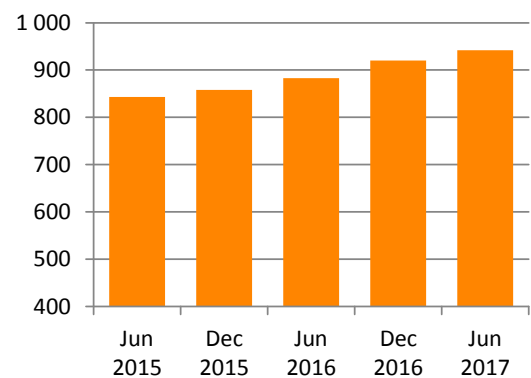


## Interim report first half-year 2017

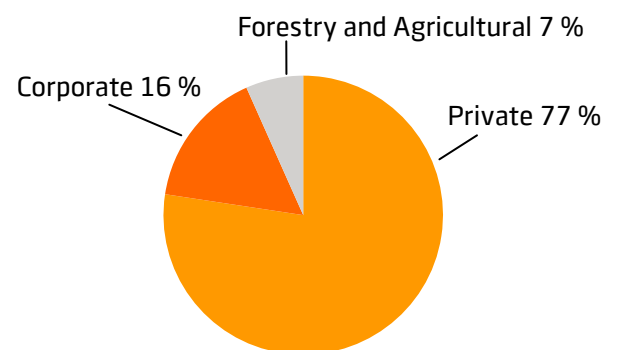
### January – June 2017 (July – December 2016)

- Operating profit in the first half of 2017 amounted to SEK 5 753m (5 645)
- Net interest income increased by SEK 374m to SEK 6 412m (6 038)
- Lending to the public increased by 2 per cent or SEK 22bn to SEK 942bn (920)
- Profit before impairments increased by SEK 115m to SEK 5 768m (5 653)
- Credit impairments amounted to SEK 15m (8)
- Return on equity was 25.7 per cent (21.8)
- Covered bonds totaling an amount of SEK 80bn (50) were issued during the period

### Lending to the public



### Lending segments



Operating profit, January – June 2017

**5 753** SEKm

July-Dec 2016: SEK 5 645m

Market share, mortgages, May 2017

**24.6** %

November 2016: 24.9%

# Business development

	2017	2016	2016	2015	2015	2014	2014
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
<b>Lending to the public, SEKbn</b>	942	920	883	858	843	822	794
- Private	730	712	679	658	640	619	597
- Corporate	150	147	143	140	143	143	140
- Forestry and Agricultural	62	61	61	60	60	60	57
Number of customers, thousands	1 130	1 134	1 119	1 123	1 129	1 130	1 128
Market share mortgages % <sup>1)</sup>	24.6	24.9	24.5	24.8	25.1	25.2	25.3
Market share new mortgages, last six months % <sup>1) 2)</sup>	16.9	34.5	18.6	16.8	22.0	24.5	22.6
Volume growth market, last six months, % <sup>1)</sup>	3.3	3.6	4.1	4.4	3.5	3.4	2.6
Volume growth Swedbank Mortgage, last six months % <sup>1)</sup>	2.2	5.0	3.1	3.0	3.1	3.3	2.3
<b>Private lending</b>							
LTV total portfolio %	53	54	56	56	59	59	61
LTV new mortgages, actual year %	68	66	69	67	70	69	71
Share of total portfolio which amortises, %	65	63	61	58	56	53	50
Share of portfolio which amortises, new mortgages, actual year %	87	82	81	75	71	68	64
<b>Funding</b>							
Issued last six months							
Swedish market, SEKbn	60	46	62	47	62	43	37
Outside Sweden, SEKbn	20	4	13	23	26		12
Average maturity of outstanding issued covered bonds, months	38	36	37	36	36	35	40

<sup>1)</sup> market share and volume growth are presented as of May and November. Source Statistics Sweden (SCB).

<sup>2)</sup> In October 2016, Swedbank Mortgage acquired approximately SEK 13bn of lending volume from SBAB as a final step in SwedbankAB's acquisition of Sparbanken Öresund.

# Financial overview and key ratios

SEKm	2017		2016		2016	
	Jan-Jun	Jul-Dec	%	Jan-Jun	%	
Net interest income	6 412	6 038	6	5 772	11	
Net commissions	-10	7		56		
Net gains and losses on financial items at fair value	-506	-266	90	-390	30	
Other income	3	3	0	3	0	
<b>Total income</b>	<b>5 899</b>	<b>5 782</b>	<b>2</b>	<b>5 441</b>	<b>8</b>	
Other expenses	126	126	0	123	2	
Staff costs	5	3	67	1		
<b>Total expenses</b>	<b>131</b>	<b>129</b>	<b>2</b>	<b>124</b>	<b>6</b>	
<b>Profit before impairments</b>	<b>5 768</b>	<b>5 653</b>	<b>2</b>	<b>5 317</b>	<b>8</b>	
Credit impairments, net	15	8	88	12	25	
<b>Operating profit</b>	<b>5 753</b>	<b>5 645</b>	<b>2</b>	<b>5 305</b>	<b>8</b>	
Tax	1 269	1 243	2	1 167	9	
<b>Profit for the period</b>	<b>4 484</b>	<b>4 402</b>	<b>2</b>	<b>4 138</b>	<b>8</b>	

SEKm	2017		2016		2016		2015	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	30 Jun
<b>Profit</b>								
Investment margin, %	1.28	1.29	1.26	1.20	1.17			
Average total assets	999 504	984 625	967 964	932 305	927 129			
Return on equity, %	20.1	21.8	21.9	19.3	18.5			
Average equity	44 687	39 165	37 948	36 416	34 868			
Earnings per share, SEK	195.0	371.3	179.9	305.4	143.5			
<b>Equity</b>								
Number of shares in issue at beginning/end of period, million	23	23	23	23	23			
Equity per share, SEK	2 040	1 799	1 657	1 588	1 560			
<b>Credit quality</b>								
Loans to the public	942 232	919 572	882 524	857 910	842 819			
Credit impairments, net	15	20	12	30	12			
Loan loss ratio, %	0.00	0.00	0.00	0.00	0.00			
Impaired loans, gross	184	222	225	241	278			
Total provisions	100	93	95	117	115			
Total provision ratio for impaired loans, %	54.4	41.7	42.3	48.5	41.4			
Carrying amount impaired loans	157	200	202	208	251			
Share of impaired loans, gross, loans to the public, %	0.02	0.02	0.02	0.03	0.03			

For more information on definitions and calculation of key ratios, refer to the 2016 Annual Report, page 40

# Overview

## Market

The Swedish economy grew at a slightly slower rate in the first half of 2017 compared to the end of last year. GDP rose by 2.2 per cent on an annualised, calendar-adjusted, basis. Growth was driven by increased household consumption and a big jump in housing investment, while export growth dropped. Tendency surveys such as the Purchasing Managers' Index and Economic Tendency Survey reaffirmed in the first half-year that economic conditions are strong, as also reflected by the labour market. The number of people working increased by 92 000 in May and unemployment was 6.7 per cent at the same time that the labour shortage became more widespread. Inflation and inflation expectations was favourable for the Riksbank even though the rise in inflation has been driven up by temporary effects. House prices fell marginally in May after having climbed in March and April at the same time that residential construction is at the highest level since the days of the Million Homes Programme in the 1960s and 1970s. The introduction of the amortisation requirement and declining trend in house prices contributed to a drop in the annual growth rate for residential mortgages to 7.0 per cent in May. In June the Swedish Financial Supervisory Authority (SFSA) proposed a tightening of the amortisation requirement. Despite slower credit growth in May, the growth rate still exceeds household wage increases and is one reason why the household debt-to-income ratio continues to rise from already high levels.

The European economic recovery strengthened in the second quarter at the same time that political risks have declined after last spring's European elections (the Netherlands, France and the UK). In the US, economic indicators have been somewhat weaker than estimated, but the labour market continues to improve. With an unemployment rate of 4.5 per cent, the Federal Reserve raised the target range for its benchmark interest rate to 1.00–1.25 per cent in June and also announced that it will start to gradually reduce its balance sheet later this year. Uncertainty about US fiscal policy and President Trump's promised tax cuts and infrastructure investments still persists. The ECB left its key interest rate unchanged at the most recent monetary policy meeting in May. Expectations of a gradually less expansionary policy have grown in the financial market, however, in connection with stronger European macro data, which strengthened the euro against the dollar. The Swedish krona weakened against the euro while strengthening against the dollar. Long-term bond yields (10-year government bond) rose in the eurozone while US long-term yields fell slightly.

## Important to note

Due to amendments to the bilateral contract with the savings banks, the reporting of compensation to the savings banks for brokerage of mortgages has changed. Brokerage costs are recognised as a reduction to interest income, while costs for administrative services are reported as expenses. Comparative figures have been restated; see note 13.

# Company's development

(Comparative numbers for the balance sheet refer to 31 December 2016 unless otherwise stated)

## Result first half of 2017 compared to second half of 2016

Swedbank Mortgage AB ("Swedbank Mortgage") reported operating profit of SEK 5 753m in the first half of 2017, compared to SEK 5 645m in July-December 2016. The increase is due to stronger net interest income at the same time that net gains and losses on financial items at fair value decreased.

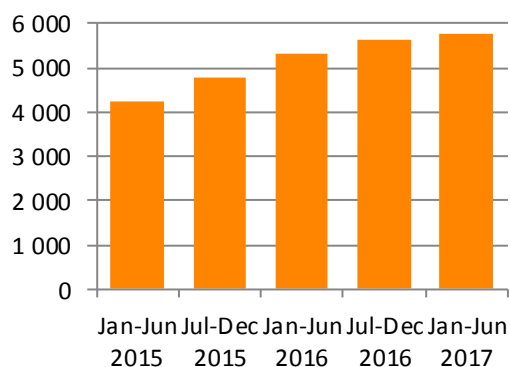
Net interest income increased by SEK 374m to SEK 6 412m (6 038). Increased lending volumes and margins contributed to the positive trend, together with the positive effects on net interest income of covered bond repurchases. The resolution fund fee increased by SEK 158m to SEK 270m (112) and affected net interest income negatively.

Net gains and losses on financial items decreased to SEK -506m (-266) as a result of increased covered bond repurchases. The negative figure is largely due to the repurchases of covered bonds.

Expenses amounted to SEK 131m (129). Other expenses were unchanged at SEK 126m (126) and include part of the compensation paid to the savings banks and partly owned banks. This cost amounted to SEK 121m (120). No fees are paid to Swedbank AB.

The credit quality in lending remains very good and credit losses are low. Credit impairments increased to SEK 15m (8). Provisions amounted to SEK 100m (93). A specification of credit losses and lending can be found in notes 5 and 6.

## OPERATING PROFIT (SEKm)



## Result first half of 2017 compared to first half of 2016

Operating profit increased to SEK 5 753m, compared to SEK 5 305m for the first half of 2016. The increase is largely due to stronger net interest income at the same time that net gains and losses on financial items weakened slightly.

Net interest income increased by SEK 640m to SEK 6 412m (5 772). Increased lending volumes and margins positively contributed to the trend at the same time that the positive effect on net interest income of covered bond repurchases was lower than in the same period in 2016. The resolution fund fee increased by

SEK 159m to SEK 270m (111) and negatively affected net interest income.

Net gains and losses on financial items decreased to SEK -506m (-390) as a result of increased covered bond repurchases.

Expenses amounted to SEK 131m (124). Other expenses increased to SEK 126m (123) and include part of the compensation paid to the savings banks and partly owned banks. This cost amounted to SEK 121m (120). No fees are paid to Swedbank AB.

The credit quality in lending remains very good and credit losses are low. Credit impairments increased to SEK 15m (12). Provisions amounted to SEK 100m (95).

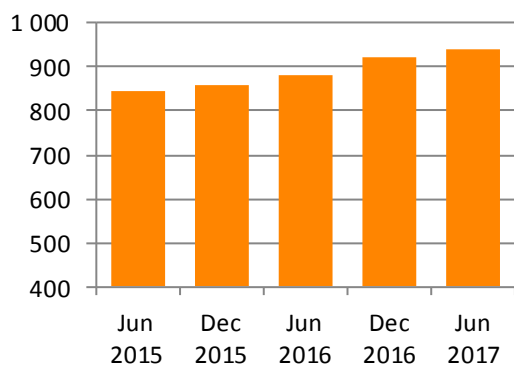
## Lending

Swedbank Mortgage grants real estate loans up to a ratio of 85 per cent of estimated market value. The company also lends directly to municipalities or to other lenders with local government guarantees as collateral as well as to forestry and agricultural businesses.

Swedbank Mortgage continues to pursue a strategy to digitise the mortgage process and use pricing models independent of channel of contact. Since 2016 customers have the option to re-set their mortgage rates digitally in the Internet Bank. When doing so, they receive an individual rate based on the same pricing model used by Swedbank's branches and the Telephone Bank.

Lending to the public increased by SEK 22bn to SEK 942bn (920). The private segment accounted for SEK 730bn (712) and lending to the forestry and agricultural segment for SEK 62bn (61). Lending to the corporate segment was SEK 150bn (147).

### LENDING TO THE PUBLIC (SEKbn)



Growth in the Swedish mortgage market slowed from previous period but remained high with an annual growth rate of 7.0 per cent (7.8). As of 31 May 2017 the share of the year's net mortgage growth was 17.1 per cent and the total market share was 24.6 per cent (24.9).

In June 2017 the SFSA proposed a tighter amortisation requirement for households with high debt (in relation to income). The proposal requires new borrowers with mortgage debts exceeding 4.5 times their gross income to amortise at least 1 per cent of that debt over and above the existing amortisation requirement. The SFSA's regulation is designed to increase Swedish household resilience to macroeconomic disruptions. The tighter requirement is expected to enter into force in early 2018. The effect of the tighter requirement is expected to

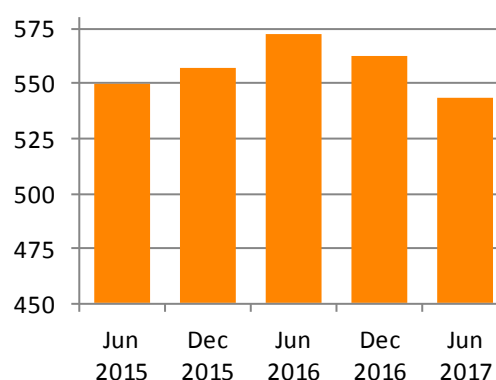
correspond to the effect of the debt-to-income cap that the bank already applies.

The EU mortgage credit directive entered into force in Sweden on 1 January 2017. Its aim is to strengthen consumer protection as regards mortgages. The directive includes provisions on marketing, information, the format of mortgage offerings, the right to reconsider, and advice. In Sweden, every person dealing with mortgages must have a licence. The sector has developed a common mortgage licence.

## Funding

Swedbank Mortgage primarily finances its lending by issuing covered bonds in the Swedish and international capital markets. Its remaining funding needs are secured through loans from Swedbank AB.

### OUTSTANDING COVERED BONDS (SEKbn)



The funding process is simplified through a number of standardised funding programmes, which legally conform to a number of different markets and investors. Demand for Swedbank Mortgage's bonds remained good in the first half of 2017.

In the Swedish market, Swedbank Mortgage has continuously issued Floating Rate Notes ("FRNs") in a slightly larger format. In total, SEK 6.5bn of these loans were issued in 2017. These FRN loans have the same maturity date as the outstanding benchmark bonds (loans 187, 180 and 190) in Swedish krona. The total outstanding volume was just over SEK 23bn on 30 June. Of the total new funding of SEK 80bn (50), SEK 60bn (46) was issued in the Swedish market. In the international market, Swedbank Mortgage issued two new benchmark loans, each amounting to EUR 1bn, with maturities of 5.5 and 7 years, respectively. Both transactions were in markets where demand for new issues was very good. As a result, the terms were very favourable.

As part of its liquidity strategy Swedbank Mortgage actively repurchases large parts of the redeeming volumes, starting about 1.5 years before maturity. By doing this, the liquidity risk in form of large redemption volumes at the same time is minimised. During the first half-year SEK 50bn (27) was repurchased in four different benchmark bonds with short remaining maturities. The average maturity of all outstanding covered bonds was 38 months (38) as per 30 June.

## Risks

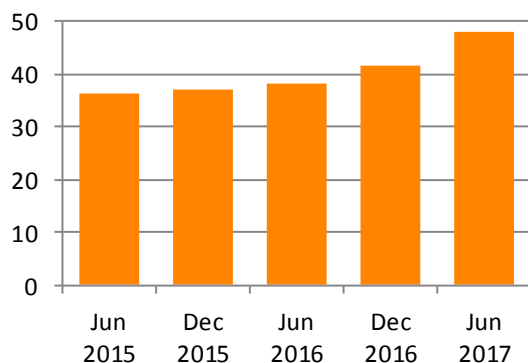
The primary risks are credit risk, liquidity risk, market risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited market and operational risks. In addition to what is stated in this interim report, a description of the company's risks is provided in the Annual Report for 2016.

## Capital adequacy

Swedbank Mortgage's legal capital requirement is based on the Capital Requirement Regulation (CRR), but more specifically restricted by the Basel 1 floor within CRR. The Basel 1 floor, i.e. 80 per cent of the capital requirement according to Basel 1, is a transitional rule in CRR that expires 2018. The assessment is that it will continue in some format, for example Pillar 2 or a general floor. Since Swedbank Mortgage's capital requirement according to the Basel 1 floor is higher than the requirements in CRR/CRDIV (Capital Requirements Directive IV), Pillar 1 and Pillar 2 combined (including a risk-weighted floor on the Swedish mortgage portfolio of 25 per cent, a capital conservation buffer of 2.5 per cent as well as a countercyclical buffer of 2.0 per cent), it is the Basel 1 floor that constitutes the minimum capital requirement for Swedbank Mortgage. The expectation is that the Basel 1 floor will be the minimum requirement for Swedbank Mortgage in the future as well.

Swedbank Mortgage's Common Equity Tier 1 capital increased by SEK 6bn in the first half-year to SEK 48bn (42) on 30 June 2017.

COMMON EQUITY TIER 1 CAPITAL (SEKbn)



The capital requirement amounted to SEK 38 411m (37 324), compared to SEK 4 570m (4 727) not taking into account the Basel 1 floor.

In the first half of 2017 Swedbank Mortgage prepaid the Tier 2 loan from Swedbank AB. This reduced the own funds by SEK 4.0bn. Migrations from the standardized approach to internal rate based approach for the loans that Swedbank Mortgage received in conjunction with the purchase of Sparbanken Öresund decreased risk the exposure amount by around SEK 6.5bn. Capital adequacy is specified in note 12.

International work is underway regarding future capital requirements for banks. Among other things, the Basel Committee is conducting an extensive oversight to improve the comparability of banks' capital ratios. The oversight covers future standardised approaches for calculating capital requirements for credit, market, counterparty and operational risks. There is also a

proposal to introduce a capital floor based on these standardised approaches for banks that use internal models.

Until the new rules are finalised, the potential impact on Swedbank Mortgage remains uncertain. With its robust profitability and strong capitalisation, however, Swedbank Mortgage is well positioned to meet future changes in the capital requirements.

Swedbank Mortgage's leverage ratio was 5.1 per cent (4.2) on 30 June 2017. The supervisory authorities will review the leverage ratio measurement before a possible minimum requirement is enforced in 2018.

## Credit and asset quality

New private housing construction in Sweden is at the highest level for many years, which is leading to higher private mortgage lending volumes. While new construction has caught up with demand in some locations, the housing shortage still persists in many areas and continues to push prices higher. Swedish mortgages increased by 3.3 per cent during the period November 2016 to May 2017, a lower growth rate than in previous periods.

The average loan-to-value ratio for Swedbank Mortgage's portfolio was 53 per cent (54), based on property level. For new lending in the first half-year the loan-to-value ratio was 68 per cent (66).

Credit impairments remained low at SEK 15m (12) in January-June. The credit impairment ratio was 0.002 per cent (0.001). The continued strength of the Swedish housing market provided support to the credit portfolio.

The share of impaired loans (gross) was unchanged during the first half year and amounted to SEK 0.02 per cent (0.02) of total lending. The total provision ratio for impaired loans was 54 per cent (42). For more information on asset quality, see the Fact Book.

## Operational risks

No incidents occurred in the first half of 2017 that significantly affected Swedbank Mortgage. Losses related to operational risks remained very low.

## Rating

Swedbank Mortgage is one of the largest players on the Swedish covered bond market, with the highest credit rating (Aaa/AAA) from both Moody's Investor Service and Standard & Poor's (S&P). Swedbank Mortgage has a credit rating of Aa3 from Moody's and AA- from S&P. There were no ratings changes in the first half of 2017.

	Moody's		Standard & Poor's	
	Rating	Outlook	Rating	Outlook
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

## Events after 30 June 2017

No significant events have occurred.

## Income statement, condensed

SEKm	2017			2016	
	Jan-Jun	Jul-Dec	%	Jan-Jun	%
<b>Interest income</b>	<b>8 151</b>	<b>8 192</b>	<b>-1</b>	<b>8 454</b>	<b>-4</b>
Interest expense	-1 788	-2 232	-20	-2 764	-35
Negative yield on financial liabilities	49	78	-37	82	-40
<b>Interest expense, including negative yield on financial liabilities</b>	<b>-1 739</b>	<b>-2 154</b>	<b>-19</b>	<b>-2 682</b>	<b>-35</b>
<b>Net interest income (note 3)</b>	<b>6 412</b>	<b>6 038</b>	<b>6</b>	<b>5 772</b>	<b>11</b>
Commission income	32	34	-6	34	-6
Commission expenses	-42	-27	56	22	
<b>Net commissions</b>	<b>-10</b>	<b>7</b>		<b>56</b>	
Net gains and losses on financial items at fair value (note 4)	-506	-266	90	-390	30
Other income	3	3	0	3	0
<b>Total income</b>	<b>5 899</b>	<b>5 782</b>	<b>2</b>	<b>5 441</b>	<b>8</b>
Other expenses	126	126	0	123	2
Staff costs	5	3	67	1	
<b>Total expenses</b>	<b>131</b>	<b>129</b>	<b>2</b>	<b>124</b>	<b>6</b>
<b>Profit before impairments</b>	<b>5 768</b>	<b>5 653</b>	<b>2</b>	<b>5 317</b>	<b>8</b>
Credit impairments, net (note 5)	15	8	88	12	25
<b>Operating profit</b>	<b>5 753</b>	<b>5 645</b>	<b>2</b>	<b>5 305</b>	<b>8</b>
Tax	1 269	1 243	2	1 167	9
<b>Profit for the period</b>	<b>4 484</b>	<b>4 402</b>	<b>2</b>	<b>4 138</b>	<b>8</b>

## Statement of comprehensive income, condensed

SEKm	2017			2016	
	Jan-Jun	Jul-Dec	%	Jan-Jun	%
<b>Profit for the period reported via income statement</b>	<b>4 484</b>	<b>4 402</b>	<b>2</b>	<b>4 138</b>	<b>8</b>
Items that may be reclassified to the income statement					
Cash flow hedges:					
Gains and losses arising during the period	-738	-230		350	
Reclassification adjustments to income statement, net interest income	6	7	-14	9	-33
Tax relating to components of other comprehensive income	161	49		-79	
<b>Total comprehensive income attributable to shareholders of Swedbank Mortgage AB</b>	<b>3 913</b>	<b>4 228</b>	<b>-7</b>	<b>4 418</b>	<b>-11</b>

## Balance sheet, condensed

SEKm	2017	2016	Δ		2016	
	30 Jun	31 Dec	mkr	%	30 Jun	%
<b>Assets</b>						
Loans to credit institutions (note 6)	57 476	56 835	641	1	85 420	-33
Loans to the public (note 6)	942 232	919 572	22 660	2	882 524	7
Value change of interest hedged item in portfolio hedge	1 007	1 483	-476	-32	2 478	-59
Derivatives (note 7)	19 423	27 982	-8 559	-31	32 998	-41
Current tax assets					321	
Dererred tax assets	96					
Other assets	572	74	498		748	-24
Prepaid expenses and accrued income	1 531	1 354	177	13	1 676	-9
<b>Total assets</b>	<b>1 022 337</b>	<b>1 007 300</b>	<b>15 037</b>	<b>1</b>	<b>1 006 165</b>	<b>2</b>
<b>Liabilities and equity</b>						
<b>Liabilities</b>						
Amounts owed to credit institutions	410 964	374 741	36 223	10	366 873	12
Debt securities in issue (note 8)	543 682	563 201	-19 519	-3	573 119	-5
Derivatives (note 7)	7 223	7 382	-159	-2	10 499	-31
Current tax liabilities	589	638	-49	-8	353	67
Deferred tax liabilities		65	-65		114	
Accrued expenses and prepaid income	5 454	6 661	-1 207	-18	7 133	-24
Other liabilities	6 436	8 157	-1 721	-21	4 904	31
Subordinated liabilities (note 8)		4 000	-4 000		4 000	
<b>Total liabilities</b>	<b>974 348</b>	<b>964 845</b>	<b>9 503</b>	<b>1</b>	<b>966 995</b>	<b>1</b>
Untaxed reserves	1 068	1 068	0	0	1 068	0
<b>Equity</b>	<b>46 921</b>	<b>41 387</b>	<b>5 534</b>	<b>13</b>	<b>38 102</b>	<b>23</b>
<b>Total liabilities and equity</b>	<b>1 022 337</b>	<b>1 007 300</b>	<b>15 037</b>	<b>1</b>	<b>1 006 165</b>	<b>2</b>



## Statement of changes in equity, condensed

30 Jun 2016	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
<b>SEKm</b>					
<b>Opening balance 1 January 2016</b>	<b>11 500</b>	<b>3 100</b>	<b>124</b>	<b>21 846</b>	<b>36 570</b>
Group contributions paid				-3 700	-3 700
Tax reduction due to Group distributions paid				814	814
Total comprehensive income for the period			280	4 138	4 418
<b>Closing balance 30 June 2016</b>	<b>11 500</b>	<b>3 100</b>	<b>404</b>	<b>23 098</b>	<b>38 102</b>
of which, conditional shareholders' contributions				2 400	2 400

31 Dec 2016	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
<b>SEKm</b>					
<b>Opening balance 1 January 2016</b>	<b>11 500</b>	<b>3 100</b>	<b>124</b>	<b>21 846</b>	<b>36 570</b>
Group contributions paid				-8 050	-8 050
Tax reduction due to Group distributions paid				1 771	1 771
Shareholders' contribution				2 450	2 450
Total comprehensive income for the year			106	8 540	8 646
<b>Closing balance 31 December 2016</b>	<b>11 500</b>	<b>3 100</b>	<b>230</b>	<b>26 557</b>	<b>41 387</b>
of which, conditional shareholders' contributions				2 400	2 400

30 Jun 2017	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Fair value fund	Retained earnings	Total equity
<b>SEKm</b>					
<b>Opening balance 1 January 2017</b>	<b>11 500</b>	<b>3 100</b>	<b>230</b>	<b>26 557</b>	<b>41 387</b>
Group contributions paid				-3 050	-3 050
Tax reduction due to Group distributions paid				671	671
Shareholders' contribution				4 000	4 000
Total comprehensive income for the period			-571	4 484	3 913
<b>Closing balance 30 June 2017</b>	<b>11 500</b>	<b>3 100</b>	<b>-341</b>	<b>32 662</b>	<b>46 921</b>
of which, conditional shareholders' contributions				2 400	2 400

## Cash flow statement, condensed

SEKm	2017	2016	2016
	Jan-Jun	Full year	Jan-Jun
<b>Operating activities</b>			
Operating profit	5 753	10 950	5 305
Adjustments for non-cash items in operating activities	-507	-2 552	-1 342
Taxes paid	-639	244	-77
Decrease in loans to the public	-23 315	-63 168	-25 161
Increase in amounts owed to credit institutions	36 223	39 151	31 283
Increase in other assets	3	578	-97
Increase/decrease in other liabilities	40	78	1 175
<b>Cash flow from operating activities</b>	<b>17 558</b>	<b>-14 719</b>	<b>11 086</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities	79 675	125 359	75 200
Redemption of interest-bearing securities	-88 542	-119 817	-64 431
Shareholders' contribution	4 000	2 450	
Prepaid subordinated loan	-4 000		
Group contributions paid	-8 050	-6 300	-6 300
<b>Cash flow from financing activities</b>	<b>-16 917</b>	<b>1 692</b>	<b>4 469</b>
<b>Cash flow for the period</b>	<b>641</b>	<b>-13 029</b>	<b>15 556</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>56 835</b>	<b>69 864</b>	<b>69 864</b>
Cash flow for the period	641	-13 029	15 556
<b>Cash and cash equivalents at end of the period</b>	<b>57 476</b>	<b>56 835</b>	<b>85 420</b>
Liquid funds with banks and equivalent institutions	57 476	56 835	85 420
Loans to credit institutions	57 476	56 835	85 420

## Notes

These condensed financial statements have been prepared on a going concern basis. On 18 July 2017, the Board of Directors approved the consolidated condensed financial statements for publication. All amounts in the notes are in millions of Swedish krona (SEKm) and at book value unless indicated otherwise.

### Note 1 Accounting policies

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

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2016, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to Swedbank Mortgage's accounting policies set out in the 2016 Annual Report, except for the new standards and change as set out below.

#### **Changed reporting of the compensation to the Savings banks for mortgage loans**

Swedbank and the Savings banks, as of 1 January 2017, changed their bilateral contract regarding how the compensation will be divided between brokerage services and on-going administrative services for mortgages. Brokerage services costs for loans will be added to the loans acquisitions value and will be part of the loans effective interest. It causes that the transaction cost reports as a reduction of the interest income during the loans term. Costs for administrative services will be reported as an expense. Restatement of the historical comparative figures has been made according the new agreement to better illustrate trends between periods. The change affects the interest income and expenses, but not the total result. Change in presentation of revenues and expenses will be presented in the note 13.

## Note 2 Business segments

SEKm	2017				2016			
	Jan - Jun				Jan - Jun			
	Private	Cor- porate	Forestry and Agricultural	Total	Private	Cor- porate	Forestry and Agricultural	Total
Net interest income	5 249	592	440	6 281	4 631	543	424	5 598
Net commissions	-7	-2	-1	-10	43	9	4	56
<b>Total income</b>	<b>5 242</b>	<b>590</b>	<b>439</b>	<b>6 271</b>	<b>4 674</b>	<b>552</b>	<b>428</b>	<b>5 654</b>
Total cost	109	2	11	122	107	1	12	120
<b>Profit before impairments</b>	<b>5 133</b>	<b>588</b>	<b>428</b>	<b>6 149</b>	<b>4 567</b>	<b>551</b>	<b>416</b>	<b>5 534</b>
Credit impairments	10	1	4	15	2	-1	11	12
<b>Operating profit</b>	<b>5 123</b>	<b>587</b>	<b>424</b>	<b>6 134</b>	<b>4 565</b>	<b>552</b>	<b>405</b>	<b>5 522</b>
Loans to the public	729 642	150 464	62 126	942 232	679 459	142 596	60 469	882 524

## Reconciliation of segment reporting and financial report

SEKm	2017			2016		
	Jan - Jun			Jan - Jun		
	Total income	Total expenses	Opera- ting profit	Total income	Total expenses	Opera- ting profit
Total segments	6 271	122	6 134	5 654	120	5 522
Return on legal equity	131		131	174		174
Net gains and losses on financial items	-506		-506	-390		-390
Other income	3		3	3		3
Other expenses		9	9		4	4
<b>Total financial report</b>	<b>5 899</b>	<b>131</b>	<b>5 753</b>	<b>5 441</b>	<b>124</b>	<b>5 305</b>

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

## Note 3 Net interest income

SEKm	2017		%	2016	
	Jan-Jun	Jul-Dec		Jan-Jun	%
<b>Interest income</b>					
Loans to credit institutions	5	14	-64	11	-55
Loans to the public	8 146	8 178	0	8 443	-4
<b>Total interest income</b>	<b>8 151</b>	<b>8 192</b>	<b>-1</b>	<b>8 454</b>	<b>-4</b>
<b>Interest expense</b>					
Amounts owed to credit institutions	-78	27		2	
Debt securities in issue	-3 412	-4 164	-18	-4 720	-28
Derivatives	2 035	2 119	-4	2 175	-6
Subordinated debt	-13	-24	-46	-25	-48
Other	-271	-112		-114	
of which resolution/stabilisation fund fee	-270	-112		-111	
<b>Total interest expense including negative yield on financial liabilities according to income statement</b>	<b>-1 739</b>	<b>-2 154</b>	<b>-19</b>	<b>-2 682</b>	<b>-35</b>
<b>Total net interest income</b>	<b>6 412</b>	<b>6 038</b>	<b>6</b>	<b>5 772</b>	<b>11</b>

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

SEKm	2017		%	2016	
	Jan-Jun	Jul-Dec		Jan-Jun	%
<b>Valuation category, fair value through profit and loss</b>					
Debt securities issued	135	157	-14	54	
Derivatives	223	462	-52	350	-36
Lending to the public	-631	-936	-33	-530	19
<b>Total fair value through profit and loss</b>	<b>-273</b>	<b>-317</b>	<b>-14</b>	<b>-126</b>	
<b>Hedge accounting</b>					
Ineffective part of hedge accounting at fair value	26	67	-61	-98	
of which hedging instruments	3 245	-5 197		4 730	-31
of which hedged items	-3 219	5 264		-4 828	-33
Ineffective part of portfolio hedge	-2	43		-34	-94
of which hedging instruments	-475	1 038		-1 503	-68
of which hedged items	473	-995		1 469	-68
<b>Total hedge accounting</b>	<b>24</b>	<b>110</b>	<b>-78</b>	<b>-132</b>	
Financial liabilities valued at amortised cost	-285	-210	36	-211	35
Loans and receivables at amortised cost	56	67	-16	75	-25
Change in exchange rates	-28	84		4	
<b>Total</b>	<b>-506</b>	<b>-266</b>	<b>90</b>	<b>-390</b>	<b>30</b>

## Note 5 Credit impairments, net

SEKm	2017		%	2016	
	Jan-Jun	Jul-Dec		Jan-Jun	%
<b>Provisions for loans individually assessed as impaired</b>					
Provisions	4	1		12	-67
Reversal of previous provisions	0	-1	-100	0	
Provision for homogenous groups of impaired loans, net	0			-1	
<b>Total</b>	<b>4</b>			<b>11</b>	<b>-64</b>
<b>Portfolio provisions for loans individually assessed as not impaired</b>	<b>3</b>	<b>-1</b>		<b>-12</b>	
<b>Write-offs of impaired loans</b>					
Established losses	10	12		35	-71
Utilisation of previous provisions	0	-2		-21	
Recoveries	-2	-1		-1	
<b>Total</b>	<b>8</b>	<b>9</b>		<b>13</b>	<b>-38</b>
<b>Credit impairments, net</b>	<b>15</b>	<b>8</b>		<b>12</b>	<b>25</b>

## Note 6 Loans

SEKm	2017		%	2016	
	30 Jun	31 Dec		30 Jun	%
<b>Lending</b>					
Carrying amount before provisions	999 808	976 500	2	968 039	3
Provisions for loans individually assessed as impaired	-27	-22	23	-23	17
Portfolio provisions for loans assessed as not impaired	-73	-71	3	-72	1
<b>Total provisions</b>	<b>-100</b>	<b>-93</b>	<b>8</b>	<b>-95</b>	<b>5</b>
<b>Carrying amount after provisions</b>	<b>999 708</b>	<b>976 407</b>	<b>2</b>	<b>967 944</b>	<b>3</b>
<b>Impaired loans</b>					
Impaired loans, gross	184	222	-17	225	-18
Provisions for individually assessed impaired loans	-27	-22	23	-23	17
<b>Carrying amount of impaired loans</b>	<b>157</b>	<b>200</b>	<b>-22</b>	<b>202</b>	<b>-22</b>
Share of impaired loans, gross, loans to the public, %	0.02	0.02		0.03	
Share of impaired loans, net, loans to the public, %	0.02	0.02		0.02	
Total provision ratio for impaired loans, % <sup>1)</sup>	54.4	41.7		42.3	
Provision ratio for individually identified impaired loans, %	9.9	10.0		10.4	

1) Including portfolio provisions for loans individually assessed as impaired.

## Note 6 Loans, contd.

Loans by borrower category 30 Jun 2017							
SEKm	Private cust- omers	Real estate incl tenant- owner associa- tions	Other corporate lending	Forestry and agri- culture	Total lending to the public	Credit insti- tutions	Total lending
<b>Book value before provisions</b>	<b>728 990</b>	<b>145 514</b>	<b>14 815</b>	<b>53 013</b>	<b>942 332</b>	<b>57 476</b>	<b>999 808</b>
Provisions for loans individually assessed as impaired	-10	-1		-16	-27		-27
Portfolio provisions for loans individually assessed as not impaired	-36	-30	-3	-4	-73		-73
<b>Book value after provisions</b>	<b>728 944</b>	<b>145 483</b>	<b>14 812</b>	<b>52 993</b>	<b>942 232</b>	<b>57 476</b>	<b>999 708</b>
Book value of impaired loans	94	5	1	57	157		157

Loans by borrower category 31 Dec 2016							
SEKm	Private cust- omers	Real estate incl tenant- owner associa- tions	Other corporate lending	Forestry and agri- culture	Total lending to the public	Credit insti- tutions	Total lending
<b>Book value before provisions</b>	<b>711 102</b>	<b>141 222</b>	<b>14 802</b>	<b>52 539</b>	<b>919 665</b>	<b>56 835</b>	<b>976 500</b>
Provisions for loans individually assessed as impaired	-9	-1		-12	-22		-22
Portfolio provisions for loans individually assessed as not impaired	-36	-28	-4	-3	-71		-71
<b>Book value after provisions</b>	<b>711 057</b>	<b>141 193</b>	<b>14 798</b>	<b>52 524</b>	<b>919 572</b>	<b>56 835</b>	<b>976 407</b>
Book value of impaired loans	87	4	37	72	200		200

Loans by borrower category 30 Jun 2016							
SEKm	Private cust- omers	Real estate incl tenant- owner associa- tions	Other corporate lending	Forestry and agri- culture	Total lending to the public	Credit insti- tutions	Total lending
<b>Book value before provisions</b>	<b>679 076</b>	<b>137 150</b>	<b>14 402</b>	<b>51 991</b>	<b>882 619</b>	<b>85 420</b>	<b>968 039</b>
Provisions for loans individually assessed as impaired	-8	-1	-1	-13	-23		-23
Portfolio provisions for loans individually assessed as not impaired	-39	-25	-3	-4	-72		-72
<b>Book value after provisions</b>	<b>679 029</b>	<b>137 123</b>	<b>14 398</b>	<b>51 974</b>	<b>882 524</b>	<b>85 420</b>	<b>967 944</b>
Book value of impaired loans	95	4	47	79	225		225

## Note 7 Derivatives

SEKm	2017			2016		
	30 Jun			31 Dec		
	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book value	12 367	7 056	19 423	15 753	12 229	27 982
of which in hedge accounting	11 575	3 541	15 116	14 974	3 653	18 627
Derivatives with negative book value	3 355	3 868	7 223	4 048	3 334	7 382
of which in hedge accounting	2 314	1 241	3 555	2 292	1 300	3 592
<b>Nominal amount</b>	<b>670 519</b>	<b>161 151</b>	<b>831 670</b>	<b>644 052</b>	<b>168 069</b>	<b>812 121</b>

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

## Note 8 Debt securities in issue and subordinated liabilities

SEKm	2017		%	2016	
	30 Jun	31 Dec		30 Jun	%
<b>Valuation category, other financial liabilities</b>					
Bond loans	526 648	542 378	-3	543 462	-3
Change in value due to hedge accounting at fair value	9 169	12 700	-28	17 894	-49
Subordinated liabilities		4 000		4 000	
<b>Total</b>	<b>535 817</b>	<b>559 078</b>	<b>-4</b>	<b>565 356</b>	<b>-5</b>
<b>Valuation category, fair value through profit and loss</b>					
Bond loans	7 865	8 123	-3	11 763	-33
<b>Total</b>	<b>7 865</b>	<b>8 123</b>	<b>-3</b>	<b>11 763</b>	<b>-33</b>
<b>Total</b>	<b>543 682</b>	<b>567 201</b>	<b>-4</b>	<b>577 119</b>	<b>-6</b>

SEKm	2017		%	2016	
	Jan-Jun	Full year		Jan-Jun	%
<b>Turnover during the period</b>					
<b>Opening balance</b>	<b>567 201</b>	<b>560 663</b>	<b>1</b>	<b>560 663</b>	<b>1</b>
Issued	80 183	125 359	-36	75 200	7
Repurchased	-49 588	-41 781	19	-14 521	241
Prepaid subordinated loan	-4 000				
Repaid	-42 190	-78 036	-46	-49 910	-15
Change in market value or in hedged item in fair value hedge accounting	-6 258	-7 019	-11	1 904	-429
Changes in exchange rates	-1 666	8 015	-121	3 783	-144
<b>Closing balance</b>	<b>543 682</b>	<b>567 201</b>	<b>-4</b>	<b>577 119</b>	<b>-6</b>



## Note 9 Financial instruments at fair value

SEKm	2017			2016		
	Fair value	30 Jun Carrying amount	Diff- erence	Fair value	31 Dec Carrying amount	Diff- erence
<b>Assets</b>						
<b>Financial assets, IAS 39</b>						
Loans to credit institutions	57 476	57 476		56 835	56 835	
Loans to the public	946 581	942 232	4 349	925 252	919 572	5 680
Value change of interest hedged item in portfolio hedge	1 007	1 007		1 483	1 483	
Shares and participating interest				1	1	
Derivatives	19 423	19 423		27 982	27 982	
Other financial assets	2 103	2 103		1 427	1 427	
<b>Total</b>	<b>1 026 590</b>	<b>1 022 241</b>	<b>4 349</b>	<b>1 012 980</b>	<b>1 007 300</b>	<b>5 680</b>
Non-financial assets		96				
<b>Total</b>		<b>1 022 337</b>			<b>1 007 300</b>	
<b>Liabilities</b>						
<b>Financial liabilities, IAS 39</b>						
Amounts owed to credit institutions	409 552	410 964	-1 412	376 659	374 741	1 918
Debt securities in issue	550 392	543 682	6 709	569 541	563 201	6 340
Subordinated liabilities				4 476	4 000	476
Derivatives	7 223	7 223		7 382	7 382	
Other financial liabilities	11 890	11 890		14 818	14 818	
<b>Total</b>	<b>979 550</b>	<b>973 759</b>	<b>5 297</b>	<b>972 876</b>	<b>964 142</b>	<b>8 734</b>
Non-financial liabilities		589			703	
<b>Total</b>		<b>974 348</b>			<b>964 845</b>	

## Note 9 Financial instruments at fair value, contd.

30 Jun 2017	Instruments with quoted market prices in an active market	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
SEKm	(Level 1)	(Level 2)	(Level 3)	Total
<b>Assets</b>				
Loans to the public		118 971		118 971
Derivatives		19 424		19 424
<b>Total</b>		<b>138 395</b>		<b>138 395</b>
<b>Liabilities</b>				
Debt securities in issue	3 160	4 704		7 864
Derivatives		7 223		7 223
<b>Total</b>	<b>3 160</b>	<b>11 927</b>		<b>15 087</b>

### Determination of fair value of financial instruments

Swedbank Mortgage uses various techniques 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. Activities are continuously evaluated by analysing factors such as trading volumes and differences in bid and ask prices.

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

### Financial instruments at fair value

The above table describes fair values at three valuation levels for financial instruments 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 in value due to Swedbank Mortgage AB's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank Mortgage AB'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 -5m during the period and is recognized as net gains and losses on financial items. The cumulative value change amounted to SEK -54m. For loans to the public where there are no observable market data 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 -2m during the period and is recognized as credit impairments. Cumulative value changes of that kind amounted to SEK -13m. 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 data. This category contained shares in tenant-owner associations taken over for protection of claims. They were valued at acquisition cost, since a more reliable fair value was not considered to be available. The assets held per 31 December 2016 have been sold in June 2017 to the same amount as previously reported as acquisition cost. There was no effect on the income statement.

See Note 3 in the Annual report 2016, "Critical accounting judgements and estimates". There were no transfers of financial instruments between valuation levels during the year.

## Note 9 Financial instruments at fair value, contd.

31 Dec 2016	Instruments with quoted market prices in an active market	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
SEKm	(Level 1)	(Level 2)	(Level 3)	Total
<b>Assets</b>				
Loans to the public		141 126		141 126
Shares and participating interests			1	1
Derivatives		27 982		27 982
<b>Total</b>		<b>169 108</b>	<b>1</b>	<b>169 109</b>
<b>Liabilities</b>				
Amounts owed to credit institutions				
Debt securities in issue	3 270	4 852		8 122
Derivatives		7 382		7 382
<b>Total</b>	<b>3 270</b>	<b>12 234</b>		<b>15 504</b>

## Note 10 Assets pledged, contingent liabilities and commitments

SEKm	2017 30 Jun	2016 31 Dec	%	2016 30 Jun	%
<b>Memorandum items</b>					
Loans, used as collateral for covered bonds <sup>1)</sup>	537 086	542 278	-1	545 565	-2
Commitments	11 409	8 969	27	12 094	-6
<b>Pledged assets and contingent liabilities</b>	<b>548 495</b>	<b>551 247</b>	<b>0</b>	<b>557 659</b>	<b>-2</b>

<sup>1)</sup> Consist of collateral for covered bonds. Collateral refers to customers' nominal debt including accrued interest.

## Note 11 Related parties

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

	2017	2016	2016
SEKm	30 Jun	31 Dec	30 Jun
<b>Group receivables</b>			
Loans to credit institutions	57 476	56 835	85 420
Derivatives	19 423	27 982	32 997
Other receivables	51	29	31
<b>Total</b>	<b>76 950</b>	<b>84 846</b>	<b>118 448</b>
<b>Group payables</b>			
Amounts owed to credit institutions	410 964	374 741	366 873
Debt securities in issue	3 328	8 904	4 886
Derivatives	7 223	7 382	10 499
Other payables	3 131	8 143	3 896
Subordinated debt		4 000	4 000
<b>Total</b>	<b>424 646</b>	<b>403 170</b>	<b>390 154</b>
<b>Income statement</b>			
Interest income	6	34	10
Interest expense	1 923	4 097	2 063
Other expenses	-18	-17	8
<b>Total</b>	<b>1 911</b>	<b>4 114</b>	<b>2 081</b>

## Note 12 Capital Adequacy

### Capital adequacy analysis

The capital adequacy regulation is the legislator's requirement of how much capital, designated as own funds, a bank must have in relation to the size of the risks it faces. For Swedbank Mortgage, the CRR capital adequacy rules mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal risk classification according to an Internal Ratings-based Approach ("IRB") developed by Swedbank. For a small portion of assets, the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated according to the standardised approach approved by the Swedish Financial Supervisory Authority. Swedbank has developed and documented its own methods and processes to evaluate the capital required to cover its risks. Swedbank Mortgage is a part of this evaluation. The capital requirement is systematically assessed from the total level of risks Swedbank Mortgage is exposed to. The assessment covers all risks Swedbank Mortgage is exposed to, including risks that are not included when calculating the capital adequacy. The note contains the information that shall be made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chapter 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, <https://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm>

Capital adequacy	2017	2016
SEKm	30 Jun	31 Dec
Shareholders' equity according to the balance sheet in the interim report	46 921	41 387
Share of capital in tax allocation	833	833
Unrealised value changes in own financial liabilities due to changes in own credit valuation	54	49
Cash flow hedges	341	-230
Additional valuation adjustments <sup>1)</sup>	-9	-7
Net provisions for reported IRB credit exposures	-243	-243
<b>Common Equity Tier 1 capital</b>	<b>47 897</b>	<b>41 789</b>
<b>Total Tier 1 capital</b>	<b>47 897</b>	<b>41 789</b>
<b>Total Tier 2 capital</b>		<b>4 000</b>
<b>Total own funds</b>	<b>47 897</b>	<b>45 789</b>
Minimum capital requirement for credit risks, standardised approach	19	576
Minimum capital requirement for credit risks, IRB	3 318	3 124
Minimum capital requirement for credit value adjustment		
Minimum capital requirement for operational risks	1 201	995
Additional minimum capital requirement, Article 3 CRR	32	32
<b>Minimum capital requirement <sup>2)</sup></b>	<b>4 570</b>	<b>4 727</b>
<b>Surplus of capital</b>	<b>43 327</b>	<b>41 062</b>
Risk exposure amount credit risks, standardised approach	240	7 206
Risk exposure amount credit risks, IRB	41 472	39 041
Risk exposure amount credit value adjustment		
Risk exposure amount operational risks <sup>3)</sup>	15 011	12 435
Additional risk exposure amount, Article 3 CRR	403	403
<b>Risk exposure amount</b>	<b>57 126</b>	<b>59 085</b>
Common Equity Tier 1 ratio, %	83.8	70.7
Tier 1 capital ratio, %	83.8	70.7
<b>Total capital adequacy ratio, %</b>	<b>83.8</b>	<b>77.5</b>

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

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

<sup>3)</sup> According to standardised method, retail bank

## Note 12 Capital adequacy, contd.

Credit risk, IRB SEKm	2017			2016		
	30 Jun			31 Dec		
	Exposure amount	Average risk weight, %	Capital requirement	Exposure amount	Average risk weight, %	Capital requirement
Central government or central banks exposures	6 773	4	20			
Institutional exposures						
Corporate exposures	39 734	24	775	35 266	24	678
Retail exposures	897 926	3	2 490	860 888	4	2 431
Non-credit obligations	472	87	33	247	74	15
Total credit risks according to IRB approach	944 905	4	3 318	896 401	4	3 124
Total credit risks according to standardised approach	88 412	0	19	121 425	6	576
<b>Total</b>	<b>1 033 317</b>	<b>4</b>	<b>3 337</b>	<b>1 017 826</b>	<b>5</b>	<b>3 700</b>

Capital buffer requirement, <sup>1)</sup> %	2017	2016
	30 Jun	31 Dec
Institution specific CET 1 requirement	9.0	8.5
of which CET 1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	2.0	1.5
CET 1 capital available to meet institution specific CET1 capital requirements <sup>2)</sup>	75.8	64.7

<sup>1)</sup> Requirements regarding capital buffers according to Swedish implementation of CRD IV

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

Capital adequacy Basel 1 floor SEKm	2017	2016
	30 Jun	31 Dec
Capital requirement Basel 1 floor	38 411	37 324
Own funds adjusted according to rules for Basel 1 floor	48 139	46 031
<b>Surplus of capital according to Basel 1 floor</b>	<b>9 728</b>	<b>8 707</b>

## Note 12 Capital adequacy, contd.

Exposure amount, risk exposure amount and minimum capital requirement	2017			2016		
	30 Jun			31 Dec		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>SEKm</b>						
<b>Credit risks, standardised approach</b>	<b>88 412</b>	<b>240</b>	<b>19</b>	<b>121 425</b>	<b>7 206</b>	<b>576</b>
Central government or central banks exposures				276		
Regional governments or local authorities exposures				6 970		
Institutional exposures	88 316			95 274		
Corporate exposures						
Retail exposures				1 452	1 089	87
Exposures secured by mortgages on immovable property				17 443	6 106	488
Exposures in default				9	9	1
Equity exposures	96	240	19	1	2	0
<b>Credit risks, IRB</b>	<b>944 905</b>	<b>41 472</b>	<b>3 318</b>	<b>896 401</b>	<b>39 041</b>	<b>3 124</b>
Central government or central banks exposures	6 773	251	20			
Corporate exposures	39 734	9 692	775	35 266	8 473	678
Retail exposures	897 926	31 121	2 490	860 888	30 385	2 431
of which mortgage lending	897 926	31 121	2 490	860 888	30 385	2 431
Non-credit obligations	472	408	33	247	183	15
<b>Operational risks</b>		<b>15 011</b>	<b>1 201</b>		<b>12 435</b>	<b>995</b>
of which standardised approach		15 011	1 201		12 435	995
<b>Additional risk exposure amount according to article 3 CRR</b>		<b>403</b>	<b>32</b>		<b>403</b>	<b>32</b>
<b>Total</b>	<b>1 033 317</b>	<b>57 126</b>	<b>4 570</b>	<b>1 017 826</b>	<b>59 085</b>	<b>4 727</b>

## Not 13 Effects of changed reporting of mortgage compensation to savings banks

### Income statement

SEKm	New reporting		Previous reporting		New reporting		Previous reporting	
	2016 Jan-Jun	Δ	2016 Jan-Jun	2016 Full year	Δ	2016 Full year	2016 Full year	
Interest income	8 454	-348	8 802	16 646	-827	17 473		
Interest expense	-2 764		-2 764	-4 996		-4 996		
Negative yield on financial liabilities	82		82	160		160		
<b>Interest expense, including negative yield on financial liabilities</b>	<b>-2 682</b>		<b>-2 682</b>	<b>-4 836</b>		<b>-4 836</b>		
<b>Net interest income</b>	<b>5 772</b>	<b>-348</b>	<b>6 120</b>	<b>11 810</b>	<b>-827</b>	<b>12 637</b>		
Commission income	34		34	68		68		
Commission expenses	22		22	-5		-5		
<b>Net commissions</b>	<b>56</b>		<b>56</b>	<b>63</b>		<b>63</b>		
Net gains and losses on financial items at fair value	-390		-390	-656		-656		
Other income	3		3	6		6		
<b>Total income</b>	<b>5 441</b>	<b>-348</b>	<b>5 789</b>	<b>11 223</b>	<b>-827</b>	<b>12 050</b>		
Other expenses	123	-348	471	249	-827	1 076		
Staff costs	1		1	4		4		
<b>Total expenses</b>	<b>124</b>	<b>-348</b>	<b>472</b>	<b>253</b>	<b>-827</b>	<b>1 080</b>		
<b>Profit before impairments</b>	<b>5 317</b>		<b>5 317</b>	<b>10 970</b>		<b>10 970</b>		
Credit impairments, net (note 5)	12		12	20		20		
<b>Operating profit</b>	<b>5 305</b>		<b>5 305</b>	<b>10 950</b>		<b>10 950</b>		
Tax	1 167		1 167	2 410		2 410		
<b>Profit for the period</b>	<b>4 138</b>		<b>4 138</b>	<b>8 540</b>		<b>8 540</b>		



## Business segments

SEKm	New reporting					Δ	Previous reporting			
	2016				2016					
	Jan - Jun				Jan - Jun					
	Private	Corporate	Forestry- and Agricultural	Total		Private	Corporate	Forestry- and Agricultural	Total	
Net interest income	4 631	543	424	5 598	-348	4 915	564	467	5 946	
Net commission income	43	9	4	56		43	9	4	56	
<b>Total income</b>	<b>4 674</b>	<b>552</b>	<b>428</b>	<b>5 654</b>	<b>-348</b>	<b>4 958</b>	<b>573</b>	<b>471</b>	<b>6 002</b>	
Total expense	107	1	12	120	-348	391	22	55	468	
<b>Profit before impairments</b>	<b>4 567</b>	<b>551</b>	<b>416</b>	<b>5 534</b>		<b>4 567</b>	<b>551</b>	<b>416</b>	<b>5 534</b>	
Credit impairments	2	-1	11	12		2	-1	11	12	
<b>Operating profit</b>	<b>4 565</b>	<b>552</b>	<b>405</b>	<b>5 522</b>		<b>4 565</b>	<b>552</b>	<b>405</b>	<b>5 522</b>	
Loans to the public	679 459	142 596	60 469	882 524		679 459	142 596	60 469	882 524	

SEKm	2016			2016		
	Jan - Jun		Operating profit	Jan - Jun		Operating profit
	Total income	Total expense		Total income	Total expense	
Total segments	5654	120	5522	6 002	468	5 522
Return on legal equity	174		174	174		174
Net gains and loss on financial items	-390		-390	-390		-390
Other income	3		3	3		3
Other expenses		4	4		4	4
<b>Total financial report</b>	<b>5441</b>	<b>124</b>	<b>5305</b>	<b>5 789</b>	<b>472</b>	<b>5 305</b>

## Signatures of the Board of Directors and the President

The Board of Directors and the CEO certify that the interim report for the period 1 January to 30 June 2017 provides a fair and accurate overview of the operations, financial position and the results of the Company and that it describes the significant risks and uncertainties face by the Company.

Stockholm 18 July 2017

Leif Karlsson  
Chairman

Magdalena Frostling  
CEO

Gunilla Domeij-Hallros

Malin Hlawatsch

Johan Smedman

Eva de Falck

# Review report

## Introduction

We have reviewed the interim report for Swedbank Mortgage AB (publ) for the period 1 January to 30 June 2017. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

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

## Conclusion

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

Stockholm 18 July 2017

Deloitte AB

Malin Lüning  
Authorised Public Accountant

## For further information please contact:

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