Swedbank Mortgage

Year-end report 2014

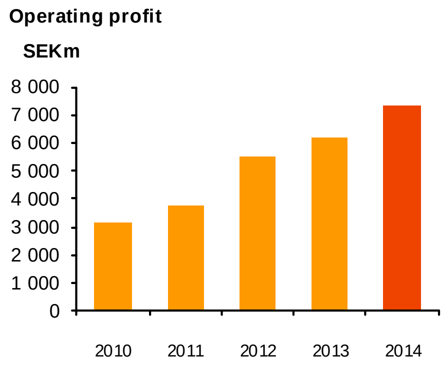
Stockholm, 3 February 2015

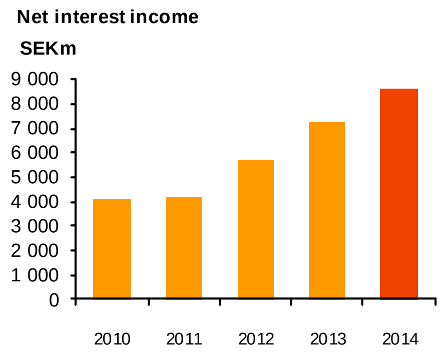
Full-year 2014

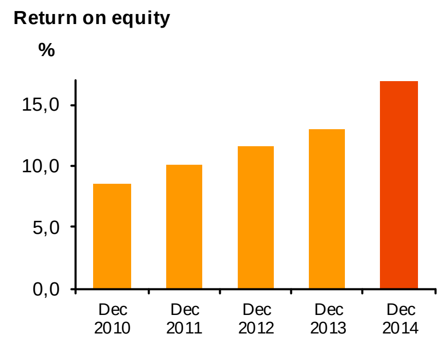
Compared with full-year 2013

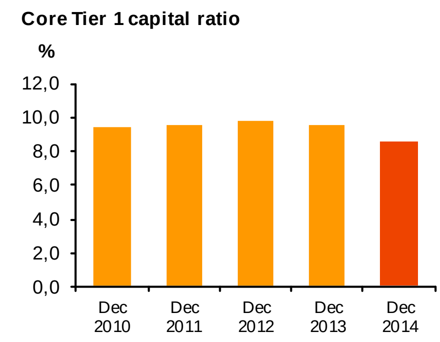
- Operating profit amounted to SEK 7 345m (6 191)
- Net interest income increased to SEK 8 584m (7 280)
- Loans to the public increased by SEK 53bn to SEK 822bn (769)
- Profit before impairments increased to SEK 7 382m (6 221)
- The return on equity was 16.9 per cent (13.0)
- The Tier 1 capital ratio was 8.6 per cent (9.5)
- Covered bonds totaling the nominal amount of SEK 92bn (73) were issued during the year

Figures in parentheses pertain to the same period in 2013 unless noted otherwise









YEAR-END REPORT 2014

Swedbank Mortgage AB (in Swedish: Swedbank Hypotek AB) is a wholly owned subsidiary to Swedbank AB (publ) responsible for the mortgage lending activities in Sweden within the Swedbank Group. The mortgage lending is mainly originated through Swedbank's and the savings banks' retail network, one of the largest bank-owned distribution networks in Sweden. No lending is performed outside of Sweden.

Numbers within parenthesis refer to the corresponding period from the previous year unless noted otherwise.

PROFIT ANALYSIS

Operating profit for the year rose by SEK 1 154m to SEK 7 345m (6 191). Net interest income amounted to SEK 8 585m (7 280).

Interest income as well as interest expense decreased during the year due to lower average interest rates on both lending and funding, despite an increase in loans to the public and its corresponding funding. Interest income for the period amounted to SEK 23 382m (25 464) and interest expense to SEK 14 798m (18 183).

Net gains and losses on financial items (NGL) amounted to SEK -506m (-437). The negative NGL is largely explained by repurchases of issued covered bonds. For further information, see note 3.

Other expenses amounted to SEK 749m (674). Other expenses include a large part of the compensation paid to the savings banks and partly owned banks. This cost amounted to SEK 748m (674). No such settlement is performed with Swedbank.

LENDING

Swedbank Mortgage is a Swedish mortgage institution with a leading position on the Swedish market. Its business is long-term mortgage lending and the company has over one million clients.

Swedbank Mortgage grants loans up to a ratio of 85 per cent of the market value of the underlying collateral. Swedbank Mortgage also lends directly to municipalities or to other lenders with local government guarantees as collateral, as well as to agricultural and forestry businesses under the secondary name Jordbrukskredit.

During the period, loans to the public increased by nominal SEK 51 491m (27 099) to SEK 815 611m (764 120). Lending to the private segment rose by SEK 36 236m (18 972), lending to the corporate segment by SEK 11 771m (6 048) and lending to the agricultural and forestry segment by SEK 3 484m (2 078).

In total, Swedbank Mortgage's loans to the public amounted to SEK 821 547m after provisions (768 840), of which the accumulated change in market value accounted for SEK 5 936m (4 720).

The credit quality of the lending remains at a very high level and credit impairments at a low level. Compared to 2013, net credit impairments increased by SEK 7m to SEK 37m (30). Provisions amounted to SEK 122m (155). Credit impairments and loans are specified in notes 4 and 5.

FUNDING

Swedbank Mortgage finances its lending by issuing covered bonds on the Swedish and international capital markets. The funding process is simplified by a number of standardised funding programs, which are legally conformed to a number of different markets and investors.

In 2014, Swedbank Mortgage issued a 7-year benchmark bond in the Euro market. There was great interest from investors and since the nominal amount was limited to EUR 1bn, the bond was issued on very favorable terms. The activity on the domestic market has remained high. New funding during the year totaled SEK 92bn, of which SEK 80bn was issued on the domestic market.

As a part of Swedbank Mortgage's liquidity strategy to minimize risk originating from big redemptions at the same time, the company actively repurchases large parts of the redeeming volumes, starting about one year before maturity. Hence, SEK 46bn in three different benchmark bonds with short remaining maturity have been repurchased in 2014. The remaining volume of domestic benchmark bonds maturing in 2015 is SEK 43bn. Nominal SEK 75bn have matured in 2014.

The average maturity of all outstanding covered bonds is 35 months (36) as per 31 December.

Debt to Swedbank AB has increased by SEK 49bn to SEK 322bn (274) during the year. For further information, see notes 8 and 10.

CAPITAL ADEQUACY

The capital adequacy ratio according to the transitional rules amounted to 9.6 per cent at the end of the period (9.5) and the tier 1 capital ratio to 8.6 per cent (9.5). The capital requirement amounted to SEK 32 506m (30 189), compared to SEK 4 191m (3 872, according to Basel 2) at full effect of Basel 3. Capital adequacy is specified in note 14.

Swedbank Mortgage's legal capital requirement is based on the CRR, but more specifically restricted by the Basel 1 floor within CRR. The SFSA has made clear that the Basel 1 floor, i.e. 80% of the capital requirements according to Basel 1, will be maintained for Swedish institutions as a backstop rule. Since Swedbank Mortgage's capital requirement according to the Basel 1 floor is higher than the requirements in CRR/CRDIV Pillar 1 and Pillar 2 combined (including a risk-weight floor on Swedish mortgage of 25% and a conservation buffer of 2.5%), these rules constitute the minimum capital requirements for Swedbank Mortgage. The Basel 1 floor is assessed to be the minimum requirement for Swedbank Mortgage even when countercyclical buffers enter into force during 2015.

An international effort is underway regarding future capital requirements for banks. Among other things, the Basel Committee is conducting an extensive analysis to improve the comparability of banks' capital ratios. The review covers future standard methods for calculating capital requirements for credit, market and operational risks and may propose the introduction of a capital floor based on these standard methods for banks that use internal models. Due to uncertainty about the specifics of the new regulations as well as how and when they will be implemented, it is still too early to draw any conclusions on the potential impact on Swedbank Mortgage.

Swedbank Mortgage's leverage ratio was 4.25 per cent as of 31 december (4.15 per cent 30 september 2014. The EU-commissions' clarification of the definition in October has been taken into consideration. A revaluation will be done by the supervisory authorities before a possible minimum requirement 2018.

According to the Basel 1 floor regulation, the capital requirement can be obtained through a combination of common equity tier 1 (CET 1), tier 1 and tier 2 capital without specifying the share of each type of capital. By the end of 2013, Swedbank Mortgage's capital base included CET 1 capital only. With the purpose to optimize the capital structure in Swedbank Mortgage, the board of directors decided in March to exchange SEK 4 000m from CET 1 to tier 2 capital through a subordinated loan.

RISKS

The primary risks are credit risk, liquidity risk, financial risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited financial and operational risks. In addition to what is stated in this interim report, a description of the company's risks is provided in the Annual Report for 2013, from page 16. No significant changes have taken place with regard to the distribution of risks compared to what is stated in the annual report.

INTEREST RATE RISK

An increase in market interest rates by one percentage point as per 31 December 2014 would have reduced the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 808m (800), whereas a the corresponding increase in the case of a one percentage point decrease in market interest rates is SEK 820m (824). A one percentage point increase in market interest rates as per 31 December 2014 would have reduced Swedbank Mortgage's net gains and losses on financial items accounted for at fair value, excluding cash flow hedge, by SEK 415m (359). This would have a negative effect of SEK 105m on equity. The corresponding amount for Swedbank Mortgage's net gains and losses on financial items accounted for at fair value, excluding cash flow hedge, in the case of a one percentage decrease in market interest rates is an increase by SEK 413m (358). This would have a positive effect of SEK 103m on equity

RATING

Swedbank Mortgage is one of the biggest issuers on the Swedish market for covered bonds with top-rating from both Moody's Investor Service and Standard & Poor's (Aaa/AAA).

On 29 April 2014, Standard & Poor's upgraded Swedbank Mortgage's individual rating, above all due to solid capitalization. At the same time, Standard & Poor's downgraded its outlook for 50 other European banks to negative. This was a consequence of the European Parliament's approval of the Bank Recovery and Resolution Directive. Moody's came to the same conclusion and downgraded its outlook for both Swedbank Mortgage and a large number of other European banks to negative on 29 May.

EVENTS AFTER 31 DECEMBER 2014

No significant events have occurred.

ANNUAL REPORT

Swedbank Mortgage's annual report will be available to the public on Swedbank's webpage on 20 February.

Swedbank

SWEDBANK MORTGAGE Financial summary

	2014	2013	2012	2011	2010
Lending					
Loans to the public, SEKm	821 547	768 840	743 931	716 695	697 299
Profit					
Operating profit	7 345	6 191	5 502	3 773	3 179
Investment margin, % a)	0,97	0,87	0,72	0,59	0,53
Return on equity, %	16,9	13,0	11,7	8,6	7,4
Earnings per share, SEK	249,0	209,9	178,3	120,9	101,7
Capital					
Capital base, SEKm	38 825	35 599	33 994	32 562	30 968
Equity, SEKm	33 269	35 288	33 965	34 116	31 680
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	1 446	1 534	1 477	1 483	1 377
Capital adequacy ratio, % [b]	9,6	9,5	9,5	9,5	9,3
Tier 1 capital ratio, % b)	8,6	9,5	9,5	9,5	9,3
Credit quality					
Credit impairments, SEKm	37	30	70	56	168
Loan loss ratio, %	0,00	0,00	0,01	0,01	0,02
Provision ratio for impaired loans, % b)	42	73	76	105	142
Share of impaired loans, net, loans to the public %	0,03	0,02	0,02	0,02	0,01

[a] Calculated as an average over 12 months.

[b] Including portfolio provisions for loans that individually are assessed as impaired

Financial summary of 2014 views Swedbank Mortgage AB.

INCOME STATEMENT condensed

SEKm	Note	Swedbank Mortgage 2014 Jul-Dec	2013 Jul-Dec	2014 Full year	2013 Full year
Interest income		11 321	12 505	23 382	25 464
Interest expense		-6 600	-8 739	-14 798	-18 183
Net interest income		**4 721**	**3 766**	**8 584**	**7 280**
Commission income		36	38	72	77
Commission expenses		-15	-12	-25	-30
Net commissions		**21**	**26**	**47**	**47**
Net gains and losses on financial items	3	-355	-270	-506	-437
Other income		6	5	10	9
Total income		**4 393**	**3 527**	**8 135**	**6 899**
Other expenses		390	335	749	674
Staff costs		4	4	4	4
Total expenses		**394**	**339**	**753**	**678**
Profit before impairments		**3 999**	**3 188**	**7 382**	**6 221**
Credit impairments	4	14	21	37	30
Operating profit		**3 985**	**3 167**	**7 345**	**6 191**
Tax		879	698	1 618	1 364
Profit for the period		**3 106**	**2 469**	**5 727**	**4 827**

STATEMENT OF COMPREHENSIVE INCOME condensed

SEKm	Swedbank Mortgage 2014 Jul-Dec	2013 Jul-Dec	2014 Full year	2013 Full year
Profit for the period	**3 106**	**2 469**	**5 727**	**4 827**
Items that may be reclassified to the income statement				
Cash flow hedges:				
Gains and losses arising during the period	413	-310	303	-394
Reclassification adjustments to income statement, net interest income	9	1	11	3
Income tax relating to components of other comprehensive income	-93	68	-69	86
Total comprehensive income for the period	**3 435**	**2 228**	**5 972**	**4 522**

Total change in value on derivatives included in cash flow hedges amounted to SEK 9 120m during the period, of which SEK 8 807m is transferred to the income statement.

BALANCE SHEET condensed

SEKm	Note	Swedbank Mortgage 2014 31 Dec	2013 31 Dec
Assets			
Loans to credit institutions	5	47 626	71 046
Loans to the public	5	821 547	768 840
Value change of interest hedged item in portfolio hedge		1 291	62
Derivatives	6	33 265	17 802
Other assets	7	4 125	3 848
Total assets		**907 854**	**861 598**
Liabilities and equity			
Amounts owed to credit institutions	8	322 387	273 759
Debt securities in issue	10	520 089	520 021
Derivatives	6	10 751	17 355
Other liabilities	9	16 290	14 940
Subordinated liabilities		4 000	
Untaxed reserves		1 068	1 068
Equity		33 269	34 455
Total liabilities and equity		**907 854**	**861 598**

STATEMENT OF CHANGES IN EQUITY condensed

Swedbank Mortgage, SEKm	Share capital	Other contributed equity	Fair value fund	Retained earnings	Total
Opening balance 1 January, 2013	**11 500**	**3 100**	**-312**	**18 845**	**33 131**
Group distributions accrued				-4 100	-4 100
Tax reduction due to Group contributions paid				902	902
Total comprehensive income for the period			-305	4 827	4 522
Closing balance 31 December, 2013	**11 500**	**3 100**	**-617**	**20 474**	**34 455**
of which conditional shareholders' contributions				2 400	2 400
Opening balance 1 January, 2014	**11 500**	**3 100**	**-617**	**20 474**	**34 455**
Group distributions accrued				-7 382	-7 382
Tax reduction due to Group contributions paid				1 624	1 624
Dividends paid				-4 000	-4 000
Shareholders' contributions				2 600	2 600
Total comprehensive income for the period			244	5 727	5 972
Closing balance 31 December, 2014	**11 500**	**3 100**	**-373**	**19 042**	**33 269**
of which conditional shareholders' contributions				2 400	2 400

CASH FLOW STATEMENT condensed

Swedbank Mortgage, mkr	2014 Full year	2013 Full year
Operating activities		
Operating profit	7 345	6 191
Adjustments for non-cash items in operating activities	4 185	981
Taxes paid	-463	-357
Increase/decrease in loans to credit institutions		3 000
Increase/decrease in loans to the public	-51 491	-27 098
Increase/decrease in amounts owed to credit institutions	48 629	48 917
Increase/decrease in other assets	69	535
Increase/decrease in other liabilities	828	-422
Cash flow from operating activities	**9 102**	**31 746**
Investing activities		
Change in fixed assets		1
Cash flow from investing activities		**1**
Financing activities		
Issuance of interest-bearing securities	95 749	74 251
Redemption of interest-bearing securities	-123 886	-84 168
Shareholders' contributions	2 600	
Increase/decrease in other funding	1 115	-4 867
Group distributions paid	-4 100	-3 700
Dividends paid	-4 000	
Cash flow from financing activities	**-32 522**	**-18 484**
Cash flow for the period	**-23 420**	**13 263**
Cash and cash equivalents at the beginning of the period	**71 046**	**57 783**
Cash flow for the period	-23 420	13 263
Cash and cash equivalents at end of the period	**47 626**	**71 046**

Cash and cash equivalents consist of cash accounts with Swedbank AB and are included in Loans to credit institutions.

RATING

Swedbank Mortgage	Moody´s Rating	Moody´s Outlook	Standard & Poor´s Rating	Standard & Poor´s Outlook
Coverd bonds	Aaa	N/A	AAA	Stable
Long-term	A1	Stable	A+	Stable
Short-term	P-1	N/A	A-1	N/A

NOTES

NOTE 1 Accounting policies

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

No changes in the legal accounting framework have had a substantial effect on Swedbank Mortgage's financial position, result and disclosures.

Changed model for provisions and impaired loans

The model for standardized provisions was changed in November 2014. On loans to the Private segment, a provision is made if the loan is overdue for more than 90 days and has an LTV over 60 per cent. Loans to the Corporate and the Forestry & Agricultural segments are individually assessed.

The calculation of impaired loans was changed in November 2014. Loans which are overdue for more than 90 days, or with another loss event, are considered impaired if the collateral does not cover the exposure. Loans to the Private segment are considered to be covered if the LTV is below 60 per cent. Loans to the Corporate and the Forestry & Agricultural segments are individually assessed.

Other

The accounting principles applied in the year-end report are otherwise the same as those applied in the preparation of the Annual Report for 2013.

NOTE 2 Business segments

Swedbank Mortgage, SEKm	2014 Private	2014 Corporate	2014 Agricultural & Forestry	2014 Total	2013 Private	2013 Corporate	2013 Agricultural & Forestry	2013 Total
Total income	6 141	1 150	621	**7 912**	5 200	884	525	**6 609**
Total cost	611	46	91	**748**	552	44	78	**674**
Operating profit	5 506	1 108	513	**7 127**	4 624	840	440	**5 904**
Loans to the public	618 926	143 283	59 338	**821 547**	582 002	131 076	55 761	**768 840**

Reconciliation of segment accounting and financial report.

Swedbank Mortgage, SEKm	2014 Total segment	2014 Recon-ciliation	2014 Total financial report	2013 Total segment	2013 Recon-ciliation	2013 Total financial report
Total income	7 912	223	**8 135**	6 609	291	**6 899**
Total cost	748	5	**753**	674	4	**678**
Operating profit	7 127	218	**7 345**	5 904	287	**6 191**
Assets	821 547	86 307	**907 854**	768 840	92 758	**861 598**

Income and balance in the Private segment arises from loans to private individuals for financing of residential housing. Corresponding items for the Corporate segment refers to loans to municipally owned real estate companies and residential property companies with underlying collateral in apartment buildings or local government guarantees. The Agricultural and Forestry segment includes loans for financing of agricultural and forestry properties. P/L-posts such as net gains and losses on financial items at fair value, return on legal capital and other minor posts are not distributed on business segments.

NOTE 3 Net gains/losses on financial items

Swedbank Mortgage, SEKm	2014 Jul-Dec	2013 Jul-Dec	2014 Full-year	2013 Full-year
Fair value through profit or loss				
Trading and derivatives				
Interest-bearing instruments	-138	-574	-1 021	1 840
Fair value option				
Interest-bearing instruments	18	257	960	-2 158
Total	**-120**	**-317**	**-61**	**-318**
Hedge accounting, fair value hedges				
Inefficiency in hedge accounting at fair value	35	5	-7	12
of which hedging instruments	2 844	-447	7 473	-6 436
of which hedged items	-2 809	452	-7 480	6 448
Total	**35**	**5**	**-7**	**12**
Financial liabilities at amortised cost	**-373**	**-36**	**-608**	**-268**
Loans and receivables at amortised cost	**103**	**79**	**170**	**137**
Change in exchange rates	**0**	**0**	**0**	**0**
Total	**-355**	**-270**	**-506**	**-437**

Swedbank Mortgage uses the fair value option as an alternative to hedge accounting. A change was made in 2014 whereby exchange rate effects for liabilities the bank has chosen to measure at fair value as well as exchange rate effects from derivatives that financially hedge these liabilities are now recognised as changes in exchange rates. Previously exchange rate effects were recognised together with other changes in the value of these items. The change did not affect total net gains and losses on financial items at fair value. Comparative figures for 2013 have been restated.

NOTE 4 Credit impairments

Swedbank Mortgage, SEKm	2014 Jul-Dec	2013 Jul-Dec	2014 Full-year	2013 Full-year
Provisions for loans that are assessed as impaired				
Provisions	12	6	12	7
Reversal of previous provisions		-2	-5	-5
Provisions for homogenous groups of impaired loans, net	-24	-9	-31	-13
Total	**-12**	**-5**	**-24**	**-11**
Portfolio provision for loans that individually are not assessed as impaired	**-1**	**-8**	**1**	**-27**
Write-offs				
Established losses	31	50	74	87
Utilisation of previous provisions	-1	-15	-9	-16
Recoveries	-3	-1	-5	-3
Total	**27**	**34**	**60**	**68**
Credit impairments	**14**	**21**	**37**	**30**

NOTE 5 Loans

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Lending		
Carrying amount before provisions	869 295	840 040
Provisions for loans that individually are assessed as impaired	-31	-64
Portfolio provisions for loans that individually are not assessed as impaired	-91	-91
Total provisions	**-122**	**-155**
Carrying amount of loans after provisions	**869 173**	**839 886**
Impaired loans		
Impaired loans, gross	293	213
Provisions for individually assessed impaired loans	-31	-64
Carrying amount of impaired loans	**262**	**149**
Share of impaired loans, gross, loans to the public, %	0,04	0,03
Share of impaired loans, net, loans to the public, %	0,03	0,02
Total provision ratio for impaired loans, % [c)]	41,7	72,7
Provision ratio for individually identified impaired loans, %	10,6	30,1

[c)] Including portfolio provisions for loans that individually are assessed as impaired. The provision ratio is affected by the changed provision model, see note 1.

Loans by borrower category

Swedbank Mortgage, SEKm	Private customers	Real estate Manage-ment	Other corporate lending	Munici-palities	Total lending to the public	Credit institutions	Total lending
Book value before accounting for provisions	**685 284**	**125 887**	**8 639**	**1 859**	**821 669**	**47 626**	**869 295**
Provisions for loans that individually are assessed as impaired	-28	-2	-1		-31		-31
Portfolio provisions for loans that individually are not assessed as impaired	-78	-13			-91		-91
Book value after accounting for provisions	**685 178**	**125 872**	**8 638**	**1 859**	**821 547**	**47 626**	**869 173**
Book value of impaired loans	226	36			262		262

NOTE 6 Derivatives

Swedbank Mortgage trades derivatives to hedge positions with regard to the value of interest rates and currencies.

	31 Dec 2013			31 dec 2012		
Swedbank Mortgage, SEKm	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book values	22 336	10 929	**33 265**	15 501	2 301	**17 802**
of which in hedge accounting	20 725	2 958	**23 683**	13 580	521	**14 101**
Derivatives with negative book values	6 829	3 922	**10 751**	5 162	12 193	**17 355**
of which in hedge accounting	1 876	3 118	**4 994**	1 241	9 925	**11 166**
Notional amount	545 869	164 488	**710 357**	596 643	203 964	**800 607**

NOTE 7 Other assets

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Prepaid expenses and accrued income	2 489	3 193
Security settlement claims	605	
Current tax assets	852	383
Deferred tax assets	105	174
Other	74	98
Total	**4 125**	**3 848**

NOTE 8 Amounts owed to credit institutions

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Valuation category, other financial liabilities		
Swedish banks	322 387	270 884
Total	**322 387**	**270 884**
Valuation category, fair value through profit or loss		
Swedish banks [d]	-	2 875
Total	**-**	**2 875**
Total	**322 387**	**273 759**
[d] Nominal amount	-	2 874

NOTE 9 Other liabilities

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Security settlement liabilities	730	
Group distribution to parent company	7 382	4 100
Accrued expenses and deferred income	8 088	10 676
Other liabilities	90	164
Total	**16 290**	**14 940**

NOTE 10 Debt securities in issue

Swedbank Mortgage, SEKm	2014 31 dec	2013 31 dec
Valuation category, other financial liabilities		
Commercial paper	1 648	40
Bond loans	460 272	470 698
Change in value due to hedge accounting	23 808	49
Other		4 488
Total	**485 728**	**475 275**
Valuation category, fair value through profit or loss		
Bond loans	34 361	44 746
Total	**34 361**	**44 746**
Total	**520 089**	**520 021**

NOTE 11 Financial instruments

Swedbank Mortgage, SEKm	2014 Fair value	2014 Carrying amount	2014 Difference	2013 Fair value	2013 Carrying amount	2013 Difference
Assets						
Financial assets covered by IAS 39						
Loans to credit institutions	47 626	47 626		71 046	71 046	
Loans to the public	830 164	821 547	8 617	773 732	768 840	4 892
Shares and participating interest	1	1		3	3	
Derivatives	33 265	33 265		17 802	17 802	
Other financial assets	5 310	5 310		3 733	3 733	
Total	**916 366**	**907 749**	**8 617**	**866 316**	**861 424**	**4 892**
Non-financial assets	105	105		174	174	
Total	**916 471**	**907 854**	**8 617**	**866 490**	**861 598**	**4 892**
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	322 493	322 387	106	274 019	273 759	260
Debt securities in issue	526 350	520 089	6 261	525 537	520 021	5 516
Subordinated liabilities	4 006	4 000	6			
Derivatives	10 751	10 751		17 355	17 355	
Other financial liabilities	16 289	16 289		14 940	14 940	
Total	**879 889**	**873 516**	**6 373**	**831 851**	**826 075**	**5 776**
Non-financial liabilities				235	235	
Total	**879 889**	**873 516**	**6 373**	**832 086**	**826 310**	**5 776**

NOTE 11 Financial instruments, cont.

Determination of fair value for financial instruments.

2014 Swedbank Mortgage, SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to the public		275 358		275 358
Shares and participating interests			1	1
Derivatives		33 265		33 265
Total		**308 623**	**1**	**308 624**
Liabilities				
Amounts owed to credit institutions				
Debt securities in issue	23 237	11 123		34 360
Derivatives		10 751		10 751
Total	**23 237**	**21 874**		**45 111**

The table above indicates valuation method for financial instruments measured at fair value. These methods are divided into three levels based on the degree of observability of data in the valuation.

If possible, fair value of the financial instruments is established from quoted market prices in active markets (Level 1). Where quoted market prices can't be established, generally accepted valuation techniques using observable data are used (Level 2). These techniques may require certain assumptions (Level 3) and the scope of these depend on the complexity of the instrument and the availability of market data. This group includes shares in tenant-owner associations. They have been valued at acquisition cost, since a more reliable fair value is not considered to be available.

2013 Swedbank Mortgage, SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets				
Loans to the public		320 438		320 438
Shares and participating interests			3	3
Derivatives		17 802		17 802
Total		**338 240**	**3**	**338 243**
Liabilities				
Amounts owed to credit institutions			2 875	2 875
Debt securities in issue	31 417	13 330		44 747
Derivatives		17 355		17 355
Total	**31 417**	**30 685**	**2 875**	**64 977**

NOTE 11 Financial instruments, cont.

Changes in Level 3.

Swedbank Mortgage, SEKm	2014 Assets	2014 Liabilities	2013 Assets	2013 Liabilities
Opening balance	**3**	**2 875**	**1**	**3 713**
Gains or losses		-1		
Acquisitions			2	
Sales of assets	-2			
Maturities		-2 874		-838
Closing balance	**1**	**0**	**3**	**2 875**

NOTE 12 Assets pledged for own liabilities and commitments

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Assets pledged for own liabilities		
Loans pledged for securities in issue e)	780 213	740 215
Securities pledged for other liabilities	None	None
Contingent liabilities	None	None
Commitments, nominal amount	9 507	6 206
Total	**789 720**	**746 421**

e) Consists of collateral for covered bonds. Collateral refers to the customer's nominal debt including accrued interest.

NOTE 13 Related parties

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.

Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Assets		
Loans to credit institutions	47 626	71 046
Derivatives	33 139	17 732
Other assets	36	37
Total	**80 801**	**88 815**
Liabilities		
Amounts owed to credit institutions	322 347	273 720
Debt securities in issue	10 774	9 472
Derivatives	10 751	17 359
Other liabilities	7 906	5 626
Total	**351 778**	**306 177**
Income statement		
Interest income	378	528
Interest expenses	-776	-2 808
Other expenses	-13	-160
Total	**-411**	**-2 440**

NOTE 14 Capital adequacy

For Swedbank Mortgage, the CRR capital adequacy rules mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal risk classification according to an Internal Ratings-based Approach ("IRB") developed by Swedbank. For a small portion of assets, the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated according to the standardised approach with the approval of the Financial Supervisory Authority.

The transition rules state that the minimum capital requirement may not fall below 80 per cent of the requirement according to the Basel 1 rules. Swedish authorities have previously announced that this floor will be eliminated in connection to the introduction of the new, higher capital requirement under CRR. The SFSA decided though in March 2014 to not remove the Basel 1 floor.

Capital adequacy Basel 2/Basel 3 [f]	Basel 3	Basel 2
Capital base	2014	2013
Swedbank Mortgage, SEKm	31 Dec	31 Dec
Tier 1 capital	34 825	35 599
Tier 2 capital	4 000	
Capital base	**38 825**	**35 599**

Capital requirement	2014	2013
Swedbank Mortgage, SEKm	31 Dec	31 Dec
Capital requirement for credit risks, IRB	3 302	3 337
Capital requirement for credit risks, standardised approach	212	
Capital requirement for operational risks	678	535
Capital requirement	**4 191**	**3 872**
Capital requirement Basel 1 floor	32 506	30 189
Own funds Basel 3 adjusted according to rules for Basel 1 floor	38 565	35 824
Surplus of capital according to Basel 1 floor	**6 059**	**5 635**
Risk exposure amount including transitional rules	**406 328**	**374 557**

[f] Reporting as of 31 December 2014 according to current regulation (Basel 3). Comparative figures for 2013 according to previous regulation (Basel 2).

NOTE 14 Capital adequacy, cont.

Capital adequacy key ratios Swedbank Mortgage, SEKm	2014 31 Dec	2013 31 Dec
Common Equity Tier 1 capital ratio, %	66,5	73,5
Tier 1 capital ratio, %	66,5	73,5
Total capital adequacy ratio, %	74,1	73,5
Capital buffers [g], %		
CET1 capital requirement including buffer requirements	7,0	
of which capital conservation buffer %	2,5	
CET 1 capital available to meet buffer requirement [h]	60,5	
Common Equity Tier 1 capital ratio including transitional rules, %	8,6	9,5
Tier 1 capital ratio including transitional rules, %	8,6	9,5
Total capital adequacy ratio including transitional rules, %	9,6	9,5

[g] New buffer requirement according to Swedish implementation of CRD IV.
[h] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Risk exposure amount and Own funds requirement Swedbank Mortgage, SEKm	2014 31 Dec Risk exposure amount	 Own funds requirement
Credit risks according to standardised approach	**2 649**	**212**
Corporate exposures	821	66
Equity exposures	265	21
Retail exposures	1 564	125
Credit risks, IRB	**41 274**	**3 302**
Institutional exposures	30	2
Corporate exposures	9 181	735
Retail exposures	32 045	2 564
of which mortgage lending	32 045	2 564
Non-credit obligation	18	1
Operational risks	**8 469**	**678**
of which Standardised approach	8 469	678
Total	**52 393**	**4 191**

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: http://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the year-end report for 2014 provides a fair and accurate overview of the operations, financial position and results of Swedbank Mortgage, and that it describes the significant risks and uncertainties faced by Swedbank Mortgage.

Stockholm, 3 February 2015

Leif Karlsson Chair	Magdalena Frostling President	Anders Ekedahl
Gunilla Domeij Hallros	Jonas Erikson	Eva de Falck

Review report

Introduction

We have reviewed the interim report for Swedbank Hypotek AB (publ) for the period January 1 – December 31, 2014. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 3 February 2015

Deloitte AB

Patrick Honeth
Authorised Public Accountant

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