

Swedbank Mortgage Annual Report 2013



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About Swedbank Mortgage

Swedbank Mortgage is a Swedish mortgage institution with a leading position in the Swedish housing market. Its business is long-term mortgage financing, and the company has over one million customers.

About Swedbank Mortgage

Swedbank Mortgage AB (publ), corporate identification number 556003-3283, is a wholly owned subsidiary of Swedbank AB (publ) 502017-7753. Swedbank Mortgage AB is part of the Retail business area within Swedbank AB and is the parent company of a subgroup with responsibility for mortgage lending in Sweden. The subgroup comprises Swedbank Mortgage AB and the dormant wholly owned subsidiary Swedbank Skog och Lantbruk AB, 556061-5592.

Swedbank Mortgage's loans are part of the overall offering from Swedbank and the Swedish savings banks, and lending is arranged through their Swedish retail network, the telephone bank and internet channels, together make up Sweden's largest bank-owned distribution network. There is no lending outside Sweden.

Swedbank Mortgage's functions are totally integrated in Swedbank, which creates economies of scale with the bank's other operations. To offer customers a complete solution of home buying services, the Swedbank Group utilises a number of partners in addition to its own brand, Swedbank Fastighetsbyrå, including home builders and other construction companies.

Swedbank Mortgage finances properties and individual condominiums 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 agricultural and forestry sector under the secondary name Jordbrukskredit.

Market

Sweden's relatively strong economic development since 2010 has given it a reputation for quality. This has led to lower funding costs for the state, banks and other Swedish companies and institutions. At the same time there are signs of imbalances in the Swedish economy, not least in the housing market. Long-term underinvestment in housing has led to rising home prices and growing household debt.

In 2013 housing demand was strong but supply was limited. Housing units that came to market were sold fairly quickly, which fuelled the price rise and constrained supply. Housing prices in Sweden climbed by 7 per cent in 2013, of which condominiums rose by 13 per cent and single-family homes by 4 per cent. The segment with the strongest price trend was condominiums in medium-sized cities.

New home construction increased in 2013 after a weak 2012.

There are major regional differences, with housing starts in Stockholm having increased the most. Housing starts in Malmö and Göteborg have basically stood still, while in the rest of the country they have risen modestly. Although construction is accelerating, it remains low in relation to population growth. Consequently, the effect from increased construction is marginal.

Market shares and volumes

Market growth for residential mortgages was 5.3 per cent on an annual basis, compared with 4.7 per cent for the same period in previous year. Swedbank's share of growth gradually increased during the year and amounted to 13.8 per cent for the full-year 2013. Swedbank Mortgage's total market share is 25.3 per cent (25.9).

Lending and credit quality

Swedbank Mortgage's credit portfolio is of high quality with low credit impairments and few customers with existing or anticipated payment problems.

Credit demand in Swedbank's home markets was moderate in 2013. Lending, net, increased by SEK 27.0bn to SEK 764.3bn. Lending to households increased by SEK 18.9bn to SEK 578.9bn (559.9). Lending to the corporate sector, largely consisting of tenant-owner associations with low loan-to-value ratios, increased by SEK 6bn (8) to SEK 130bn (124), a portion of which is due to loan conversions from Swedbank to Swedbank Mortgage. Lending to the forestry and agriculture sector increased by SEK 2.1bn (3.1) to SEK 55.4bn (53.3).

The average loan-to-value ratio for Swedbank Mortgage's mortgages was 61.7 per cent (62.5) as of 31 December 2013. With respect to new lending, 94 per cent of households with a loan-to-value ratio over 75 per cent are amortising. Of those who do not have an amortisation schedule, many have a plan in place to begin amortising within two years of receiving their loan. The average loan-to-value ratio for new mortgages in Swedbank Mortgage was 67.9 per cent.

Credit quality remains good. Impaired loans decreased by SEK 54m to SEK 155m in 2013 and correspond to 0.02 per cent of total lending. The average provision ratio for impaired loans is 30 per cent. This is in addition to portfolio provisions for impaired loans that have not yet been identified as an added safety margin, which leads to a total provision ratio of 73 per cent. Impaired loans to private persons decreased. The share of mortgages in

Sweden past due more than 60 days was stable at 0.08 per cent of the portfolio (0.13). Credit impairments amounted to SEK 30m (70.5) in 2013.

Swedbank Mortgage's low risk profile is attributable to a restrictive credit view, geographically diversified lending among many customers and close monitoring of the company's loan customers at a local level. Loans judged as having an elevated risk are given added attention.

The loan portfolio periodically undergoes stress tests, the results of which show robust solvency among the company's mortgage customers and a loan-to-value ratio that indicates a low risk of credit impairments. Furthermore, a deep understanding of customers gained through their large retail network and an emphasis on each customer's solvency have helped Swedbank and the savings banks to maintain past due loans at very low levels. A low loan-to-value ratio among Swedbank Mortgage's customers, combined with a continued stable real estate market, has meant that the customers who have incurred payment problems have usually been able to sell their properties without resulting in credit impairments.

The company's mortgage customers are able to pay their debts, and the risk of credit impairments is low. Swedbank Mortgage's low risk profile is the result of a restrictive credit view, geographically diversified lending among many customers and close monitoring of the company's loan customers at a local level.

Funding

In 2013 the financial markets has been relatively stabil, with many issuers again gaining access to borrowing at a declining cost.

Macroeconomically, the world has been split in two, with North America experiencing moderate growth, while Europe has continued to struggle. Swedish development has remained fairly positive, even though GDP growth has been very weak. The debate during the year focused on rising home prices and household debt. This has resulted in a proposal to raise the risk weights for mortgages and a debate on possible additional measures to slow the trend.

In 2013 Swedbank Mortgage issued three international benchmark bonds. There were two USD transactions, a senior unsecured bond with a 5-year maturity, and a covered bond with a 5-year maturity, all as part of the bank's 144A programme. During the year Swedbank Mortgage issued a benchmark bond in EUR (7-year covered bond). Demand in the domestic market has been good. Of total funding of SEK 73bn, SEK 54bn was

issued in the domestic market (77 and 59, respectively, in 2012)

As part of its liquidity planning in order to reduce the risk of large volumes of concentrated maturities, Swedbank Mortgage actively begins repurchasing large quantities of the maturing debt approximately one year before final maturity. In 2014 one Swedish benchmark loan matures: Spintab 166. During the year SEK26 bn of loan 166 were therefore repurchased, and the total remaining volume maturing in 2014 amounts to SEK 81bn.

Rating

Swedbank Mortgage is one of the major players in the Swedish covered bond market, with the highest ratings from both Moody's Investors Service and Standard & Poor's (Aaa/AAA).

On 4 June 2013 the ratings agency Moody's upgraded Swedbank Mortgage's long-term rating from A2 to A1 with a stable outlook.

On 19 July 2013 the ratings agency Standard & Poor's upgraded its outlook on Swedbank Mortgage to stable from negative.

Swedbank Mortgage Rating

	Moody's		Standard & Poor's	
	Rating	Outlook	Rating	Outlook
Covered Bonds	Aaa	N/A	AAA	Stable
Long-term funding	A1	Stable	A+	Stable
Short-term funding	P-1	N/A	A-1	N/A

Outlook

The result is sensitive to interest rates, the market's assessment of credit risk and the cost to exchange financing in foreign currency to Swedish kronor. These factors can change both net interest income and net gains and losses on financial items.

Important events after the period

No important events have occurred.

Key financial highlights 2009–2013

SWEDBANK MORTGAGE GROUP

Definitions see page 35	2013	2012	2011	2010	2009
Profit					
Investment margin, %	0.87	0.72	0.59	0.53	0.56
Return on equity, %	13.0	11.7	8.6	7.4	9.3
Earnings per share, SEK	209.87	178.26	120.91	101.70	113.26
Capital					
Capital base, SEKm	35 599	33 994	32 562	30 968	29 744
Capital quotient	1.19	1.19	1.19	1.17	1.2
Capital adequacy ratio, %	9.5	9.5	9.5	9.3	9.6
Tier 1 capital ratio, %	9.5	9.5	9.5	9.3	9.6
Number of shares at start/end of period, million	23	23	23	23	23
Equity per share, SEK	1 534.26	1 476.74	1 483.30	1 377.39	1 313.78
Credit quality					
Credit impairment ratio, %	0.00	0.01	0.01	0.02	0.05
Total provision ratio for impaired loans, %	72.7	76.1	105.4	141.8	43.1
Share of impaired loans, %	0.02	0.02	0.02	0.01	0.02
Other					
Number of employees	5	3	3	0	0

Profit analysis

Operating profit for the full-year 2013 increased by SEK 689m to SEK 6 191m (5 502). Net interest income increased by SEK 1 546m to SEK 7 280m (5 734).

Interest income as well as interest cost decreased compared to the previous year, due to lower average interest rates on both lending and funding. Interest cost was also lowered by repurchases of bonds originally issued at a higher interest rate, which were replaced by new issues at today's lower interest rate level. Interest income for the period amounted to SEK 25 464m (29 036) and interest cost to SEK 18 183m (23 302).

Net gains and losses on financial items (NGL) amounted to SEK -437m (410). NGL was negatively affected by repurchases of covered bonds, previously valued at amortised cost, while early redemption charges received contributed positively.

Other expenses include a large part of the compensation paid to the savings banks and partly owned banks. This cost amounted to SEK 674m (635). No such settlement is performed with Swedbank. AB.

The credit quality of the lending remains at a very high level and credit impairments at a low level. Compared to 2012, net credit impairments were reduced by SEK 40m to SEK 30m (70). Provisions amounted to SEK 155m (209).

Proposed distribution of profit

Proposed distribution of profit	mSEK
Swedbank Mortgage AB (publ)	
Retained earnings	15 647
Profit for the year	4 827
Total available	20 474
The Board of Directors proposes that the following amount be carried forward	20 474
Total	20 474

Five-year summary

Income statement SEKm	2013	2012	2011	2010	2009
Interest income	25 464	29 036	27 413	20 137	23 148
Interest expenses	-18 183	-23 302	-23 333	-16 068	-18 740
Net interest income	7 280	5 734	4 080	4 069	4 408
Net commissions	47	58	51	-523	-626
Other operating income	-428	419	241	-199	-122
Total income	6 899	6 211	4 372	3 347	3 660
Other operating expenses	678	639	543	0	21
Profit before impairments	6 221	5 572	3 829	3 347	3 63
Credit impairments	30	70	56	168	8
Operating profit	6 191	5 502	3 773	3 179	3 631
Tax expense	1 364	1 402	992	840	1 026
Profit for the year	4 827	4 100	2 781	2 339	2 605

Since 2012 the expense for the savings banks' sale of Swedbank Mortgage's products and services is distributed between interest income and other expenses, whereas it earlier was accounted for in net commissions. The result

as a whole is not affected. Comparative figures for 2011 have been restated, whereas previous years are presented according to old accounting policies. .

Balance sheet SEKm	2013	2012	2011	2010	2009
Assets					
Loans to credit institutions	71 046	60 783	33 505	36 493	97 590
Loans to the public	768 840	743 931	716 695	697 299	672 420
Other assets	21 712	29 467	26 187	10 789	13 838
Total assets	861 598	834 181	776 387	744 581	783 848
Liabilities					
Amount owed to credit institutions	273 759	224 843	170 540	229 177	192 738
Debt securities in issue	520 021	533 223	538 734	451 328	537 771
Other liabilities	32 530	42 150	32 997	32 396	23 122
Total liabilities	826 310	800 216	742 271	712 901	753 631
Equity	35 288	33 965	34 116	31 680	30 217
Total liabilities and equity	861 598	834 181	776 387	744 581	783 848

Income statement

SEKm	Note	Group		Swedbank Mortgage AB	
		2013	2012	2013	2012
Interest income		25 464	29 036	25 464	29 036
Interest expenses		-18 183	-23 302	-18 183	-23 302
Net interest income	7	7 280	5 734	7 280	5 734
Commission income		77	80	77	80
Commission expenses		-30	-22	-30	-22
Net commissions	8	47	58	47	58
Net gains and losses on financial items	9	-437	410	-437	410
Other income		9	9	9	9
Total income		6 899	6 211	6 899	6 211
Other expenses	11	674	636	674	636
Staff costs	10	4	3	4	3
Total expenses		678	639	678	639
Profit before impairments		6 221	5 572	6 221	5 572
Net credit impairments	12	30	70	30	70
Operating profit		6 191	5 502	6 191	5 502
Appropriations	13				450
Tax expense	14	1 364	1 402	1 364	1 329
Profit for the year, attributable to shareholders		4 827	4 100	4 827	3 723
Earnings per share, before and after dilution, SEK	15	209,87	178,26		

Statement of comprehensive income

SEKm	Note	Group		Swedbank Mortgage AB	
		2013	2012	2013	2012
Profit for the year reported via income statement		4 827	4 100	4 827	3 723
Items that may be reclassified to the income statement					
Cash flow hedges:					
Gains/losses during the period		-394	-2 048	-394	-2 048
Reclassification adjustments to income statement, net interest income		3	3	3	3
Reclassification adjustments to income statement, net gains and losses on financial items		0	0	0	0
Income tax relating to components of other comprehensive income	16	86	522	86	522
Total comprehensive income for the year, attributable to shareholders		4 522	2 577	4 522	2 200

Balance sheet

SEKm	Note	Group		Swedbank Mortgage AB	
		2013	2012	2013	2012
Assets					
Loans to credit institutions	17	71 046	60 783	71 046	60 783
Loans to the public	18	768 840	743 931	768 840	743 931
Value change of interest hedged item in portfolio hedge		62		62	
Shares and participating interests	19	3	1	3	1
Investments in Group entities	20	0	0	0	0
Derivatives	21	17 802	25 207	17 802	25 207
Current tax assets	14	383	488	383	488
Deferred tax assets	14	174	88	174	88
Other assets	22	95	108	95	108
Prepaid expenses and accrued income	23	3 193	3 575	3 193	3 575
Total assets		861 598	834 181	861 598	834 181
Liabilities and equity					
Liabilities					
Amounts owed to credit institutions	24	273 759	224 843	273 759	224 842
Debt securities in issue	25	520 021	533 223	520 021	533 223
Derivatives	21	17 355	23 420	17 355	23 420
Deferred tax liabilities	14	235	236	0	0
Other liabilities	26	4 264	3 909	4 264	3 909
Accrued expenses and prepaid income	27	10 676	14 586	10 676	14 587
Total liabilities		826 310	800 216	826 075	799 981
Untaxed reserves	28			1 068	1 068
Equity	29				
Share capital		11 500	11 500	11 500	11 500
Other capital contribution		2 400	2 400		
Statutory reserve				3 100	3 100
Fair value fund		-617	-312	-617	-312
Retained earnings		22 005	20 377	20 472	18 845
Total equity		35 288	33 965	34 455	33 131
Total liabilities and equity		861 598	834 181	861 598	834 181
Pledged assets	30	740 215	701 015	740 215	701 015
Commitments, nominal amount	30	6 206	9 028	6 206	9 028

Notes not directly related to the income statement, balance sheet, statement of cash flow or statement of changes in equity:

- Note 1 Corporate information
- Note 2 Accounting policies
- Note 3 Critical accounting judgments and estimates
- Note 4 Risks
- Note 5 Capital adequacy analysis
- Note 6 Operating segments
- Note 31 Related parties
- Note 33 Fair value of financial instruments
- Note 34 Events after 31 December 2013

Statement of changes in equity

Group, SEKm	Equity attributable to shareholders of Swedbank Mortgage AB				
	Share capital	Other capital contribution	Fair value fund*	Retained earnings	Total
Opening balance 1 January 2012	11 500	2 400	1 210	19 005	34 116
Group contribution provided				-3 700	-3 700
Tax reduction due to Group contributions provided				973	973
Total comprehensive income for the year			-1 522	4 100	2 577
of which through the Profit and loss account				4 100	4 100
of which through other comprehensive income for the year before tax			-2 044		-2 044
of which tax through other comprehensive income for the year			522		522
Closing balance 31 December 2012	11 500	2 400	-312	20 378	33 965
Opening balance 1 January 2013	11 500	2 400	-312	20 378	33 965
Group contribution provided				-4 100	-4 100
Tax reduction due to Group contributions provided				902	902
Total comprehensive income for the year			-305	4 827	4 522
of which through the Profit and loss account				4 827	4 827
of which through other comprehensive income for the year before tax			-391		-391
of which tax through other comprehensive income for the year			86		86
Closing balance 31 December 2013	11 500	2 400	-617	22 005	35 288

* Cash flow hedge.

Swedbank Mortgage AB, SEKm	Restricted equity		Non-restricted equity		Total
	Share capital	Statutory reserve	Fair value fund	Retained earnings	
Opening balance 1 January 2012	11 500	3 100	1 210	17 850	33 660
Group contribution provided				-3 700	-3 700
Tax reduction due to Group contributions provided				973	973
Total comprehensive income for the year			-1 522	3 723	2 200
of which through the Profit and loss account				3 723	3 723
of which through other comprehensive income for the year before tax			-2 044		-2 044
of which tax through other comprehensive income for the year			522		522
Closing balance 31 December 2012	11 500	3 100	-312	18 845	33 131
of which, conditional shareholder's contributions				2 400	2 400
Opening balance 1 January 2013	11 500	3 100	-312	18 845	33 131
Group contribution provided				-4 100	-4 100
Tax reduction due to Group contributions provided				902	902
Total comprehensive income for the year			-305	4 827	4 522
of which through the Profit and loss account				4 827	4 827
of which through other comprehensive income for the year before tax			-391		-391
of which tax through other comprehensive income for the year			86		86
Closing balance 31 December 2013	11 500	3 100	-617	20 472	34 455
of which, conditional shareholder's contributions				2 400	2 400

Statement of cash flow

SEKm	Note	Group		Swedbank Mortgage AB	
		2013	2012	2013	2012
Operating activities					
Operating profit		6 191	5 502	6 191	5 502
Adjustments for non-cash items in operating activities*		981	3 237	981	3 237
Taxes paid		-357	-482	-357	-482
Increase/decrease in loans to credit institutions		3 000	3 000	3 000	3 000
Increase/decrease in loans to the public		-27 098	-25 837	-27 098	-25 837
Increase/decrease in amount owed to credit institutions		48 917	54 300	48 917	54 300
Increase/decrease in other assets		535	-558	535	-558
Increase/decrease in other liabilities		-422	1 294	-422	1 294
Cash flow from operating activities		31 746	40 456	31 746	40 456
Investing activities					
Increase in fixed assets		1		1	
Cash flow from investing activities		1	0	1	0
Financing activities					
Issuance of debt securities		74 251	93 712	74 251	93 712
Redemption of debt securities		-84 168	-107 624	-84 168	-107 624
Increase/decrease in other funding		-4 868	5 034	-4 868	5 034
Group contribution paid		-3 700	-1 300	-3 700	-1 300
Cash flow from financing activities		-18 484	-10 178	-18 484	-10 178
Cash flow for the year		13 263	30 278	13 263	30 278
Cash and cash equivalents at beginning of the year		57 783	27 505	57 783	27 505
Cash flow for the year		13 263	30 278	13 263	30 278
Cash and cash equivalents at the end of the year	17	71 046	57 783	71 046	57 783

Comment on consolidated statement of cash flow

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

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for income tax paid and items not included in cash flow from operating activities. Changes in assets and liabilities in operating activities consist of items that are part of regular business activities, such as loans to and borrowings from the public and credit institutions, and that are not attributable to investing and financing activities. The profit generated cash flow includes interest receipts of SEK 10 757m (29 270) and interest payments, including capitalised interest, of SEK 6 737m (24 007).

Financing activities

The issue and repayment of bond loans with maturities exceeding one year are reported gross. The item "Change in other funding" includes the net change in funding with shorter maturities and high turnover.

Cash and cash equivalents

Cash and cash equivalents consist of balances on cash accounts, included in the balance sheet item Loans to credit institutions, see note 17.

Specification of adjustment of non-cash items:

SEKm	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Unrealised translation differences, bonds in issue	5 152	4 747	5 152	4 747
Prepaid expenses and accrued income	382	-105	382	-105
Accrued expenses and prepaid income	-3 912	-733	-3 912	-733
Change in value of loans to the public and credit institutions	2 127	-1 399	2 127	-1 399
Change in value of funding and derivatives	-2 463	2 685	-2 463	2 685
Increase in other liabilities	-305	-1 958	-305	-1 958
Total	981	3 237	981	3 237

Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and at book value unless indicated otherwise. Figures in parentheses refer to the previous year.

1 Corporate information

The consolidated financial statements and the annual report for Swedbank Mortgage AB (publ) for the financial year 2013 were approved for issuance by the Board of Directors and the President on 28 January 2014. Swedbank Mortgage AB, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank AB (publ). The Group's operations are described in the Board of Directors' report. The consolidated financial statements and annual report will be adopted by the Parent Company's Annual General Meeting.

2 Accounting policies

BASIS OF ACCOUNTING

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

- balance sheet at the conclusion of the period,
- statement of comprehensive income for the period,
- statement of changes in equity for the period,
- cash flow statement for the period, and
- notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The financial statements are based on the historical cost basis. Subsequent measurements are based on the valuation category of the financial instrument. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value have been adjusted for changes in fair value attributable to the hedged risk.

The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless indicated otherwise.

PARENT COMPANY

As a rule, the parent company follows IFRS and the accounting principles applied in the consolidated financial statements above. In addition, the parent company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The parent company's annual report is therefore prepared in accordance with IFRS to the extent the standards are compatible with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the parent company's accounting and the Group's accounting policies relate to the recognition of untaxed reserves.

CHANGES IN ACCOUNTING POLICIES

Financial instruments: Disclosures (amendment to IFRS 7)

As of 2013 disclosures are required about financial assets and financial liabilities which are offset in the balance sheet or are subject to various legally binding netting arrangements or other similar risk-reducing agreements. See note 32

Fair value measurement (IFRS 13)

The new IFRS 13 standard replaces the guidance on fair value measurement which had been found in each IFRS standards. The standard defines how fair value is measured but not when. Fair value is the price that would be received at the measurement date on the sale of an asset or paid to transfer a liability in a transaction between market participants under normal conditions, a so-called "exit price". The standard also contains disclosure requirements. See note 33. Introduction of the standard otherwise has not had a significant effect on how the Group measures fair values, and hence not on its financial position or results.

Other IFRS changes

No new or amended IFRS and interpretations besides those above have been applied or had a significant effect on the Group's financial position, results or disclosures.

Value change of interest hedged item in portfolio hedge

As of the first quarter 2013 fair values are hedged for interest rate exposure in any portfolios with financial assets where the hedged portion is identified as a single amount rather than as individual assets. Because the hedge relates to a portfolios rather than individual balance sheet items, the change in the value of the hedged items is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. Portfolio hedges are otherwise recognised in the same way as individual balance sheet items that are recognised as hedges at fair value.

SIGNIFICANT ACCOUNTING POLICIES

Presentation of financial statements (IAS 1)

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

Consolidated financial statements (IFRS 3, IAS 27)

The consolidated financial statements comprise Swedbank Hypotek AB (publ) and those entities in which the parent company has control, i.e., the power to govern a company's financial and operating strategies to obtain economic benefits. These entities, subsidiaries, are included in the consolidated financial statements in accordance with the acquisition method from the day that control is obtained and are excluded from the day that control ceases. All intra-Group transactions and intra-Group gains are eliminated.

Investments in subsidiaries are recognised according to the acquisition cost method in the parent company. When there is an indication that the value has decreased, the investment's value is tested for impairment. If the value has decreased, there is a write-down to the Group value.

Assets and liabilities in foreign currency (IAS 21)

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

Financial instruments (IAS 32, IAS 39)

The large part of the Group's balance sheet items refers to financial instruments. A financial instrument is any form of agreement which gives rise to a financial asset in one company and a financial liability or equity instrument in another. Cash is an example of a financial asset, while financial liabilities might include an agreement to pay or receive cash or other financial assets. Financial instruments are classified on various lines of the balance sheet such as loans to the public or credit institutions depending on the counterparty. If the financial instrument does not have a specific counterparty or when it is listed on the market, it is classified on the balance sheet among various types of securities. A derivative is a financial instrument that is distinguished by the fact that its value changes, e.g., due to exchange rates, interest rates or share prices, at the same time that little or no initial net investment is required. The agreement is settled on a future date. Derivatives are

reported on separate lines of the balance sheet, either as assets or liabilities depending on whether the contract has a positive or negative fair value. Contractually accrued interest is recognised among prepaid or accrued income or expenses in the balance sheet. Financial assets are recognised on the balance sheet on the trade day when an acquisition agreement has been entered into, with the exception of loans and receivables, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or essentially been transferred to another party. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged, cancelled or expired.

Financial instruments, recognition (IAS 39)

Financial instruments are divided into the following valuation categories:

- financial instruments at fair value through profit or loss,
- loans and receivables, and
- other financial liabilities.

A few individual holdings of insignificant value have been categorised as available-for-sale financial assets in the valuation category available-for-sale. All financial instruments are initially recognised at fair value. The best evidence for fair value at initial recognition is the transaction price. For financial instruments that subsequently are not measured at fair value through profit or loss, supplementary entries are also made for additions or deductions of direct transaction expenses to acquire or issue the financial instrument. Subsequent measurements depend on the valuation category to which the financial instrument is attributed. Notes to items in the balance sheet with financial instruments indicate how the carrying amount is divided between valuation categories.

Valuation category at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise instruments held for trading and all derivatives, excluding those designated for hedge accounting. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, trading. This category also includes other financial instruments that upon initial recognition have irrevocably been designated as at fair value, the so-called fair value option. The option to irrevocably measure financial instruments at fair value is used in the Group for individual portfolios of loans, securities in issue and amounts owed to credit institutions, when they together with derivatives essentially eliminate the portfolio's aggregate interest rate risk. The option is used to eliminate the accounting volatility that would otherwise arise because different measurement principles are normally used for derivatives and other financial instruments. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, other.

The fair value of financial instruments is determined based on quoted prices on active markets. When such market prices are not available, generally accepted valuation models such as discounting of future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changes in value are recognised through profit or loss in net gains and losses on financial items. Changes in value owing to changes in exchange rates are recognised as changes

in exchange rates in the same profit or loss item. Changes in the value of financial liabilities owing to changes in the Swedbank Mortgage's credit worthiness are also recognised separately when they arise. Decreases in value attributable to debtor insolvency are attributed to credit impairments.

Valuation category loans and receivables

Loans to credit institutions and the public, categorised as loans and receivables, are recognised on the balance sheet on the settlement day. These loans are measured at amortised cost as long as there is no objective evidence indicating that a loan or group of loans is impaired. Loans are initially recognised at fair value, including fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's cost as a result of the calculation of the present value of future payments is considered the effective interest rate. The loan's amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest income includes interest payments received and the change in the loan's amortised cost during the period, which produces a consistent return. On the closing day, it is determined whether there is objective evidence to indicate an impairment need for a loan or group of loans. If, after the loan is initially recognised, one or more events have occurred that negatively impact estimated future cash flows, and the impact can be estimated reliably, impairment is made. The impairment is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted by the loan's original effective interest rate. Swedbank Mortgage determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured collectively in the event objective evidence of impairment exists. Any impairment is then calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. If the impairment decreases in subsequent periods, previously recognised impairment losses are reversed. Loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred, however. Loan impairments are recognised through profit or loss as credit impairments, which is done either as provisions for individually impaired loans, portfolio provisions or write-offs of impaired loans. Write-offs are recognised within credit impairments before utilisation of any previous provisions. Provisions utilised in connection with write-offs are recognised on a separate line within credit impairments. Write-offs are recognised when the amount of the loss is ultimately determined, e.g., when a receiver has presented a bankruptcy distribution, when a bankruptcy composition has been adopted, when a concession has been granted or when the Enforcement Administration or a collection agency has reported that an individual has no distrainable assets. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is amortised cost less write-offs and provisions. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

Valuation category other financial liabilities

Financial liabilities that are not recognised as financial instruments at fair value through profit or loss are initially recognised on the trade

day at cost and subsequently at amortised cost. Amortised cost is calculated in the same way as for loans and receivables.

Hedge accounting at fair value

Hedge accounting at fair value is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability or loan portfolios is hedged with derivatives. With hedge accounting, the hedged risk in the hedged instrument or the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. The item is recognised in connection with Loans to the public. The value of the hedged risk in an individual financial asset or financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the value of the hedging instrument, the derivative, and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items. One requirement to apply hedge accounting is that the hedge has been formally identified and documented. The hedge's efficiency must be measurable in a reliable way and be expected to remain and during reported periods proved to be very effective in offsetting changes in value.

Cash flow hedges

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in interest rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative, the hedging instrument, is recognised directly in other comprehensive income. Any ineffective portion is recognised through profit or loss in net gains and losses on financial items. When future cash flows lead to the recognition of a financial asset or a financial liability, any gains or losses on the hedging instrument are eliminated from other comprehensive income and recognised through profit or loss in the same periods that the hedged item affects profit or loss. One of the prerequisites of hedge accounting is that the hedge is formally identified and documented. Its effectiveness must be measurable in a reliable way and be expected to remain, and during reported periods have been, very effective in offsetting changes in value.

Pensions (IAS 19)

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

Revenues (IAS 18)

The principles of revenue recognition for financial instruments are described in a separate section, Financial instruments, recognition (IAS 39). Interest income and interest expenses for financial instruments calculated according to the effective interest method are recognised as net interest income. Changes in value in the valuation category financial instruments at fair value through profit or loss as well as all changes in exchange rates between functional and other currencies are recognised in net gains and losses on financial items. Fees for various services provided to customers are recognised as income when the services rendered. Such income is recognised in both commission income and other income.

Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to

tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are tax attributable to taxable temporary differences and must be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing day and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Confirmed tax rates on the closing day are used in the calculations.

All current and deferred taxes are recognised through profit or loss as tax with the exception of tax attributable to items recognised directly in other comprehensive income or equity.

Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of a checking account with Swedbank AB.

Operating segments (IFRS 8)

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

Untaxed reserves and Group contributions

Untaxed reserves and Group contributions

Due to the connection between reporting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the parent company. The reserves are therefore recognised in their gross amounts in the balance sheet and income statement. Group contributions given are recognised as a decrease of non-restricted equity after tax adjustment.

NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standard Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2013 and which will affect Swedbank Mortgage's financial reporting. The IASB permits earlier application. For Swedbank Mortgage to apply them also requires that they be approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank Mortgage has not applied the following

amendments in the 2013 annual report.

Consolidated Financial Statements (IFRS 10)

The new standard will apply to the financial year beginning on 1 January 2013. The EU has approved the standard for application on 1 January 2014 at the latest. Swedbank intends to begin applying the standard in 2014. The new standard defines when a reporting company should consolidate another company. Under the new standard, consolidation will be required when the reporting company has control over the other company. The standard then clarifies that Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. The standard replaces certain components of IAS 27 Consolidated and Separate Financial Statements.

Disclosures of Interests in Other Entities (IFRS 12)

The new standard will apply to the financial year beginning on 1 January 2013. The EU has approved the standard for application on 1 January 2014 at the latest. Swedbank intends to begin applying the standard in 2014. The new standard consolidates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard will, for example, increase disclosure requirements on the nature and scope of the holding, the assumptions and judgements used to classify the type of holding, the risks associated with the holding, and the holding's effect on financial position, results and cash flow.

Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32)

The amendment will apply to the financial year beginning on 1 January 2014. The EU has approved the amendment, which concerns when and how financial assets and financial liabilities are offset.

Novation of Derivatives and Continuations of Hedge Accounting (amendment to IAS 39)

The amendment will apply to the financial year beginning on 1 January 2014. The EU has not yet approved the amendment, which limits exclusions from breaking off a hedge accounting relationship when a derivative changes counterparty to a clearing house due to laws and regulations.

Financial Instruments: Recognition and Measurement (IFRS 9)

The new standard on the recognition and measurement of financial instruments, together with subsequent amendments to IFRS 7 financial instruments: disclosures, will apply to financial years beginning on 1 January 2015. The standard that has been issued is a partial revision of IAS 39 Financial Instruments: Recognition and Measurement. The new standard has not been adopted by the EU, nor is there a timetable when approval can be expected. The standard reduces the number of valuation categories for financial assets and means that they are recognised at amortised cost or fair value through the income statement. The rules for financial liabilities correspond to the existing rules in IAS 39 plus a supplement on how credit risk is presented when financial liabilities are measured at fair value. The change in the credit risk for financial liabilities designated at fair value according to the so-called fair value option is normally presented in other comprehensive income and not in the traditional income statement, provided that further inconsistencies do not arise in presentation of any eliminated changes in value. The standard that has been issued is being revised. New rules will be added for impairment of financial assets categorised as financial assets at amortised cost and for hedge accounting, among other

things. There is still no scheduled application date for the complete IFRS 9. It will not be applied before financial years beginning on 1 January 2017. The first application date will likely be later.

Effect on Swedbank Mortgage's financial reports

The changes that have been issued are currently being evaluated to determine how they will affect the consolidated financial reports. The new standard IFRS 9 Financial Instruments will affect Swedbank Mortgage's financial reporting. The scope of the effect cannot be determined at present, since the valuation of Swedbank Mortgage's financial assets is largely dependent on how the rules on hedge accounting and on the impairment of financial assets in the valuation category amortised cost are eventually worded. A judgment cannot be made until the remaining sections are issued. The other changes that have been issued and which apply to financial years beginning on or after 1 January 2014 are not expected to have a significant effect on Swedbank Mortgage's financial reports.

3 Critical accounting judgements and estimates

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

JUDGEMENTS

Financial instruments

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

The company had previously determined that the option to measure financial instruments at fair value was the fairest accounting of a large part of the loan and funding portfolios. Since April 2009 there has been a transition to increased recognition at amortised cost as well as to hedge accounting, which will eventually reduce the effect of the so-called fair value option.

ESTIMATES

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

Provisions for credit impairments

Receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for groups of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial reconstructions, and local economic developments tied to non-payments, such as an increase in unemployment or decrease in real estate prices. Where a loss event has occurred, individual loans are classified as impaired. The company feels that loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 60 days should automatically be treated as impaired.

Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flows will be received and its probable size. For impaired loans, interest is not considered to be received, only capital or portions thereof. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation

Provisions for impaired loans are made on the difference between estimated value, i.e., estimated future cash flows discounted by the loan's original effective interest rate, and amortised cost. Amortised cost refers to contractual cash flows discounted by the loan's original effective interest rate.

Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and the company's assumptions of current market conditions. The company is of the opinion that provision estimates are important because of the complexity of making these estimates

Financial instruments at fair value

When financial instruments are measured at fair value according to valuation models, a determination is made which observable market data should be used in those models. The assumption is that quoted prices from financial instruments with as similar a turnover as possible will be used. When such prices or components of prices cannot be identified, the company must make its own assumptions. Note 33 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with internal assumptions. As of year-end 2013 financial instruments measured at fair value with internal assumptions which have a significant effect on the valuation amounted to SEK 2 875m. A change in the assumed valuation rate of 10 bp would have changed the value by SEK 1m.

4 Risks

Swedbank Mortgage's principal risks are credit risks, financial risks and operational risks. Swedbank Mortgage measures and reports risks in accordance with the guidelines and policies of the Swedbank Group.

Swedbank defines risk as a potentially negative impact on a company that can arise due to current internal processes or future internal or external events. The concept of risk comprises the probability that an event will occur and the impact it would have on the Group's earnings, equity or value.

The Board of Directors has adopted an Enterprise Risk Management (ERM) policy detailing the risk framework, the risk management process, and roles and responsibilities in risk management. Swedbank continuously identifies the risks its operations generate and has designed a process to manage them. The risk management process includes eight steps: prevent risks, identify risks, quantify risks, analyse risks, suggest measures, control and monitor, report risks, and, lastly, follow-up risk management. The process encompasses all types of risk and results in a description of Swedbank's risk profile, which in turn serves as the basis of the internal capital adequacy assessment process.

Risk	Description
Credit risks	The risk that a counterparty, or obligor, fails to meet contractual obligations to Swedbank Mortgage and the risk that the pledged assets will not cover the claim. Credit risk also includes counterparty risk and concentration risk.
Liquidity risks	The risk to not fulfill payment commitments on any given due date.
Market risks	The risk that Swedbank Mortgages result, equity or value is reduced due to changes in risk factors on the financial market. Market risk includes interest rate risk, currency rate risk and risks following changes in volatilities and correlations.
Operational risks	The risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events.
Other risks	Includes earnings volatility risk, insurance risk, pension risk, strategic risk, reputational risk and security risk.

Operational risk management

The Swedbank Group applies qualitative methods such as risk and vulnerability analyses, continuity planning and approval processes for new products, systems and processes as well as quantitative methods, where reporting of incidents and operational loss events is used to quantify operational risks.

Other risks

Other risks comprise earnings volatility risk, pension risk, strategic risk, reputational risk and security risk. The parent company, Swedbank AB, is responsible for managing these risks with the exception of strategic risk which is managed within the ongoing work of the board. The Board of Directors of the mortgage company safeguards the company's interests through its role as a client to the parent company. The other risks are reported to the Board of the mortgage company as part of other ongoing information and reporting.

4a Credit risks

Definition

Credit risk refers to the risk that a counterparty or borrower fails to meet their contractual obligations towards Swedbank AB and the risk that pledged collateral will not cover the claim. Credit risk also includes counterparty risk, concentration risk and settlement risk.

Counterparty risk is the risk that a counterparty in a trading transaction fails to meet its financial obligations towards Swedbank and that the collateral which has been received is insufficient to cover the claim against the counterparty. Trading transactions refer here to repos, derivatives, security financing transactions and money market transactions.

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

Risk management

The treasury department faces counterparty risks, for Swedbank Mortgage mainly in derivative contracts. In the majority of derivative contracts, the parent company is the counterparty.

Counterparty risks are reduced through bilateral agreements, which allow the risks to be settled against each other according to standardised procedures. Moreover, risks are reduced for certain counterparties, including through special agreements on settling outstanding credit risk exposures through an exchange of financial collateral.

Swedbank has been active for some time in the public debate by calling attention to the risks in the Swedish mortgage market. To reduce systemic risk, the Group has been the driving force on the issue of legislated amortisation requirements on mortgages with high loan-to-value ratios. In its own operations the Group has pushed for lower lending ratios in the household sector, e.g., through stricter requirements on down payments for housing purchases, amortisation requirements and differentiated pricing.

Risk classification

Through Swedbank's internal risk classification system, also applied for credits in Swedbank Mortgage, credit risk is measured on a reliable and equal basis.

Swedbank Group has received approval from the Financial supervisory Authority to apply the so-called IRB approach, which is used to calculate the majority of the capital requirement for credit risks. The IRB approach is applied to the large part of lending to the public.

The goal of the risk classification is to predict defaults within 12 months. The classification is expressed on a scale of 23 classes, where 0 represents the greatest risk and 21 represents the lowest risk of default, with one class for defaulted loans. The subsequent table describes the Group's risk classification and how it relates to the probability of default within 12 months (PD) as well as an indicative rating from Standard & Poor's.

Risk grade according to the IRB-methodology

Internal rating		PD(%)	Indicative rating Standard & Poor's
Default	Default	100	D
High risk	0-5	>5.7	C to B
Augmented risk	6-8	2.0-5.7	B+
Normal risk	9-12	0.5-2.0	BB to BB+
Low risk	13-21	< 0.5	BBB to AAA

4a Credit risks, cont.

Loans to the public and credit institutions, book values 2013

Group and Swedbank Mortgage AB	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Book value before provisions		Portfolio provisions	Book value after provisions	Book value before provisions	Provisions	Book value after provisions	
	Payments on time	Past due						
Loans to the public and credit institutions	838 373	1 455	-91	839 737	213	-64	149	839 886
Total loans to the public and credit institutions	838 373	1 455	-91	839 737	213	-64	149	839 886
Sector/industry*								
Private customers	643 718	1 120	-74	644 764	184	-57	127	644 891
Real estate management	113 168	335	-17	113 486	10	-7	3	113 489
Retail, hotels, restaurants	921			921				921
Construction	835			835				835
Manufacturing	116			116				116
Transportation	102			102				102
Forestry and agriculture	725			725				725
Other corporate lending	5 539			5 539	19		19	5 558
Municipalities	2 203			2 203				2 203
Total	767 327	1 455	-91	768 691	213	-64	149	768 840
Credit institutions	71 046			71 046				71 046
Total loans to the public and credit institutions	838 373	1 455	-91	839 737	213	-64	149	839 886
Collateral held as security								
Residential properties incl. condominiums	698 187	1 120	-74	699 233	184	-57	127	699 360
Other real estate	60 088	335	-17	60 406	29	-7	22	60 428
Municipalities	9 052			9 052				9 052
Total	767 327	1 455	-91	768 691	213	-64	149	768 840
Credit institutions	71 046			71 046				71 046
Total loans to the public and credit institutions	838 373	1 455	-91	839 737	213	-64	149	839 886

* According to SCB:s sector-industry-codes.

4a Credit risks, cont.

Loans to the public and credit institutions, book values 2012

Group and Swedbank Mortgage AB	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Book value before provisions		Portfolio provisions	Book value after provisions	Book value before provisions	Provisions	Book value after provisions	
	Payments on time	Past due						
Loans to the public and credit institutions	802 211	2 437	-117	804 531	275	-92	183	804 714
Total loans to the public and credit institutions	802 211	2 437	-117	804 531	275	-92	183	804 714
Sector/industry*								
Private customers	623 265	1 901	-100	625 066	235	-77	158	625 224
Real estate management	107 538	536	-17	108 057	19	-14	5	108 062
Retail, hotels, restaurants	848			848				848
Construction	852			852				852
Manufacturing	114			114				114
Transportation	111			111				111
Forestry and agriculture	722			722				722
Other corporate lending	5 182			5 182	21	-1	20	5 202
Municipalities	2 796			2 796				2 796
Total	741 428	2 437	-117	743 748	275	-92	183	743 931
Credit institutions	60 783			60 783				60 783
Total loans to the public and credit institutions	802 211	2 437	-117	804 531	275	-92	183	804 714
Collateral held as security								
Residential properties incl. condominiums	674 500	1 901	-100	676 301	235	-77	158	676 459
Other real estate	57 148	536	-17	57 667	40	-15	25	57 692
Municipalities	9 780			9 780				9 780
Total	741 428	2 437	-117	743 748	275	-92	183	743 931
Credit institutions	60 783			60 783				60 783
Total loans to the public and credit institutions	802 211	2 437	-117	804 531	275	-92	183	804 714

* According to SCB:s sector-industry-codes.

4a Credit risks, cont.

Impaired, past due, and restructured loans

Group and Swedbank Mortgage AB	2013	2012
Impaired loans		
Book value before provisions	213	275
Provisions for the year	-64	-92
Book value after provisions	149	183
Net impaired loans ratio, %	0,02	0,02
Gross impaired loans ratio, %	0,03	0,04
Book value of impaired loans returned in status to normal loans during the period	8	2
Past due loans that are not impaired		
Valuation category, loans and receivables		
Loans past due, 5-30 days	231	455
Loans past due, 31-60 days	174	263
Loans past due, 61 days or more	253	350
Valuation category, fair value through profit or loss		
Loans past due, 5-30 days	282	536
Loans past due, 31-60 days	151	294
Loans past due, 61 days or more	364	539
Total	1 455	2 437

Provisions

Group and Swedbank Mortgage AB	2013	2012
Opening balance	209	215
Provisions for the year	-6	27
Recoveries of previous provisions	-21	-8
Provisions during the fiscal period, for loans that are not impaired	-27	-25
Closing balance	155	209
Total provision ratio for impaired loans, % (including portfolio provisions for individually assessed loans in relation to book value before provision for individually identified impaired loans)	72,7%	76,1%
Provision ratio for individually identified impaired loans, %	30,1%	33,3%

Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

Specified above are the reserves allocated for impaired loans as well as for other lending where loss events have occurred but where individual loans have not yet been identified. Loss events include late or non-payments, situations where the borrower is likely to go bankrupt and domestic or local economic developments tied to nonpayments, such as diminished asset values. The carrying amount for impaired loans gene-

rally corresponds to the value of the collateral, in cases where collateral exists.

Restructured loans refer to loans whose contractual terms have been amended due to the customer's reduced ability to pay. Common changes in contractual terms include various forms of payment deferrals. The changes in contractual terms can be so significant that the loans also are considered impaired, which is the case if the restructuring results in a decrease in the loan's carrying amount, excluding one-off concessions. Restructured loans amounted to nominal SEK 0m (25) as per 31 December 2013.

Credit risk exposure on loans to the public according to the internal risk classification (nominal value before provisions)

Specified below are the loans to the public distributed by risk grades and business segments.

Exposure at default	Riskgrades	2013				2012				
		Private customers	Corporates	Forestry & Agriculture	Total	Riskgrades	Private customers	Corporates	Forestry & Agriculture	Total
Defaults	Default	724	172	160	1 057	Default	898	256	140	1 294
High risk	0-5	4 182	1 278	2 010	7 470	0-5	4 687	1 437	1 961	8 085
Augmented risk	6-8	6 451	4 519	4 981	15 950	6-8	7 270	5 356	5 925	18 551
Normal risk	9-12	20 120	23 320	13 759	57 198	9-12	22 250	24 531	12 858	59 639
Low risk	13-21	507 033	141 070	34 496	682 600	13-21	484 849	132 367	32 443	649 659
Non-rated					0					2
Total		538 510	170 359	55 406	764 275		519 954	163 947	53 327	737 230

4b Liquidity risks

Definition

Liquidity risk refers to the risk of Swedbank Mortgage not being able to meet payment obligations at maturity without a significant increase in the cost to obtain the means of payment due to high borrowing costs or unfavourable prices when divesting assets.

Swedbank Mortgage's liquidity can be forecast, since the maturities and interest payments on its mortgages and funding are known in advance. With the help of accurate forecasts and diversified funding in various geographical markets, Swedbank Mortgage reduces liquidity risk. Liquidity exposure is limited by the company's Board and monitored continuously by Swedbank Mortgage and the Swedbank Group. Liquidity risk is also limited by covered bond regulations. Since 2008 Swedbank Mortgage has been issuing covered bonds. The high credit rating of covered bonds broadens the investor base, facilitates favourable funding costs and makes it possible to pledge the bonds as mortgage collateral with the Swedish Riksbank.

Swedbank Mortgage has access to the Group's, Swedbank AB, liquidity reserve where the purpose of building up and maintaining a liquidity reserve is to reduce the Group's liquidity risk. When Swedbank Mortgage faces a high volume of maturing bonds, the liquidity reserve must be adjusted to meet these maturities in various

types of stressed scenarios in the capital markets where access to financing may be limited or where markets are fully or partly closed over an extended period of time. This also means that at times when Swedbank's maturities are lower, the liquidity reserve can be reduced, since refinancing needs decrease, as does liquidity risk. The Board of Directors has also set a floor for Group Treasury's liquidity portfolio. The portfolio must exceed a given volume and has to be invested in liquid and pledgeable assets (not to be confused with the liquidity reserve, which in addition to the liquidity portfolio includes liquidity placed with central banks and in the overnight market)

Summary of maturities

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. Changes in value and items without an agreed maturity date where the probable realisation date has not been determined are reported in the column "Without maturity date/discount effect". Liquidity management is described in the Board of Directors' report on page 4. Funding,

Remaining maturity, 2013

Group and Swedbank Mortgage AB	Undiscounted contractual cash flows						Without maturity date/ discount effect*	Total
	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs		
Assets								
Loans to credit institutions	71 046							71 046
Loans to the public		2 027	7 020	37 274	46 163	671 793	4 562	768 840
Derivatives			6 797	8 271	958	398	1 378	17 802
Other assets							3 910	3 910
Total assets	71 046	2 027	13 817	45 546	47 121	672 191	9 851	861 598
Liabilities								
Amounts owed to credit institutions		6 351	257 137	10 186	85			273 759
Debt securities in issue		22 090	66 217	373 886	37 495	17 574	2 760	520 021
Derivatives			6 473	11 004	2 826	2 308	-5 256	17 355
Other liabilities							15 175**	15 175**
Total liabilities		28 441	329 827	395 076	40 406	19 882	12 679	826 310

* Refers to discount effect for all items except other assets and other liabilities where without maturity date applies.

** Other liabilities, Swedbank Mortgage AB: 14 940

Remaining maturity, 2012

Group and Swedbank Mortgage AB	Undiscounted contractual cash flows						Without maturity date/ discount effect*	Total
	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs		
Assets								
Loans to credit institutions	57 783	500	2 500					60 783
Loans to the public		2 065	6 131	36 094	45 020	647 918	6 702	743 931
Derivatives		550	6 682	15 395	1 720	711	148	25 207
Other assets							4 260	4 260
Total assets	57 783	3 115	14 813	51 989	46 740	648 629	11 110	834 181
Liabilities								
Amounts owed to credit institutions		67 978	123 105	33 660	98			224 842
Debt securities in issue		18 199	41 455	422 553	28 120	16 932	5 963	533 223
Derivatives		2 963	3 950	18 853	2 431	2 606	-7 382	23 420
Other liabilities							18 731**	18 731**
Total liabilities		89 141	168 510	475 065	30 650	19 538	17 312	800 216

* Refers to discount effect for all items except other assets and other liabilities where without maturity date applies.

** Other liabilities, Swedbank Mortgage AB: 18 496

4c Market risk – Interest rate risk

Definition

Interest-rate risk refers to the risk that the value of the Swedbank Mortgage's assets, liabilities and interest-related derivatives are negatively affected by changes in interest rates on the financial market. The interest rate risk in Swedbank Mortgage's operations primarily arises as a result of differences in the average interest fixing periods in the lending portfolio and funding. In the table as follows interest risk is measured as the change in the value of interestbearing assets and liabilities resulting from an

increase of one percentage point in all market rates (for valuation principles, see note 2). The effect of such an increase would have reduced the fair value of all interest-bearing assets and liabilities, including derivatives, by SEK 800m (813) as of 31 December 2013. An increase of one percentage point in all market interest rates as of 31 December 2013 would have reduced net gains and losses on financial items by SEK 1 106m (83) for the portion of Swedbank Mortgage's balance sheet measured at fair value through profit or loss. This would have a negative effect of SEK 624m on equity after cash flow hedges.

Change in value if the market interest rate rises by one percentage point

The impact on the value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

Group and Swedbank Mortgage AB 2013	<=3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	216	-81	-197	-412	-154	9	-168	-40	27	-800
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	216	-81	-197	-412	-154	9	-168	-40	27	-800

of which financial instruments measured at fair value through profit or loss.

SEK	12	-83	-207	-420	-164	3	-177	-87	17	-1 106
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	12	-83	207	-420	-164	3	-177	-87	17	-1 106

Group and Swedbank Mortgage AB 2012	<=3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	384	109	-519	-507	-113	-93	-121	17	30	-813
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	384	109	-519	-507	-113	-93	-121	17	30	-813

of which financial instruments measured at fair value through profit or loss.

SEK	-49	-41	-125	226	43	-88	-143	64	30	-83
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	-49	-41	-125	226	43	-88	-143	64	30	-83

4d Market risk – Currency risk

Definition

Currency risk refers to the risk that the value of Swedbank Mortgage's assets and liabilities, including derivatives, may fluctuate due to changes in exchange rates. Currency risk arises as Swedbank Mortgage's lending in SEK is partly financed with funding in other liquid currencies.

Swedbank Mortgage's policy is to hedge any exposure to currency risk. In all essentials the assets and liabilities are hedged by currency swaps. The table below express currency distribution on assets and liabilities split in currency.

4d Market risk – Currency risk, cont

Currency distribution

Group and Swedbank Mortgage AB, 2013	SEK	EUR	USD	CHF	NOK	Other	Total
Assets							
Loans to credit institutions	71 046	-	-	-	-	-	71 046
Loans to the public	768 840	-	-	-	-	-	768 840
Other assets, undistributed	21 712	-	-	-	-	-	21 712
Total assets	861 598	0	0	0	0	0	861 598
Liabilities							
Amounts owed to credit institutions	273 759	-	-	-	-	-	273 759
Debt securities in issue and subordinated liabilities	324 315	134 577	36 372	12 395	11 538	824	520 021
Other liabilities, undistributed	32 530*	-	-	-	-	-	32 530*
Total liabilities	630 604	134 577	36 372	12 395	11 538	824	826 310
Other assets and liabilities, including positions in derivatives	-	134 577	36 372	12 395	11 538	824	-
Net position in currency	-	-	-	-	-	-	-

* Other liabilities, Swedbank Mortgage AB: 32 295

Group and Swedbank Mortgage AB, 2012	SEK	EUR	USD	CHF	NOK	Other	Total
Assets							
Loans to credit institutions	60 783	-	-	-	-	-	60 783
Loans to the public	743 931	-	-	-	-	-	743 931
Other assets, undistributed	29 468	-	-	-	-	-	29 468
Total assets	834 181	0	0	0	0	0	834 181
Liabilities							
Amounts owed to credit institutions	224 843	-	-	-	-	-	224 843
Debt securities in issue and subordinated liabilities	339 468	132 938	30 847	18 387	10 043	1 539	533 223
Other liabilities, undistributed	42 151*	-	-	-	-	-	42 151*
Total liabilities	606 462	132 938	30 847	18 387	10 043	1 539	800 217
Other assets and liabilities, including positions in derivatives	-	132 938	30 847	18 387	10 043	1 539	-
Net position in currency	-	-	-	-	-	-	-

* Other liabilities, Swedbank Mortgage AB: 41 916

5 Capital adequacy

Capital adequacy analysis

The capital adequacy regulations express the legislator's perception of how much capital, designated as the capital base, a credit institution must have in relation to the size of the risks it faces. In accordance with the Capital Adequacy and Large Exposures Act, the capital base must at a minimum correspond to the sum of the capital requirement for credit risks, market risks and operating risks. Accordingly, the capital quotient, i.e., the capital base divided by the capital requirement, must be greater than 1.0.

Swedbank Mortgage's legal requirement is currently based on the transition rules. When CRR takes effect, SFSA will be able to grant banks waivers from the current Basel 1 floor. The Basel 1 floor is a back-stop for the lowest level of the capital base requirement, which was introduced in connection with the transition from Basel 1 to Basel 2. Swedish authorities had previously announced that this floor would be eliminated in connection with the introduction of the new, higher capital requirements. In December, however, SFSA said it did not intend to eliminate the floor. As a result, the Basel 1 floor will remain in effect in Sweden in the same way it does today i.e. designed as 80 per cent of the capital requirement calculated according to Basel 1. SFSA's position does not entail a change with regard to the floor compared with current regulations.

Swedbank also formulates and documents its own methods and processes for evaluating the Group's capital requirements. This evaluation includes Swedbank Mortgage. The capital requirement is determined systematically on the basis of the total level of risks to which Swedbank may be exposed. All risks are taken into account, including risks other than those included in the calculation of the capital requirement.

	Swedbank Mortgage AB	
Capital adequacy	2013	2012
Equity in annual report according to reported balance sheet	34 455	33 132
Share of equity of accrual reserve	833	833
Unrealised changes in value of financial liabilities due to changes in own credit worthiness	92	92
Cash flow hedges	617	312
Deferred tax assets	-174	-88
Net reserves for IRB reported credit exposures -	-225	-287
Total Common Equity Tier 1 capital	35 599	33 994
Total Tier 1 capital	35 599	33 994
Total capital base	35 599	33 994
Capital requirement for credit risks according to standard method	0	0
Capital requirement for credit risks according to IRB approach	3 337	3 809
Capital requirement for operational risk	535	440
Capital requirement	3 872	4 248
Surplus of capital	31 726	29 746
Risk-weighted amount credit risks	41 717	47 610
Risk-weighted amount operational risk*	4 462	3 663
Risk-weighted assets	46 180	51 273
Common Equity Tier 1 capital ratio, %, Basel 2	77,1	66,3
Tier 1 capital ratio, %, Basel 2	77,1	66,3
Capital adequacy ratio, %, Basel 2	77,1	66,3
Capital quotient, Basel 2	9,19	8,00

* according to standard method, household bank

5 Capital adequacy, cont.

Swedbank Mortgage AB			Swedbank Mortgage AB		
Capital adequacy Basel 2 according to transition rules	2013	2012	Capital adequacy Basel 3	2013	2012
Capital requirement	3 872	4 248	Common Equity Tier 1 capital, Basel 3	35 773	34 082
Complement during transition period	26 093	24 391	Risk-weighted assets, Basel 3	46 180	51 310
Capital requirement including complement	29 965	28 640	Core Tier 1 capital ratio, %, Basel 3	77,5	66,4
Risk-weighted assets according to transition rules	374 557	357 996			
Surplus of capital	5 634	5 354			
Common Equity Tier 1 capital ratio, %, according to transition rules	9,5	9,5			
Tier 1 capital ratio, %, according to transition rules	9,5	9,5			
Capital adequacy ratio, %, according to transition rules	9,5	9,5			
Capital quotient according to transition rules	1,19	1,19			

Capital requirement for credit risks Swedbank Mortgage AB	2013			2012		
	Exposed amount after credit risk protection	Average risk weight, %	Capital requirement	Exposed amount after credit risk protection	Average risk weight, %	Capital requirement
Institutional exposures	1	37	0	203	20	3
Corporate exposures	31 191	47	1 161	34 261	48	1 317
Household exposures	726 513	4	2 174	695 893	4	2 483
Non-credit obligations	27	100	2	64	100	5
Total credit risks according to IRB approach	757 732	6	3 337	730 421	7	3 809
Total credit risks according to standard method	87 225	0	0	80 266	0	0
Total	844 957	5	3 337	810 687	6	3 809

Internal Capital Adequacy Assessment Process (ICAAP)

Definition

The purpose of the internal capital adequacy assessment process (ICAAP) is to ensure that Swedbank Mortgage is adequately capitalised to cover its risks and to conduct and develop its operations.

Measurement

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

Swedbank Mortgage's ICAAP is based on two different methods:

- The Building Block model is a static model with an evaluation horizon of one year.
- The Scenario model is a dynamic model with a multi-year horizon. It uses a stress scenario with negative macroeconomic development that is considered unlikely but still possible.

A capital requirement assessment that applies the two models represents the bank's best estimate of its requirement according to Pillar 2, though it may deviate upwards or downwards from the corresponding capital requirement according to Pillar 1.

In this year's ICAAP, Swedbank Mortgage has taken into account pending regulatory changes such as Basel 3/CRD IV.

Types of risk

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

- Credit risk (incl. concentration risk)
- Market risk (incl. interest rate risk outside trading activities)
- Operational risk
- Earnings volatility risk

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

Total capital requirement

The ultimate capital requirement as of 31 December 2012 amounts to SEK 12.1bn according to a combination of the Building Block and Scenario models. Swedbank Mortgage's capital requirement on the same date, including the transition rules from Basel I to Basel 2, amounts to SEK 28.6bn, however. The total capital requirement cannot be less than this capital requirement and therefore also amounts to SEK 28.6bn. The total capital base was SEK 34.0bn on the same date. As long as the capital ratio exceeds the Pillar 2 requirement, all risks are covered, including the negative effects from the stress scenario. The conclusion of the 2013 ICAAP as of 31 December 2012 was that Swedbank Mortgage is adequately capitalised.

6 Operating segments

Group	2013				2012			
	Private	Corporate	Forestry and Agriculture	Total	Private	Corporate	Forestry and Agriculture	Total
Net interest income	5 165	876	522	6 562	3 789	434	399	4 622
Net commissions	35	8	3	47	44	10	4	58
Total income	5 200	884	525	6 609	3 833	444	403	4 680
Purchased services	552	44	78	674	526	35	74	635
Total expenses	552	44	78	674	526	35	74	635
Credit impairments	24	0	7	30	72	-11	9	70
Operating profit	4 624	840	440	5 904	3 235	420	320	3 975
Lending to the public	582 002	131 076	55 761	768 840	564 564	125 523	53 844	743 931

Reconciliation between segment reporting and financial report

Group	2013				2012			
	Net interest income	Total income	Total expenses	Operating profit	Net interest income	Income	Expenses	Operating profit
Total segments	6 562	6 609	674	5 904	4 622	4 680	635	3 975
Return on legal equity	719	719		719	1 111	1 111		1 111
Net gains and losses on financial items			437	437		410		410
Other income		10		10		9		9
Staff costs			4	4			3	3
Total financial report	7 280	7 337	1 115	6 191	5 734	6 210	638	5 502

Results and balances 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 Agriculture and Forestry 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 on legal equity and other undistributed minor items. Return on legal equity comprises interest income on assets funded by equity.

7 Net interest income

Group and Swedbank Mortgage AB	2013	2012
Interest income		
Loans to credit institutions	527	819
Loans to the public	24 937	28 218
Total	25 464	29 036
Interest expenses		
Amount owed to credit institutions	-4 633	-5 447
Debt securities in issue	-13 351	-17 642
of which derivatives	2 224	-312
Other	-199	-213
of which state stabilisation fee	-190	-191
Total	-18 183	-23 302
Total net interest income	7 280	5 734
Average balance		
Loans to credit institutions	37 379	40 817
Loans to the public	753 213	730 527
Amount owed to credit institutions	249 446	187 095
Debt securities in the issue	519 186	540 702
Interest income on financial credit institutions	14 378	14 581
Interest income on financial liabilities at amortised cost	13 562	14 495
Interest income on impaired loans	6	6

8 Net commissions

Group and Swedbank Mortgage AB	2013	2012
Commission income		
Payment processing	77	80
Total	77	80
Commission expenses		
Bankkreditnämnden fees	-1	-1
Market maker fees	-28	-21
Total	-30	-22
Total net commissions	47	58

9 Net gains and losses on financial items

Group and Swedbank Mortgage AB	2013	2012
Valuation category, fair value through profit or loss		
Trading and derivatives		
Interest-bearing securities and derivatives	5 842	-6 282
Total	5 842	-6 282
Other		
Interest-bearing securities	-6 160	6 559
Total	-6 160	6 559
Hedge accounting at fair value		
Hedging instruments	-6 436	4 343
Hedged item	6 448	-4 253
Total	12	90
Financial liabilities at amortised cost	-268	-68
Valuation category, loans and receivables	137	111
Total net gains and losses on financial items	-437	410

10 Staff costs

Remuneration within Swedbank Mortgage

All senior executives receive compensation from Swedbank AB. Swedbank has a common remuneration policy for the group.

Group and Swedbank Mortgage AB	2013	2012
Salaries and other remuneration	2	2
Pension costs	1	1
Social insurance charges	1	1
Allocation to profit-sharing fund	0	0
Training costs	0	0
Other staff costs	0	0
Total	4	3
of which profit-based costs	-	-

Number of employees

The average number of employees in the company during the year was 5, of whom 60 per cent were women and 40 per cent were men.

Salaries and other remuneration

Group and Swedbank Mortgage AB	2013	2012
Loans to President	1	1
Loans to Board members	6	4
No. of persons with loans	5	4

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

Group and Swedbank Mortgage AB	2013		2012	
Gender distribution	Men	Women	Men	Women
Board of Directors	3	3	3	2

Information on senior executives

The number of senior executives as of 31 December 2013 was 6 (5).

11 Other expenses

Group and Swedbank Mortgage AB	2013	2012
Purchased services	674	636
Other	0	0
Total	674	636

12 Net credit impairments

Group and Swedbank Mortgage AB	2013	2012
Provisions for loans that individually are assessed as impaired		
Provisions	7	19
Reversed of previous provisions	-5	-2
Provisions for homogenous groups of impaired loans, net	-13	8
Total	-11	25
Portfolio provisions for loans that individually are not assessed as impaired	-27	-25
Write-offs		
Established losses	87	78
Utilisation of previous provisions	-16	-6
Recoveries	-3	-2
Total	68	70
Net credit impairments	30	70
Credit impairments by valuation category		
Loans and receivables	17	36
Fair value through profit or loss	13	34
Total	30	70
Credit impairments by borrower category, General public		
Write-off and provisions	54	80
Recoveries from previous years' actual credit impairments	-24	-10
Total	30	70

13 Appropriations

Swedbank Mortgage AB	2013	2012
Untaxed reserves		
Tax allocation reserve	0	450
Total	0	450

14 Tax

Tax expense	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Tax related to previous years	2	-26	2	
Current tax	1 362	1 329	1 362	1 329
Deferred tax		99		
Total	1 364	1 402	1 364	1 329

Group

The tax expense corresponds to 22% of the Group's pre-tax profit. The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2013		2012	
	SEKm	per cent	SEKm	per cent
Result	1 362	22,00	1 402	25,50
Current tax rate	1 364	22,00	1 447	26,30
Total	2	0	46	0,8

The difference consists of the following items:

Tax previous years			-26	-0,5
Standard income tax allocation reserve	2	0	99	1,8
Tax revaluation			-27	-0,5
Total	2	0	46	0,8

Swedbank Mortgage AB

The tax expense corresponds to 22% of the company's pretax profit. The difference between the company's tax expense and the tax expense based on current tax rates is explained below:

	2013		2012	
	SEKm	per cent	SEKm	per cent
Result	1 362	22,00	1 329	26,3
Current tax rate	1 364	22,00	1 329	26,3
Difference	2	0	0	

Group

2013

	Opening balance	Income Statement	Other comprehensive income	Closing balance
Deferred tax liabilities				
Untaxed reserves	235			235
Total	235	0	0	235

	Opening balance	Income Statement	Other comprehensive income	Closing balance
Deferred tax assets				
Cash flow hedges	88		86	174
Total	88	0	86	174

2012

	Opening balance	Income Statement	Other comprehensive income	Closing balance
Deferred tax liabilities				
Cash flow hedges	434		-434	
Untaxed reserves	162	73		236
Total	596	73	-434	236

	Opening balance	Income Statement	Other comprehensive income	Closing balance
Deferred tax assets				
Cash flow hedges			88	88
Total	0	0	88	88

15 Earnings per share

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

	2013	2012
Profit attributable to shareholders of the company	4 827	4 100
Average number of shares outstanding, million	23	23
Earnings per share, SEK	209,87	178,26

No other transactions involving shares or potential shares have taken place between the balance sheet date and the date of completion of these financial statements.

16 Tax for each component in other comprehensive income

Group and Swedbank Mortgage AB	2013			
	Before tax amount	Deferred tax	Current tax	After tax amount
Cash flow hedges	-791	174		-617
Other comprehensive income	-791	174	0	-617

Group and Swedbank Mortgage AB	2012			
	Before tax amount	Deferred tax	Current tax	After tax amount
Cash flow hedges	-400	88		-312
Other comprehensive income	-400	88	0	-312

17 Loans to credit institutions

Group and Swedbank Mortgage AB	2013	2012
Valuation category, loans and receivables		
Swedish banks*	71 046	60 783
Total	71 046	60 783
* of which liquid assets, bank deposits	71 046	57 783

18 Loans to the public

Group and Swedbank Mortgage AB	2013	2012
Valuation category, loans and receivables		
Swedish public	448 402	383 709
Total	448 402	383 709
Valuation category, fair value through profit or loss		
Other		
Swedish public *	320 438	360 222
Total	320 438	360 222
Total loans to the public	768 840	743 931
* Nominal amount	315 688	353 281
Number of loans	1 592 950	1 590 806

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

19 Shares and participating interests

Group and Swedbank Mortgage AB	Book value		Cost	
	2013	2012	2013	2012
Valuation category, AFS				
Condominiums	3	1	3	1
Total	3	1	3	1
of which, unlisted	3	1	3	1

20 Investments in Group entities

Shares in subsidiaries, Swedbank Mortgage AB's shareholdings, 31 December 2013	Number	Quota value/ share	Book value
Swedbank Skog och Lantbruk AB 100% *	200	500,0	0,1
Total	200	500,0	0,1

* Corporate identification number 556061-5592, Stockholm.

21 Derivatives

Swedbank Mortgage trades in derivatives for the purpose of hedging certain positions that are exposed to interest rate and currency risks. The majority of the interest rate swaps that safeguard the interest rate risk associated with certain loans are recognised as hedging instruments in hedge accounting at fair value. The derivatives are recognised at fair value with changes in value through profit or loss in the same manner as for other derivatives. In note 9 Net gains and losses on financial items, any ineffectiveness of the hedges is recognized as the change in value

of the derivative together with the change in value of the hedged risk component. Currency swaps sometimes also hedge projected future interest payments, so-called cash flow hedges. Future estimated cash flows that are hedged by the swaps are disclosed below. Since the derivatives are recognised as hedging instruments, their fair value is recognised in the statement of other comprehensive income. The carrying amount of derivatives included in hedge accounting is reported separately below. The carrying amounts of all derivatives refer to fair value including accrued interest.

Group and Swedbank Hypotek AB	Remaining contractual term to maturity, nominal amount				Positive values		Negative values		
	< 1 år	1-5 år	> 5 år	2013	2012	2013	2012	2013	2012
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate swaps	62 823	227 314	43 139	333 276	334 383	13 541	19 847	826	
Portfolio fairvalue hedge									
Interest-rate swaps	5 000	46 100	1 750	52 850		38		414	
Cash flow hedge									
Currency swaps	36 847	59 623	35 205	131 675	130 683	521	9	9 925	14 912
Total	104 670	333 037	80 094	517 801	465 066	14 100	19 856	11 165	14 912
Other derivatives									
Interest-rate-related									
Options					6 500		4		
Forward contracts	733			733	1 694	2			0
Swaps	98 955	108 587	2 243	209 785	219 802	1 920	2 445	3 922	6 038
Currency-related									
Swaps	13 877	50 599	7 812	72 288	78 088	1 780	2 902	2 268	2 470
Total	113 565	159 186	10 055	282 806	306 084	3 702	5 351	6 190	8 508
Grand total	218 235	492 223	90 149	800 607	771 150	17 802	25 207	17 355	23 420

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

	< 1 year	1-3 years	3-5 years	5-10 years	> 10 years
Cash inflows (assets)					
Cash outflows (liabilities)	35 317	47 300	11 672	22 284	16 582
Net cash flows	-35 317	-47 300	-11 672	-22 284	-16 582

22 Other assets

Group and Swedbank Mortgage AB	2013	2012
Security settlement claims	0	0
Other	95	108
Total	95	108

23 Prepaid expenses and accrued income

Group and Swedbank Mortgage AB	2013	2012
Accrued interest income	3 190	3 574
Other	3	1
Total	3 193	3 575

24 Amounts owed to credit institutions

Group and Swedbank Mortgage AB	2013	2012
Valuation category, other financial liabilities		
Swedish banks	270 884	221 130
Total	270 884	221 130
Valuation category, fair value through profit or loss		
Other		
Swedish banks*	2 875	3 713
Total	2 875	3 713
Total	273 759	224 843
* Nominal amount	2 874	3 712

25 Debt securities in issue

Group and Swedbank Mortgage AB	2013	2012
Valuation category, other financial liabilities		
Commercial paper	40	5 839
Bond loans	470 698	457 401
Change in value due to hedge accounting	49	11 033
Other	4 488	3 557
Total	475 275	477 830
Valuation category, fair value through profit or loss		
Other		
Bond loans*	44 746	55 393
Total	44 746	55 393
Total	520 021	533 223
* Nominal amount	41 637	51 002

26 Other liabilities

Group and Swedbank Mortgage AB	2013	2012
Liabilities to parent company	4 100	3 700
Security settlement liabilities	0	0
Other	164	209
Total	4 264	3 909

27 Accrued expenses and prepaid income

Group and Swedbank Mortgage AB	2013	2012
Accrued interest expenses	10 081	14 001
Other	594	585
Total	10 676	14 586

28 Untaxed reserves

Swedbank Mortgage AB	2013	2012
Opening balance	1 068	618
Provision to tax allocation reserve	0	450
Closing balance	1 068	1 068

29 Equity according to Annual Accounts Act ÅRKL

Changes in equity during the period are reported in the statement of the changes in equity.

	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Restricted equity				
Share capital	11 500	11 500	11 500	11 500
Statutory reserve	3 100	3 100	3 100	3 100
Total	14 600	14 600	14 600	14 600
Non-restricted equity				
Conditional shareholder's contribution	2 400	2 400	2 400	2 400
Retained earnings	18 288	16 965	17 455	16 131
Total	20 688	19 365	19 855	18 531
Total equity	35 288	33 965	34 455	33 131

	2013	2012
Number of shares		
Approved and issued, millions	23	23

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

30 Contingent liabilities, assets pledged and commitments

Group and Swedbank Mortgage AB	2013	2012
Assets pledged		
Assets pledged for own liabilities*	740 215	700 907
Securities pledged for forward contracts	0	108
Commitments, nominal amount		
Loans granted but not paid	6 206	9 028
Total	746 421	710 043

Nominal amounts for interest, equity and currency related contracts are reported in note 21 Derivatives.

* Consists of collateral for covered bonds. This collateral is reported as the nominal loan principal, including accrued interest. The holders of covered bonds have priority over the assets in the cover pool in a bankruptcy.

31 Related parties

I. Parent company

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

	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Group receivables				
Loans to credit institutions	71 046	60 781	71 046	60 781
Derivatives	17 732	25 127	17 732	25 127
Other assets	37	35	37	35
Prepaid expenses and accrued income	0	143	0	143
Total	88 815	86 086	88 815	86 086
Group liabilities				
Amounts owed to credit institutions	273 720	224 803	273 720	224 803
Debt securities in issue	7 619	9 146	7 619	9 146
Derivatives	17 359	23 420	17 359	23 420
Other liabilities	4 100	3 700	4 100	3 700
Accrued expenses and prepaid income	1 526	3 975	1 526	3 975
Total	304 324	265 044	304 324	265 044

	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Statement of comprehensive income				
Interest income	528	819	528	819
Interest expenses	-2 776	-6 325	-2 776	-6 325
Total	-2 248	-5 506	-2 248	-5 506

II. Other companies in the Swedbank Group

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

	Group		Swedbank Mortgage AB	
	2013	2012	2013	2012
Group liabilities				
Securities in issue	1 853	1 614	1 853	1 614
Accrued expenses and prepaid income	84	86	84	86
Total	1 937	1 700	1 937	1 700
Statement of comprehensive income				
Interest expenses	-32	-44	-32	-44
Commission expenses	-160	-154	-160	-154
Total	-192	-198	-192	-198

III. Senior executives

See note 10 for further information.

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

The disclosures below refer to reported financial instruments that have been offset in the balance sheet or are subject to legally binding netting agreements, even when they have not been offset in the balance sheet.

	2013	2012
	Derivatives	Derivatives
Assets		
Financial assets, which not have been offset or are subject to netting or similar agreements	2	105
Financial assets, which have been offset or are subject to netting or similar agreements	17 800	25 102
Net amount presented in the balance sheet	17 802	25 207

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

	2013	2012
Gross amount	17 800	25 102
Offset amount	0	0
Net amount presented in the balance sheet	17 800	25 102

Related amount not offset in the balance sheet

	2013	2012
Derivatives	17 353	23 420
Net amount	447	1 682

	2013	2012
	Derivatives	Derivatives
Liabilities		
Financial liabilities, which have not been offset or are subject to netting or similar agreements	2	0
Financial liabilities, which have been offset or are subject to netting or similar agreements	17 353	23 420
Net amount presented in the balance sheet	17 355	23 420

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

	2013	2012
Gross amount	17 353	23 420
Offset amount	0	0
Net amount presented in the balance sheet	17 353	23 420

Related amount not offset in the balance sheet

	2013	2012
Derivatives	17 353	23 420
Net amount	0	0

33 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amounts and fair value of the Group's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

Group	2013			2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Financial Assets						
Loans to credit institutions	71 046	71 046		60 783	60 783	
Loan receivables	71 046	71 046		60 783	60 783	
Loans to the public	768 840	773 732	4 892	743 931	749 831	5 900
Loan receivables	448 402	453 294	4 892	383 709	389 609	5 900
Fair value through profit or loss	320 438	320 438		360 222	360 222	
Shares and participating interests	3	3		1	1	
Available for sale investments	3	3		1	1	
Derivatives	17 802	17 802		25 207	25 207	
Other financial assets	3 733	3 733		4 171	4 171	
Non-financial assets	174	174		88	88	
Total	861 598	866 490	4 892	834 181	840 081	5 900
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	273 759	274 019	260	224 843	225 761	918
Other financial liabilities	270 884	271 144	260	221 130	222 048	918
Fair value through profit or loss	2 875	2 875		3 713	3 713	
Debt securities in issue, etc.	520 021	525 537	5 516	533 223	540 751	7 528
Other financial liabilities	475 275	480 791	5 516	477 830	485 358	7 528
Fair value through profit or loss	44 746	44 746		55 393	55 393	
Derivatives	17 355	17 355		23 420	23 420	
Other financial liabilities	14 940	14 940		18 496	18 496	
Non-financial liabilities	235	235		236	236	
Total	826 310	832 086	5 776	800 216	808 664	8 446

Determination of fair value of financial instruments

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

The methods are divided in 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 a majority of valuation parameters are non-observable and based on internal assumptions.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit.

Financial instruments recognised at fair value

The following tables describe fair values at three valuation levels for financial instruments recognised at fair value.

Level 1 contains bonds in issue that are traded on an active market.

Level 2 contains primarily less liquid securities, derivatives and loans to the public.

The change due to Swedbank Mortgage's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank Mortgage's own credit risk in its own unquoted issues and the value based on prices for its own credit risk for its own unquoted issues on the origination date. The change in the value of securities in issue attributable to changes in credit risk amounted to SEK 0m during the period and is recognised as net gains and losses on

financial items. The cumulative value change amounted to SEK -125m. For loans to the public where there are no observable market inputs for the credit margin at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. The value change for loans to the public attributable to changes in credit risk amounted to SEK -13m during the period and is recognised as credit impairments. Cumulative value changes of that kind amounted to SEK -60m. The amount is determined as the difference between the current estimated credit worthiness and estimated credit worthiness of the borrower on the lending date. Other changes in fair value are considered to be attributable to changes in market risks. The valuation models may require certain internal estimates (Level 3), the scope of which is dependent on the instrument's complexity and the availability of market inputs. This category contains loans from Swedbank AB whose valuation is based on observable interbank interest rates adjusted for the difference between the interbank rate and the contractual interest rate at the time the contract was entered into. This category also contains shares in tenant-owner associations taken over for protection of claims. They have been valued at acquisition cost, since a more reliable fair value is not considered to be available. See note 3 Critical accounting judgements and estimates.

There were no transfers of financial instruments between valuation levels during the year.

33 Fair value of financial instruments cont.

Financial instruments recognised at fair value

The table shows financial instruments measured at fair value as per 31 December 2013 distributed by valuation level.

Financial instruments at fair value

Group	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to the public		320 438		320 438		360 222		360 222
Shares and participating interest			3	3			1	1
Derivatives		17 802		17 802		25 207		25 207
Total		338 240	3	338 243		385 429	1	385 429
Liabilities								
Amounts owed to credit institutions			2 875	2 875			3 713	3 713
Debt securities in issue, etc.	31 417	13 330		44 747	37 998	17 395		55 393
Derivatives		17 355		17 355		23 420		23 420
Total	31 417	30 685	2 875	64 977	37 998	40 815	3 713	82 526

Financial instruments at fair value based on Level 3

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Opening balance	1	3 713	1	6 698
Gains or Loss in statement of comprehensive income*		0		-2
Acquisitions	2	838		
Maturities				2 987
Closing balance	3	2 875	1	3 713

* Unrealised changes in value.

Financial instruments recognised at amortised cost

The table shows fair value of financial instruments measured at amortised cost as per 31 December 2013 distributed by valuation level.

Group	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Loans to credit institutions		71 046		71 046
Loans to the public		453 294		453 294
Total		524 340		524 340
Liabilities				
Amounts owed to credit institutions			271 144	271 144
Debt securities in issue	262 544	218 236		480 790
Total	262 544	218 236	271 144	751 934

34 Events after 31 December 2013

No important events have occurred.

Signatures of the Board of Directors and the President

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

describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

Stockholm, 19 February 2014

Johanna Cerwall
Chair

Magdalena Frostling
President

Anders Ekedahl

Jonas Eriksson

Gunilla Domeij Hallros

Eva de Falck

Our auditor's report was submitted on 19 February 2014

Deloitte AB

Patrick Honeth
Auktoriserad revisor

Auditors' report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Swedbank Mortgage AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 3-32.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Swedbank Mortgage AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of

Association

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

Opinions

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

Stockholm, 19 February 2014

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Definitions

Capital quotient

The capital base in relation to the capital requirement.

Capital adequacy ratio

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

Capital base

The sum of Tier 1 (primary) and Tier 2 (supplementary) capital less items in accordance with chapter 3 sections 5-8 of the Capital Adequacy and Large Exposures Act.

Credit impairment ratio

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

Credit impairments

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

Impaired loans

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

Investment margin

Net interest income in relation to average total assets.

Loan-to-value (LTV) ratio

Loan amount in relation to the market value of the collateral.

Provision for credit impairment

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

Provision ratio for individually identified impaired loans

Specific provisions for loans assessed individually and provisions for homogenous groups of loans assessed collectively in relation to impaired loans, gross.

Restructured loan

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

Return on equity

Net profit for the year in relation to average equity.

Risk-weighted assets

Total assets on the balance sheet and off-balance sheet commitments, divided into credit and market risks, valued and risk weighted according to current capital adequacy regulations.

Share of impaired loans

Book value of impaired loans, net, in relation to book value of loans to the public.

Tier 1 capital

Equity less deferred tax assets and intangible assets in the Group plus equity contributions and reserves that may be included in the capital base as Tier 1 capital according to chapter 3 section 4 of the Capital Adequacy and Large Exposures Act.

Tier 1 capital ratio

Tier 1 capital in relation to risk-weighted assets.

Total provision ratio for impaired loans

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

List of bond loans

Benchmark bonds issued abroad for Swedbank Hypotek AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in local currency, millions 31 dec 2013	Nominal amount in SEKm 31 dec 2013
EMTN 872	XS0554369081	2.00%	10-11-02	14-01-31	EUR	1 000	8 906
USCB 2	XS0609425011	3m Libor + 0,45%	11-03-28	14-03-28	USD	1 000	6 468
EMTN 818	XS0432619087	4.13%	09-06-09	14-06-09	EUR	1 250	11 133
EMTN 880	XS0603232165	2,75%	11-03-10	14-09-10	EUR	1 500	13 360
EMTN 852	XS0517421920	2,50%	10-06-15	15-06-15	EUR	1 100	9 797
EMTN 891	XS0673599097	2,25%	11-09-07	15-09-07	EUR	1 500	13 360
EMTN 877	XS0581062675	3,00%	11-01-21	16-01-21	EUR	1 000	8 906
USCB 1	XS0609192678	2,95%	11-03-28	16-03-28	USD	1 000	6 468
USCB 3	XS0670236842	2,13%	11-08-31	16-08-31	USD	1 000	6 468
EMTN 827	XS0455687920	3,63%	09-10-05	16-10-05	EUR	1 250	11 133
EMTN 839	XS0496542787	3,38%	10-03-22	17-03-22	EUR	1 100	9 797
EMTN 878	CH0124339422	1,13%	11-02-28	14-02-28	CHF	150	1 089
EMTN 882	CH0128250492	3m Chf Libor + 0,27%	11-05-16	14-05-16	CHF	100	726
EMTN 838	CH0110878490	1,63%	10-03-29	15-05-29	CHF	300	2 178
EMTN 833	CH0109730207	2,14%	10-02-26	16-08-26	CHF	350	2 541
USCB 4	XS0762447075	2,38%	12-03-23	17-04-05	USD	1 500	9 701
EMTN 873	CH0118532776	1,63%	10-12-08	17-12-08	CHF	260	1 888
EMTN 937	XS0925525510	1,13%	13-05-07	20-05-07	EUR	1 000	8 906
EMTN 875	CH0123069038	2,13%	11-02-08	21-02-08	CHF	100	726
USCB 5	XS0909788456	1,38%	13-03-28	18-03-28	USD	1 000	6 468
Totalt							140 019

List of bond loans

Bonds issued abroad for Swedbank Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in local currency, millions 31 dec 2013	Nominal amount in SEKm 31 dec 2013
EMTN 729	XS0282029627	4,17%	07-01-12	14-01-13	HKD	48	40
EMTN 551	XS0207877753	Zero coupon bond	04-12-14	14-04-01	SEK	200	200
EMTN 881	XS0618186695	3m Stibor + 0,46%	11-04-18	14-04-17	SEK	200	200
EMTN 863	XS0532509121	3m Stibor + 0,55%	10-08-12	14-05-05	SEK	2 250	2 250
EMTN 897	XS0718300634	3m Stibor + 0,43%	11-12-12	14-06-12	SEK	800	800
EMTN 823	XS0437361248	3,61%	09-07-02	14-07-02	EUR	10	89
EMTN 889	XS0644955006	3m Stibor + 0,39%	11-07-07	14-07-07	SEK	500	500
EMTN 888	CH0132525293	3m Chf-Libor + 0,32%	11-07-15	14-07-15	CHF	175	1 271
EMTN 902	XS0733712524	3m Stibor + 0,40%	12-01-19	14-09-19	SEK	1 100	1 100
EMTN 894	CH0138253130	3m Chf-Libor + 0,38%	11-10-06	14-10-06	CHF	110	799
NCB 1	NO0010546047	3m Nibor + 0,35%	09-10-16	14-10-16	NOK	1 750	1 853
EMTN 899	XS0719042375	1,70%	11-12-19	14-12-19	EUR	5	45
EMTN 704	XS0272010082	5,37%	06-10-23	14-12-23	USD	23	149
EMTN 542	XS0207287441	Zero coupon bond	04-12-06	14-12-30	HKD	130	108
EMTN 603	XS0225552271	Zero coupon bond	05-07-26	14-12-30	HKD	346	289
EMTN 903	XS0737415215	3m Stibor + 0,50%	12-01-26	15-01-26	SEK	200	200
NCB 3	NO0010563786	4,50%	10-01-26	15-01-26	NOK	300	318
EMTN 884	XS0626774656	2,80%	11-05-16	15-02-16	EUR	20	178
EMTN 906	XS0750350984	3m Stibor + 0,17%	12-02-24	15-02-24	SEK	90	90
EMTN 868	XS0548248151	3m Stibor + 0,75%	10-10-11	15-03-18	SEK	575	575
EMTN 905	XS0742410771	3m Stibor + 0,45%	12-02-07	15-03-18	SEK	1 400	1 400
EMTN 887	XS0640350020	3m Stibor + 0,53%	11-06-23	15-06-23	SEK	600	600
EMTN 606	XS0225632206	Index bond	05-08-03	15-08-03	JPY	2 000	123
EMTN 920	XS0811468619	3m Libor + 0,60%	12-08-03	15-08-03	USD	75	485
EMTN 806	XS0381281160	5,14%	08-08-05	15-08-05	EUR	20	178
EMTN 921	XS0815645584	3m Stibor + 0,15%	12-08-14	15-08-14	SEK	350	350
EMTN 694	XS0265056159	5,60%	06-08-21	15-08-21	USD	11	71
EMTN 610	XS0227718250	Index bond	05-08-25	15-08-25	EUR	10	89
EMTN 807	XS0382884079	3m Euribor + 0,26%	08-08-14	15-09-14	EUR	60	534
EMTN 910	XS0764657895	3m Stibor + 0,40%	12-03-27	15-09-16	SEK	500	500
EMTN 874	XS0563479848	2,60%	10-11-30	15-11-30	EUR	10	89
EMTN 498	XS0190092469	Index bond	04-04-07	15-12-01	SEK	500	500
EMTN 515	XS0193630661	Index bond	04-06-01	15-12-01	SEK	200	200
EMTN 917	XS0794744010	3m Stibor + 0,40%	12-06-18	15-12-18	SEK	600	600
EMTN 595	XS0221399834	Zero coupon bond	05-06-07	15-12-30	HKD	220	184
EMTN 931	XS0875344136	3m Stibor + 0,18%	13-01-15	16-01-15	SEK	2 250	2 250
EMTN 642	XS0242882008	4,62%	06-02-08	16-02-08	HKD	80	67
EMTN 907	XS0750348574	3m Nibor + 0,17%	12-02-24	16-02-24	NOK	75	79
NCB 5	NO0010601347	3m Nibor + 0,60%	11-03-01	16-03-01	NOK	1 000	1 059
NCB 6	NO0010601339	4,60%	11-03-01	16-03-01	NOK	250	265
EMTN 825	XS0445433039	3,75%	09-08-12	16-05-12	EUR	20	178
EMTN 915	XS0791635898	3m Stibor + 0,53%	12-06-13	16-06-13	SEK	375	375
EMTN 692	XS0265270073	5,07%	06-08-22	16-08-22	HKD	110	92
EMTN 695	XS0265586973	4,92%	06-08-25	16-08-25	HKD	110	92
EMTN 939	XS0969365674	0,76%	13-09-06	16-09-06	EUR	20	178
EMTN 892	XS0677387721	3m Nibor + 0,65%	11-09-15	16-09-15	NOK	150	159

List of bond loans

Bonds issued abroad for Swedbank Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity	Currency	Nominal	Nominal
						amount in local	amount in
						currency, millions	SEK
						31 dec 2013	31 dec 2013
EMTN 893	XS0677306663	3,93%	11-09-15	16-09-15	USD	7	45
EMTN 943	XS0992295948	3m Stibor + 0,13%	13-11-11	16-11-11	SEK	500	500
EMTN 947	XS1008142777	3 m Stibor + 0,12%	13-12-20	16-12-20	SEK	300	300
EMTN 904	XS0737883743	3m Stibor + 0,95%	12-01-27	17-01-27	SEK	425	425
EMTN 908	XS0755790127	3m Euribor + 0,50%	12-03-09	17-03-09	EUR	100	891
EMTN 909	XS0761323301	3m Euribor + 0,57%	12-03-21	17-03-21	EUR	25	223
EMTN 911	XS0765411839	3m Euribor + 0,50%	12-03-28	17-03-28	EUR	100	891
EMTN 912	XS0767173387	3m Stibor + 0,83%	12-04-04	17-04-04	SEK	410	410
EMTN 916	XS0791636359	3m Stibor + 0,74%	12-06-12	17-06-12	SEK	125	125
EMTN 918	XS0796286382	3m Stibor + 0,73%	12-06-26	17-06-26	SEK	250	250
EMTN 922	XS0821177093	3m Stibor + 0,60%	12-08-29	17-08-29	SEK	310	310
EMTN 923	XS0827572107	1,00%	12-09-11	17-09-11	EUR	10	89
EMTN 924	XS0828512326	3m Euribor + 0,20%	12-09-13	17-09-13	EUR	15	134
EMTN 936	XS0921764527	0,750%	13-04-25	17-10-25	EUR	10	89
NCB 7	NO0010661457	3m Nibor + 0,45%	12-10-09	17-10-09	NOK	2 000	2 117
EMTN 926	XS0848683024	3m Stibor + 0,52%	12-10-26	17-10-26	SEK	300	300
EMTN 925	XS0848471354	3m Libor + 0,25%	12-10-30	17-10-30	USD	10	65
EMTN 927	XS0850341545	3m Euribor + 0,18%	12-11-01	17-11-01	EUR	50	445
EMTN 928	XS0851135425	3m Euribor + 0,18%	12-11-02	17-11-02	EUR	50	445
EMTN 942	XS0989882625	3m Stibor + 0,25%	13-11-06	17-11-06	SEK	550	550
EMTN 896	XS0712133403	2,35%	11-12-08	17-12-08	EUR	20	178
EMTN 935	XS0907334949	3m Stibor + 0,37%	13-03-22	18-03-22	SEK	330	330
EMTN 913	XS0773510432	1,75%	12-04-23	18-04-23	EUR	10	89
EMTN 802	XS0371402875	5,95%	08-06-18	18-06-18	NOK	500	529
EMTN 940	XS0976010032	3m Stibor + 0,42%	13-10-02	18-10-02	SEK	300	300
EMTN 941	XS0985815371	3m Stibor + 0,40%	13-10-25	18-10-25	SEK	500	500
EMTN 944	XS0993962025	3 m Stibor + 0,36%	13-11-14	18-11-14	SEK	200	200
EMTN 929	XS0857212327	3m Euribor + 0,20%	12-11-21	18-11-21	EUR	30	267
EMTN 930	XS0858168379	3m Euribor + 0,20%	12-11-26	18-11-26	EUR	19	169
EMTN 945	XS0999662892	3 m Stibor + 0,32%	13-12-03	18-12-03	SEK	100	100
EMTN 946	XS1000746997	3 m Stibor + 0,31%	13-12-06	18-12-06	SEK	100	100
EMTN 938	XS0927665272	3m Euribor + 0,13%	13-05-10	18-12-10	EUR	50	445
EMTN 914	XS0778358902	6m Euribor + 0,40%	12-05-02	19-05-02	EUR	50	445
EMTN 828	XS0457848199	4,90%	09-10-22	19-10-22	NOK	750	794
NCB 2	NO0010548365	5,10%	09-11-10	19-11-11	NOK	850	900
EMTN 596	XS0221213837	0,83%	05-06-15	20-06-15	JPY	500	31
EMTN 854	XS0520001578	3,72%	10-06-24	20-06-24	EUR	10	89
EMTN 857	XS0523143567	3m Euribor + 0,46%	10-07-02	20-09-27	EUR	10	89
EMTN 597	XS0223127746	3,60%	05-06-30	20-12-01	SEK	350	350
EMTN 655	XS0252775464	Index bond	06-04-28	20-12-01	SEK	220	220
NCB 4	NO0010600315	5,25%	11-03-16	21-03-16	NOK	1 050	1 112
EMTN 885	CH0131220631	2,25%	11-06-21	21-06-21	CHF	100	726
EMTN 900	XS0720522779	6m Euribor + 0,58%	11-12-16	21-12-16	EUR	50	445
EMTN 883	CH0129918071	2,50%	11-06-03	22-06-03	CHF	150	1 089
EMTN 933	XS0877991827	1,93%	13-01-23	23-01-23	EUR	10	89
EMTN 847	XS0507697711	4,01%	10-05-20	25-05-20	EUR	10	89
EMTN 815	XS0430266741	5,07%	09-05-22	29-05-22	EUR	10	89
EMTN 816	XS0430512029	5,08%	09-05-26	29-05-28	EUR	10	89
EMTN 822	XS0435543011	5,30%	09-06-25	29-06-25	SEK	300	300
EMTN 932	XS0876113704	3,33%	13-01-17	33-01-18	USD	6	1 940
EMTN 895	XS0679425230	3,13%	11-09-20	36-09-22	SEK	1 000	1 000
EMTN 809	XS0387371551	5,35%	08-09-10	38-09-10	EUR	20	178
EMTN 834	XS0488083287	4,57%	10-03-01	40-03-01	EUR	40	356
EMTN 934	XS0896120044	3,20%	13-03-06	43-03-06	EUR	25	223
Totalt							44 205

List of bond loans

Other benchmark bonds issued abroad for Swedbank Hypotek AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in local currency, millions 31 dec 2013	Nominal amount in SEKm 31 dec 2013
RCB					EUR	2 916	25 967
Total							25 967

Swedish benchmark bonds issued in Sweden for Swedbank Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in SEKm 31 dec 2013
166	SE0000426371	6,75%	97-05-05	14-05-05	SEK	26 863
182	SE0003041045	3,75%	09-03-18	15-03-18	SEK	50 963
183	SE0003585785	3,75%	10-09-16	15-09-16	SEK	32 489
184	SE0003585793	3,75%	10-06-15	16-06-15	SEK	54 659
185	SE0003585801	3,75%	10-03-15	17-03-15	SEK	45 913
186	SE0004270007	3,75%	10-12-20	17-12-20	SEK	34 550
187	SE0004270015	3,75%	11-09-19	18-09-19	SEK	23 700
180	SE0002576561	5,70%	08-05-12	20-05-12	SEK	10 198
Total						279 335

Bonds issued in Sweden for Swedbank Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in SEKm 31 dec 2013
MTN 3089	SE0003909266	3m Stibor + 0,46%	11-03-21	14-03-21	SEK	700
MTN 3090	SE0004328516	3m Stibor + 0,53%	11-11-28	14-11-28	SEK	200
MTN 3092	SE0004390904	3m Stibor + 0,42%	11-12-30	14-12-30	SEK	1 465
MTN 3093	SE0004390912	3m Stibor + 0,70%	11-12-30	15-12-30	SEK	2 065
MTN 3088	SE0003909258	3m Stibor + 0,87%	11-03-21	16-03-21	SEK	860
179	SE0002576553	5,80%	08-05-12	16-05-12	SEK	83
MTN 3094	SE0004390920	3m Stibor + 0,95%	11-12-30	16-12-30	SEK	2 760
MTN 3096	SE0004810059	3m Stibor + 0,62%	12-09-14	17-12-29	SEK	1 840
MTN 3097	SE0005423498	3m Stibor + 0,45%	13-09-25	18-12-28	SEK	805
Total						10 778

Other Swedish benchmark bonds issued in Sweden for Swedbank Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in SEKm 31 dec 2013
7170		Zero coupon bond	00-05-02	14-05-05	SEK	5 712
Total						5 712

Board of Directors, Auditors and Executive Committee

Board members appointed by the Annual General Meeting:

Johanna Cerwall
Head of Group Lending
Born 1962

Magdalena Frostling
President of Swedbank Mortgage
Born 1965

Anders Ekedahl
Head of Group IT
Born 1960

Jonas Ericsson
Head of Group Products
Born 1974

Gunilla Domeij Hallros
Senior Vice President
Head of Treasury Analytics and Reporting
Born 1961

Eva de Falck
Head of Legal
Swedish Retail/Channels & Concepts
Born 1960

Auditor appointed by the Annual General Meeting:

Deloitte AB
Patrick Honeth

Swedbank Mortgage's Executive Committee:

Magdalena Frostling
President of Swedbank Mortgage
e-mail: magdalena.frostling@swedbank.com

Mats Larsson
CFO of Swedbank Mortgage
e-mail: mats.a.larsson@swedbank.se

Board members' shareholdings: Since Swedbank Mortgage AB is a wholly owned subsidiary of Swedbank, board members have no shareholdings in the company.

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Swedbank Mortgage AB (publ)
Corporate identification no: 556003-3283
Brunkebergstorg 8
S-106 11 Stockholm, Sweden
Telephone: +46 8 585 900 00
Fax: +46 8 585 926 09
<http://hypotek.swedbank.se/mortgage>