Swedbank Mortgage AB

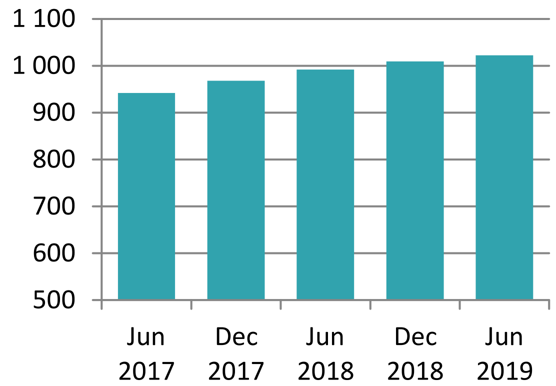
17 July 2019

Interim report 2019

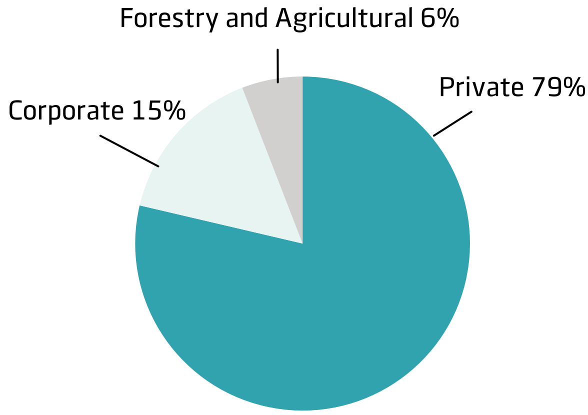
January – June 2019 (July – December 2018)

- Operating profit in the first half of 2019 amounted to SEK 6 468m (6 243)
- Net interest income increased by SEK 41m to SEK 6 659m (6 618)
- Lending to the public increased by 1.4 per cent or SEK 13bn to SEK 1 022bn (1 009)
- Profit before impairments increased by SEK 184m to SEK 6 459m (6 275)
- Credit impairments, net, amounted to SEK -9m (32)
- Return on equity was 21.7 per cent (22.1)
- Covered bonds totalling SEK 101bn (22) were issued during the period

Lending to the public, SEK bn



Lending segments



Operating profit, January - June 2019

SEK 6 468m

Jul - Dec 2018: SEK 6 243m

Market share, mortgages, May 2019

24.2 %

Dec 2018: 24.3%

Business performance

	2019 30 Jun	2018 31 Dec	2018 30 Jun	2017 31 Dec	2017 30 Jun	2016 31 Dec	2016 30 Jun
Lending to the public, SEKbn	1 022	1 009	992	968	942	920	883
- Private	804	793	775	753	730	712	679
- Corporate	158	156	156	153	150	147	143
- Forestry and Agricultural	60	60	61	62	62	61	61
Number of customers, thousand	1 111	1 122	1 127	1 128	1 130	1 134	1 119
Private lending							
Market share mortgages % [1]	24.2	24.3	24.4	24.4	24.5	24.8	24.4
Market share of net growth, full and half year % [1] [2]	15.3	22.4	23.8	19.8	17.1	26.4	19.8
Volume growth market, ∆ 12-months % [1]	5.0	5.5	6.4	7.2	7.2	7.6	8.8
Volume growth Swedbank Mortgage, ∆ 12-months % [1] [2]	3.8	5.1	6.1	5.8	7.4	8.2	6.1
LTV total portfolio %	57	55	56	53	53	54	56
LTV new mortgages, current year	70	68	66	67	68	66	69
Share of total portfolio which amortises %	71	70	68	67	65	63	61
Share of portfolio which amortises, new mortgages, current year %	89	88	88	87	87	82	81
Funding							
Issued in last six months							
Swedish market, SEKbn	77	18	51	48	60	46	62
Outside Sweden, SEKbn	24	4	15	4	20	4	13
Average maturity of outstanding issued covered bonds, months	42	43	40	39	38	36	37

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

[2] In October 2016, Swedbank Mortgage aquired approximately SEK 13bn of lending volume from SBAB as a final step in Swedbank AB´s acquisition of Sparbanken Öresund.

Financial overview and key ratios

SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Net interest income	6 659	6 618	1	6 712	-1
Net commissions	8	13	-38	13	-38
Net gains and losses on financial items at fair value	-66	-218	-70	33	
Other income	2	3	-33	2	0
Total income	**6 603**	**6 416**	**3**	**6 760**	**-2**
Total general administrative expenses	**144**	**141**	**2**	**123**	**17**
Profit before impairments	**6 459**	**6 275**	**3**	**6 637**	**-3**
Credit impairments, net	-9	32		91	
Operating profit	**6 468**	**6 243**	**4**	**6 546**	**-1**
Appropriations		-450	-100		
Tax	1 384	1 473	-6	1 440	-4
Profit for the period	**5 084**	**5 220**	**-3**	**5 106**	**0**

SEKm	2019 30 Jun	2018 31 Dec	2018 30 Jun	2017 31 Dec	2017 30 Jun
Profit					
Net interest margin, %	1.22	1.26	1.28	1.27	1.28
Average total assets	1 088 733	1 060 148	1 051 801	1 016 390	999 504
Return on equity, %	21.7	22.1	21.9	21.1	20.1
Average equity	46 942	46 770	46 613	45 683	44 687
Earnings per share, SEK	221.1	449.0	222.0	419.7	195.0
Equity					
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	2 009	2 007	2 002	2 015	2 040
Credit quality					
Loans to the public	1 022 354	1 008 724	992 415	968 222	942 232
Loans to credit institutions	34 291	21 783	74 290	23 534	57 476
Credit impairments, net	-9	123	91	62	15
Credit impairment ratio, %	0.00	0.01	0.01	0.00	0.00
Total provisions	553	569	542	124	100
Share of Stage 3 loans, gross %	0.09	0.09	0.10		
Share of impaired loans, gross, loans to the public, %				0.02	0.02
Total credit impairment provision ratio, %	0.05	0.06	0.05		

For more information on definitions and calculation of key ratios, please see page 32 and the 2017 Annual Report, page 52. The first half of 2018 results reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated.

Overview

Market

Although GDP growth in most major economies was relatively good in the first half of 2019, the more forward-looking indicators still point to a slowdown in global economic activity. The trade conflict between the US and China, escalated in May 2019 when talks broke down and both sides scaled up their tariffs, resulting in falling stock prices and interest rates. In light of the tempered outlook and escalating threat of a trade war, the leading central banks have reversed course compared with the end of 2018. Last year the Federal Reserve was predicting two more rate hikes in 2019, but in the first half of 2019 it shifted to not expecting any rate hikes this year. Several board members are in fact recommending that rates be cut during the year. The ECB has also done an about-turn and announced at its latest rate meeting that rates will be held unchanged at least until mid-2020, six months later than previously communicated. The market's pricing now indicates three rate cuts by the Fed and one by the ECB. Communication from the central banks has calmed the stock market, and longer yields have continued to fall. At its meeting in Japan in late June, the G20 sent positive signals about the US-China trade conflict, which has reduced expectations of aggressive new measures by the central banks. The Brexit process sporadically to create concerns, but at this point isn't acute, since the new date to leave the EU is 31 October.

After Swedish GDP growth in the third quarter of 2018 came in on the weak side, the fourth quarter of 2018 and the first quarter of 2019 both saw solid growth. Growth rose on a seasonally adjusted basis by 1.2 per cent in Q4 and by 0.6 per cent in Q1 compared with the previous quarter. This was largely driven by net exports, whereas domestic demand has been weaker. There have been signs of a slowdown evident for some time and Sweden, like several other countries, is now expected to enter a period of slightly lower growth. The risks in the Swedish housing market have eased, however, as house prices have continued to stabilise since the downturn in autumn 2017. In late spring there were signs of a more robust rise in house prices. Valueguard's house price index for Sweden as a whole rose by 1.8 per cent on an annual basis in May, the larger cities had a stronger development compared to the country side. The number of property sales was record high, which is seen as a sign of strength. In May residential mortgages increased by 5 per cent on an annual basis, the same as in April.

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 28.

The company's performance

(Comparative figures for the balance sheet refer to 31 December 2018, unless otherwise indicated)

Result first half of 2019 compared with second half of 2018

Swedbank Mortgage reported operating profit of SEK 6 468m in the first half of 2019, compared with SEK 6 243m in the previous half year. The increase is due to stronger net interest income and stronger net gains and losses on financial items at fair value.

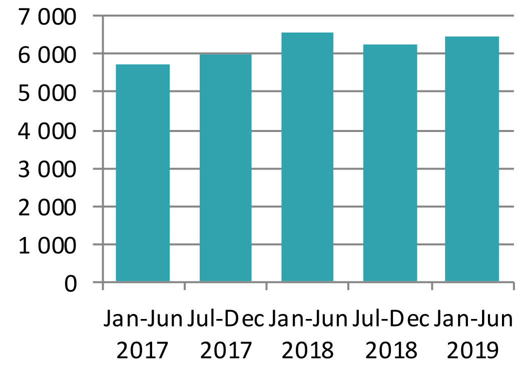
Net interest income increased by SEK 41m to SEK 6 659 m (6 618). Decreased resolution fund fee positively contributed to net interest income at the same time as margins decreased due to increased interest expenses for funding.

Net gains and losses on financial items increased to SEK -66m (-218) due to a decreased negative effect from covered bond repurchases as well as positive effects on market valued instruments driven by movements in the fixed income and FX markets.

Expenses rose to SEK 144m (141). Expenses include part of the compensation paid to the savings banks and partly owned banks. This expense amounted to SEK 120m (121). No equivalent compensation is paid to Swedbank.

The credit quality of Swedbank Mortgage's lending remains very good and credit impairments were at a low level. Credit impairments decreased to SEK -9m (32) as a result of decreasing provisions. Provisions decreased with SEK 16m to SEK 553m (569). A specification of credit impairments and lending is provided in notes 5, 6 and 7.

OPERATING PROFIT (SEKm)



Result first half of 2019 compared with first half of 2018

Operating profit amounted to SEK 6 468 m, compared with SEK 6 546m in 2018. The decrease is due to weaker net interest income and net gains and losses on financial items at the same time as credit impairments decreased and contributed positive.

Net interest income decreased by SEK 53m to SEK 6 659m (6 712). Decreased margins due to higher interest expenses for funding positively contributed to net interest income. The resolution fund fee decreased by SEK 143m to SEK 280m (423) and positively affected net interest income.

Net gains and losses on financial items decreased to SEK -66m (33) as a result of negative effects on market valued instruments driven by movements in the fixed income and FX markets.

Expenses increased to SEK 144m (123). Other expenses include part of the compensation paid to the savings banks and partly owned banks. This expense amounted to SEK 120m (121). No equivalent compensation is paid to Swedbank.

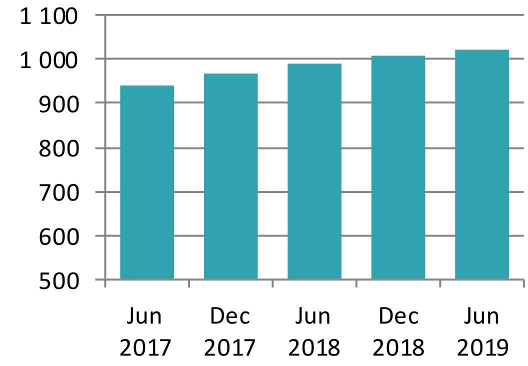
The credit quality of Swedbank Mortgage's lending remains very good and credit impairments were at a low level. Credit impairments decreased to SEK -9m (91). Provisions increased to SEK 553m (542). A specification of credit impairments and lending is provided in notes 5, 6 and 7.

Lending

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.

Loans to the public increased by 1.4 per cent, or SEK 13bn, in the first half of the year to SEK 1 022bn (1009). The private segment accounted for SEK 804bn (793) and the forestry and agriculture segment for SEK 60bn (60). The corporate segment accounted for SEK 158bn (156).

LENDING TO THE PUBLIC (SEKbn)



Private
Volume growth in the Swedish mortgage market slowed compared with the previous period but maintained a high annual rate of 5.0 per cent as of 31 May 2019 (5.5). Swedbank Mortgage annual rate for the private segment was 3.8 per cent as of 31 May 2019. Swedbank Mortgage lending within the private segment increased by 1.4 per cent, or SEK 11bn, in the first half of the year to SEK 804bn (793).

Swedbank's share of the year's net mortgage growth was 15.3 per cent as of 31 May 2019 and the total market share was 24.2 per cent as of 31 May 2019 (24.3).

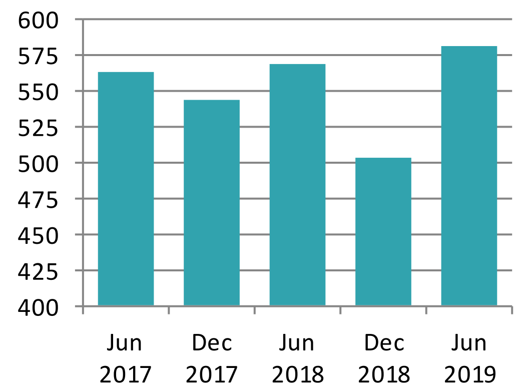
Corporate
Swedbank Mortgage lending within the corporate increased by 1.3 per cent, or SEK 2bn, in the second half of the year and amounted to SEK 158bn (156).

Forestry and agriculture
Swedbank Mortgage lending within the forestry and agriculture segment was unchanged in the first half of the year and amounted to SEK 60 bn (60).

Funding and liquidity

Swedbank Mortgage funds its lending primarily by issuing covered bonds on the Swedish and international capital markets. Remaining funding needs are met through loans from Swedbank AB.

OUTSTANDING COVERED BONDS (SEKbn)



Swedbank Mortgage has simplified its funding process through a number of standardised loan programmes that are adapted to the legal requirements of various types of markets and investors.

Demand for Swedbank Mortgage's bonds was good. Swedbank Mortgage issued SEK 101bn (22) in covered bonds in first half of the year. Maturities in the first half of the year were nominally SEK 16bn (47) calculated from the beginning of the year.

As of 30 June, outstanding funding through covered bonds amounted to SEK 581bn (503) at the same time that funding from Swedbank AB amounted to SEK 453bn (488).

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

As part of its liquidity planning, Swedbank Mortgage actively buys back a large portion of its issuance in the Swedish bond market starting about 1.5 years before maturity. In this way it reduces the liquidity risk in having large volumes mature at the same time. In the second half of the year SEK 14bn (35) was repurchased. The average maturity of all outstanding covered bonds was 42 months (43) at 30 June.

Risks

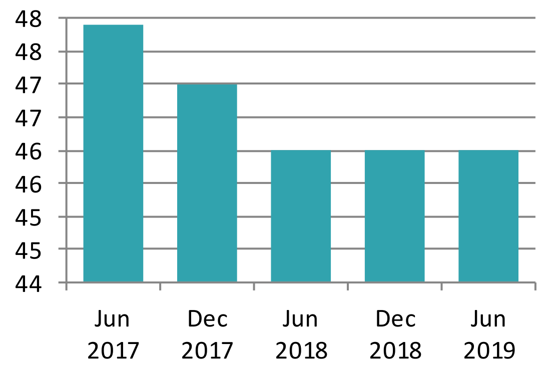
The main risks consist of credit risk, liquidity risk, market risk and operational risk. Swedbank Mortgage has a low risk profile with a well-diversified credit portfolio as well as limited market and operational risks.

Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirements Regulation (CRR). Swedbank Mortgage's total capital ratio was 16.9 per cent on 30 June 2019 (17.3 per cent on 31 December 2018), compared with the requirement of 13.3 per cent.

Total own funds increased by SEK 0.1bn during the first half of the year to SEK 46.3bn (46.2), mainly driven by profit for the period, partly offset by group contribution given to the parent company. The risk exposure amount (REA) increased by SEK 5.8bn to SEK 273.2bn (267.4). The increase was mainly due to increased mortgage lending which increased REA by SEK 3.6bn according to the additional risk exposure amount for article 458 regarding the risk weight floor for Swedish mortgages. In addition, the yearly re-calculation of REA for operational risk increased REA by SEK 1.7bn. Capital adequacy is further specified in note 14.

COMMON EQUITY TIER 1 CAPITAL (SEKbn)



Swedbank Mortgage's leverage ratio as of 30 June 2019 was 4.5 per cent (4.6).

Future capital regulations

This spring the Swedish Ministry for Finance began an evaluation of the EU's proposed banking reforms, known as the banking package. The evaluation is scheduled to be completed by 1 October 2019. The package includes restrictions on the motivation that may serve as the basis for capital requirements in Pillar 2. According to the proposal this means that the requirements in Pillar 2 may no longer be justified as a general macro supervisory action, while the option to introduce corresponding requirements in Pillar 1 is expanded. How the SFSA views the parts of the package that concern capital requirements and how they will affect Swedbank Mortgage is too early to say.

In November 2018 the SFSA published a memorandum explaining its view of the European Banking Authority's (EBA) updated guidelines on banks' internal risk classification systems. In the memorandum, the SFSA states that Swedish banks must analyse their internal risk classification systems to ensure that they continue to live up to the updated requirements, which are expected to enter into force in early 2021. Since the guidelines have not been finalised by the EBA or introduced into SFSA's regulations, there is uncertainty how the changes would affect Swedbank Mortgage. With its robust profitability and satisfactory capitalisation, however, Swedbank Mortgage is well positioned to meet future changes in capital requirements.

The SFSA announced that the countercyclical buffer rate will be raised from 2 per cent to 2.5 per cent on Swedish exposures as of 19 September 2019. The reason for the hike is the elevated risk in the financial system due to higher household and non-financial company debt.

Credit and asset quality

Swedbank Mortgage's credit impairments and impaired loans remain at very low levels. House prices and the number of transactions in Sweden were stable in the first half year. The risks in household lending are low and customer repayment capacity is generally good. Swedbank Mortgage's internal rules focus on long-term customer repayment capacity, which ensures high quality and low risks for both the customer and the bank. For more information on asset quality, see the Factbook for Swedbank Group and Swedbank Mortgage's section in Swedbank Group's Pillar 3 report.

The average loan-to-value ratio for loans to private customers was 57 per cent (55), based on property level. For new lending in the half-year the loan-to-value ratio was 70 per cent (68).

Operational risks

No incidents occurred in the first half of 2019 that significantly affected Swedbank Mortgage. Losses related to operational risks remained very low.

Rating

Swedbank Mortgage is one of the largest issuers on the Swedish covered bond market. The covered bonds have the highest ratings (Aaa/ AAA) from both Moody's and S&P.

On 1 April S&P affirmed Swedbank Mortgage's AA- rating but changed its outlook from stable to Rating Watch Negative. On 2 April Moody's affirmed Swedbank Mortgage's Aa2 rating but changed its outlook from stable to Outlook Negative. The reason for the negative outlooks was the information regarding shortcomings in Swedbank's work to prevent money laundering.

	Moody's		S&P	
	Rating	Outlook	Rating	Outlook
Covered bonds	Aaa	N/A	AAA	Stable
Long-term funding	Aa2	Negative	AA-	Watch Negative
Short-term funding	P-1	N/A	A-1+	Watch Negative

Events after 30 June 2019

No material events have occurred after 30 June 2019.

Income statement, condensed

SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Interest income	**8 625**	**8 064**	**7**	**8 023**	**8**
Interest expense	-1 975	-1 573	26	-1 510	31
Negative yield on financial liabilities	9	127	-93	199	-95
Interest expense, including negative yield on financial liabilities	**-1 966**	**-1 446**	**36**	**-1 311**	**50**
Net interest income (note 3)	**6 659**	**6 618**	**1**	**6 712**	**-1**
Commission income	27	30	-10	31	-13
Commission expenses	-19	-17	12	-18	6
Net commissions	**8**	**13**	**-38**	**13**	**-38**
Net gains and losses on financial items at fair value (note 4)	-66	-218	-70	33	
Other income	2	3	-33	2	0
Total income	**6 603**	**6 416**	**3**	**6 760**	**-2**
Total general administrative expenses	**144**	**141**	**2**	**123**	**17**
Profit before impairments	**6 459**	**6 275**	**3**	**6 637**	**-3**
Credit impairments, net (note 5)	-9	32		91	
Operating profit	**6 468**	**6 243**	**4**	**6 546**	**-1**
Appropriations (note 9)		-450			
Tax	1 384	1 473	-6	1 440	-4
Profit for the period	**5 084**	**5 220**	**-3**	**5 106**	**0**

Statement of comprehensive income, condensed

SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Profit for the period reported via income statement	**5 084**	**5 220**	**-3**	**5 106**	**0**
Items that may be reclassified to the income statement					
Cash flow hedges:					
Gains and losses arising during the period	3 760	-2 361		7 727	-51
Reclassification adjustments to income statement, net gains and losses	-3 771	2 338		-7 651	
Foreign currency basis risk:					
Gains/losses arising during the period	63	136	-54	-472	
Tax relating to components of other comprehensive income	-11	-28	-61	87	
Total comprehensive income attributable to shareholders of Swedbank Mortgage AB	**5 125**	**5 305**	**-3**	**4 797**	**7**

Balance sheet, condensed

SEKm	2019 30 Jun	2018 31 Dec	∆ SEKm	%	2018 30 Jun	%
Assets						
Loans to credit institutions (note 6)	34 291	21 783	12 508	57	74 290	-54
Loans to the public (note 6)	1 022 354	1 008 724	13 630	1	992 415	3
Value change of interest hedged items in portfolio hedge	2 686	760	1 926		1 416	90
Derivatives (note 8)	31 628	21 702	9 926	46	25 649	23
Deferred tax assets	108	119	-11	-9	147	-27
Other assets	590	464	126	27	2 192	-73
Prepaid expenses and accrued income	294		294		435	-32
Total assets	**1 091 951**	**1 053 552**	**38 399**	**4**	**1 096 544**	**0**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	453 219	488 240	-35 021	-7	471 196	-4
Debt securities in issue (note 9)	581 497	502 881	78 616	16	568 902	2
Derivatives (note 8)	3 833	2 551	1 282	50	3 163	21
Current tax liabilities	11	414	-403	-97	402	-97
Accrued expenses and prepaid income	630	695	-65	-9	707	-11
Other liabilities	6 551	12 602	-6 051	-48	5 679	15
Total liabilities	**1 045 741**	**1 007 383**	**38 358**	**4**	**1 050 049**	**0**
Untaxed reserves (note 10)					450	
Equity	46 210	46 169	41	0	46 045	0
Total liabilities and equity	**1 091 951**	**1 053 552**	**38 399**	**4**	**1 096 544**	**0**

Statement of changes in equity, condensed

SEKm	Restricted equity Share capital	Restricted equity Statutory reserve	Non-restricted equity Cash flow hedges	Non-restricted equity Foreign currency basis risk reserve	Non-restricted equity Retained earnings	Total equity
Opening balance 1 January 2019	**11 500**	**3 100**	**47**	**-483**	**32 005**	**46 169**
Group contributions paid					-6 468	-6 468
Tax on group distributions paid					1 384	1 384
Total comprehensive income for the year			-9	50	5 084	5 125
Closing balance 30 June 2019	**11 500**	**3 100**	**38**	**433**	**32 005**	**46 210**
of which, conditional shareholders' contributions					2 400	2 400
Opening balance 1 January 2018	**11 500**	**3 100**	**5**	**-217**	**31 226**	**45 614**
Group contributions paid					-12 240	-12 240
Tax on group distributions paid					2 693	2 693
Total comprehensive income for the year			42	-266	10 326	10 102
Closing balance 31 December 2018	**11 500**	**3 100**	**47**	**-483**	**32 005**	**46 169**
of which, conditional shareholders' contributions					2 400	2 400
Opening balance 1 January 2018	**11 500**	**3 100**	**5**	**-217**	**31 226**	**45 614**
Group contributions paid					-5 598	-5 598
Tax on group distributions paid					1 232	1 232
Total comprehensive income for the year			59	-368	5 106	4 797
Closing balance 31 June 2018	**11 500**	**3 100**	**64**	**-585**	**31 966**	**46 045**
of which, conditional shareholders' contributions					2 400	2 400

Cash flow statement, condensed

SEKm	2019 Jan-Jun	2018 Full-year	2018 Jan-Jun
Operating activities			
Operating profit	6 468	12 789	6 546
Adjustments for non-cash items in operating activities	-2 764	-5 860	-4 460
Taxes paid	-12	-403	-403
Increase in loans to the public	-13 613	-40 604	-24 206
Decrease in amounts owed to credit institutions	-35 020	68 631	51 557
Increase in other assets	2	-2	-15
Increase/decrease in other liabilities	-280	226	-49
Cash flow from operating activities	**-45 219**	**34 777**	**28 970**
Financing activities			
Issuance of interest-bearing securities	100 545	87 906	63 870
Redemption and repurchase of interest-bearing securities	-30 578	-113 864	-31 514
Group contributions paid	-12 240	-10 570	-10 570
Cash flow from financing activities	**57 727**	**-36 528**	**21 786**
Cash flow for the period	**12 508**	**-1 751**	**50 756**
Cash and cash equivalents at the beginning of the period	**21 783**	**23 534**	**23 534**
Cash flow for the period	**12 508**	**-1 751**	**50 756**
Cash and cash equivalents at end of the period	**34 291**	**21 783**	**74 290**
Liquid funds with banks and equivalent institutions	34 291	21 783	74 290
Loans to credit institutions	34 291	21 783	74 290

Notes

The interim report has been prepared on a going concern basis.
On 16 July 2019, 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 2017, 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 2018 Annual Report, except for the new standards and change as set out below.

Changes in Swedish regulations

The amended Swedish regulations that have been adopted from 1 January 2019 have not had a significant impact on Swedbank Mortgage´s financial position, results, cash flows or disclosures.

Note 2 Business segments

	2019 Jan-Jun				2018 Jan-Jun			
SEKm	Private	Cor-porate	Forestry and Agricultural	**Total**	Private	Cor-porate	Forestry and Agricultural	**Total**
Net interest income	5 337	761	424	6 522	5 482	678	448	6 608
Net commissions	7	1	0	8	10	2	1	13
Total income	**5 344**	**762**	**424**	**6 530**	**5 492**	**680**	**449**	**6 621**
Total cost	108	1	11	120	108	2	11	121
Profit before impairments	**5 236**	**761**	**413**	**6 410**	**5 384**	**678**	**438**	**6 500**
Credit impairments	-30	31	-10	-9	37	67	-13	91
Operating profit	**5 266**	**730**	**423**	**6 419**	**5 347**	**611**	**451**	**6 409**
Loans to the public	803 953	158 640	59 761	1 022 354	775 209	155 723	61 483	992 415

Reconciliation of segment reporting and income statement, condensed

	2019 Jan-Jun				2018 Jan-Jun			
SEKm	Total income	Total expenses	Credit impair-ments	**Opera-ting profit**	Total income	Total expenses	Credit impair-ments	**Opera-ting profit**
Total segments	6 530	120	-9	6 419	6 621	121	91	6 409
Return on legal equity	137			137	103			103
Net gains and losses on financial items	-66			-66	33			33
Other income	2			2	3			3
Other expenses		24		24		2		2
Total financial report	**6 603**	**144**	**-9**	**6 468**	**6 760**	**123**	**91**	**6 546**

Results and balance in the Private segment relate to consumer loans to finance residential housing. The corresponding items for Corporate relate to loans to municipal housing companies and tenant-owner associations with underlying collateral in multi-family housing. The Forestry and 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	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Interest income					
Loans to credit institutions	25	4		4	
Loans to the public	8 600	8 060	7	8 019	7
Total interest income	**8 625**	**8 064**	**7**	**8 023**	**8**
Interest expense					
Amounts owed to credit institutions	-290	100		144	
Debt securities in issue	-2 572	-2 646	-3	-2 909	-12
Derivatives	1 176	1 522	-23	1 878	-37
Other	-280	-422	-34	-424	-34
of which resolution	-280	-423	-34	-423	-34
Total interest expense including negative yield on financial liabilities according to income statement	**-1 966**	**-1 446**	**36**	**-1 311**	**50**
Total net interest income	**6 659**	**6 618**	**1**	**6 712**	**-1**

Note 4 Net gains and losses on financial items at fair value

SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Fair value through profit and loss					
Debt securities in issue	43	103	-58	157	-73
Derivatives	-58	-160	-64	-149	-61
Total fair value through profit and loss	**-15**	**-57**	**-74**	**8**	
Hedge accounting					
Ineffective part in hedge accounting at fair value	-95	25		-39	
of which hedging instruments	5 862	-852		551	
of which hedged items	-5 957	877		-590	
Ineffective part in portfolio hedge accounting at fair value	77	-74		36	
of which hedging instruments	-1 849	581		-589	
of which hedged items	1 926	-655		625	
Ineffective part in cash flow hedge	3	1		1	
Total hedge accounting	**-15**	**-48**	**-69**	**-2**	
Derecognition gain or loss for financial liabilities at amortised cost	**-97**	**-159**	**-39**	**-96**	**1**
Derecognition gain or loss for loans at amortised cost	**57**	**61**	**-7**	**55**	**4**
Change in exchange rates	**4**	**-15**		**68**	**-94**
Total net gains and losses on financial items at fair value	**-66**	**-218**	**-70**	**33**	

Note 5 Credit impairments, net

SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Loans at amortised cost					
Credit impairment provisions - Stage 1	3	-5		14	-79
Credit impairment provisions - Stage 2	-11	3		91	
Credit impairment provisions - Stage 3	-9	27		-15	-40
Total	**-17**	**25**		**90**	
Write-offs	12	10	20	4	
Recoveries	-4	-3	33	-3	33
Total	**8**	**7**	**14**	**1**	
Total loans at amortised cost	**-9**	**32**		**90**	
Total Credit impairments	**-9**	**32**		**91**	
Credit impairment ratio, %	**0.00**	**0.00**		**0.01**	

Credit impairment provisions are estimated using quantitative models, which 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:

- determination of a significant increase in credit risk;
- incorporation of forward-looking macroeconomic scenarios; and
- measurement of both 12-month and lifetime expected credit losses.

Further details on the key inputs and assumptions used as at 30 June 2019 are provided below.

Determination of a significant increase in credit risk
Swedbank Mortgage uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criteria are disclosed in the Annual Report of 2018 on page 20. The tables below show the quantitative thresholds, namely:

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. Internal risk ratings are assigned according to the risk management framework outlined in Note 4 Risks in the 2018 Annual Report.
- changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, an increase of 150-300 per cent from initial recognition is considered significant.

These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high risk end of the scale. Swedbank Mortgage 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 30 June 2019 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognized.

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

Internal risk rating grade at initial recognition	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 30 Juni 2019	Share of total portfolio (%) in terms of gross carrying amount 30 June 2019
13-21	< 0.5%	3 - 7 grades	-14,8%	28,4%	143	66%
9-12	0.5-2.0%	1 - 2 grades	-32,6%	45,1%	128	9%
6-8	2.0-5.7%	1 - 2 grades	-13,9%	9,0%	40	3%
0-5	>5.7% and <100%	1 grade	-4,5%	0,0%	12	1%
			-21,4%	**31,6%**	**322**	**78%**
Financial instruments subject to the low credit risk exemption					0	0%
Stage 3 financial instruments					157	0%
Total provisions					**478**	**78%**

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 segment and internal risk rating.

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

Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD 4)	Impairment provision impact of: Increase in threshold by 100%	Impairment provision impact of: Decrease in threshold by 50%	Recognised credit impairment provisions 30 June 2019	Share of total portfolio (%) in terms of gross carrying amount 30 June 2019
13-21	100%-300%	-4,9%	16,3%	32	19%
9-12	100%	-2,7%	3,7%	29	2%
6-8	50%-100%	-3,0%	17,4%	10	1%
0-5	50%	-2,4%	1,3%	2	0%
		-3,7%	**11,2%**	**73**	**22%**
Financial instruments subject to the low credit risk exemption				0	0%
Stage 3 financial instruments				2	0%
Total provisions				**75**	**22%**

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

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. The formulation and incorporation of multiple forward-looking scenarios are described in Note 4 Risks page 29 in the 2018 Annual Report.
Set out below are the credit impairment provisions as at 30 June 2019 that would result from the downside and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent.

Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability- weighted credit impairment provisions, %
Downside scenario	627	13%
Upside scenario	527	-5%

Note 6 Loans

	30 Jun 2019			31 Dec 2018		30 Jun 2018	
SEKm	Gross carrying amount	Credit impairment provision	Carrying amount	Carrying amount	%	Carrying amount	%
Loans to credit institutions							
Banks	34 291		34 291	21 783		74 290	
Loans to credit institutions	**34 291**		**34 291**	**21 783**		**74 290**	
Loans to the public							
Private customers	898 209	247	897 962	886 531	1	869 041	3
Private, mortgage	803 405	225	803 180	791 828	1	774 317	4
Tenant owner associations	94 804	22	94 782	94 703	0	94 724	0
Private,other							
Corporate customers	124 698	306	124 392	122 193	2	123 374	1
Agriculture, forestry, fishing	50 849	94	50 755	51 344	-1	52 063	-3
Manufacturing	778	2	776	795	-2	820	-5
Public sector and utilities	2 308	12	2 296	2 243	2	2 472	-7
Construction	3 198	8	3 190	3 405	-6	3 504	-9
Retail	1 191	3	1 188	1 204	-1	1 233	-4
Transportation	394	1	393	413	-5	403	-2
Shipping and offshore	4		4	5	-20	6	-33
Hotels and restaurants	820	3	817	809	1	773	6
Information and communications	233		233	252	-8	257	-9
Finance and insurance	812	1	811	828	-2	816	-1
Property management	59 899	161	59 738	56 789	5	56 646	5
Residential properties	42 893	95	42 798	42 352	1	41 631	3
Commercial	10 392	38	10 354	8 485	22	8 640	20
Industrial and Warehouse	1 104	15	1 089	1 091	0	1 128	-3
Other	5 510	13	5 497	4 861	13	5 247	5
Professional services	2 549	10	2 539	2 617	-3	2 720	-7
Other corporate lending	1 663	11	1 652	1 489	11	1 661	-1
Loans to the public	**1 022 907**	**553**	**1 022 354**	**1 008 724**	**1**	**992 415**	**3**
Loans to the public and credit institutions	**1 057 198**	**553**	**1 056 645**	**1 030 507**	**3**	**1 066 705**	**-1**
of which accrued interest	**993**			**966**	**-100**	**1 029**	**-100**

Note 7 Loan stage allocation and credit impairment provisions

The following table presents loans to the public and credit institutions at amortised cost by stage.

SEKm	2019 30 Jun	2018 31 Dec	2018 30 Jun
Loans to credit institutions			
Stage 1			
Gross Carrying amount	34 291	21 783	74 290
Carrying amount	**34 291**	**21 783**	**74 290**
Loans to public, private customers			
Stage 1			
Gross carrying amount	867 673	853 791	835 465
Credit impairment provisions	19	21	21
Carrying amount	**867 654**	**853 770**	**835 444**
Stage 2			
Gross carrying amount	29 732	32 241	33 013
Credit impairment provisions	103	131	136
Carrying amount	**29 629**	**32 110**	**32 877**
Stage 3			
Gross carrying amount	804	784	828
Credit impairment provisions	125	133	108
Carrying amount	**679**	**651**	**720**
Total carrying amount for public, private customers	**897 962**	**886 531**	**869 041**
Loans to public, corporate customers			
Stage 1			
Gross carrying amount	110 672	108 548	110 561
Credit impairment provisions	34	29	33
Carrying amount	**110 638**	**108 519**	**110 528**
Stage 2			
Gross carrying amount	13 894	13 735	12 902
Credit impairment provisions	239	222	214
Carrying amount	**13 655**	**13 513**	**12 688**
Stage 3			
Gross carrying amount	132	194	188
Credit impairment provisions	33	33	30
Carrying amount	**99**	**161**	**158**
Total carrying amount for public, corporate customers	**124 392**	**122 193**	**123 374**
Total carrying amount loans to public	**1 022 354**	**1 008 724**	**992 415**
Totals			
Gross carrying amount Stage 1	1 012 636	984 122	1 020 316
Gross carrying amount Stage 2	43 626	45 976	45 915
Gross carrying amount Stage 3	936	978	1 016
Total Gross carrying amount	**1 057 198**	**1 031 076**	**1 067 247**
Credit impairment provisions Stage 1	53	50	54
Credit impairment provisions Stage 2	342	353	350
Credit impairment provisions Stage 3	158	166	138
Total credit impairment provisions	**553**	**569**	**542**
Total carrying amount	**1 056 645**	**1 030 507**	**1 066 705**
Share of Stage 3 loans, gross, %	0.09	0,09	0.10
Share of Stage 3 loans, net, %	0.07	0,08	0.08
Credit impairment provision ratio Stage 1 loans, %	0.01	0,01	0.01
Credit impairment provision ratio Stage 2 loans, %	0.78	0,77	0.76
Credit impairment provision ratio Stage 3 loans, %	16.88	16,97	13.57
Total credit impairment privision ratio, %	0.05	0,06	0.05

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	Non Credit-Impaired		Credit-Impaired	
SEKm	**Stage 1**	**Stage 2**	**Stage 3 incl. purchased or originated**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2019	**984 122**	**45 976**	**978**	**1 031 076**
Gross carrying amount as of 30 June 2019	**1 012 636**	**43 626**	**936**	**1 057 198**
Credit impairment provisions				
Credit impairment provisions as of 1 January 2019	**50**	**353**	**166**	**569**
New and derecognised financial assets, net	7	-17	-45	-55
Changes in risk factors (EADF, PD, LGD)	9	-64	16	-39
Changes in macroeconomic scenarios	2	2	-2	2
Changes due to expert credit judgement (manual adjustments and individual assessments)			9	9
Stage transfers	-15	68	14	67
from stage 1 to stage 2	-12	95		83
from stage 1 to stage 3	-5		10	5
from stage 2 to stage 1	2	-25		-23
from stage 2 to stage 3		-5	14	9
from stage 3 to stage 2		3	-8	-5
from stage 3 to stage 1	0		-2	-2
Other			-1	-1
Total movements affecting Credit impairments line	3	-11	-9	-17
Movements recognised outside Credit impairments line			1	1
Discount unwind (presented in Interest income)			1	1
Credit impairment provisions as of 30 June 2019	**53**	**342**	**158**	**553**
Carrying amount				
Opening balance as of 1 January 2019	**984 072**	**45 623**	**812**	**1 030 507**
Closing balance as of 30 June 2019	**1 012 583**	**43 284**	**778**	**1 056 645**

SEKm	Stage 1	Stage 2	Stage 3 incl. purchased or originated	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2018	**949 019**	**42 144**	**1 196**	**992 359**
Gross carrying amount as of 30 June 2018	**1 020 316**	**45 915**	**1 016**	**1 067 247**
Credit impairment provisions				
Credit impairment provisions as of 1 January 2018	**41**	**259**	**151**	**451**
Movements affecting Credit impairments line				
New and derecognised financial assets, net	6	-10	-16	-20
Changes in risk factors (EADF, PD, LGD)	15	-4	12	23
Changes in macroeconomic scenarios	10	20	4	34
Changes due to expert credit judgement (manual adjustments and individual assessments)			21	21
Stage transfers	-18	85	-34	33
from stage 1 to stage 2	-17	118		101
from stage 1 to stage 3	-4		6	2
from stage 2 to stage 1	2	-19		-17
from stage 2 to stage 3		-19	23	4
from stage 3 to stage 2		5	-26	-21
from stage 3 to stage 1	1		-37	-36
Other			-2	-2
Total movements affecting Credit impairments line	**13**	**91**	**-15**	**90**
Movements recognised outside Credit impairments line				
Discount unwind (presented in Interest income)			2	2
Credit impairment provisions as of 30 June 2018	**54**	**350**	**138**	**542**
Carrying amount				
Opening balance as of 1 January 2018	**948 978**	**41 885**	**1 045**	**991 908**
Closing balance as of 30 June 2018	**1 020 262**	**45 565**	**878**	**1 066 705**

Note 8 Derivatives

		2019			2018	
		30 Jun			31 Dec	
SEKm	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book value	15 029	16 599	31 628	9 734	11 968	21 702
of which in hedge accounting	14 782	13 806	28 588	9 419	9 951	19 370
Derivatives with negative book value	3 243	590	3 833	1 772	779	2 551
of which in hedge accounting	3 196	374	3 570	1 659	271	1 930
Nominal amount	**864 971**	**192 750**	**1 057 721**	**785 118**	**164 299**	**949 417**

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

Note 9 Debt securities in issue and subordinated liabilities

SEKm	2019 30 Jun	2018 31 Dec	%	2018 30 Jun	%
Bond loans	567 819	495 315	15	560 270	1
Change in value due to hedge accounting at fair value	13 678	7 566	81	8 632	58
Total	**581 497**	**502 881**	**16**	**568 902**	**2**

Turnover during the period SEKm	2019 Jan-Jun	2018 Jul-Dec	%	2018 Jan-Jun	%
Opening balance	**502 881**	**568 902**	**-12**	**527 283**	**-5**
Issued	101 066	22 291		65 615	54
Repurchased	-14 335	-35 426	-60	-15 952	-10
Prepaid subordinated loan	0				
Repaid	-16 243	-46 923	-65	-15 563	4
Change in market value or in hedged item in fair value hedge accounting	4 374	-3 115		-2 196	
Changes in exchange rates	5 126	-3 224		11 224	-54
Change in accrued interest	-1 372	376		-1 509	-9
Closing balance	**581 497**	**502 881**	**16**	**568 902**	**2**

Note 10 Untaxed reserves

SEKm	2019 30 Jun	2018 31 Dec	%	2018 30 Jun	%
Tax allocation reserve				450	-100
Total reserves				**450**	**-100**

Note 11 Financial instruments at fair value

SEKm	2019 30 Jun Fair value	Carrying amount	Diff-erence	2018 31 Dec Fair value	Carrying amount	Diff-erence
Assets						
Loans to credit institutions	34 291	34 291		21 783	21 783	
Loans to the public	1 031 152	1 022 354	8 798	1 011 852	1 008 724	3 128
Value change of interest hedged item in portfolio hedge	2 686	2 686		760	760	
Derivatives	31 628	31 628		21 702	21 702	
Other financial assets	590	590		464	464	
Total	**1 100 347**	**1 091 549**	**8 798**	**1 056 561**	**1 053 433**	**3 128**
Non-financial assets		402			119	
Total		**1 091 951**			**1 053 552**	
Liabilities						
Amounts owed to credit institutions	454 165	453 219	946	489 617	488 240	1 377
Debt securities in issue	584 603	581 497	3 106	505 790	502 881	2 909
Derivatives	3 833	3 833		2 551	2 551	
Other financial liabilities	6 550	6 550		13 297	13 297	
Total	**1 049 151**	**1 045 099**	**4 052**	**1 011 255**	**1 006 969**	**4 286**
Non-financial liabilities		642			414	
Total		**1 045 741**			**1 007 383**	

30 Jun 2019 SEKm	Instruments with quoted market prices in an active market **(Level 1)**	Valuation techniques using observable market data **(Level 2)**	Valuation techniques using non-observable market data **(Level 3)**	**Total**
Assets				
Derivatives		31 628		31 628
Total		**31 628**		**31 628**
Liabilities				
Debt securities in issue		3 987		3 987
Derivatives		3 833		3 833
Total		**7 820**		**7 820**

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 2018	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		21 702		21 702
Total		**21 702**		**21 702**
Liabilities				
Debt securities in issue	58	3 946		4 004
Derivatives		2 551		2 551
Total	**58**	**6 497**		**6 555**

Note 12 Assets pledged, contingent liabilities and commitments

	2019	**2018**		**2018**	
SEKm	**30 Jun**	**31 Dec**	**%**	**30 Jun**	**%**
Loans, used as collateral for covered bonds[1)]	563 735	497 691	13	553 151	2
Repos [2)]	863	4 456	-81	1 466	-41
Commitments	12 515	13 525	-7	17 235	-27
Pledged assets and contingent liabilities	**577 113**	**515 672**	**12**	**571 852**	**1**

[1)] Consist of collateral for covered bonds. Collateral refers to customers' nominal debt including accrued interest.

[2)] Relate to repos in Swedbank Mortgage´s debt securities in issue.

Note 13 Related parties

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

SEKm	2019 30 Jun	2018 31 Dec	2018 30 Jun	2017 31 Dec
Group receivables				
Loans to credit institutions	34 291	21 783	74 290	23 534
Derivatives	31 628	21 702	25 652	18 602
Other assets	50	40	46	30
Total	**65 969**	**43 525**	**99 988**	**42 166**
Group payables				
Amounts owed to credit institutions	453 219	488 240	471 196	419 608
Debt securities in issue	4 308	4 945	3 646	2 244
Derivatives	3 833	2 551	3 162	5 567
Other liabilities	6 477	12 292	5 607	10 615
Total	**467 837**	**508 028**	**483 611**	**438 034**
Income statement				
Interest income	29	32	5	16
Interest expense	864	3 633	2 010	3 757
Other expenses	-15	-34	-8	-38
Total	**878**	**3 631**	**2 007**	**3 735**

Note 14 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

Capital adequacy	**2019**	**2018**
SEKm	**30 Jun**	**31 Dec**
Shareholders' equity according to the balance sheet	46 210	46 169
Unrealised value changes in own financial liabilities due to changes in own credit valuation	13	18
Cash flow hedges	-38	-47
Additional valuation adjustments [1]	-6	-4
Common Equity Tier 1 capital	**46 179**	**46 136**
Total Tier 1 capital	**46 179**	**46 136**
Tier 2 capital	91	98
Total own funds	**46 270**	**46 234**
Minimum capital requirement for credit risks, standardised approach		24
Minimum capital requirement for credit risks, IRB	3 470	3 371
Minimum capital requirement for operational risks	1 492	1 359
Additional minumum capital requirement, Article 3 CRR		32
Additional minimum capital requirement, Article 458 CRR [4]	16 894	16 609
Minimum capital requirement [2]	**21 856**	**21 395**
Risk exposure amount credit risks, standardised approach		297
Risk exposure amount credit risks, IRB	43 373	42 135
Risk exposure amount operational risks [3]	18 656	16 986
Additional risk exposure amount, Article 3 CRR		403
Additional risk exposure amount, Article 458 CRR [4]	211 171	207 615
Risk exposure amount	**273 200**	**267 436**
Common Equity Tier 1 ratio, %	16.9	17.3
Tier 1 capital ratio, %	16.9	17.3
Total capital ratio, %	**16.9**	**17.3**

1) Adjustment according to the implementation of EBA technical standard regarding prudent valuation. The purpose is to adjust for valuation uncertainty regarding positions at fair value

2) Minimum capital requirement within Pillar 1, i.e. 8% of total risk exposure amount

3) According to standardised method, retail bank

4) Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from the SFSA

Leverage ratio	2018 31 Dec	2018 31 Dec
Tier 1 capital, SEKm	46 179	46 136
Leverage ratio exposure measure, SEKm	1 033 229	1 015 054
Leverage ratio, %	**4.5**	**4.6**

Capital requirements[1)] SEKm / per cent	mSEK 2019 30 Jun	 2018 31 Dec	Per cent 2019 30 Jun	 2018 31 Dec
Capital requirement Pillar 1	34 150	33 430	12.5	12.5
of which Buffer requirements [2)]	12 294	12 035	4.5	4.5
Total capital requirement Pillar 2 [3)]	**2 116**	**2 116**	**0.8**	0.8
Total capital requirement Pillar 1 and 2	**36 266**	**35 569**	**13.3**	**13.3**
Own funds	**46 270**	**46 234**		

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

[2)] Buffer requirements includes systemic risk buffer, capital conservation buffer and countercyclical capital buffer

[3)] Systemisk buffer and Individual Pillar 2 charge as of 30 June 2019. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 29 September 2018, in relation to REA as of June 2019

Credit risks, IRB SEKm	2019 30 Jun Exposure amount	2019 30 Jun Average risk weight, %	2019 30 Jun Minimum capital rqmnt.	2018 31 Dec Exposure amount	2018 31 Dec Average risk weight, %	2018 31 Dec Minimum capital rqmnt.
Central government or central banks exposures	5 636	4	18	6 094	4	19
Institutional exposures				217	32	6
Corporate exposures	49 973	22	890	46 172	22	822
Retail exposures	977 227	3	2 517	963 050	3	2 524
Non-credit obligations	456	124	45	45	13	0
Total credit risks according to IRB approach	1 033 292	4	3 470	1 015 578	4	3 371
Total credit risks according to standardised approach	80 391	0		56 603	1	24
Total	**1 113 683**	**4**	**3 470**	**1 072 181**	**4**	**3 395**

Capital buffer requirement [1],%	2019	2018
	30 Jun	31 Dec
CET 1 capital requirement including buffer requirements	9.0	9.0
of which minimum CET 1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	2.0	2.0
CET 1 capital available to meet buffer requirement [2]	8.9	9.3

[1] Requirements regarding capital buffers according to Swedish implementation of CRD IV

[2] Calculated as CET capital ratio, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements

Exposure amount, risk exposure amount and minimum capital requirement		2019			2018	
		30 Jun			31 Dec	
SEKm	Exposure amount	Risk exposure amount	Minimum capital rqmnt.	Exposure amount	Risk exposure amount	Minimum capital rqmnt.
Credit risks, standardised approach	**80 391**			**56 603**	**297**	**24**
Institutional exposures	80 391			56 484		
Equity exposures				119	297	24
Credit risks, IRB	**1 033 292**	**43 373**	**3 470**	**1 015 578**	**42 135**	**3 371**
Central government or central banks exposures	5 636	216	18	6 094	233	19
Institutional exposures				217	70	6
Corporate exposures	49 973	11 126	890	46 172	10 277	822
Retail exposures	977 227	31 464	2 517	963 050	31 548	2 524
of which mortgage lending	970 030	31 234	2 499	958 011	31 381	2 511
of which other lending	7 197	230	18	5 039	167	13
Non-credit obligations	456	567	45	45	7	0
Operational risks		**18 656**	**1 492**		**16 986**	**1 359**
of which standardised approach		18 656	1 492		16 986	1 359
Additional risk exposure amount according to article 3 CRR					**403**	**32**
Additional risk exposure amount according to article 458 CRR		**211 171**	**16 894**		**207 615**	**16 609**
Total	**1 113 683**	**273 200**	**21 856**	**1 072 181**	**267 436**	**21 395**

Alternative performance measures

The interim report includes a number of 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 (annualised), net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.
Credit impairment provision Stage 1 loans	Credit impairment provisions Stage 1 in relation to the gross carrying amount Stage 1 loans
Credit impairment provision Stage 2 loans	Credit impairment provisions Stage 2 in relation to the gross carrying amount Stage 2 loans
Credit impairment provision 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.
Net interest 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.
Provision ratio for 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 equity attributable to shareholders. The average is calculated using month-end figures.
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, 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.
Share of Stage 3 loans, net	Carrying amount of Stage 3 loans, net, in relation to the carrying amount of loans to credit institutions and the public.
Total provision ratio for impaired loans	All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.

Signatures of the Board of Directors and the President

The Board of Directors and the CEO certify that the interim report for the period 1 January to 30 June 2019 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 16 July 2019

Leif Karlsson
Chairman

Magdalena Frostling
CEO

Gunilla Domeij-Hallros

Johan Smedman

Eva de Falck

Review Report

Introduction

We have reviewed this report for the period 1 January 2019 to 30 June 2019 for Swedbank Mortgage AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish 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 16 July 2019

PricewaterhouseCoopers AB

Anneli Granqvist
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

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