Hedging instruments	Total	Fair value
Amounts owed to credit institutions	708,848					708,848	709,040
Debt securites in issue [1]	409,168		124	124		409,292	406,323
Derivatives		186		186	12,175	12,361	12,361
Other financial liabilities	5,989					5,989	5,989
Eligible liabilities	15,008					15,008	15,108
Total	**1,139,013**	**186**	**124**	**310**	**12,175**	**1,151,498**	**1,148,821**

[1] Nominal amount of debt securities in issue designated at fair value through profit or loss was SEK 107m.

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

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

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

Note 12 Financial instruments at fair value

30 Jun 2022	Instruments with quoted market prices in an active market	Valuation techniques using observable market data	Valuation techniques using non-observable market data	
SEKm	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
Assets				
Derivatives		27,957		27,957
Total		**27,957**		**27,957**
Liabilities				
Debt securities in issue		124		124
Derivatives		12,361		12,361
Total		**12,485**		**12,485**

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

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

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

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

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

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

Note 13 Assets pledged, contingent liabilities and commitments

SEKm	2022 30 Jun	2021 31 Dec	%	2021 30 Jun	%
Loans, used as collateral for covered bonds[1]	438,733	472,864	-7	497,090	-12
Commitments[2]	12,932	8,516	52	10,882	19
Pledged assets and contingent liabilities	**451,665**	**481,380**	**-6**	**507,972**	**-11**

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

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

Note 14 Related parties

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

SEKm	2022 30 Jun	2021 31 Dec	2021 30 Jun
Group receivables			
Loans to credit institutions	78,873	30,178	100,792
Derivatives	27,957	13,851	14,326
Other assets	43	59	35
Total	**106,873**	**44,088**	**115,153**
Group payables			
Amounts owed to credit institutions	708,848	590,715	625,374
Debt securities in issue	41,999	30,774	40,420
Derivatives	12,361	3,240	5,007
Other liabilities	5,650	12,495	18
Eligible liabilities	15,008	15,005	15,005
Total	**783,866**	**652,229**	**685,824**
Income statement			
Interest income	104	80	48
Interest expense	-935	-252	-181
Other expenses	-4	-7	-5
Total	**-835**	**-179**	**-137**

Note 15 Capital Adequacy

Capital adequacy analysis

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

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

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

SEKm	2022 30 Jun	2022 31 Mar	2021 31 Dec	2021 30 Sep	2021 30 Jun
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	46,498	46,470	46,092	46,215	46,058
Tier 1 capital	46,498	46,470	46,092	46,215	46,058
Total capital	46,562	46,520	46,099	46,242	46,068
Risk-weighted exposure amounts					
Total risk exposure amount	288,236	288,120	288,297	288,072	283,624
Capital ratios as a percentage of risk-weighted exposure amount					
Common Equity Tier 1 ratio	16.1	16.1	16.0	16.2	16.2
Tier 1 ratio	16.1	16.1	16.0	16.2	16.2
Total capital ratio	16.2	16.1	16.0	16.2	16.2
Additional own funds requirements to address risks other than the risk of excessive leverage as a percentage of risk-weighted exposure amount					
Additional own funds requirements to address risks other than the risk of excessive leverage	1.0	1.0	1.0	1.0	0.6
of which: to be made up of CET1 capital	0.7	0.7	0.7	0.7	0.4
of which: to be made up of Tier 1 capital	0.8	0.8	0.8	0.8	0.5
Total SREP own funds requirements	9.0	9.0	9.0	9.0	8.6
Combined buffer and overall capital requirement as a percentage of risk-weighted exposure amount					
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5
Institution specific countercyclical capital buffer	0.0	0.0	0.0	0.0	0.0
Systemic risk buffer	0.0	0.0	0.0	0.0	0.0
Combined buffer requirement	2.5	2.5	2.5	2.5	2.5
Overall capital requirements	11.5	11.5	11.5	11.5	11.1
CET1 available after meeting the total SREP own funds requirements	8.5	8.5	8.3	8.5	8.9
Leverage ratio					
Total exposure measure	1,096,689	1,096,457	1,097,200	1,087,065	1,051,963
Leverage ratio, %	4.2	4.2	4.2	4.3	4.3
Additional own funds requirements to address the risk of excessive leverage as a percentage of total exposure measure					
Total SREP leverage ratio requirements	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement as a percentage of total exposure measure					
Overall leverage ratio requirement	3.0	3.0	3.0	3.0	3.0

Common Equity Tier 1 Capital, SEKm	2022 30 Jun	2021 31 Dec
Shareholders' equity according to the balance sheet	46,771	46,192
Value changes in own financial liabilities	-127	-69
Cash flow hedges	-113	-12
Additional valuation adjustments	-33	-19
Total Common Equity Tier 1 capital	**46,498**	**46,092**

Risk exposure amount, SEKm	2022 30 Jun	2021 31 Dec
Risk exposure amount credit risks, IRB	36,896	38,494
Risk exposure amount operational risks	18,600	18,600
Additional risk exposure amount, Article 458 CRR	232,740	231,203
Total risk exposure amount	**288,236**	**288,297**

	SEKm		Per cent	
Capital requirements[1)] **SEKm / per cent**	**2022** **30 Jun**	**2021** **31 Dec**	**2022** **30 Jun**	**2021** **31 Dec**
Capital requirement Pillar 1	30,266	30,271	10.5	10.5
of which Buffer requirements [2)]	7,207	7,207	2.5	2.5
Total capital requirement Pillar 2 [3)]	2,998	2,998	1.0	1.0
Total capital requirement including Pillar 2 guidance	**33,264**	**33,269**	**11.5**	**11.5**
Own funds	**46,562**	**46,099**		

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

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

[3)] Individual Pillar 2 requirement according to decision from SFSA SREP 2021.

	SEKm		Per cent	
Leverage ratio requirements[1)] **SEKm / per cent**	**2022** **30 Jun**	**2021** **31 Dec**	**2022** **30 Jun**	**2021** **31 Dec**
Leverage ratio requirement Pillar 1	32,901	32,916	3.0	3.0
Total leverage ratio requirement including Pillar 2 guidance	**32,901**	**32,916**	**3.0**	**3.0**

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

Note 16 Changed presentation regarding resolution fees

Income statement

SEKm	Jul-Dec 2021 Previous reporting	Jul-Dec 2021 Change	Jul-Dec 2021 New reporting	Jan-Jun 2021 Previous reporting	Jan-Jun 2021 Change	Jan-Jun 2021 New reporting
Interest income on financial assets measured at amortised cost	8,117		8,117	8,302		8,302
Other interest income						
Interest income	**8,117**		**8,117**	**8,302**		**8,302**
Interest expense	-1,866	198	-1,668	-2,006	198	-1,808
Net interest income (note 3)	**6,251**	**198**	**6,449**	**6,296**	**198**	**6,494**
Commission income	21		21	22		22
Commission expenses	-25		-25	-14		-14
Net commissions	**-4**		**-4**	**8**		**8**
Net gains and losses on financial items (note 4)	-87		-87	79		79
Other income	1		1	2		2
Total income	**6,161**	**198**	**6,359**	**6,385**	**198**	**6,583**
Total general administrative expenses	**139**		**139**	**138**		**138**
Profit before impairments, Swedish bank tax and resolution fees	**6,022**	**198**	**6,220**	**6,247**	**198**	**6,445**
Credit impairments (note 5)	-8		-8	-67		-67
Swedish bank tax and resolution fees (note 6)		198	198		198	198
Operating profit	**6,030**		**6,030**	**6,314**		**6,314**
Appropriations						
Tax	1,242		1,242	1,301		1,301
Profit for the period	**4,788**		**4,788**	**5,013**		**5,013**

Net interest income

SEKm	Jul-Dec 2021 Previous reporting	Jul-Dec 2021 Change	Jul-Dec 2021 New reporting	Jan-Jun 2021 Previous reporting	Jan-Jun 2021 Change	Jan-Jun 2021 New reporting
Interest income						
Loans to credit institutions	7		7	38		38
Loans to the public	8,110		8,110	8,264		8,264
Total interest income	**8,117**		**8,117**	**8,302**		**8,302**
Interest expense						
Amounts owed to credit institutions	-453		-453	-542		-542
Debt securities in issue	-1,437		-1,437	-1,613		-1,613
Derivatives	273		273	409		409
Eligible liabilities	-50		-50	-54		-54
Other	-199	198	-1	-206	198	-8
of which resolution	-198	198		-198	198	
Total interest expense	**-1,866**	**198**	**-1,668**	**-2,006**	**198**	**-1,808**
Total net interest income	**6,251**	**198**	**6,449**	**6,296**	**198**	**6,494**
Negative yield on financial assets	108		108	73		73
Interest expense on financial liabilities at amortised cost	2,139	-198	1,941	2,409	-198	2,211

Alternative performance measures

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

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

Signatures of the Board of Directors and the President

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

Stockholm 18 July 2022

Johan Smedman
Chairman

Urban Alsholm
CEO

Joakim Jansson

Jennifer Barck

Elizabet Jönsson

Nina Larsson

Mattias Persson

Auditor´s report submitted on 18 July 2022
PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Author in charge

Martin By
Authorised Public Accountant

Auditor’s report

Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank Hypotek AB (publ) as of 30 June 2022 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and such internal control that the board of directors and the CEO deems necessary to be able to produce the financial information without material misstatements whether these are due to irregularties or mistakes.

Scope of Review

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

Conclusion

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

Stockholm the day stated on our electronic signature.

PricewaterhouseCoopers AB

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

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