Swedbank

Swedbank Mortgage
Annual Report 2015

Contents

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, and responsible for mortgage lending in Sweden.

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, which 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 uses a number of partners in addition to its own brand, Swedbank Fastighetsbyrå, including home builders and other housing construction companies.

Swedbank Mortgage finances properties and individual tenant-owned apartments up to 85 percent 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

Growth in developed economies was weaker than expected in 2015. To stimulate the economies, the US Federal Reserve postponed the first interest rate increase for a long time to December and the European Central Bank carried out additional easing at the end of the year. In Sweden, the Riksbank lowered the repo rate from 0 percent to -0.35 percent during the year.

Mortgage demand was high in 2015, house prices increased driven by decreasing availability and low interest rates. During the fourth quarter price rises slowed down compared to previous periods and prices were more or less flat compared to the third quarter. This was mostly due to discussions about amortization requirements and about tax allowances for interest rate costs in order to dampen house prices and household debt. Neither of these suggestions solve the basic problem of the housing market - supply does not meet demand.

Corporate lending demand remained low. In 2015, most growth was in the real estate sector.

Swedbank supports sustainability in the mortgage market and encourages a solid financial situation for customers. Thus, as of 1 September, Swedbank has tightened its amortization guidelines. The guidelines are in line with the Swedish Financial Supervisory Authority's proposal i.e. loans at over 70 percent of the property's value must be amortized by at least 2 percent a year. Loans at 50 to 70 percent of the property's value must be amortized by at least 1 percent a year. In addition, in the second quarter, Sweden tightened its credit assessment requirement to ensure that the bank's customers can handle a worsening financial situation. Housing construction continued to rise in 2015 although not enough to meet demand.

Market shares and volumes

Market growth for residential mortgages continued to be high, with an annual increase of 8,3 percent (6,3). Swedbank's net growth amounted to 18,5. Swedbank's share of market growth amounted to 18,5 percent for the full-year 2015. Swedbank Mortgage's total market share is 24,7 percent.

Lending and credit quality

Swedbank Mortgage's credit portfolio is of high quality with very low credit impairments and few customers with existing or anticipated payment problems. Credit demand in Swedbank Mortgage's domestic market remained high in 2015. Nominal lend¬ing, net, increased by SEK 39bn to SEK 855bn (816). Nominal lending to households increased by SEK 41bn to SEK 656bn (615). Nominal lending to the corporate sector, largely consist¬ing of tenant-owner associations with low loan-to-value ratios, decreased by SEK 3bn to SEK 139bn (142). Lending to the forestry and agriculture sector increased by SEK 1bn to SEK 60bn (59).

The average loan-to-value ratio for Swedbank Mortgage's mortgages was 56 percent (59.2) as of 31 December 2015. The average loan-to-value ratio for new mortgages in Swedbank Mortgage was 66.9 percent (69.1).

Loan-to-value (LTV) is lending in relation to the market value of the collateral. The most recent valuation in Swedbank's internal valuation system is used as the market value, provided it is not older than 12 months. If the valuations are older, the property type is revalued using current indices reflecting the regional price performance for the various types of properties. These property price indices are updated monthly by the bank's cooperation partners and the weightings are based on district court and estate agent statistics.

Credit quality remains high. Impaired loans decreased by SEK 55m in 2015 to SEK 208m and correspond to 0.02 percent of total lending. The average provision ratio for impaired loans is 13.8 percent. In 2014 the definition of impaired loans changed from 60 days to 90 days past due. In addition there are portfolio provisions for impaired loans that have not yet been identified, which leads to a total provision ratio of 48.4 percent. The share of mortgages in Sweden past due more than 60 days amounted to 0.04 percent of the portfolio (0.07).

Credit impairments in 2015 very low and amounted to SEK 30m (37). Loans assessed to have an elevated risk are being carefully monitored. The credit portfolio continuously undergoes stress tests, indicating a robust solvency among the company's mortgage debtors and a loan-to-value ratio that indicates a low risk of credit impairments. Furthermore, a deep understanding of customers, gained through a large branch network with focus on the customers' solvency has contributed to keep past due loans at low levels. A low loan-to-value ratio among Swedbank Mortgage's customers, combined with a continued stable real estate market, meant that customers who have incurred payment problems have usually been able to sell their properties without credit impairments.

Mortgage customer solvency is expected to remain good and the risk of credit impairments low. Swedbank Mortgage's low risk profile is the result of a restrictive credit view, geographically diversified lending to many customers and close monitoring of the company's credit customers at local level. During 2015, additional steps were taken as regards new lending: Swedbank increased margins in the left-to-live-on calculation and introduced new amortisation requirements for loans over 50 percent of the property's value.

Funding

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

During the year there was continued good demand for Swedbank Mortgage's bonds. During 2015 Swedbank Mortgage issued slightly larger volumes of long term bonds compared to previous years and took advantage of the good market situation. Partly to pre finance upcoming maturities but also to match increased lending volumes.

In 2015, Swedbank Mortgage issued 5 international benchmark bonds, two in EUR, two in GBP and one in USD. The total volume converted to SEK amounted to SEK 41bn. Investor interest was generally high and the issuances could be done on very good terms.

In the Swedish market Swedbank Mortgage has continuously issued a new FRN loan structure in a slightly larger format. This FRN loan does have the same maturity date as one of the big domestic outstanding benchmark bonds (loan 187). The outstanding volume at year-end for this FRN loan amounted to over SEK 8bn. Swedbank Mortgage also opened a new benchmark bond (loan 189). The outstanding volume in that loan amounted to SEK 5bn. Activity in the domestic market was otherwise calmer during the latter part of the year, probably due to the credit spread uncertainty in the second half of 2015. Of SEK 155bn total funding SEK 106bn was issued in the Swedish market.

As a part of Swedbank Mortgage's liquidity strategy to minimise risk originating in the form of large redemption volumes at the same time, the company actively repurchases large parts of the redeeming volumes, starting about one year before maturity. During 2015 SEK 39bn was repurchased in 3 different benchmark bonds with short remaining maturities.

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

Rating

Swedbank Mortgage is one of the largest players on the Swedish covered bond market with top rating from both Moody's Investor Service and Standard & Poor's (Aaa/AAA). As a result of Swedbank AB's general and unconditional guarantee to Swedbank Mortgage the credit ratings are linked.

On 17 June 2015, Moody's upgraded Swedbank Mortgage's rating to Aa3. The upgrade was due to Swedbank's strong profitability and high credit quality as well as long term strategy and strong brand. On 2 December 2015 Standard & Poor's upgraded Swedbank Mortgage's credit rating to AA-. The upgrade was due to the continuity in Swedbank Group's governance, stable profitability and higher level of efficiency

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Swedbank Mortgage Rating

	Moody´s		Standard & Poor´s	
	Rating	**Utsikt**	**Rating**	**Utsikt**
Covered Bonds	Aaa	N/A	AAA	Stable
Long-term funding	Aa3	Stable	AA-	Negative
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 of converting financing in foreign currencies 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.

Corporate governance report

The shareholders ultimately make the decisions about the gov¬ernance of Swedbank Mortgage. At the annual general meeting the shareholders select the Board of directors and auditors. The Board is responsible to the shareholders for the organisation and the management of Swedbank Mortgage and selects a CEO to run the company's operations. The auditors review the financial reporting, among other things, and submit an auditor's report. The Board of Directors is ultimately responsible for ensuring that the internal control over financial reporting (ICFR) complies with external regulations. These regulations, which contain information requirements on how internal control is organised, are designed to provide reasonable certainty of the reliability of the financial reporting.

Controls associated with financial reporting are performed on several levels and include processes to analyse and monitor the business operations in order to ensure reasonable reliability of the financial reporting and monitor any discrepancies.

Group-level regulations are in place for internal accounting principles, planning and monitoring processes, as well as reporting routines. The Finance department performs controls mainly through reconciliations between sub ledgers and the general ledger and ensures that assets, liabilities and business transactions are correctly recorded. Swedbank also has a central valuation group to ensure accurate valuation of assets and liabilities in Swedbank Mortgage. Analyses of accounting results are presented monthly to the CEO of Swedbank Mortgage. The Board commissions internal audit to evaluate and review how governance, risk management, and internal control are organised and complied with.

Key financial highlights 2011–2015

Definitions see page 36.	2015	2014	2013	2012	2011
Profit					
Investment margin, %	1,2	0,97	0,87	0,72	0,59
Return on equity, %	19,3	16,9	13	11,7	8,6
Earnings per share, SEK	305,39	249	209,87	178,26	120,91
Capital					
Capital base, SEKm	41 109	38 302	35 599	33 994	32 562
Capital adequacy ratio, Basel 3 , %	73,9	73,1	73,5	66,3	61
Tier 1 capital ratio, Basel 3 , %	66,7	65,5	73,5	66,3	61
Number of shares at start/end of period, million	23	23	23	23	23
Equity per share, SEK	1 587,61	1 446,48	1 534,26	1 476,74	1 483,30
Credit quality					
Credit impairment ratio, %	0,00	0,00	0,00	0,01	0,01
Total provision ratio for impaired loans, %	48,0	41,7	72,7	76,1	105,4
Share of impaired loans, %	0,03	0,03	0,02	0,02	0,02
Other					
Number of employees	5	5	5	3	3

Profit analysis

Operating profit for the year rose by SEK 1 672m to SEK 9 024m (7 345). Net interest income amounted to SEK 11 233m (8 584).

Despite an increase during the year in loans to the public and its corresponding funding, interest income as well as interest expense decreased due to lower average interest rates on both lending and funding. Interest income for the period decreased with SEK 4 025m and amounted to SEK 19 357m (23 382) and interest expense for funding decreased with SEK 6 674m and amounted to SEK 8 124m (14 798).

Net gains and losses on financial items (NGL) amounted to SEK -1 440m (-506). The negative NGL is largely explained by repurchases of issued covered bonds.

Other expenses amounted to SEK 779m (749). Other expenses include a large part of the business exchange margin paid to the savings banks and partly owned banks. This cost amounted to SEK 775m (748). No mortgage distribution and handling costs are paid to Swedbank AB.

The credit quality of the lending remains at a very high level and credit impairments at a low level. Compared to 2014, net credit impairments reduced by SEK 7m to SEK 30m (37). Provisions amounted to SEK 117m (122).

Proposed distribution of profit

In accordance with the balance sheet for Swedbank Mortgage AB (publ), the following profits after deduction for a paid Group contribution of SEK 4 914m are at the disposal of the annual general meeting:

	SEKm
Retained earnings	14 823
Fair value fund	124
Profit for the year	7 024
Total	**21 971**
The Board proposes that the profits be carried forward to the next year.	21 971
Total	**21 971**

Five-year summary

Income statement SEKm	2015	2014	2013	2012	2011
Interest income	19 357	23 382	25 464	29 036	27 413
Interest expenses	-8 124	-14 798	-18 183	-23 302	-23 333
Net interest income	**11 233**	**8 584**	**7 280**	**5 734**	**4 080**
Net commissions	**38**	**47**	**47**	**58**	**51**
Other operating income	-1 433	-496	-428	419	241
Total income	9 838	8 135	6 899	6 211	4 372
Other operating expenses	784	753	678	639	543
Profit before impairments	**9 054**	**7 382**	**6 221**	**5 572**	**3 829**
Net credit impairments	30	37	30	70	56
Operating profit	**9 024**	**7 345**	**6 191**	**5 502**	**3 773**
Tax expense	2 000	1 618	1 364	1 402	992
Profit for the year	**7 024**	**5 727**	**4 827**	**4 100**	**2 781**

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	2015	2014	2013	2012	2011
Assets					
Loans to credit institutions	69 864	47 626	71 046	60 783	33 505
Loans to the public	857 910	821 547	768 840	743 931	716 695
Other assets	33 440	38 681	21 712	29 467	26 187
Total assets	**961 214**	**907 854**	**861 598**	**834 181**	**776 387**
Liabilities and equity					
Liabilities					
Amount owed to credit institutions	335 590	322 387	273 759	224 843	170 540
Debt securities in issue	556 663	520 089	520 021	533 223	538 734
Other liabilities	28 391	28 109	32 530	42 150	32 997
Subordinated liabilities	4 000	4 000			
Total liabilities	**924 644**	**874 585**	**826 310**	**800 216**	**742 271**
Equity	**36 570**	**33 269**	**35 288**	**33 965**	**34 116**
Total liabilities and equity	**961 214**	**907 854**	**861 598**	**834 181**	**776 387**

Income statement

SEKm	Note	2015	2014
Interest income		19 357	23 382
Interest expenses		-8 124	-14 798
Net interest income	7	**11 233**	**8 584**
Commission income		70	72
Commission expenses		-32	-25
Net commissions	8	**38**	**47**
Net gains and losses on financial items	9	-1 440	-506
Other income		7	10
Total income		**9 838**	**8 135**
Other expenses	11	779	749
Staff costs	10	5	4
Total expenses		**784**	**753**
Profit before impairments		**9 054**	**7 382**
Net credit impairments	12	30	37
Operating profit		**9 024**	**7 345**
Appropriations	13	0	0
Tax expense	14	2 000	1 618
Profit for the year		**7 024**	**5 727**
Earnings per share, before and after dilution, SEK	15	305,39	249,00

Statement of comprehensive income

SEKm	Note	2015	2014
Profit for the year reported via income statement		**7 024**	**5 727**
Items that may be reclassified to the income statement			
Cash flow hedges:			
Gains/losses during the period		619	303
Reclassification adjustments to income statement, net interest income		77	11
Reclassification adjustments to income statement, net gains and losses on financial items		-59	
Income tax relating to components of other comprehensive income	16	-140	-69
Total comprehensive income for the year, attributable to shareholders		**7 521**	**5 972**

Balance sheet

SEKm	Note	2015	2014
Assets			
Loans to credit institutions	16	69 864	47 626
Loans to the public	17	857 910	821 547
Value change of interest hedged item in portfolio hedge		1 009	1 291
Shares and participating interests	18	1	1
Derivatives	19	29 189	33 265
Current tax assets	13	843	852
Deferred tax assets	13	0	105
Other assets	20	652	678
Prepaid expenses and accrued income	21	1 746	2 489
Total assets		**961 214**	**907 854**
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions	22	335 590	322 387
Debt securities in issue	23	556 663	520 089
Derivatives	19	11 569	10 751
Other liabilities	24	7 544	8 202
Accrued expenses and prepaid income	25	8 209	8 088
Subordinated liabilities		4 000	4 000
Total liabilities		**923 575**	**873 517**
Untaxed reserves	26	1 068	1 068
Equity	27		
Share capital		11 500	11 500
Statutory reserve		3 100	3 100
Fair value fund		124	-373
Retained earnings		21 846	19 042
Total equity		**36 570**	**33 269**
Total liabilities and equity		**961 214**	**907 854**
Pledged assets	28	819 786	780 213
Commitments, nominal amount	28	9 048	9 507

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 judgements and estimates
Note 4 Risks
Note 5 Capital adequacy
Note 6 Operating segments
Note 29 Related parties
Note 31 Fair value of financial instruments
Note 32 Events after 31 December 2015

Statement of changes in equity

SEKm	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
Opening balance 1 January 2014	**11 500**	**3 100**	**-617**	**20 472**	**34 455**
Group contribution provided				-7 382	-7 382
Tax reduction due to Group contributions paid				1 624	1 624
Dividends				-4 000	-4 000
Shareholder's contribution				2 600	2 600
Total comprehensive income for the year			244	5 727	5 972
of which reported through profit or loss				5 727	5 727
of which reported through other comprehensive income, before tax			313		313
of which reported through other comprehensive income			-69		-69
Closing balance 31 December 2014	**11 500**	**3 100**	**-373**	**19 042**	**33 269**
of which, conditional shareholder's contributions				2 400	2 400
Opening balance 1 January 2015	**11 500**	**3 100**	**-373**	**19 042**	**33 269**
Group contribution provided				-6 300	-6 300
Tax reduction due to Group contributions paid				1 386	1 386
Shareholder's contribution				695	695
Total comprehensive income for the year				7 024	7 024
of which reported as gains/losses during the period			619		619
of which reported through profit or loss			-59		-59
of which reported through other comprehensive income, before tax			77		77
of which reported through other comprehensive income			-140		-140
Closing balance 31 December 2015	**11 500**	**3 100**	**124**	**21 847**	**36 570**
of which, conditional shareholder's contributions				2 400	2 400

Statement of cash flow

SEKm	Note	2015	2014
Operating activities			
Operating profit		9 024	7 345
Adjustments for non-cash items in operating activities		-7 099	4 185
Taxes paid		-6	-463
Increase/decrease in loans to the public		-39 097	-51 491
Increase/decrease in amount owed to credit institutions		13 202	48 629
Increase/decrease in other assets		40	69
Increase/decrease in other liabilities		-2 264	829
Cash flow from operating activities		**-26 201**	**9 102**
Financing activities			
Issuance of debt securities		157 878	95 749
Redemption of debt securities		-107 404	-123 886
Shareholder's contributions		695	2 600
Increase/decrease in other funding		-1 648	1 115
Group contribution paid		-1 082	-4 100
Dividends paid			-4 000
Cash flow from financing activities		**48 439**	**-32 522**
Cash flow for the year		**22 238**	**-23 420**
Cash and cash equivalents at beginning of the year		**47 626**	**71 046**
Cash flow for the year		22 238	-23 420
Cash and cash equivalents at the end of the year	16	**69 864**	**47 626**

Comment on 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 SEK18 614 m (21 081) and interest payments, including capitalised interest, of SEK 8 045m (17 421).

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	2015	2014
Unrealised translation differences, bonds in issue	-22 061	6 303
Prepaid expenses and accrued income	744	704
Accrued expenses and prepaid income	122	-2 588
Change in value of loans to the public and credit institutions	3 015	-2 445
Change in value of funding and derivatives	11 846	1 966
Increase in other liabilities	-765	245
Total	**-7 099**	**4 185**

Notes

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

1 Corporate information

The financial statements and the annual report for Swedbank Mortgage AB (publ) for the financial year 2015 were approved for issuance by the Board of Directors and the President on 25 February 2016. Swedbank Mortgage AB, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank AB (publ). Swedbank Mortgage´s operations are described in the Board of Directors' report. The financial statements and annual report will be adopted by the 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. The standards and interpretations become mandatory for Swedbank Mortgage's financial statements concurrently with their approval by the EU. Complete financial reports refer to:

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

The financial statements are also prepared according to the Annual Accounts. Act for Credit Institutions and Securities Companies, the regulations and generaladvice 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 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 (SEK m) unless indicated otherwise

CHANGES IN ACCOUNTING POLICIES

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2015.

Annual Improvements 2011-2013

On 1 January 2015, the Company adopted amendments to several IFRS standards, resulting from the 2011-2013 Annual Improvements. This comprises amendments to a number of current IFRS standards for changes in presentation, recognition or measurement and terminology or editorial. The amendments did not have a material impact on the Company's financial position, results or cash flows.

Other IFRS changes

Other than those above, no new or amended IFRS standards or interpretations have been applied or have had an impact on the Group's financial position, results, cash flows or disclosures

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 recognized in the income statement as well as the components included in other comprehensive income.

Assets and liabilities in foreign currency (IAS 21)

The financial statements are presented in SEK, which is also the company's functional currency and presentation currency. Functional currency refers to the main currency used in an entity's cash flows. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction day. Monetary assets and liabilities in foreign currency and non-monetary assets in foreign currency measured at fair value are translated at the rates prevailing at the closing day.

Financial instruments (IAS 32, IAS 39)

The large part of Swedbank Mortgage'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.

Offsetting

Financial assets and financial liabilities are offset and recognised net in the balance sheet if there is a legal right of set-off both in the normal course of business and in the event of bankruptcy, and if the intent is to settle the items with a net amount or simultaneously realise the asset and settle the liability.

Financial instruments, recognition (IAS 39)

The Group's financial instruments are divided into the following valuation categories:

• financial instruments at fair value through profit or loss,
• loans and receivables,
• held-to-maturity investments, and
• other financial liabilities.

Certain individual holdings of insignificant value have been classified in the valuation category available-for-sale. All financial instruments are initially recognised at fair value. The best evidence of fair value at initial recognition is the transaction price. for financial instruments that are not subsequently 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 measurement of financial instruments depends 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, 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. Financial instruments held for trading are acquired for the purpose of selling or repurchasing in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit-taking. 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 deposits, when the instruments, together with derivatives, essentially eliminate the portfolio's aggregate interest rate risk.Typically these financial instruments have a fixed contractual interest rate. The fair value option is used to eliminate the accounting volatility that would otherwise arise because of the different measurement principles that are normally used for derivatives compared with 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 discounted 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. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so called 'day 1-profits or losses', are recognised in the income statement only when the valuation model entirely has been based on observable market data. In all other cases the difference is amortised during the financial instrument's remaining maturity. 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 at fair value. For financial instruments in trading operations, the Group's profit or loss item also includes share dividends. 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 Group'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 cost, which consists of the loan amount paid out less 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 the 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. The Group 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 for impairment on a collective basis, in the event that objective evidence of impairment exists. Any impairment is 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. However, loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred. Loan impairments are recognised in profit or loss as credit impairments. Credit impairments include provisions for individually impaired loans, portfolio provisions and write-offs of impaired loans. Write-offs are recognised as credit impairments when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Provisions utilised in connection with write-offs are recognised on a separate line within credit impairments. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is the amortised cost less write-offs and provisions. Individual provisions and portfolio provisions are recognised in a separate provision account in the balance sheet, while write-offs reduce the amount of outstanding loans. Provisions for assumed losses on guarantees and other contingent liabilities are recognised on the liability side. 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.

Reclassification of financial assets

Financial assets, excluding derivatives, which no longer meet the criteria for trading, may be reclassified from the valuation category financial instruments at fair value, provided that rare circumstances exist. A reclassification to the valuation category Held-to-maturity investments also requires an intention and ability to hold the investment until maturity. The fair value of the assets at the time of reclassification is considered to be their acquisition cost.

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. Where hedge accounting is applied, 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 at fair value. In order to apply hedge accounting, the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in value of the hedged risk.

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 at fair value. 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 in profit or loss in the same periods that the hedged item affects profit or loss. In order to apply hedge accounting, the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in value of the hedged risk.

Pensions (IAS 19)

Reported pension costs correspond to the fees paid to separate legal entities that secure the pension obligations. All pension plans are recognized 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. Tax rates which have been enacted or substantively enacted as of the reportingdate 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 Swedbank Mortgage's chief operating decision maker uses net interest income to determine the segment's result. Items such as changes in value of financial instruments, return on legal equity and other minor items are not distributed to the operating segments. Among balance sheet items, loans to the public are distributed.

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 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 nonrestricted equity after tax adjustment.

NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee

(IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2015. The IASB permits earlier application. For Swedbank Mortgage to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank Mortgage has not applied the following amendments in the 2014 annual report.

Annual improvements 2010-2012, 2011-2013 and 2012-2014

The annual improvements amend the current standards for presentation, recognition or measurement and other editorial corrections. The improvements apply to financial years beginning on or after 1 July 2014 (2010-2012 and 2011-2013) and 1 January 2016 (2012-2014) and have not yet been approved by the EU. Adoption is not expected to have a significant effect on Swedbank Mortgage's financial position, results or cash flows.

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014 and establishes the principles for reporting useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard introduces a five-step model to determine how and when to recognise revenue, but it does not impact the recognition of income from financial instruments in the scope of IAS 39. The standard also establishes new disclosures to provide more relevant information. The standard is applicable from 1 January 2018 and has not yet been approved by the EU. The impacts on Swedbank Mortgage's financial reports are still being assessed.

Financial instruments (IFRS 9)

IFRS 9 is the replacement of IAS 39 Financial Instruments: Recognition and Measurement and was issued on 24 July 2014. The standard includes requirements for recognition, classification and measurement, impairment, derecognition and general hedge accounting. The standard has been issued in phases, with the 2014 version superseding all previous versions. IFRS 9 is mandatorily effective from 1 January 2018, with early adoption permitted. The standard has not been approved by the EU and there is no current timetable on when endorsement is expected. The impacts on the Swedbank Mortgage's financial reports are still being assessed. The classification and measurement requirements for financial assets reduce the number of valuation categories and place dependence on an entity's business model for managing financial assets as well as whether the contractual cash flows represent solely payments of principal and interest. IFRS 9 also introduces an expected credit losses model for the measurement of impairment, removing the requirement to identify an incurred loss event. The new impairment model establishes a three stage approach based on whether there have been significant changes in credit risk. The requirements for financial liabilities remain largely unchanged from IAS 39. The primary change permits the presentation of fair value movements due to own credit risk on financial liabilities designated as at fair value through profit or loss in other comprehensive income, rather than in profit or loss. The amended general hedge accounting rules allow entities to better reflect their risk management activities in the financial statements.

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 nonperforming for more than 90 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 2015 financial instruments measured at fair value with internal assumptions which have a significant effect on the valuation amounted to SEK 0m (0). A change in the assumed valuation rate of 10 bps would have changed the value by SEK 0m.

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 dueto 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 fullfil 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 loses 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, pensionrisk, 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 Mortgage 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 Mortgage 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 moneymarket 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. All derivative contracts have the parent company as counterparty. Counterparty risks are reduced through bilateral agreements, which allow the risks to be settled against each other according to standardised procedures.

Counterparty risks are reduced through bilateral agreements,which allow the risks to be settled against each other accordingto 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.

The high encumberence of the Swedish households has kept engaging politicians as well as authorities and banks. The Swedbank Group is actively participating in discussions on changed regulations which is now, as an example, being expressed in the proposed FSA regulation on amortization. An analyses of the payment ability of the customers, under more restrictive conditions, is and has been part of the regular process for granting credits for a long time.

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 toapply the so-called IRB approach, which is used to calculate the majority of the capitalrequirement for credit risks. the IRB approach is applied to the large part of lending tothe public.

The goal of the risk classification is to predict defaults within 12 months. the classificationis 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 value 2015

	Loans individually assessed as not impaired				Loans individually assessed as impaired			
	Book value before provisions Payments on time	Past due	Portfolio provi-sions	Book value after provisions	Book value before provisions	Prov-isions	Book value after provisions	Total
Loans to the public and credit institution	926 844	806	-84	927 566	241	-33	208	927 774
Total loans to the public and credit institutions	**926 844**	**806**	**-84**	**927 566**	**241**	**-33**	**208**	**927 774**
Sector/industry*								
Private customers	723 421	629	-73	723 977	229	-30	199	724 176
Real estate management	124 652	177	-11	124 818	2	-2		124 818
Retail, hotels, restaurants	897			897				897
Construction	1 031			1 031				1 031
Manufacturing	75			75				75
Transportation	78			78				78
Forestry and agriculture	1 144			1 144				1 144
Other corporate lending	3 783			3 783	10	-1	9	3 792
Municipalities	1 899			1 899				1 899
Total	**856 980**	**806**	**-84**	**857 702**	**241**	**-33**	**208**	**857 910**
Credit institutions	69 864			69 864				69 864
Total loans to the public and credit institutions	**926 844**	**806**	**-84**	**927 566**	**241**	**-33**	**208**	**927 774**
Collateral held as security								
Residential properties incl. condominiums	784 438	685	-73	785 050	122	-11	111	785 161
Other real estate	64 759	121	-11	64 869	119	-22	97	64 966
Municipalities guaranteed	7 352			7 352				7 352
Other security	432			432				432
Total	**856 980**	**806**	**-84**	**857 702**	**241**	**-33**	**208**	**857 910**
Credit institutions guaranteed by Swedbank AB	69 864			69 864				69 864
Total loans to the public and credit institutions	**926 844**	**806**	**-84**	**927 566**	**241**	**-33**	**208**	**927 774**

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

4a Credit risks, cont.

Loans to the public and credit institutions, book value 2014

	Loans individually assessed as not impaired				Loans individually assessed as impaired			
	Book value before provisions Payments on time	Past due	Portfolio provi- sions	Book value after provisions	Book value before provisions	Prov- isions	Book value after provisions	Total
Loans to the public and credit institution	867 844	1 158	-91	868 911	293	-31	262	869 173
Total loans to the public and credit institutions	**867 844**	**1 158**	**-91**	**868 911**	**293**	**-31**	**262**	**869 173**
Sector/industry*								
Private customers	684 113	915	-78	684 950	254	-28	226	685 176
Real estate management	125 642	243	-13	125 872	2	-2		125 872
Retail, hotels, restaurants	973			973				973
Construction	1 010			1 010				1 010
Manufacturing	100			100				100
Transportation	90			90				90
Forestry and agriculture	877			877				877
Other corporate lending	5 554			5 554	37	-1	36	5 590
Municipalities	1 859			1 859				1 859
Total	**820 218**	**1 158**	**-91**	**821 285**	**293**	**-31**	**262**	**821 547**
Credit institutions	47 626			47 626				47 626
Total loans to the public and credit institutions	**867 844**	**1 158**	**-91**	**868 911**	**293**	**-31**	**262**	**869 173**
Collateral held as security								
Residential properties incl. condominiums	747 017	984	-78	747 923	222	-18	204	748 127
Other real estate	63 588	174	-13	63 749	71	-13	58	63 807
Municipalities guaranteed	9 178			9 178				9 178
Other security	435			435				435
Total	**820 218**	**1 158**	**-91**	**820 850**	**293**	**-31**	**262**	**821 547**
Credit institutions guaranteed by Swedbank AB	47 626			47 626				47 626
Total loans to the public and credit institutions	**867 844**	**1 158**	**-91**	**868 911**	**293**	**-31**	**262**	**869 173**

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

4a Credit risks, cont.

Impaired, past due, and foreborne loans

	2015	2014
Impaired loans		
Book value before provisions	241	293
Provisions for the year	-33	-31
Book value after provisions	208	262
Net impaired loans ratio, %	0,02	0,03
Gross impaired loans ratio, %	0,03	0,04
Book value of impaired loans returned in status to normal loans during the period	6	6
Past due loans that are not impaired		
Valuation category, loans and receivables		
Past due		
Loans past due, 5-30 days	122	182
Loans past due, 31-60 days	236	184
Loans past due, 61 days or more	192	247
Valuation category, fair value through profit or loss		
Loans past due, 5-30 days	83	187
Loans past due, 31-60 days	63	135
Loans past due, 61 days or more	110	223
Total	**806**	**1 158**

Provisions

	2015	2014
Opening balance	**122**	**155**
Provisions for the year	7	-19
Recoveries of previous provisions	-4	-15
Provisions during the fiscal period, for loans that are not impaired	-8	1
Closing balance	**117**	**122**
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)	48,50%	41,70%
Provision ratio for individually identified impaired loans, %	13,80%	10,60%

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

Forborne loans refer to loans whose contractual terms have been amended due to the customer's financial difficulties. The purpose of the forbearance measure is to get the borrower current on their payments again, or when this is not considered possible to maximize the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rate, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts or avoid default. Changes in contractual terms may be so significant that the loan is also considered impaired, which is the case if the forbearance measure reduces the original loans's carrying amount regardless of concessions. The forborne loan's carrying amount is determined by discounting future anticipated cash flows by the original loans's effective interest rate. Before a forborne loan ceases being reported as forborne all the criteria set by the European Banking Authority must be met. Foreborne loans amounted to nominal SEK 104m (50) as per 31 December 2015.

Credit risk exposure on loans to the public according to the internal risk classification

(nominal value before provisions) .

		2015				2014			
Exposure at default	**Riskgrades**	**Private**	**Corporates**	**Agriculture**	**Total**	**Private**	**Corporates**	**Agriculture**	**Total**
Defaults	Default	475	120	263	858	627	148	273	1 048
High risk	0-5	3 595	1 037	1 716	6 348	4 478	1 494	1 871	7 844
Augmented risk	6-8	5 848	4 963	4 705	15 517	6 555	5 093	5 218	16 866
Normal risk	9-12	19 555	21 464	15 269	56 287	21 499	24 830	14 650	60 979
Low risk	13-31	582 573	155 240	37 993	775 806	539 851	152 257	36 883	728 991
Non-rated		10			10				6
Total		**612 056**	**182 823**	**59 946**	**854 825**	**573 010**	**183 822**	**58 896**	**815 733**

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 maturitieand 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,

	Undiscounted contractual cash flows							
Remaining maturity, 2015	**Payable on demand**	**< 3 mths**	**3 mths-1 yr**	**1-5 yrs**	**5-10 yrs**	**> 10 yrs**	**Without maturity date/ discount effect***	**Totalt**
Assets								
Loans to credit institutions	69 864							69 864
Loans to the public		2 737	8 602	43 931	50 490	748 302	3 848	857 910
Derivatives		2 358	2 951	5 703	937	91	17 150	29 189
Other assets							4 251	4 251
Total assets	**69 864**	**5 095**	**11 553**	**49 634**	**51 427**	**748 393**	**25 249**	**961 214**
Liabilities								
Amounts owed to credit institutions		2 338	323 745	9 176	331			335 590
Debt securities in issue		21 846	57 956	391 494	36 416	14 829	34 121	556 663
Derivatives		336	1 653	2 659	1 084	932	4 904	11 569
Subordinated liabilities					4 000			4 000
Other liabilities							15 753	15 753
Total liabilities		**24 520**	**383 354**	**403 329**	**41 831**	**15 761**	**54 778**	**923 575**

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

	Undiscounted contractual cash flow							
Remaining maturity, 2014	**Payable on demand**	**< 3 mths**	**3 mths-1 yr**	**1-5 yrs**	**5-10 yrs**	**> 10 yrs**	**Without maturity date/discount effect***	**Totalt**
Assets								
Loans to credit institutions	47 626							47 626
Loans to the public		2 222	6 989	37 926	46 371	722 308	5 732	821 547
Derivatives		326	6 856	16 270	3 592	1 125	5 096	33 265
Other assets							5 416	5 416
Total assets	**47 626**	**2 548**	**13 845**	**54 196**	**49 963**	**723 433**	**16 244**	**907 854**
Liabilities								
Amounts owed to credit institutions		6 133	305 062	11 004	189			322 387
Debt securities in issue		26 010	55 281	349 550	44 975	16 637	27 635	520 089
Derivatives		1 010	2 686	6 973	1 385	1 443	-2 746	10 751
Subordinated liabilities					4 000			4 000
Other liabilities							16 289	16 289
Total liabilities		**33 153**	**363 029**	**367 527**	**50 549**	**18 080**	**41 178**	**873 516**

* Refers to discount effect for all items except other assets and other liabilities where no maturity date applies..

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 466m (808) as of 31 December 2015. An increase of one percentage point in all market interest rates as of 31 December 2015 would have reduced net gains and losses on financial items by SEK 213m (416) 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 24,5m 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.

2015	<=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	61	-39	-131	-163	-240	31	55	-95	56	-466
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	**61**	**-39**	**-131**	**-163**	**-240**	**31**	**55**	**-95**	**56**	**-466**

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

2015	<=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	-146	-25	-36	18	-26	-5	8	-19	18	-213
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	**-146**	**-25**	**-36**	**18**	**-26**	**-5**	**8**	**-19**	**18**	**-213**

2014	<=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	48	-94	-338	-323	-38	26	-21	-58	42	-808
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	**48**	**-94**	**-338**	**-323**	**-38**	**26**	**-21**	**-58**	**42**	**-808**

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

2014	<=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	-280	-39	-40	-13	24	-33	-4	-39	7	-416
Foreign currency	0	0	0	0	0	0	0	0	0	0
Total	**-280**	**-39**	**-40**	**-13**	**24**	**-33**	**-4**	**-39**	**7**	**-416**

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 2015	SEK	EUR	USD	CHF	NOK	Other	Total
Assets							
Loans to credit institutions	69 864	-	-	-	-	-	69 864
Loans to the public	859 623	-	-	-	-	-	859 623
Other assets, undistributed	685	-	-	-	-	-	685
Total	**930 172**	**0**	**0**	**0**	**0**	**0**	**930 172**
Liabilities							
Amounts owed to credit institutions	335 590	-	-	-	-	-	335 590
Debt securities in issue	342 504	109 375	46 356	8 136	8 630	11 541	526 542
Other liabilities, undistributed	42 785	-	-	-	-	-	42 785
Total	**720 879**	**109 375**	**46 356**	**8 136**	**8 630**	**11 541**	**904 917**
Other assets and liabilities, including positions in derivatives	-	109 375	46 356	8 136	8 630	11 541	
Net position in currency	-	-	-	-	-	-	-

Currency distribution 2014	SEK	EUR	USD	CHF	NOK	Other	Total
Assets							
Loans to credit institutions	47 626	-	-	-	-	-	47 626
Loans to the public	821 547	-	-	-	-	-	821 547
Other assets, undistributed	38 680	-	-	-	-	-	38 680
Total	**907 853**	**0**	**0**	**0**	**0**	**0**	**907 853**
Liabilities							
Amounts owed to credit institutions	322 387	-	-	-	-	-	322 387
Debt securities in issue	345 873	121 611	36 125	10 510	9 266	705	524 089
Other liabilities, undistributed	27 040	-	-	-	-	-	27 040
Total	**695 300**	**121 611**	**36 125**	**10 510**	**9 266**	**705**	**873 517**
Other assets and liabilities, including positions in derivatives	-	121 611	36 125	10 510	9 266	705	
Net position in currency	-	-	-	-	-	-	-

5 Capital adequacy

Capital adequacy analysis

The capital adequacy regulations determine how much capital, designated as the capital base, a credit institution must have in relation to the size of the risk exposure amounts. For Swedbank Mortgage, the capital adequacy rules according to CRR mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal 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.

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%, capital conservation buffer of 2.5% and counter cyclical buffer of 1 %), these rules constitute the minimum capital requirements for Swedbank Mortgage

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 Mortgage are exposed of. All risks are taken into account, including risks other than those included in the calculation of the capital requirements. 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. 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.

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-andcapital-adequacy/risk-report/index.htm.

5 Capital adequacy, cont.

Capital adequacy	2015	2014
Shareholders' equity according to the balance sheet	36 570	33 269
Share of capital of accrual reserve	833	833
Value changes in own financial liabilities	87	90
Cash flow hedges	-124	373
Additional value adjustments 1)	-11	
Net provisions for reported IRB credit exposures	-246	-263
Common Equity Tier 1 capital	**37 109**	**34 302**
Total Tier 1 capital	**37 109**	**34 302**
Tier 2 instruments	4 000	4 000
Total Tier 2 capital	**4 000**	**4 000**
Total capital base	**41 109**	**38 302**
Minimum capital requirement for credit risks, standardised approach	426	212
Minimum capital requirement for credit risks, IRB	3 175	3 302
Minimum capital requirement for operational risks	850	678
Minimum capital requirement 2)	**4 451**	**4 191**
Surplus of capital	**36 658**	**34 110**
Risk exposure amount credit risks	45 011	43 924
Risk exposure amount credit value adjustment		
Risk exposure amount operational risk*	10 622	8 469
Risk exposure amount	**55 633**	**52 393**
Common Equity Tier 1 ratio, %	**66,7**	65,5
Tier 1 capital ratio, %	**66,7**	65,5
Total capital adequacy ratio, %	**73,9**	73,1
* according to standardised approach, retail banking		

Capital buffer requirement 3), %	2015	2014
Institution specific CET 1 requirement	8,0	7,0
of which capital conservation buffer	4,5	4,5
of which countercyclical capital buffer	2,5	2,5
of which systemic risk buffer	1,0	
CET1 capital available to meet Institution specific CET1 capital requirementbuffert 4)	60,7	59,5

Capital adequacy Basel 1 floor	2015	2014
Capital requirement Basel 1 floor	34 593	32 523
Own funds Basel 3 adjusted according to rules for Basel 1 floor	41 356	38 565
Surplus of capital according to Basel 1 floor	**6 763**	**6 042**
Risk exposure amounts according to transition rules	**432 412**	**406 536**
Common Equity Tier 1 ratio, %, according to rules for Basel 1	**8,6**	**8,5**
Tier 1 capital ratio, %, according to transition rules	**8,6**	**8,5**
Capital adequacy ratio, %, according to transition rules	**9,6**	**9,5**

1) Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.
2) Total minimum capital requirement under Pillar 1, i.e 8 % of total riskexposure amount.
3) Buffer requirement according to Swedish implementation of CRD IV.
4) 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.

	2015			2014		
Capital requirement for credit risks	**Exposure value**	**Average risk weight, %**	**Capital requirement**	**Exposure value**	**Average risk weight, %**	**Capital requirement**
Institutional exposures				49	62	2
Corporate exposures	32 847	25	660	36 008	25	734
Retail exposures	813 461	4	2 509	769 943	4	2 564
Non-credit obligations	115	63	6	59	30	1
Total credit risks according to IRB approach	846 423	5	3 175	806 059	5	3 302
Total credit risks according to standard method	127 217	4	426	104 946	3	212
Total	**973 640**	**5**	**3 601**	**911 005**	**5**	**3 514**

5 Capital adequacy, cont.

Risk exposure amount and own funds requirement	2015 Risk exposure amount	2015 Own funds requirement	2014 Risk exposure amount	2014 Own funds requirement
Credit risks, STD	**5 326**	**426**	**2 649**	**212**
Corporate exposures	861	69	821	66
Retail exposures	4 459	357	1 564	125
Exposures in default	4	0		
Equity exposures	2	0	265	21
Credit risks, IRB	**39 685**	**3 175**	**41 274**	**3 302**
Institutional exposures			30	2
Corporate exposures	8 252	660	9 181	734
Retail exposures	31 361	2 509	32 045	2 564
of which mortgage lending	31 361	2 509	32 045	2 564
Non-credit obligation	72	6	18	1
Credit risks, Default fund contribution				
Credit value adjustment				
Operational risks	**10 622**	**850**	**8 469**	**678**
of which Standardised approach	10 622	850	8 469	678
Total	**55 633**	**4 451**	**52 393**	**4 191**

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:
- Economic Capital 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 2015 amounts to SEK 5,2bn according to the economic value model. Swedbank Mortgage's capital requirement on the same date, including the transition rules from Basel I to Basel 3, amounts to SEK 34,6bn, however. The total capital requirement cannot be less than this capital requirement and therefore also amounts to SEK 34,6bn. The total capital base was SEK 41,1bn on the same date. As long as the capital ratio exceeds the Pillar 2 requirement, all risks are covered. The conclusion of the 2016 ICAAP as of 31 December 2015 was that Swedbank Mortgage is adequately capitalised

6 Operating segments

	2015				2014			
	Private	Corporate	Forestry and Agriculture	Total	Private	Corporate	Forestry and Agriculture	Total
Net interest income	8 800	1 574	860	11 233	6 106	1 142	617	7 865
Net commissions	29	6	3	38	35	8	3	46
Total income	**8 828**	**1 580**	**862**	**11 271**	**6 141**	**1 150**	**621**	**7 912**
Purchased services	541	133	102	775	610	46	91	748
Total expenses	**541**	**133**	**102**	**775**	**610**	**46**	**91**	**748**
Credit impairments	20	-4	14	30	26	-5	17	37
Operating profit	**8 268**	**1 451**	**746**	**10 465**	**5 505**	**1108**	**513**	**7 127**
Lending to the public	657 612	140 113	60 186	857 911	618 926	143 283	59 338	821 547

	2015				2014			
	Net interest income	Total income	Total expenses	Operating profit	Net interest income	Total income	Total expenses	Operating profit
Total segments	**11 233**	**11 271**	**776**	**10 465**	**7 865**	**7 912**	**748**	**7 127**
Return on legal equity		490		490	719	719		719
Net gains and losses on financial items		-1 440		-1 440		-506		-506
Other income		497		497		10		10
Staff costs			8	8			5	5
Total financial report	**11 233**	**10 818**	**784**	**9 024**	**8 584**	**8 136**	**753**	**7 345**

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 Note 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

	2015	2014
Interest income		
Loans to credit institutions	63	366
Loans to the public	19 294	23 016
Total	**19 357**	**23 382**
Interest expenses		
Amount owed to credit institutions	-531	-3 254
Debt securities in issue	-7 318	-11 264
of which derivatives	4 136	2 639
Subordinated liabilities	-64	-77
Other	-211	-203
of which state stabilisation fee	-208	-182
Total	**-8 124**	**-14 798**
Total net interest income	**11 233**	**8 584**
Average balance		
Loans to credit institutions	51 195	42 063
Loans to the public	841 724	793 540
Amount owed to credit institutions	320 746	288 486
Debt securities in the issue	547 807	511 010
Interest income on financial assets at amortised cost	13 427	14 042
Interest expenses on financial liabilities at amortised cost	11 296	15 906
Interest income on impaired loans	4	4

8 Net commissions

	2015	2014
Commission income		
Payment processing	70	72
Total	**70**	**72**
Commission expenses		
Bankkreditnämnden fees	-1	-1
Market maker fees	-31	-24
Total	**-32**	**-25**
Total net commissions	**38**	**47**

9 Net gains and losses on financial items

	2015	2014
Valuation category, fair value through profit or loss		
Trading and derivatives		
Interest bearing securities and derivatives	825	-1 021
Total	**825**	**-1 021**
Other		
Interest bearing securities	-1 622	960
Total	**-1 622**	**960**
Hedge accounting at fair value		
Hedging instruments	-4 173	7 473
Hedged itemt	4 139	-7 480
Total	**-34**	**-7**
Financial liabilities at amortised cost	-774	-608
Valuation category, loans and receivables	194	170
Change in exchange rates	-29	0
Total net gains and losses on financial items	**-1 440**	**-506**

The 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.

10 Staff costs

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

	2015	2014
Salaries and other remuneration	3	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	**5**	**4**
of which profit-based costs	-	-

Number of employees

The number of employees in the company at year-end 3, of whom 33 percent were women and 67 percent were men..

Salaries and other remuneration	2015	2014
Loans to President	4	1
Loans to Board members	15	9
No. of persons with loans	5	5

10 Staff costs, cont.

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

	2015		2014	
Gender distribution	**Men**	**Women**	**Men**	**Women**
Board of Directors	2	4	3	3

11 Other expenses

	2015	2014
Purchased services	775	748
Other	4	1
Total	**779**	**749**

12 Net credit impairments

Credit impairments	2015	2014
Provisions for loans that individually are assessed as impaired		
Provisions	11	12
Reversed of previous provisions	-1	-5
Provisions for homogenous groups of impaired loans, net	-4	-31
Total	**6**	**-24**
Portfolio provisions for loans that individually are not assessed as impaired	**-8**	**1**
Write-offs		
Established losses	42	74
Utilisation of previous provisions	-4	-9
Recoveries	-6	-5
Total	**32**	**60**
Net credit impairments	30	37
Credit impairments by valuation category		
Loans and receivables	23	25
Fair value through profit or loss	7	12
Total	**30**	**37**
Credit impairments by borrower category,		
General public		
Write-off and provisions	41	56
Recoveries from previous years' actual credit impairments	-11	-19
Total	**30**	**37**

13 Tax

Tax expense	2015	2014
Tax related to previous years	15	3
Current tax	1 985	1 615
Total	**2 000**	**1 618**

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:

	2015		2014	
	SEKm	percent	SEKm	percent
Result	2 000	22	1 618	22
Current tax rate	1 985	22	1 615	22
Difference	**15**	**0**	**3**	**0**

2015

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

2015

Deferred tax assets	Opening balance	Income Statment	Other comprehensive income	Closing balance
Cash flow hedges	105		-105	0
Total	**105**	**0**	**-105**	**0**

2015

Deferred tax liabilities	Opening balance	Income Statment	Other comprehensive income	Closing balance
Cash flow hedges	0		35	35
Total	**0**	**0**	**35**	**35**

2014

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

2014

Deferred tax assets	Opening balance	Income Statment	Other comprehensive income	Closing balance
Cash flow hedges	174		-69	105
Total	**174**	**0**	**-69**	**105**

14 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.

	2015	2014
Profit attributable to shareholders of the company	7 024	5 727
Average number of shares outstanding, million	23	23
Earnings per share, SEK	305	249

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.

15 Tax for each component in other comprehensive income

2015	Before tax amount	Deferred tax	Current tax	After tax amount
Cash flow hedges	-637	140		-497
Other comprehensive income	**-637**	**140**	**0**	**-497**

2014	Before tax amount	Deferred tax	Current tax	After tax amount
Cash flow hedges	-477	105		-372
Other comprehensive income	**-477**	**105**	**0**	**-372**

16 Loans to credit institutions

	2015	2014
Valuation category, loans and receivables		
Swedish banks*	69 864	47 626
Total	**69 864**	**47 626**
* of which liquid assets, bank deposits	69 864	47 626

17 Loans to the public

	2015	2014
Valuation category, loans and receivables		
Swedish public	663 035	546 190
Total	**663 035**	**546 190**
Valuation category, fair value through profit or loss		
Other		
Swedish public *	194 875	275 357
Total	**194 875**	**275 537**
Total loans to the public	**857 910**	**821 547**
* Nominal amount	191 673	269 421
Number of loans	1 612 270	1 611 637

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

18 Shares and participating interests

	Book value		Cost	
	2015	2014	2015	2014
Valuation category, AFS				
Condominiums	1	3	1	3
Total	**1**	**3**	**1**	**3**
of which, unlisted	1	3	1	3

19 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.

	2015 Remaining contractual term to maturity, nominal amount			Nominal amount		Positive values		Negative values	
	< 1 year	1-5 years	> 5 years	2015	2014	2015	2014	2015	2014
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate swaps	61 671	274 550	47 473	383 694	332 608	15 811	20 725	299	124
Portfolio fair value hedge									
Interest-rate swaps	42 000	76 550	10 825	129 375	73 700	166	1	1 601	1 752
Cash flow hedge									
Currency swaps	23 576	39 629	44 632	107 837	63 986	1 560	2 958	4 333	3 118
Total	**127 247**	**390 729**	**102 930**	**620 906**	**470 294**	**17 537**	**23 684**	**6 233**	**4 994**
Other derivatives									
Interest-rate-related									
Forward contracts	0			0	-468		1	0	
Swaps	35 150	52 454	1 734	89 338	140 031	783	1 610	3 365	4 953
Currency-related									
Swaps	24 553	53 528	8 063	86 144	100 503	10 867	7 970	1 971	804
Total	**59 703**	**105 982**	**9 797**	**175 482**	**240 066**	**11 651**	**9 581**	**5 336**	**5 757**
Grand total	**186 950**	**496 711**	**112 727**	**796 388**	**710 357**	**29 189**	**33 265**	**11 569**	**10 751**

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)	12 449	9 550	19 492	17 712	10 649
Net cash flows	**-12 449**	**-9 550**	**-19 492**	**-17 712**	**-10 649**

20 Other assets

	2015	2014
Security settlement claims	599	605
Other	53	73
Total	**652**	**678**

21 Prepaid expenses and accrued income

	2015	2014
Accrued interest income	1 713	2 475
Other	33	14
Total	**1 746**	**2 489**

22 Amounts owed to credit institutions

	2015	2014
Valuation category, other financial liabilities		
Swedish banks	335 590	322 387
Total	**335 590**	**322 387**
Grand total	**335 590**	**322 387**
* Nominal amount	0	0

23 Debt securities in issue

	2015	2014
Valuation category, other financial liabilities		
Commercial paper	0	1 648
Bond loans	532 214	460 273
Change in value due to hedge accounting	12 830	23 808
Total	**545 044**	**485 728**
Valuation category, fair value through profit or loss		
Bond loans*	11 619	34 361
Total	**11 619**	**34 361**
Total	**556 663**	**520 089**
* Nominal amount	9 340	32 112

24 Other liabilities

	2015	2014
Liabilities to parent company	6300	7 382
Security settlement liabilities	582	730
Other	662	90
Total	**7 544**	**8 202**

25 Accrued expenses and prepaid income

	2015	2014
Accrued interest expenses	7 537	7 458
Other	672	629
Total	**8 209**	**8 088**

26 Untaxed reserves

	2015	2014
Opening balance	**1 068**	**1 068**
Provision to tax allocation reserve		
Closing balance	**1 068**	**1 068**

27 Equity according to Annual Accounts Act ÅRKL

	2015	2014
Restricted equity		
Share capital	11 500	11 500
Statutory reserve	3 100	3 100
Total	**14 600**	**14 600**
Non-restricted equity		
Conditional shareholder'scontribution	2 400	2 400
Unconditional shareholder'scontribution	3 295	2 600
Retained earnings	16 275	13 669
Total	**21 970**	**18 669**
Total equity	**36 570**	**33 269**

Changes in equity during the period are reported in the statement of the changes in equity, page 9.

	2015	2014
Number of shares		
Approved and issued, millions	23	23

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

28 Contingent liabilities, assets pledged and commitments

	2015	2014
Assets pledged		
Assets pledged for own liabilities*	819 786	780 213
Securities pledged for forward contracts	0	0
Commitments, nominal amount		
Loans granted but not paid	9 048	9 507
Total	**828 834**	**789 720**

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.

29 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.

	2015	2014
Group receivables		
Loans to credit institutions	69 864	47 626
Derivatives	29 116	33 139
Other assets	37	36
Prepaid expenses and accrued income	0	0
Total	**99 017**	**80 801**
Group liabilities		
Amounts owed to credit institutions	335 354	322 347
Debt securities in issue	7 108	9 111
Derivatives	11 569	10 751
Other liabilities	6 300	7 382
Accrued expenses and prepaid income	199	523
Total	**360 530**	**350 114**

	2015	2014
Statement of comprehensive income		
Interest income	69	378
Interest expenses	3 291	-776
Total	**3 360**	**-398**

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.

	2015	2014
Group liabilities		
Debt securities in issue	2 884	1 663
Accrued expenses and prepaid income	6	6
Total	**2 890**	**1 669**

	2015	2014
Group liabilities		
Debt securities in issue	0	0
Accrued expenses and prepaid income	-13	-13
Total	**-13**	**-13**

III. Senior executives
See note 10 for further information

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

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

	2015	2014
	Derivatives	**Derivatives**
Assets		
Financial assets, which not have been offset or are subject to netting or similar agreements	1	1
Financial assets, which have been offset or are subject to netting or similar agreements	29 188	33 264
Net amount presented in the balance sheet	**29 189**	**33 265**
Financial assets, which have been offset or are subject to netting or similar agreements		
Gross amount	29 188	33 264
Offset amount	0	0
Net amount presented in the balance sheet	**29 188**	**33 264**
Related amount not offset in the balance sheet		
Derivatives	11 569	10 751
Net amount	**17 619**	**22 513**
Liabilities		
Financial liabilities, which have not been offset or are subject to netting or similar agreements		
Financial liabilities, which have been offset or are subject to netting or similar agreements	11 569	10 751
Net amount presented in the balance sheet	**11 569**	**10 751**
Financial liabilities, which have been offset or are subject to netting or similar agreements		
Gross amount	11 569	10 751
Offset amount	0	0
Net amount presented in the balance sheet	**11 569**	**10 751**
Related amount not offset in the balance sheet		
Derivatives	11 569	10 751
Net amount	**0**	**0**

31 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

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

	2015			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Financial Assets, IAS 39						
Loans to credit institutions	69 864	69 864		47 626	47 626	
of which loan receivables	69 864	69 864		47 626	47 626	
Loans to the public	857 910	863 590	5 679	821 547	830 164	8 617
of which loan receivables	663 055	668 734	5 679	546 190	554 806	8 617
of which fair value through profit or loss	194 856	194 856		275 357	275 357	
Shares and participating interests	1	1		1	1	
of which available for sale investments	1	1		1	1	
Derivatives	29 189	29 189		33 265	33 265	
Other financial assets	3 407	3 407		5 310	5 310	
Non-financial assets	0	0		105	105	
Total	**960 371**	**966 051**	**5 679**	**907 854**	**916 471**	**8 617**

	2015			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Liabilities						
Financial liabilities, IAS 39						
Amounts owed to credit institutions	335 590	336 465	875	322 387	322 493	106
of which other financial liabilities	335 590	336 465	875	322 387	322 493	106
of which fair value through profit or loss						
Debt securities in issue, etc.	556 663	563 216	6 553	520 089	526 350	6 260
of which other financial liabilities	545 044	551 597	6 553	485 729	491 989	6 260
of which fair value through profit or loss	11 619	11 619		34 361	34 361	
Derivatives	11 569	11 569		10 751	10 751	
Other financial liabilities	14 965	14 965		16 289	16 289	
Subordinated liabilities	4 000	4 527	527	4 000	4 006	
Non-financial liabilities	35	35				
Total	**922 822**	**930 777**	**7 955**	**837 517**	**879 889**	**6 372**

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 can not 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 instrumentsrecognised 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 -84m during the period and is recognised as net gains and losses on financial items. The cumulative value change amounted to SEK -38m. 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 -7m during the period and is recognised as credit impairments. Cumulative value changes of that kind amounted to SEK -27m. 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 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. Sales of assets are accounted for as recoveries in the income statement. See Note 3 Critical accounting judgements and estimates. There were no transfers of financial instruments between valuation levels during the year..

31 Fair value of financial instruments cont.

Swedbank Mortgage AB	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Assets								
Loans to the public		194 856		194 856		275 357		275 357
Shares and participating interest			1	1			1	1
Derivatives		29 189		29 189		33 265		33 265
Total		**308 622**	**1**	**308 623**		**308 622**	**1**	**308 623**
Liabilities								
Amounts owed to credit institutions								
Debt securities in issue, etc.	3 521	8 098		11 619	23 237	11 123		34 360
Derivatives		11 569		11 569		10 751		10 751
Total	**3 521**	**19 667**	**0**	**23 188**	**23 237**	**21 874**		**45 111**

Financial instruments at fair value based on Level 3

	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Opening balance	**1**	**0**	**3**	**2 875**
Gains or Loss in statement of comprehensive income*		0		-1
Acquisitions	0			
Sales of assets			-2	
Maturities		0		-2 874
Closing balance	**1**	**0**	**1**	**0**

* 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 2015 distributed by valuation level

	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Assets								
Loans to credit institutions		69 864		69 864		47 626		47 626
Loans to the public		668 734		668 734		554 806		554 806
Total		**738 598**		**738 598**		**602 432**		**602 432**
Liabilities								
Amounts to credit institutions								
Debt securities in issue	338 917	212 680		551 597	296 763	195 226		491 989
Subordinated liabilities		4 527				4 006		4 006
Total	**338 917**	**217 207**		**556 124**	**296 763**	**199 232**		**495 995**

32 Events after 31 December 2015

No important events have occurred.

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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 Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

Stockholm, 25 February 2016

Leif Karlsson Chair	Magdalena Frostling President	Johan Smedman
Erika Karlsson	Gunilla Domeij Hallros	Eva de Falck

Our auditor´s report was submitted on 25 February 2016

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

We have audited the annual accounts and consolidated accounts of Swedbank Mortgage AB (publ) for the financial year 2015-01-01 – 2015-12-31 with the exception of the corporate governance report on page 3. The annual 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

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 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 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 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 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 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.

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

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 Swedbank Hypotek AB (publ) as of 31 December 2015 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. Our opinions does not include the corporate governance report on page 3. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of Swedbank Hypotek AB (publ) for the financial year 2015-01-01 – 2015-12-31. We have also performed a statutory audit of the corporate governance report.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governace model is prepared according to the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit 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, 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, 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 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 opinions.

In addition, we have conducted our audit of the corporate governance report and based on our knowledge of the company we believe we have sufficient and apporopriate audit evidence to provide a basis for our audit opinions. This means that our statutory audit of the corporate governance report have a different approach and a substantially narrower scope than a statutory audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden has.

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.

In our opinion, the corporate governance report has been prepared and is consistent with the annual accounts.

Stockholm, 25 February 2016

Deloitte AB

Patrick Honeth
Auktoriserad revisor

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.

Past due
A loan is past due when the counterparty has failed to make a payment within 5 days from due date..

Provision for credit impairment
Impairment of loans if the solvency of the borrower is Note expected to improve sufficiently within two years and the value of the collateral does Note 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 Mortgage AB (publ)

Bond ID	ISIN	Interest rate	Issue date	Maturity date	Currency	Nominal amount in local currency, 31 Dec 2015	Nominal amount in SEKm 31 Dec 2015
USCB 1	XS0609192678	2,95%	11-03-28	16-03-28	USD	1 000	8 393
USCB 3	XS0670236842	2,13%	11-08-31	16-08-31	USD	1 000	8 393
USCB 4	XS0762447075	2,38%	12-03-23	17-04-05	USD	1 500	12 590
USCB 5	XS0909788456	1,38%	13-03-28	18-03-28	USD	1 000	8 393
EMTN 877	XS0581062675	3,00%	11-01-21	16-01-21	EUR	1 000	9 172
EMTN 827	XS0455687920	3,63%	09-10-05	16-10-05	EUR	1 250	11 465
EMTN 839	XS0496542787	3,38%	10-03-22	17-03-22	EUR	1 100	10 090
EMTN 833	CH0109730207	2,14%	10-02-26	16-08-26	CHF	350	2 966
EMTN 873	CH0118532776	1,63%	10-12-08	17-12-08	CHF	260	2 204
EMTN 958	XS1211586638	3m Sterling Libor +0,20%	15-04-02	18-04-02	GBP	500	6 212
EMTN 965	XS1312135905	3m Sterling Libor +0,38%	15-10-29	18-10-29	GBP	400	4 970
EMTN 937	XS0925525510	1,13%	13-05-07	20-05-07	EUR	1 000	9 172
EMTN 961	XS1231116481	2,00%	15-05-12	20-05-12	USD	1 000	8 393
EMTN 964	XS1296948588	0,38%	15-09-29	20-09-29	EUR	1 250	11 465
EMTN 875	CH0123069038	2,13%	11-02-08	21-02-08	CHF	100	848
EMTN 953	XS1069674825	1,13%	14-05-21	21-05-21	EUR	1 000	9 172
EMTN 957	XS1200837836	0,38%	15-03-11	22-03-11	EUR	1 000	9 172
Total							**133 072**

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, 31 Dec 2015	Nominal amount in SEKm 31 Dec 2015
EMTN 931	XS0875344136	3m Stibor + 0,18%	13-01-15	16-01-15	SEK	1 806	1 806
EMTN 642	XS0242882008	4,62%	06-02-08	16-02-08	HKD	80	87
EMTN 907	XS0750348574	3m Nibor + 0,17%	12-02-24	16-02-24	NOK	75	72
EMTN 825	XS0445433039	3,75%	09-08-12	16-05-12	EUR	20	183
EMTN 915	XS0791635898	3m Stibor + 0, 53%	12-06-13	16-06-13	SEK	370	370
EMTN 948	XS1026221629	3m Stibor + 0, 07%	14-02-03	16-08-03	SEK	1 400	1 400
EMTN 692	XS0265270073	5,07%	06-08-22	16-08-22	HKD	110	119
EMTN 695	XS0265586973	4,92%	06-08-25	16-08-25	HKD	110	119
EMTN 939	XS0969365674	0,76%	13-09-06	16-09-06	EUR	20	183
EMTN 892	XS0677387721	3m Nibor + 0,65%	11-09-15	16-09-15	NOK	150	143
EMTN 893	XS0677306663	3,93%	11-09-15	16-09-15	USD	7	59
EMTN 943	XS0992295948	3m Stibor + 0,13%	13-11-11	16-11-11	SEK	350	350
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	395	395
EMTN 908	XS0755790127	3m Euribor + 0,50%	12-03-09	17-03-09	EUR	100	917
EMTN 909	XS0761323301	3m Euribor + 0,57%	12-03-21	17-03-21	EUR	25	229
EMTN 911	XS0765411839	3m Euribor + 0,50%	12-03-28	17-03-28	EUR	100	917
EMTN 912	XS0767173387	3m Stibor + 0,83%	12-04-04	17-04-04	SEK	110	110
EMTN 916	XS0791636359	3m Stibor + 0,74%	12-06-12	17-06-12	SEK	225	225
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	92
EMTN 924	XS0828512326	3m Euribor + 0,20%	12-09-13	17-09-13	EUR	15	138
EMTN 936	XS0921764527	0,750%	13-04-25	17-10-25	EUR	10	92
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	84
EMTN 927	XS0850341545	3m Euribor + 0,18%	12-11-01	17-11-01	EUR	50	459
EMTN 928	XS0851135425	3m Euribor + 0,18%	12-11-02	17-11-02	EUR	50	459
EMTN 942	XS0989882625	3m Stibor + 0,25%	13-11-06	17-11-06	SEK	550	550
EMTN 956	XS1188240169	3m Stibor +0,02%	15-02-11	17-12-20	SEK	1 000	1 000
EMTN 949	XS1028252689	3m Stibor + 0,20%	14-02-04	18-02-05	SEK	500	500
EMTN 935	XS0907334949	3m Stibor + 0,37%	13-03-22	18-03-22	SEK	330	330
EMTN 802	XS0371402875	5,95%	08-06-18	18-06-18	NOK	500	478
EMTN 955	XS1107222496	3m Stibor + 0,08%	14-09-10	18-09-10	SEK	200	200
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	275

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, 31 Dec 2015	Nominal amount in SEKm 31 Dec 2015
EMTN 930	XS0858168379	3m Euribor + 0,20%	12-11-26	18-11-26	EUR	19	174
EMTN 945	XS0999662892	3 m Stibor + 0,32%	13-12-03	18-12-03	SEK	100	100
EMTN 938	XS0927665272	3m Euribor + 0,13%	13-05-10	18-12-10	EUR	50	459
EMTN 951	XS1048650383	3m Stibor + 0,30%	14-03-25	19-03-25	SEK	175	175
EMTN 952	XS1059373776	3m Stibor + 0,28%	14-04-23	19-04-23	SEK	300	300
EMTN 914	XS0778358902	6m Euribor + 0,40%	12-05-02	19-05-02	EUR	50	459
EMTN 828	XS0457848199	4,90%	09-10-22	19-10-22	NOK	750	717
EMTN 596	XS0221213837	0,83%	05-06-15	20-06-15	JPY	500	35
EMTN 959	XS1226367800	0,08%	15-05-06	20-05-06	EUR	50	459
EMTN 857	XS0523143567	3m Euribor + 0,46%	10-07-02	20-09-27	EUR	10	92
EMTN 966	XS1323426798	0,33%	15-11-23	20-11-23	EUR	75	688
EMTN 597	XS0223127746	3,60%	05-06-30	20-12-01	SEK	350	350
EMTN 655	XS0252775464	Indexobligation	06-04-28	20-12-01	SEK	220	220
EMTN 885	CH0131220631	2,25%	11-06-21	21-06-21	CHF	100	848
EMTN 954	XS1100253191	3m Euribor + 0,115%	14-08-19	21-08-19	EUR	10	92
EMTN 900	XS0720522779	6m Euribor + 0,58%	11-12-16	21-12-16	EUR	50	459
EMTN 883	CH0129918071	2,50%	11-06-03	22-06-03	CHF	150	1 271
EMTN 933	XS0877991827	1,93%	13-01-23	23-01-23	EUR	10	92
EMTN 950	XS1039945867	3m Euribor + 0,19%	14-02-28	24-02-28	EUR	20	183
EMTN 960	XS1227693998	0,42%	15-05-07	25-05-07	EUR	10	92
EMTN 847	XS0507697711	4,01%	10-05-21	25-05-20	EUR	10	92
EMTN 854	XS0520001578	3,72%	10-06-24	25-06-24	EUR	10	92
EMTN 962	XS1244083934	0,93%	15-06-10	25-06-10	EUR	100	917
EMTN 963	XS1292967475	3m Euribor + 0,35%	15-09-18	25-09-18	EUR	10	92
EMTN 968	XS1338866996	0,98%	15-12-30	25-10-30	EUR	20	183
EMTN 815	XS0430266741	5,07%	09-05-22	29-05-22	EUR	10	92
EMTN 816	XS0430512029	5,08%	09-05-26	29-05-28	EUR	10	92
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	50
EMTN 967	XS1337092404	1,62%	15-12-23	36-01-10	EUR	50	459
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	183
EMTN 834	XS0488083287	4,57%	10-03-01	40-03-01	EUR	40	367
EMTN 934	XS0896120044	3,20%	13-03-06	43-03-06	EUR	25	229
NCB 5	NO0010601347	3m Nibor + 0,60%	11-03-01	16-03-01	NOK	1 000	956
NCB 6	NO0010601339	4,60%	11-03-01	16-03-01	NOK	250	239
NCB 7	NO0010661457	3m Nibor + 0,45%	12-10-09	17-10-09	NOK	2 000	1 912
NCB 2	NO0010548365	5,10%	09-11-10	19-11-11	NOK	850	813
NCB 9	NO0010709892	3m Nibor + 0,35%	14-04-16	20-04-16	NOK	300	287

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, 31 Dec 2015	Nominal amount in SEKm 31 Dec 2015
NCB 4	NO0010600315	5,25%	11-03-16	21-03-16	NOK	1 050	1 004
NCB 8	NO0010708118	3m Nibor + 0,40%	14-03-19	21-03-19	NOK	2 100	2 008
Total							**33 131**

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 local currency, 31 Dec 2015	Nominal amount in SEKm 31 Dec 2015
RCB					EUR	3 236	29 677
Total							**29 677**

List of bond loans

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 2015
180	SE0002576561	5,70%	08-05-12	20-05-12	SEK	46 098
184	SE0003585793	3,75%	10-06-15	16-06-15	SEK	29 420
185	SE0003585801	3,75%	10-03-15	17-03-15	SEK	50 424
186	SE0004270007	3,75%	10-12-20	17-12-20	SEK	63 123
187	SE0004270015	3,75%	11-09-19	18-09-19	SEK	80 150
187fr	SE0007045133	3m Stibor + 1,13%	15-04-24	18-09-19	SEK	8 300
188	SE0004270023	3,75%	11-06-19	19-06-19	SEK	40 250
189	SE0007525639	1,00%	14-12-16	20-12-16	SEK	5 000
Total						**322 765**

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 2015
MTN 3088	SE0003909258	3m Stibor + 0,87%	11-03-21	16-03-21	SEK	525
MTN 3094	SE0004390920	3m Stibor + 0,95%	11-12-30	16-12-30	SEK	1 915
MTN 3096	SE0004810059	3m Stibor + 0,62%	12-09-14	17-12-29	SEK	1 280
MTN 3097	SE0005423498	3m Stibor + 0,45%	13-09-25	18-12-28	SEK	595
179	SE0002576553	5,80%	08-05-12	16-05-12	SEK	83
Total						**4 398**

Board of Directors, Auditors and Executive Committee

Board members appointed by the Annual General Meeting:

Leif Karlsson
Head of Group Lending
Born 1966

Magdalena Frostling
President of Swedbank Mortgage
Born 1965

Johan Smedman
Head of Savings Banks Business
Born 1964

Erika Karlsson
Head of Group Cards
Born 1968

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

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

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

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