

Interim report January – June 2014

Stockholm, 18 July 2014

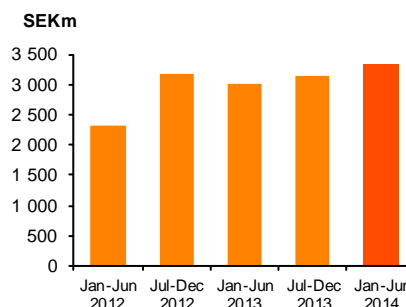
January - June 2014

Compared with January - June 2013

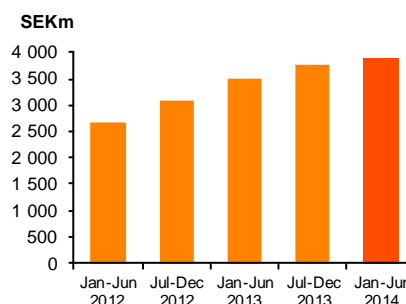
- Operating profit amounted to SEK 3 360m (3 025).
- Net interest income amounted to SEK 3 863 m (3 515).
- Loans to the public increased to SEK 788bn (746).
- Profit before impairments amounted to SEK 3 382m (3 034).
- The return on equity was 15.5per cent (11.2).
- The tier 1 ratio according to Basel 3 was 8.5 per cent (9.5 according to Basel 2 on 31 December 2013).
- Covered bonds totaling the nominal amount of SEK 49bn (46) were issued during the period.

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

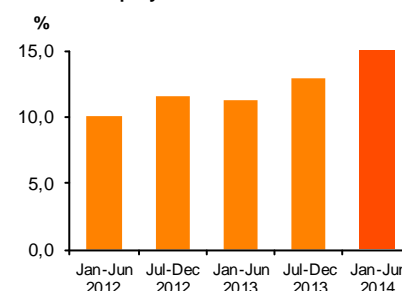
Operating profit



Net interest income



Return on equity



INTERIM REPORT

JANUARY – JUNE 2014

Swedbank Mortgage AB (in Swedish: Swedbank Hypotek) is a wholly owned subsidiary to Swedbank AB (publ). The Swedbank Mortgage group comprises the parent company, Swedbank Mortgage AB (publ) and the wholly owned subsidiary Swedbank Skog och Lantbruk AB (Acquisition by merger).

The mortgage lending is mainly originated through Swedbank's and the savings banks retail network, one of the largest bank-owned distribution networks in Sweden. No lending is performed outside of Sweden.

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

PROFIT ANALYSIS

Operating profit for the first half of 2014 rose by SEK 335m to SEK 3 360m (3 025). Net interest income increased by 10 per cent or SEK 348m to SEK 3 863 m (3 515).

The increase in net interest income is due to an increase in lending volume and to improved margins due to the company's good position in the funding market, there repurchases of bonds originally issued at a higher interest rate, which were replaced by new issues at today's lower interest rate level. Net interest income was charged with a provision totaling SEK 92 M (96) for stability fund fees. Interest income for the period amounted to SEK 12 061m (12 959) and interest cost to SEK 8 198m (9 444).

Net gains and losses on financial items at fair value (NGL) amounted to SEK -151m (-167). NGL was negatively affected by repurchases of covered bonds by SEK -235m (-232). For further information, see note 3.

Other expenses include a large part of the compensation paid to the savings banks and partly owned banks. This cost amounted to SEK 359m (338). No such settlement is performed with Swedbank AB.

LENDING

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

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

During the period, loans to the public increased by nominal SEK 24 309m (8 893) to SEK 794 213m (745 914). Lending to the private sector increased by SEK 14 911m (5 963), lending to the corporate sector by SEK 8 399m (1 798) and lending to the agricultural and forestry sector by SEK 996m (1 132). In total, Swedbank Mortgage's loans to the public amounted to SEK 794 213m (750 499) of which the accumulated change in market value accounted for SEK 5 784m (4 585).

The credit quality of the lending remains at a very high level and credit impairments at a low level. Compared to the first half of 2013, net credit impairments were increased by SEK 14m to SEK 23m (9). Provisions amounted to SEK 136m (183). Credit impairments and loans are specified in note 4 and 5.

FUNDING

Swedbank Mortgage finances its lending by issuing covered bonds on the Swedish and international capital markets.

Swedbank Mortgage's funding process is simplified by a number of standardised funding programs, which are legally conformed to a number of different markets and investors.

In the first half of 2014 the demand from both Swedish and international investors has remained at a high level. In total, Swedbank Mortgage issued nominal SEK 49bn in covered bonds. SEK 37bn was issued in the Swedish covered bond market and SEK 12bn in the international market. During the period, repurchases of nominal SEK 24bn has been performed in the Swedish covered bond market and nominal SEK 54bn have matured.

The average maturity of all outstanding covered bonds is 40 months as per 30 June, compared to 36 months at the start of the year.

Debt to Swedbank AB has increased by SEK 7bn to SEK 281bn since year-end. For further information, see note 8 and 10.

CAPITAL ADEQUACY

The capital quotient amounted to 1.19 end June (1.19 31 December 2013). The capital adequacy ratio was 9.5 (9.5), and the Tier 1 capital ratio was 8.5 per cent (9.5 31 December 2013). The capital requirement according to the Basel 1 floor was SEKm 31 241 (30 189 31 December 2013) and the capital requirement according to Basel 3 was 4 030 (3 872 according to Basel 2 31 December 2013).

Tier 1 capital ratio was affected by group contribution to Swedbank AB (publ) by SEKm 1 600 (1 850), restructuring of the capital and volume increases. On 13 June Swedbank Mortgage received approval from the SFSA to use the advanced internal ratings-based (A-IRB) approach for its corporate exposures. This positively affected the risk exposure amount within IRB as of 30 June by SEK 5.3bn.

The EU's new capital adequacy rules (based on Basel 3) took effect on 1 January 2014. For Swedbank Mortgage, the Basel 3 capital adequacy rules mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal risk classification according to an Internal Ratings-based Approach ("IRB") developed by Swedbank. For a small portion of assets, the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated according to the standardised approach with the approval of the Financial Supervisory Authority.

On May 8 2014, the Swedish Financial Supervisory Authority (SFSA) published a memorandum that describes the future capital requirements for Swedish banks. The memorandum described the capital requirements for systemic risk, considerations regarding the counter cyclical capital buffer and the raise of the risk weight floor for the Swedish mortgage portfolio. The previously announced risk weight floor of 15 per cent for the Swedish mortgage portfolio is being introduced as a supervisory measure within Pillar 2 and therefore does not affect the reported capital ratios. In May the SFSA reiterated its intent to further increase the risk weight floor, to 25 per cent, and to include the countercyclical buffer in the calculation of the floor. Capital adequacy is specified in note 14.

RISKS

The primary risks are credit risk, liquidity risk, financial risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited financial and operational risks. No significant changes have taken place with regard to the distribution of risks compared to what is stated in the annual report.

INTEREST RATE RISK

An increase in market interest rates by one percentage point as per 30 June 2014 would have reduced the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 926m (829). A one percentage point increase in market interest rates as per 30 June 2014 would have reduced Swedbank Mortgage's net gains and losses on financial items at fair value by SEK 493m (219). This would have a negative effect of SEK 161m on equity. A one percentage point decrease in market interest rates would have increased the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 948m (SEK 850m). The corresponding amount for Swedbank Mortgage's net gains and losses on financial items at fair value is an increase by SEK 495m (219). This would have a positive effect of SEK 163m on equity.

RATING

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

On 29 April Standard & Poor's (S&P) revised its outlook for the ratings of Swedbank Hypotek and 50 European banks to negative. On 29 May Moody's also revised its outlook on Swedbank Hypotek to negative due to the Bank Recovery and Resolution Directive (BRRD).

EVENTS AFTER 30 JUNE 2014

No significant events have occurred.

SWEDBANK MORTGAGE financial summary

	2014 30 Jun	2013 31 Dec	2013 30 Jun	2012 31 Dec	2012 31 Dec
Lending					
Loans to the public, SEKm	794 213	750 499	768 840	731 471	743 931
Profit					
Operating profit	3 360	3 025	6 191	2 333	5 502
Investment margin, % ^{a)}	0,90	0,80	0,87	0,64	0,72
Return on equity, %	15,5	11,2	13,0	10,0	11,7
Earnings per share, SEK	113,9	102,6	209,9	74,8	178,3
Capital^{g)}					
Capital base, SEKm	36 804	34 487	35 599	34 367	33 994
Equity, SEKm	32 577	34 817	35 288	34 665	33 965
Number of shares in issue at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	1 416	1 514	1 534	1 507	1 477
Capital quotient	1,19	1,18	1,19	1,22	1,19
Capital adequacy ratio, %	9,5	9,5	9,5	9,8	9,5
Tier 1 capital ratio, %	8,5	9,5	9,5	9,8	9,5
Credit quality					
Credit impairments, SEKm	23	9	30	50	70
Loan loss ratio, %	0,00	0,00	0,00	0,01	0,01
Provision ratio for impaired loans, % ^{b)}	82	73	73	97	76
Share of impaired loans, net, loans to the public %	0,02	0,02	0,02	0,02	0,02

^{a)} Calculated as an average over 12 months.

^{b)} Including portfolio provisions for loans that individually are assessed as impaired

^{g)} Reporting as of 30 June 2014 according to current regulation (Basel 3). Comparative figures as of 2013 according to previous regulation (Basel 2).

INCOME STATEMENT condensed

SEKm	Note	Group			Swedbank Mortgage AB		
		2014 Jan-Jun	2013 Jan-Jun	%	2014 Jan-Jun	2013 Jan-Jun	%
Interest income		12 061	12 959	-7	12 061	12 959	-7
Interest expense		-8 198	-9 444	-13	-8 198	-9 444	-13
Net interest income		3 863	3 515	10	3 863	3 515	10
Commission income		36	39	-8	36	39	-8
Commission expenses		-10	-18	-44	-10	-18	-44
Net commissions		26	21	23	26	21	23
Net gains and losses on financial items at fair value	3	-151	-167	-10	-151	-167	-10
Other income		4	4		4	4	
Total income		3 741	3 373	11	3 741	3 373	11
Other expenses		359	339	6	359	339	6
Total expenses		359	339	6	359	339	6
Profit before impairments		3 382	3 034	11	3 382	3 034	11
Credit impairments	4	23	9	166	23	9	166
Operating profit		3 360	3 025	11	3 360	3 025	11
Tax		739	666	11	739	666	11
Profit for the period		2 621	2 360	11	2 621	2 360	11

STATEMENT OF COMPREHENSIVE INCOME condensed

SEKm	Group			Swedbank Mortgage AB		
	2014 Jan-Jun	2013 Jan-Jun	%	2014 Jan-Jun	2013 Jan-Jun	%
Profit for the period	2 621	2 360	11	2 621	2 360	11
Items that may be reclassified to the income statement						
Cash flow hedges:						
Gains and losses arising during the period	-110	-84	31	-110	-84	31
Reclassification adjustments to income statement, net interest income	2	2		2	2	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	0	0		0	0	
Income tax relating to components of other comprehensive income	24	18	33	24	18	33
Total comprehensive income for the period	2 537	2 296	11	2 537	2 296	11

Total change in value on derivatives included in cash flow hedges amounted to SEK 5 535m during the period, of which SEK 5 643m is transferred to the income statement.

BALANCE SHEET condensed

SEKm	Note	Group			Swedbank Mortgage AB		
		2014 30 Jun	2013 31 Dec	2013 30 Jun	2014 30 Jun	2013 31 Dec	2013 30 Jun
Assets							
Loans to credit institutions	5	17 005	71 046	17 857	17 005	71 046	17 857
Loans to the public	5	794 213	768 840	750 499	794 213	768 840	750 499
Value change of interest hedged item in portfolio hedge		788	62	-234	788	62	-234
Derivatives	6	21 899	17 802	18 381	21 899	17 802	18 381
Other assets	7	4 930	3 848	64 661	4 930	3 848	64 896
Total assets		838 835	861 598	851 164	838 835	861 598	851 400
Liabilities and equity							
Amounts owed to credit institutions	8	280 704	273 759	280 100	280 704	273 759	280 100
Debt securities in issue	10	499 257	520 021	507 872	499 257	520 021	507 872
Derivatives	6	12 392	17 355	17 591	12 392	17 355	17 591
Other liabilities	9	9 905	15 175	10 785	9 670	14 940	10 785
Subordinated liabilities		4 000			4 000		
Untaxed reserves					1 068	1 068	1 068
Equity		32 577	35 288	34 817	31 744	34 455	33 984
Total liabilities and equity		838 835	861 598	851 164	838 835	861 598	851 400

STATEMENT OF CHANGES IN EQUITY condensed

Group, SEKm	Equity attributable to shareholders of Swedbank Mortgage AB				
	Share capital	Other contributed equity	Fair value reserve	Retained earnings	Total
Opening balance 1 January, 2013	11 500	2 400	-312	20 378	33 965
Group contributions paid				-4 100	-4 100
Tax reduction due to Group contributions paid				902	902
Total comprehensive income for the period			-305	4 827	4 522
Closing balance 31 December, 2013	11 500	2 400	-617	22 007	35 288

Opening balance 1 January, 2014	11 500	2 400	-617	22 007	35 288
Group contributions paid				-1 600	-1 600
Tax reduction due to Group contributions paid				352	352
Dividend				-4 000	-4 000
Total comprehensive income for the period			-84	2 621	2 537
Closing balance 30 June, 2014	11 500	2 400	-701	19 380	32 577

Swedbank Mortgage AB, SEKm	Equity attributable to shareholders of Swedbank Mortgage AB				
	Share capital	Other contributed equity	Fair value reserve	Retained earnings	Total
Opening balance 1 January, 2013	11 500	3 100	-312	18 845	33 131
Group contributions paid				-4 100	-4 100
Tax reduction due to Group contributions paid				902	902
Total comprehensive income for the period			-305	4 827	4 522
Closing balance 31 December, 2013	11 500	3 100	-617	20 474	34 455
of which conditional shareholders' contributions				2 400	2 400

Opening balance 1 January, 2014	11 500	3 100	-617	20 474	34 455
Group contributions paid				-1 600	-1 600
Tax reduction due to Group contributions paid				352	352
Dividend				-4 000	-4 000
Total comprehensive income for the period			-84	2 621	2 537
Closing balance 30 June, 2014	11 500	3 100	-701	17 847	31 744

CASH FLOW STATEMENT condensed

Group, SEKm	2014 Jan-Jun	2013 Jan-Jun	2013 Full-year
Operating activities			
Operating profit	3 360	3 025	6 191
Adjustments for non-cash items in operating activities	-10 942	-6 026	981
Taxes paid	-460	-460	-357
Increase/decrease in loans to credit institutions		2 500	3 000
Increase/decrease in loans to the public	-24 309	-8 893	-27 098
Increase/decrease in amounts owed to credit institutions	6 945	55 258	48 917
Increase/decrease in other assets	505	-57 533	535
Increase/decrease in other liabilities	103	-918	-422
Cash flow from operating activities	-24 798	-13 047	31 747
Investing activities			
Change in fixed assets			1
Cash flow from investing activities			1
Financing activities			
Issuance of interest-bearing securities	53 673	46 304	74 251
Redemption of interest-bearing securities	-75 772	-64 678	-84 168
Increase/decrease in other funding	955	-5 305	-4 867
Group contributions paid	-4 100	-3 700	-3 700
Dividend paid	-4 000		
Cash flow from financing activities	-29 244	-27 379	-18 484
Cash flow for the period	-54 042	-40 427	13 263
Cash and cash equivalents at the beginning of the period	71 046	57 783	57 783
Cash flow for the period	-54 042	-40 427	13 263
Cash and cash equivalents at end of the period	17 005	17 356	71 046

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

RATING

Swedbank Mortgage AB	Moody's	Standard & Poor's
Covered bonds	Aaa	AAA
Long-term	A1	A+
Short-term	P-1	A-1

NOTES

Note information refers to both the Parent Company and the Group.

NOTE 1 Accounting policies

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed consolidated financial statements have also been prepared in accordance with the recommendations and statements of the Financial Reporting Council, the Annual Accounts Act for Credit Institutions and Securities Companies and the directives of the Swedish Financial Supervisory Authority.

The report for the Parent Company, Swedbank Mortgage AB, has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial

Supervisory Authority, and recommendation RFR 2 of the Financial Reporting Council.

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2013, 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 the Group's Accounting policies set out in the Annual Report for 2013.

New or amended standards or interpretations which have been adopted from 1 January 2014 did not have a significant effect of the financial position, results or disclosures of the Group or the Parent Company.

NOTE 2 Business segments

Group, SEKm	2014 Jan - Jun				2013 Jan - Jun			
	Private	Corporate	Agricultural & Forestry	Total	Private	Corporate	Agricultural & Forestry	Total
Total income	2 715	514	277	3 506	2 442	386	246	3 073
Total cost	278	7	70	356	278	21	39	338
Operating profit	2 414	511	203	3 128	2 154	366	206	2 726
Loans to the public	597 593	139 794	56 826	794 213	568 932	126 769	54 798	750 499

Reconciliation of segment accounting and financial report

Group, SEKm	2014 Jan - Jun			2013 Jan - Jun		
	Total segment	Coord- ination	Total financial report	Total segment	Coord- ination	Total financial report
Total income	3 506	236	3 741	3 073	300	3 373
Total cost	356	3	359	338	1	339
Operating profit	3 128	232	3 360	2 726	299	3 025
Assets	794 213	44 623	838 835	750 499	100 665	851 164

Income and balance in the Private segment arises from loans to private individuals for financing of residential housing. Corresponding items for the Corporate segment refers to loans to municipally owned real estate companies and residential property companies with underlying collateral in apartment buildings. The Agricultural and Forestry segment includes loans for financing of agricultural and forestry properties. P/L-posts such as net gains and losses on financial items at fair value, return on legal capital and other minor posts are not distributed on business segments. Non-distributed asset posts consist of loans to credit institutions, value change of interest hedged item in portfolio hedge, derivatives, and other assets.

NOTE 3 Net gains/losses on financial items at fair value

Group, SEKm	2014 Jan-Jun	2013 Jan-Jun	%	2013 Full-year
Fair value through profit or loss				
<i>Trading and derivatives</i>				
Interest-bearing instruments	6 601	6 533	1	5 842
<i>Fair value option</i>				
Interest-bearing instruments	-6 541	-6 534	0	-6 160
Total	60	-1		-318
Hedge accounting, fair value hedges				
Inefficiency in hedge accounting at fair value				12
of which hedging instruments	4 629	-5 989		-6 436
of which hedged items	-4 671	5 996		6 448
Total	-42	7		12
Financial liabilities at amortised cost	-235	-232	1	-268
Loan receivables at amortised cost	67	58	16	137
Total	-151	-168	-10	-437

NOTE 4 Credit impairments

Group, SEKm	2014 Jan-Jun	2013 Jan-Jun	%	2013 Full-year
Provisions for loans that are assessed as impaired				
Provisions		1		7
Reversal of previous provisions	-5	-3	67	-5
Provisions for homogenous groups of impaired loans, net	-7	-4	75	-13
Total	-12	-6	100	-11
Portfolio provision for loans that individually are not assessed as impaired				
	2	-19		-27
Write-offs				
Established losses	43	37	16	87
Utilisation of previous provisions	-8	-1		-16
Recoveries	-2	-2		-3
Total	33	34	-3	68
Credit impairments	23	9		30

NOTE 5 Loans

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Lending			
Carrying amount before provisions	811 354	840 040	768 539
Provisions for loans that individually are assessed as impaired	-43	-64	-85
Portfolio provisions for loans that individually are not assessed as impaired	-93	-91	-98
Total provisions	-136	-155	-183
Carrying amount of loans after provisions	811 218	839 886	768 356
Impaired loans			
Impaired loans, gross	166	213	251
Provisions for individually assessed impaired loans	-44	-64	-84
Carrying amount of impaired loans	122	149	167
Share of impaired loans, gross, loans to the public, %	0,02	0,03	0,03
Share of impaired loans, net, loans to the public, %	0,02	0,02	0,02
Total provision ratio for impaired loans, % ^{c)}	82,3	72,7	72,7
Provision ratio for individually identified impaired loans, %	26,2	30,1	33,6

^{c)} Including portfolio provisions for loans that individually are assessed as impaired

Loans by borrower category

Group, SEKm	Private customers	Real estate manage- ment	Other corporate lending	Munici- palities	Total lending to the public	Credit institutions	Total lending
Book value before accounting for provisions	661 503	121 848	8 457	2 541	794 349	17 005	811 354
Provisions for loans that individually are assessed as impaired	-42		-1		-43		-43
Portfolio provisions for loans that individually are not assessed as impaired	-78	-15			-93		-93
Book value after accounting for provisions	661 383	121 833	8 456	2 541	794 213	17 005	811 218
Book value of impaired loans	105	17			122		

NOTE 6 Derivative instruments

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

Group, SEKm	30 Jun 2014			31 Dec 2013			30 Jun 2013		
	Interest	Currency	Total	Interest	Currency	Total	Interest	Currency	Total
Derivatives with positive book values	17 713	4 186	21 899	15 501	2 301	17 802	15 031	3 350	18 381
of which in hedge	16 242	1 576	17 819	13 580	521	14 101	12 807	283	13 089
Derivatives with negative book values	5 915	6 477	12 392	5 162	12 193	17 355	4 919	12 671	17 591
of which in hedge	1 164	5 252	6 415	1 241	9 925	11 166	987	11 083	12 070
Notional amount	545 373	183 484	728 856	596 643	203 964	800 607	578 344	207 007	785 351

NOTE 7 Other assets

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Prepaid expenses and accrued income	3 220	3 193	3 669
Security settlement claims	983		60 271
Current tax assets	456	383	560
Deferred tax	198	174	
Other assets	73	98	161
Total	4 930	3 848	64 661

NOTE 8 Amounts owed to credit institutions

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Valuation category, other financial liabilities			
Swedish banks	279 334	270 884	276 565
Total	279 334	270 884	276 565
Valuation category, fair value through profit or loss			
Swedish banks ^{d)}	1 370	2 875	3 535
Total	1 370	2 875	3 535
Total	280 704	273 759	280 100
^{d)} Nominal amount	1 370	2 874	3 534

NOTE 9 Other liabilities

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Security settlement liabilities	50		73
Group contribution to parent company	1 600	4 100	1 850
Accrued expenses and deferred income	7 711	10 676	8 620
Deferred tax liabilities	235	235	
Other liabilities	309	164	242
Total	9 905	15 175	10 785

Swedbank Mortgage AB, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Security settlement liabilities	50		73
Group contribution to parent company	1 600	4 100	1 850
Accrued expenses and deferred income	7 711	10 676	8 620
Deferred tax liabilities			
Other liabilities	309	164	242
Total	9 670	14 940	10 785

NOTE 10 Debt securities in issue

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Valuation category, other financial liabilities			
Commercial paper	1 445	40	3 753
Bond loans	449 119	470 698	458 306
Change in value due to hedge accounting	11 661	49	103
Other	44	4 488	338
Total	462 269	475 275	462 499
Valuation category, fair value through profit or loss			
Bond loans	36 988	44 746	45 372
Total	36 988	44 746	45 372
Total	499 257	520 021	507 872

NOTE 11 Financial instruments

Group, SEKm	2014 30 Jun			2013 31 Dec			2013 30 Jun		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Loans to credit institutions	17 005	17 005		71 046	71 046		17 857	17 857	
Loans to the public	801 272	794 213	7 060	773 732	768 840	4 892	754 444	750 499	3 945
Shares & participating interest	3	3		3	3		1	1	
Derivatives	21 899	21 899		17 802	17 802		18 381	18 381	
Other financial assets	5 518	5 518		3 733	3 733		63 866	63 866	
Total	845 697	838 637	7 060	866 316	861 424	4 892	854 550	850 604	3 945
Non-financial assets e)	198	198		174	174		560	560	
Total	845 895	838 835	7 060	866 490	861 598	4 892	855 110	851 164	3 945
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	280 916	280 704	212	274 019	273 759	260	280 489	280 100	389
Debt securities in issue	504 809	499 257	5 552	525 537	520 021	5 516	513 037	507 872	5 165
Derivatives	12 392	12 392		17 355	17 355		17 591	17 591	
Other financial liabilities	13 670	13 670		14 940	14 940		10 785	10 785	
Total	811 787	806 023	5 764	831 851	826 075	5 776	821 902	816 348	5 554
Non-financial liabilities	235	235		235	235				
Total	812 022	806 258	5 764	832 086	826 310	5 776	821 902	816 348	5 554

e) Non-financial assets, Swedbank Mortgage AB: 0 (0)

NOTE 11 Financial instruments, cont.

Determination of fair value for financial instruments

30 Jun 2014 Group, SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non- observable data (Level 3)	Total
Assets				
Loans to the public		308 531		308 531
Shares and participating interests			5	5
Derivatives		21 899		21 899
Total		330 430	5	330 435
Liabilities				
Amounts owed to credit institutions			1 370	1 370
Debt securities in issue	23 358	13 630		36 988
Derivatives		12 392		12 392
Total	23 358	26 022	1 370	50 750

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

30 Jun 2013 Group, SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non- observable data (Level 3)	Total
Assets				
Loans to the public		338 386		338 386
Derivatives		18 381		18 381
Total		356 767		356 767
Liabilities				
Amounts owed to credit institutions			3 535	3 535
Debt securities in issue	31 460	13 912		45 372
Derivatives		17 591		17 591
Total	31 460	31 503	3 535	66 498

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

If possible, fair value of the financial instruments is established from quoted market prices in active markets (Level 1). Where quoted market prices can't be established, generally accepted valuation techniques using observable data are used (Level 2). These techniques may require certain assumptions (Level 3) and the scope of these depend on the complexity of the instrument and the availability of market data. This group includes loans from Swedbank AB. The valuation of these loans is based on observable interbank rates adjusted for the difference between the interbank rate and the issue terms that existed at the time of issuance.

NOTE 11 Financial instruments, cont.

Changes in Level 3

Group SEKm	2014 30 jun		2013 31 dec		2013 30 jun	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Opening balance	3	2 875	1	3 713	1	3 713
Gains or losses				0		
Acquisitions	2		2			
Maturities		1 504		838		178
Transferred from Level 3 to Level 2						
Closing balance	5	1 370	3	2 875	1	3 535

NOTE 12 Assets pledged for own liabilities and commitments

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Assets pledged for own liabilities			
Loans pledged for securities in issue ^{f)}	752 899	740 215	724 664
Securities pledged for other liabilities	None	None	None
Contingent liabilities	None	None	None
Commitments, nominal amount	10 135	6 206	7 072
Total	763 034	746 421	731 736

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

NOTE 13 Related parties

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

Group, SEKm	2014 30 Jun	2013 31 Dec	2013 30 Jun
Assets			
Loans to credit institutions	17 005	71 046	17 850
Derivatives	21 905	17 732	18 320
Other assets	311	37	388
Total	39 221	88 815	36 558
Liabilities			
Amounts owed to credit institutions	280 704	273 720	280 100
Debt securities in issue	8 088	9 472	7 178
Derivatives	12 522	17 359	17 566
Other liabilities	1 254	5 626	4 248
Subordinated liabilities	4 000		
Total	306 568	306 177	309 092
Income statement			
Interest income	291	528	346
Interest expenses	-845	-2 808	-1 586
Other expenses	-7	-160	-78
Total	-561	-2 440	-1 318

NOTE 14 Capital adequacy

For Swedbank Mortgage, the Basel 3 capital adequacy rules mean that the minimum capital requirement for credit risks, with the approval of the Financial Supervisory Authority, will be based on an internal risk classification according to an Internal Ratings-based Approach ("IRB") developed by Swedbank. For a small portion of assets, the capital requirement for credit risks is calculated according to the standardised approach. The capital requirement for operational risk is calculated according to the standardised approach with the approval of the Financial Supervisory Authority.

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

Capital adequacy Basel 2/3 ⁹⁾	Basel 3	Basel 2		Basel 2	
Capital base	2014	2013	per-	2013	per-
Group, SEKm	30 Jun	31 Dec	centage	30 Jun	centage
Tier 1 capital	32 804	35 599	-8	34 487	-5
Tier 2 capital	4 000				
Total capital base	36 804	35 599	3	34 487	7

Capital requirement	2013	2012		2012	
Group, SEKm	30 Jun	31 Dec	%	30 Jun	%
Capital requirement for credit risks, IRB	3 343	3 337	0	3 407	-2
Capital requirement for credit risks, STD	9				
Capital requirement for operational risks	678	535	27	535	27
Capital requirement	4 030	3 872	4	3 942	2

Capital requirement for Basel 1 floor	31 241	30 189	3	29 409	6
Own funds Basel 3 adjusted according to the rules for Basel 1 floor	37 055	35 854	3	34 714	7
Surplus of capital according to Basel 1 floor	5 814	5 665	3	5 305	10
Risk-weighted assets	387 360	374 557	3	364 768	6

Capital adequacy analysis	2014	2013	per-	2013	per-
Group	30 Jun	31 Dec	centage	30 Jun	centage
Capital quotient excluding complement	9,13	9,19	-0,06	8,75	0,38
Tier 1 capital ratio, %, excluding complement	65,1	77,1	-12,00	73,3	-8,20
Total capital adequacy ratio, %, excluding complement	73,1	77,1	-4,00	73,3	-0,20
Capital quotient, transition rules	1,19	1,19	0,00	1,18	0,01
Tier 1 capital ratio, %, transition rules	8,5	9,5	-1,03	9,5	-1,03
Total capital adequacy ratio, %, transition rules	9,5	9,5	0,00	9,5	0,00

⁹⁾ Reporting as of 30 June 2014 according to current regulation (Basel 3). Comparative figures as of 2013 according to previous regulation (Basel 2).

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the interim report for the period 1 January to 30 June 2014 provides a fair and accurate overview of the operations, financial position and results of the Parent Company and the Group, and that it describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 17 July 2014

Leif Karlsson
Chair

Magdalena Frostling
President

Anders Ekedahl

Gunilla Domeij Hallros

Jonas Eriksson

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 2014. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and 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 for the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies and as regards the parent company in accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 17 July 2014

Deloitte AB

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