

# Swedbank Mortgage

Interim report January-June

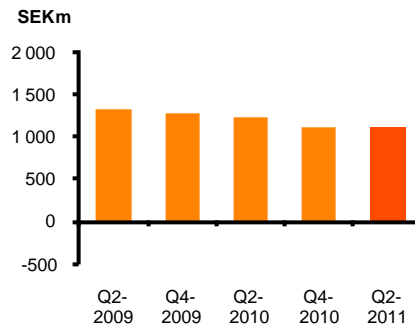
Stockholm, 21 July 2011

## January - June 2011

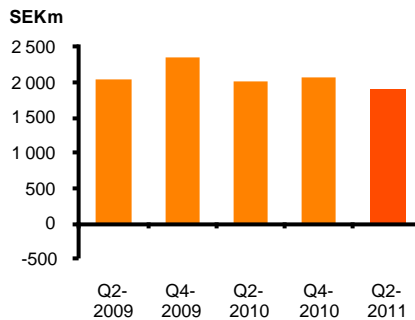
Compared with January - June 2010

- The quarterly result amounted to SEK 1 505m (1 672)
- Net interest income decreased by SEK 123 m to SEK 1 888 m
- The return on equity was 7.0 per cent (8.0)
- Swedbank Mortgage reported credit impairments of SEK 34 m (174).
- Profit before impairments decreased by 17 per cent to SEK 1 538 m (1 846)
- The Tier 1 capital ratio was 9.4 per cent (9.3 per cent on 31 December 2010)
- Covered bonds amounting to SEK 137bn have been issued during the period

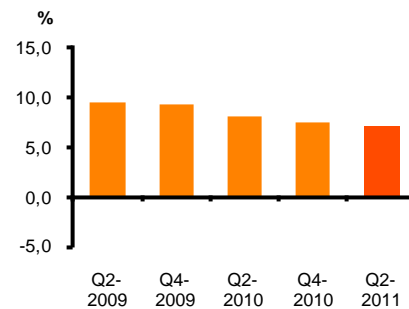
Profit for the period



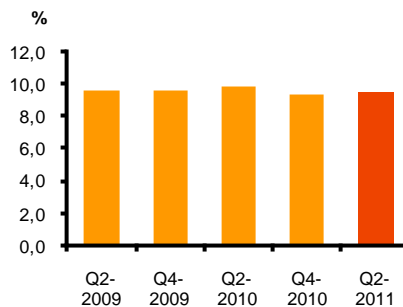
Net interest income



Return on equity



Core Tier 1 capital ration



## Interim report January – June 2011

The Swedbank Mortgage Group (in Swedish: Swedbank Hypotek) comprises the parent company, Swedbank Mortgage AB (publ) and the wholly owned subsidiary Swedbank Skog och Lantbruk AB (inactive company). Swedbank Mortgage is wholly owned by Swedbank AB (publ).

Swedbank Mortgage provides long-term financing for residential housing, commercial properties, municipal investments and agricultural and forestry properties.

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

### Profit analysis

Operating profit amounted to SEK 1 505m (1 672). Net interest income was reduced by SEK 123m to SEK 1 888m (2 011).

Interest income has developed positively in comparison to the underlying change at the market; however interest expense has risen even more. In total, the net interest income has decreased. The dominating reason to the higher interest expense is the prolonged average maturities on funding. During the first six months 2010, the funding included central bank repos with low interest rates, which have been replaced by covered bonds. This leads to higher funding costs. At the same time, the need for liquidity reserves is reduced as a consequence of the prolonged maturities on funding, which contributes positively to the net interest income. Higher market rates also had a positive effect on the net interest income through a higher return on equity. Effects of differences in the maturity structure between lending and funding contributed positively.

Net commissions mainly consist of costs arising from the interchange with the savings banks and partly owned banks. These commission costs amounted to SEK 311m (253). A new long-term agreement with the savings banks and partly owned banks has been signed and is valid from the 1<sup>st</sup> of July.

Net gains and losses on financial items at fair value (NGL) include realized and unrealized changes in market values. In April 2009 a gradual transition was initiated to increase amortized cost accounting and hedge accounting by applying fair value hedge accounting and cash flow hedging. Net gains and losses on financial items at fair value amounted to SEK -62m (65). Items included in fair value option amounted to a loss of SEK 4 075m (profit of SEK 7 608m). Derivatives which are not included in hedge accounting had an effect of SEK 4 026m (-7 593). These two items amounted to SEK -48m (15) net. The negative trend is mainly a cause of the so called basis spread on the derivative contracts made to swap issues in foreign currencies to SEK. During the first six months 2011 the basis spread narrowed, which had a negative effect on NGL. During the first six months 2010, the spread widened, which then had a positive effect. Hedge accounting resulted in a loss of SEK 30m (loss of SEK 10m). NGL also includes profits and losses from realizations through repurchases of debt and interest rate compensation from lending accounted for at amortized cost, amounting to SEK 16m (60). For further information, see note 3.

### Lending and other assets

Lending to the public increased by a nominal amount of SEK 8 055m (9 314) net after provisions during the period. Loans to the private sector rose by a nominal amount of SEK 8 891m (12 106) and lending to the agricultural and forestry sector increased by SEK 1 750m (1 308). Loans to the corporate sector decreased by SEK 2 616m (-4 100). Swedbank Mortgage's loans to the public amounted to SEK 704 851 m (680 986) as per 30 June 2011, of which the change in the market value of the loans accounted for SEK 2 037m (7 334).

The credit quality of the lending remains very high. Net credit impairments decreased by SEK 140m to SEK 34m (174). This plunge is explained by the fact that Swedbank Mortgage changed its valuation model for portfolio provisions during the first half of 2010, which resulted in a one-time effect on credit impairments amounting to SEK 153m.

Provisions for anticipated losses amounted to SEK -216m (-224) as per 30 June 2011. Credit impairments and provisions are specified in note 4 and 5.

During the period, other assets rose by SEK 6 978m to SEK 10 836m, which is due to a large amount of security settlement claims (i.e. temporary claims after an issue while settlement is pending) by the end of the period.

### Funding and other liabilities

During 2011 the demand from the Swedish market for covered bonds has been high and issues are done on a constant basis in the existing Swedish covered bond programs. During the period, Swedbank Mortgage has completed a new funding program for covered bonds addressed to American investors (documentation in accordance with rule 144A). During the first quarter, Swedbank Mortgage issued USD 2bn in the new program in a three-year bond with floating rate and a five-year bond with fixed rate. During the period, issues have also been done in EUR and CHF on the international market. In total, Swedbank Mortgage has during the first six months emitted eleven benchmark issues in the international market, of which two are in EUR, seven in CHF and two in USD. The total nominal amount that has been issued during the period is SEK 84bn (67) on the Swedish market and SEK 53bn (58) on the international market. In total, nominal amounts of SEK 42bn have been reimbursed and SEK 39bn have been repurchased during the period. Debt to Swedbank AB decreased by SEK 29bn during the period to SEK 200bn.

During the first six months, other liabilities decreased by SEK 8 671m to SEK 8 160m. A number of the bond programs in SEK have had coupon redemptions in June, which led to a decrease in accrued interests. Furthermore, the previously announced group contribution from 2010 has been paid during the period.

### Capital adequacy

At the end of the period, the capital quotient amounted to 1.18 (1.17 as per 31 December 2010) and the tier 1

capital ratio as well as the total capital adequacy ratio were 9.4 percent (9.3 as per 31 December 2010). The capital requirement according to pillar 1 amounted to SEK 27 007m at the end of the period, compared to SEK 4 699m at full effect of Basel 2. A specification of capital adequacy is provided in note 10.

### Risks and uncertainties

The primary risks are credit risk, financial risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited financial and operational risks.

In addition to what is stated in this interim report, a description of the company's risks is provided in the annual report for 2010. 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 2011 would have reduced the fair value of

Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 591m (710). A one percentage point increase in market interest rates as per 30 June 2011 would have reduced Swedbank Mortgage's net gains and losses on financial items at fair value by SEK 560m (213) regarding financial items at fair value. This would have a negative effect of SEK 413m on equity. A one percentage point decrease in market interest rates as per 30 June 2011 would have increased the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 516m (686). The corresponding amount for Swedbank Mortgage's net gains and losses on financial items at fair value is an increase by SEK 478m (165) regarding financial items at fair value.

### Events after June 30 2011

No significant events have occurred.

## Financial summary

Group	2011 30 Jun	2010 31 Dec	2010 30 Jun	2009 31 Dec	2008 31 Dec	2007 31 Dec
<b>Lending</b>						
Loans to the public, SEKm	704 851	697 299	680 986	672 420	623 401	560 633
<b>Profit</b>						
Operating profit	1 505	3 179	1 672	3 631	3 603	3 828
Investment margin, % <sup>a)</sup>	0,52	0,53	0,55	0,56	0,56	0,67
Return on equity, %	7,0	7,4	8,0	9,3	10,0	10,6
Earnings per share, SEK	48,2	101,7	53,6	113,3	116,5	119,7
<b>Capital</b>						
Capital base, SEKm <sup>b)</sup>	31 884	30 968	31 309	29 744	27 005	26 882
Equity, SEKm	32 104	31 680	31 778	30 217	27 612	24 932
Number of shares in issue at beginning/end of period, million	23	23	23	23	23	23
Equity per share, SEK	1 396	1 377	1 382	1 314	1 201	1 084
Capital quotient <sup>b)</sup>	1,18	1,17	1,23	1,20	1,05	1,11
Capital adequacy ratio, % <sup>b)</sup>	9,4	9,3	9,8	9,6	8,4	8,9
Tier 1 capital ratio, % <sup>b)</sup>	9,4	9,3	9,8	9,6	8,4	8,2
<b>Credit quality</b>						
Credit impairments, SEKm	34	168	174	8	6	-43
Loan loss ratio, %	0,01	0,02	0,05	0,00	0,00	-0,01
Provision ratio for impaired loans, % <sup>c)</sup>	132	142	38	43	42	74
Share of impaired loans, net, loans to the public %	0,01	0,01	0,02	0,02	0,02	0,01

<sup>a)</sup> Calculated as an average over 12 months since 2008. Previously calculated as an average for the report period.

<sup>b)</sup> Swedbank Mortgage AB since 31 December 2008. Previous years refer to Financial companies group. Since 2007, capital ratios are calculated according to FFFS 2001:1 (Basel 2).

<sup>c)</sup> Including portfolio provisions for loans that individually are assessed as impaired

## Income statement, condensed

SEKm	Note	Group			Swedbank Mortgage AB		
		2011 Jan-Jun	2010 Jan-Jun	Change %	2011 Jan-Jun	2010 Jan-Jun	Change %
Interest income		12 933	9 609	35	12 933	9 609	35
Interest expense		-11 045	-7 598	45	-11 045	-7 598	45
<b>Net interest income</b>		<b>1 888</b>	<b>2 011</b>	<b>-6</b>	<b>1 888</b>	<b>2 011</b>	<b>-6</b>
Commission income		24	23	4	24	23	4
Commission expenses		-315	-257	23	-315	-257	23
<b>Net commissions</b>		<b>-291</b>	<b>-234</b>	<b>24</b>	<b>-291</b>	<b>-234</b>	<b>24</b>
Net gains and losses on financial items at fair value	3	-62	65	-196	-62	65	-196
Other income		4	4	-7	4	4	-7
<b>Total income</b>		<b>1 538</b>	<b>1 846</b>	<b>-17</b>	<b>1 538</b>	<b>1 846</b>	<b>-17</b>
Other expenses		0			0		
<b>Total expenses</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>Profit before impairments</b>		<b>1 538</b>	<b>1 846</b>	<b>-17</b>	<b>1 538</b>	<b>1 846</b>	<b>-17</b>
Credit impairments	4	34	174	-81	34	174	-81
<b>Operating profit</b>		<b>1 505</b>	<b>1 672</b>	<b>-10</b>	<b>1 505</b>	<b>1 672</b>	<b>-10</b>
Tax		396	440	-10	396	440	-10
<b>Profit for the period</b>		<b>1 109</b>	<b>1 232</b>	<b>-10</b>	<b>1 109</b>	<b>1 232</b>	<b>-10</b>

## Statement of comprehensive income, condensed

SEKm	Note	Group			Swedbank Mortgage AB		
		2011 Jan-Jun	2010 Jan-Jun	Change %	2011 Jan-jun	2010 Jan-jun	Change %
<b>Profit for the period</b>		<b>1 109</b>	<b>1 232</b>	<b>-10</b>	<b>1 109</b>	<b>1 232</b>	<b>-10</b>
Cash flow hedges:							
Gains and losses arising during the period		-930	446		-930	446	
Income tax relating to components of other comprehensive income		245	-117		245	-117	
<b>Total comprehensive income for the period</b>		<b>424</b>	<b>1 561</b>	<b>-73</b>	<b>424</b>	<b>1 561</b>	<b>-73</b>

Total change in value on derivatives included in cash flow hedges amounted to SEK 1 037m during the period, of which SEK 1 967m is transferred to the income statement.

## Balance sheet, condensed

SEKm	Note	Group			Swedbank Mortgage AB		
		2011 30 Jun	2010 31 Dec	2010 30 Jun	2011 30 Jun	2010 31 Dec	2010 30 Jun
<b>Assets</b>							
Loans to credit institutions	5	39 253	36 493	70 354	39 253	36 493	70 354
Loans to the public	5	704 851	697 299	680 986	704 851	697 299	680 986
Derivatives	6	7 234	6 931	12 689	7 234	6 931	12 689
Other assets		10 836	3 858	5 385	10 836	3 858	5 385
<b>Total assets</b>		<b>762 174</b>	<b>744 581</b>	<b>769 414</b>	<b>762 174</b>	<b>744 581</b>	<b>769 414</b>
<b>Liabilities and equity</b>							
Amounts owed to credit institutions		199 838	229 177	195 793	199 838	229 177	195 793
Debt securities in issue		507 997	451 328	516 928	507 997	451 328	516 928
Derivatives	6	14 075	15 565	13 596	14 075	15 565	13 596
Other liabilities		8 160	16 831	11 319	8 160	16 831	11 319
Equity		32 104	31 680	31 778	32 104	31 680	31 778
<b>Total liabilities and equity</b>		<b>762 174</b>	<b>744 581</b>	<b>769 414</b>	<b>762 174</b>	<b>744 581</b>	<b>769 414</b>

## Statement of changes in equity, condensed

Group, SEKm	Share capital	Other contributed equity	Cash flow hedge	Retained earnings	Total
<b>Opening balance 1 January, 2010</b>	<b>11 500</b>	<b>2 400</b>		<b>16 317</b>	<b>30 217</b>
Group contributions paid				-2 000	-2 000
Tax reduction due to Group contributions paid				526	526
Total comprehensive income for the period			598	2 339	2 937
<b>Closing balance 30 June, 2010</b>	<b>11 500</b>	<b>2 400</b>	<b>598</b>	<b>17 182</b>	<b>31 680</b>

<b>Opening balance 1 January, 2011</b>	<b>11 500</b>	<b>2 400</b>		<b>17 182</b>	<b>31 680</b>
Total comprehensive income for the period			-685	1 109	424
<b>Closing balance 30 June, 2011</b>	<b>11 500</b>	<b>2 400</b>	<b>-685</b>	<b>18 291</b>	<b>31 506</b>

Swedbank Mortgage AB, SEKm	Share capital	Other contributed equity	Cash flow hedge	Retained earnings	Total
<b>Opening balance 1 January, 2010</b>	<b>11 500</b>	<b>3 100</b>		<b>15 618</b>	<b>30 217</b>
Group contributions paid				-2 000	-2 000
Tax reduction due to Group contributions paid				526	526
Total comprehensive income for the period			598	2 339	2 937
<b>Closing balance 30 June, 2010</b>	<b>11 500</b>	<b>3 100</b>	<b>598</b>	<b>16 483</b>	<b>31 680</b>
of which conditional shareholders' contributions				2 400	2 400
<b>Opening balance 1 January, 2011</b>	<b>11 500</b>	<b>3 100</b>	<b>598</b>	<b>16 483</b>	<b>31 680</b>
Total comprehensive income for the period			-685	1 109	424
<b>Closing balance 30 June, 2011</b>	<b>11 500</b>	<b>3 100</b>	<b>-87</b>	<b>17 591</b>	<b>32 104</b>
of which conditional shareholders' contributions				2 400	2 400

## Cash flow statement, condensed

Group, SEKm	2011 Jan-Jun	2010 Jan-Jun	2010 Full year
<b>Operating activities</b>			
Operating profit	1 505	1 672	3 180
Adjustments for non-cash items in operating activities	-47 488	-49 563	-2 880
Taxes paid	74	-556	-1 274
Increase/decrease in loans to credit institutions	6 011	3 995	16 500
Increase/decrease in loans to the public	-8 055	-9 313	-30 420
Increase/decrease in amounts owed to credit institutions	-29 337	3 186	36 455
Increase/decrease in other assets and liabilities, net	-6 653	-1 869	225
<b>Cash flow from operating activities</b>	<b>-83 943</b>	<b>-52 448</b>	<b>21 786</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities	137 181	128 972	243 224
Redemption of interest-bearing securities	-45 044	-63 196	-225 452
Increase/decrease in other funding	2 578	-36 569	-84 156
Group contributions paid	-2 000		
<b>Cash flow from financing activities</b>	<b>92 715</b>	<b>29 207</b>	<b>-66 384</b>
<b>Cash flow for the period</b>	<b>8 772</b>	<b>-23 241</b>	<b>-44 598</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15 481</b>	<b>60 079</b>	<b>60 079</b>
Cash flow for the period	8 772	-23 241	-44 598
<b>Cash and cash equivalents at end of the period</b>	<b>24 253</b>	<b>36 838</b>	<b>15 481</b>

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	A2	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.

As previously, the Parent Company, Swedbank Mortgage AB, has prepared its accounts 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.

New or revised IFRS and interpretations by IFRIC have not had any effect on the financial position, results and disclosures of the Group or the Parent Company.

The accounting principles applied in the interim report is the same as those applied in the preparation of the Annual Report for 2010.

## NOTE 2 Business segments

Group, SEKm	January - June 2011				January - June 2010			
	Private	Corporate	Agricultural & Forestry	Total	Private	Corporate	Agricultural & Forestry	Total
Total income	898	129	76	<b>1 103</b>	1 095	220	93	<b>1 408</b>
Operating profit	872	123	74	<b>1 069</b>	977	164	93	<b>1 234</b>
Loans to the public	539 777	116 696	48 378	<b>704 851</b>	515 227	120 619	45 140	<b>680 986</b>

Reconciliation of segment accounting and financial report

Group, SEKm	January - June 2011			January - June 2010		
	Total segment	Coord-ination	Total financial report	Total segment	Coord-ination	Total financial report
Total income	1 103	436	<b>1 539</b>	1 408	438	<b>1 846</b>
Operating profit	1 069	436	<b>1 505</b>	1 234	438	<b>1 672</b>
Assets	704 851	57 323	<b>762 174</b>	680 986	88 428	<b>769 414</b>

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.



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

Group, SEKm	2011	2010	%
	Jan-Jun	Jan-Jun	
<b>Fair value through profit or loss</b>			
<i>Trading and derivatives</i>			
Interest-bearing instruments	4 027	-7 593	
<i>Fair value option</i>			
Interest-bearing instruments	-4 075	7 608	
<b>Total</b>	<b>-48</b>	<b>15</b>	
<b>Hege accounting, fair value hedges</b>			
Inefficiency in hedge accounting at fair value	-30	-10	
of which hedging instruments	-257	3 192	
of which hedged items	227	-3 202	
<b>Total</b>	<b>-30</b>	<b>-10</b>	
<b>Financial liabilities at amortised cost</b>	<b>-26</b>		
<b>Loan receivables at amortised cost</b>	<b>42</b>	<b>60</b>	<b>-30</b>
<b>Total</b>	<b>-62</b>	<b>65</b>	

## NOTE 4 Credit impairments

Group, SEKm	2011	2010	%
	Jan-jun	Jan-jun	
<b>Provisions for loans that are assessed as impaired</b>			
Provisions	5	22	-77
Reversal of previous provisions	-2	-5	-60
Provisions for homogenous groups of impaired loans, net	9	-1	
<b>Total</b>	<b>12</b>	<b>16</b>	<b>-25</b>
<b>Portfolio provision for loans that individually are not assessed as impaired</b>	<b>5</b>	<b>142</b>	<b>-96</b>
<b>Write-offs</b>			
Established losses	21	21	0,0
Utilisation of previous provisions	-3	-5	-40
Recoveries	-1	0	
<b>Total</b>	<b>17</b>	<b>16</b>	<b>4</b>
<b>Credit impairments</b>	<b>34</b>	<b>174</b>	<b>-81</b>

## NOTE 5 Loans

Group, SEKm	2011 30 Jun	2010 31 Dec	2010 30 Jun
<b>Lending</b>			
Carrying amount before provisions	744 320	733 994	751 564
Provisions for loans that individually are assessed as impaired	-66	-56	-69
Portfolio provisions for loans that individually are not assessed as impaired	-150	-146	-155
<b>Total provisions</b>	<b>-216</b>	<b>-202</b>	<b>-224</b>
<b>Carrying amount of loans after provisions</b>	<b>744 104</b>	<b>733 792</b>	<b>751 340</b>
<b>Impaired loans</b>			
Impaired loans, gross	164	142	180
Provisions for individually assessed impaired loans	-66	-56	-69
<b>Carrying amount of impaired loans</b>	<b>98</b>	<b>86</b>	<b>111</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, %	0,01	0,01	0,02
Total provision ratio for impaired loans, % <sup>c)</sup>	132,1	141,8	38,4
Provision ratio for individually identified impaired loans, %	40,1	39,5	38,4

<sup>c)</sup> 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
<b>Book value before accounting for provisions</b>	<b>594 421</b>	<b>99 725</b>	<b>8 028</b>	<b>2 893</b>	<b>705 067</b>	<b>39 253</b>	<b>744 320</b>
Provisions for loans that individually are assessed as impaired	-44	-17	-5		-66		-66
Portfolio provisions for loans that individually are not assessed as impaired	-103	-47			-150		-150
<b>Book value after accounting for provisions</b>	<b>594 274</b>	<b>99 661</b>	<b>8 023</b>	<b>2 893</b>	<b>704 851</b>	<b>39 253</b>	<b>744 104</b>
Book value of impaired loans	87	11			98		98

## NOTE 6 Derivatives

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

Group, SEKm	30 Jun 2011			30 Jun 2010		
	Interest	Currency	Total	Interest	Currency	Total
<b>Derivatives with positive book values</b>	4 342	2 892	<b>7 234</b>	10 139	2 550	<b>12 689</b>
of which in hedge accounting	2 161	619	<b>2 780</b>	4 621	0	<b>4 621</b>
<b>Derivatives with negative book values</b>	5 091	8 984	<b>14 075</b>	7 037	6 559	<b>13 596</b>
of which in hedge accounting	1 932	7 964	<b>9 896</b>	243	4 309	<b>4 552</b>
<b>Nominal amount</b>	444 230	167 536	<b>611 766</b>	431 170	160 188	<b>591 358</b>

## NOTE 7 Financial instruments

Financial instruments distributed by valuation category according to IAS 39

Group, SEKm	2011	2010	2010
	30 Jun	31 Dec	30 Jun
<b>Assets</b>			
<b>Loans to credit institutions</b>	<b>39 253</b>	<b>36 493</b>	<b>70 354</b>
valuation category, loans and receivables	39 253	36 493	70 354
<b>Loans to the public</b>	<b>704 851</b>	<b>697 299</b>	<b>680 986</b>
valuation category, loans and receivables	289 438	257 346	227 824
valuation category, fair value through profit or loss	415 413	439 953	453 162
<b>Derivatives</b>	<b>7 234</b>	<b>6 931</b>	<b>12 689</b>
hedge accounting at fair value	2 161	2 534	4 621
cash flow hedge	619		
other	4 454	4 397	8 068
<b>Total</b>	<b>751 338</b>	<b>740 723</b>	<b>764 029</b>
<b>Liabilities</b>			
<b>Amounts owed to credit institutions</b>	<b>199 838</b>	<b>229 177</b>	<b>195 793</b>
other financial liabilities	191 495	219 081	184 968
valuation category, fair value through profit or loss	8 343	10 096	10 825
<b>Debt securities in issue</b>	<b>507 998</b>	<b>451 328</b>	<b>516 928</b>
other financial liabilities	392 605	315 977	306 840
change in value due to hedge accounting at fair value	-1 024	-861	3 355
valuation category, fair value through profit or loss	116 417	136 212	206 733
<b>Derivatives</b>	<b>14 075</b>	<b>15 565</b>	<b>13 596</b>
hedge accounting at fair value	1 932	1 080	243
cash flow hedge	7 964	8 506	4 309
other	4 179	5 979	9 044
<b>Total</b>	<b>721 911</b>	<b>696 070</b>	<b>726 317</b>

## NOTE 7 Financial instruments, cont.

### Determination of fair value for financial instruments

30 Jun 2011 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
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#### Assets

Loans to the public		415 413		415 413
Derivatives		7 234		7 234
<b>Total</b>	<b>0</b>	<b>422 647</b>	<b>0</b>	<b>422 647</b>

#### Liabilities

Amounts owed to credit institutions			8 343	8 343
Debt securities in issue	78 182	37 211		115 393
Derivatives		14 075		14 075
<b>Total</b>	<b>78 182</b>	<b>51 286</b>	<b>8 343</b>	<b>137 811</b>

31 dec 2010 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
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#### Assets

Loans to the public		439 953		439 953
Derivatives		6 931		6 931
<b>Total</b>	<b>0</b>	<b>446 884</b>	<b>0</b>	<b>446 884</b>

#### Liabilities

Amounts owed to credit institutions			10 096	10 096
Debt securities in issue	99 392	36 820		136 212
Derivatives		15 565		15 565
<b>Total</b>	<b>99 392</b>	<b>52 385</b>	<b>10 096</b>	<b>161 873</b>

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 8 Assets pledged for own liabilities and commitments

Group, SEKm	2011 30 Jun	2010 31 Dec	2010 30 Jun
<b>Assets pledged for own liabilities</b>			
Loans pledged for securities in issue <sup>e)</sup>	655 716	640 207	620 417
Securities pledged for other liabilities	104	103	80
Contingent liabilities	none	none	none
Commitments, nominal amount	8 237	9 390	11 623
<b>Total</b>	<b>664 057</b>	<b>649 700</b>	<b>632 120</b>

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

## NOTE 9 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	2011 30 jun	2010 31 dec	2010 30 jun
<b>Assets</b>			
Loans to credit institutions	39 250	36 481	70 335
Derivatives	7 025	6 831	12 470
Other assets	301	202	468
<b>Total</b>	<b>46 576</b>	<b>43 514</b>	<b>83 273</b>
<b>Liabilities</b>			
Amounts owed to credit institutions	199 838	229 138	195 708
Debt securities in issue, etc	20 353	42 964	103 653
Derivatives	14 047	15 565	13 595
Other liabilities	3 166	6 684	5 618
<b>Total</b>	<b>237 404</b>	<b>294 351</b>	<b>318 574</b>
<b>Income statement</b>			
Interest income	354	520	235
Interest expenses	-3 510	-2 674	-1 052
Net gains and losses on financial items at fair value	3 848	-12 556	-4 607
Commission expenses	-56	-136	-62
<b>Total</b>	<b>636</b>	<b>-14 846</b>	<b>-5 486</b>

## NOTE 10 Capital adequacy

For Swedbank Mortgage, the Basel 2 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 transitional rules, stating that the minimum capital requirement should not fall below 80 percent of the capital requirement calculated according to the old rules, have been extended and are now applied up to and including 2011.

Capital base	2011	2010	2010
Group, SEKm	30 Jun	31 Dec	30 Jun
Tier 1 capital	31 884	30 968	31 309
<b>Total capital base</b>	<b>31 884</b>	<b>30 968</b>	<b>31 309</b>

Capital requirement	2011	2010	2010
Group, SEKm	30 Jun	31 Dec	30 Jun
Capital requirement for credit risks, IRB	4 239	4 211	4 143
Capital requirement for operational risks	460	471	471
<b>Capital requirement</b>	<b>4 699</b>	<b>4 682</b>	<b>4 614</b>
Complement during transition period	22 308	21 874	20 939
<b>Capital requirement including complement</b>	<b>27 007</b>	<b>26 556</b>	<b>25 553</b>
<b>Risk-weighted assets</b>	<b>337 582</b>	<b>331 945</b>	<b>319 417</b>

Capital adequacy analysis	2011	2010	2010
Group	30 Jun	31 Dec	30 Jun
Capital quotient excluding complement	6,79	6,61	6,79
Tier 1 capital ratio, %, excluding complement	56,1	54,7	56,2
Total capital adequacy ratio, %, excluding complement	56,1	54,7	56,2
Capital quotient, transition rules	1,18	1,17	1,23
Tier 1 capital ratio, %, transition rules	9,4	9,3	9,8
Total capital adequacy ratio, %, transition rules	9,4	9,3	9,8

## 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 2010 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, 19 July 2011

Anders Ekedahl  
Chair

Peter Stenborn  
President

Gunilla Domeij Hallros

Magnus Francke

Johan Smedman

## Review report

### Introduction

We have reviewed the interim report for Swedbank Mortgage AB (publ) for the period 1 January to 30 June 2011. 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 Standard on Review Engagements SÖG 2410 Review of Interim Financial Information performed by the company's auditors. 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, 19 July 2011

Deloitte AB

Jan Larsson  
Authorised Public Accountant

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