Swedbank

Annual Report 2010

Swedbank Mortgage

Contents

3 Swedbank Mortgage in brief, the Swedish housing market and rating
4 About Swedbank Mortgage
4 Market trends
5 Mortgage market
6 Loan portfolio
8 Funding
9 Risk management
11 Key financial highlights 2006–2010
12 Five-year summary
13 Income statement, Statement of comprehensive income
14 Balance sheet
15 Statement of cash flow
16 Statement of changes in equity
17 Notes
35 Definitions
36 Signatures of the Board of Directors and the President
37 Auditors' report
38 List of bond loans
42 Board of Directors, Auditor and Executive Committee

Swedbank Mortgage in brief

Swedbank Mortgage is the market leader in the Swedish mortgage market.

Market share: 26% (27% in 2009).

Distribution: Access to 596 branches, which through Swedbank and the Savings banks forms Sweden's largest bank-owned retail network.

Loan portfolio: Residential mortgages account for over 90 per cent. Low geographical concentration risk through a broad-based distribution network. All lending is in Sweden with collateral in Swedish assets.

Collateral: Average loan-to-value ratio[1] in the loan portfolio of 45 per cent calculated on loan level and 60% calculated on property level (45% and 60%, respectively, in 2009).

Funding: During 2010 Swedbank Mortgage issued[2] SEK 155bn (119) in the domestic market. In addition, four large public euro-denominated covered bonds were issued during the year.

The Swedish housing market

- Transparent information from, among others, UC AB, Sweden's leading credit bureau, which provides data on income, debts, payment history, etc.
- Sweden's Consumer Credit Act requires financial institutions to conduct a detailed analysis of each customer's ability to pay, a "left to live on" calculation and stress tests if interest rates rise.
- Borrowers are fully responsible for repaying their debts and have an unlimited recourse obligation.
- Stable social welfare system with widespread unemployment insurance.
- Not a "buy-to-let" market.

Rating

Moody's		Standard & Poor´s	
Short	Long	Short	Long
P–1	**Aaa ***	A–1+	**AAA ***
P–2	Aa1	**A–1**	AA+
P–3	Aa2	A–2	AA
Not prime	Aa3	A–3	AA-
	A1	B	A+
	A2**	C	**A**
	A3	D	A-
	Baa1		BBB+
	Baa2		BBB
	Baa3		BBB-

* Covered Bond rating

** Placed on review for upgrade 2010-11-16

[1] Volume weighted

[2] Nominal amount

About Swedbank Mortgage

Swedbank Mortgage is a market leader in the Swedish mortgage market. Its loans are part of the overall offering from Swedbank and the Savings banks.

Group relationship

Swedbank Mortgage AB (publ), with corporate identification number 556003-3283, is a wholly owned subsidiary of Swedbank AB (publ), 502017-7753. Swedbank Mortgage AB is the parent company of a group with responsibility for mortgage lending in Sweden. The group comprises Swedbank Mortgage AB and the dormant wholly owned subsidiary Swedbank Skog och Lantbruk AB, 556061-5592.

Swedbank Mortgage's more than one million customers include Swedish homeowners, businesses, tennant-owner associations, municipalities and agricultural and forestry businesses. Swedbank Mortgage's products primarily consist of loans secured by underlying collateral in Swedish residential, agricultural and forest properties up to 75 per cent of their long-term market value. Of Swedbank Mortgage's total lending volume of SEK 695bn* (SEK 664bn in 2009), slightly over 90 per cent is represented by mortgage loans to individuals. Swedbank Mortgage has a market share of 26% (27% in 2009).

Co-ordination with Swedbank

Swedbank Mortgage's loans are part of the overall offering from Swedbank and the savings banks, and lending is arranged through their Swedish retail network, the telephone bank and internet channels. This is an important reason for Swedbank Mortgage's strong market position. The 596 branches of Swedbank and the savings banks (340 and 256) and Swedbank's internet and telephone banks together make up Sweden's largest bank-owned distribution network.

Swedbank Mortgage's functions are totally integrated in Swedbank, which creates economies of scale with the bank's other operations. To be able to offer customers a complete solution of home buying services, the Swedbank Group utilises a number of partners in addition to its own brand, Swedbank Fastighetsbyrå, including home builders and other construction companies.

* Refers to nominal amounts. Does not take into account market valuations according to IAS 39.

Market trends

After the severe recession in 2009 there were clear signs of a global recovery in 2010, driven by low interest rates and expansive fiscal policies. Sweden's finances continue to improve and are among the most stable in the EU.

After the severe recession in 2009 there were clear signs of a global recovery in 2010, driven by low interest rates and expansive fiscal policies. The sustainability of the recovery is uncertain, however. The mountain of debt that has grown rapidly in recent years is now forcing several euro countries to drastically cut spending at the same time that demands for better coordinated fiscal policies within the EU are increasing. Long-term bond rates trended lower in 2010 partly as a result of low interest rates and liquidity injections by central banks in the form of government bond purchases. The reduction in interest rates also reflected concerns that the economic rebound is unsustainable. In countries with large macroeconomic imbalances, however, credit spreads increased significantly in 2010.

Improved global growth prospects have helped to lift the Swedish economy on a broad basis. According to the Swedbank Economic Outlook from January 2011, Sweden's GDP is expected to rise by slightly over 5% in 2010. The industrial sector, led by exports, posted the biggest improvement when global demand rebounded. Low interest rates, reduced income taxes and stable government finances have allowed households to increase their housing investments and consumption, with debt loads increasing as a result. The previous year's deterioration in the Swedish labour market ended in 2010 and has been followed by job creation and lower unemployment. This is one reason why Sweden remains among the EU's most fiscally stable members. The Swedish krona appreciated in 2010 partly due to the Swedish Riksbank's rate hikes, but probably also because of Sweden's sound finances.

Mortgage market

In 2010 Sweden's export-dependent economy partially recovered after the major downturn in the previous year. Although unemployment is relatively high, jobs are again increasing. Housing prices rose during the year, but due to interest rate hikes by the Swedish Riksbank and the mortgage cap introduced by the Financial Supervisory Authority in October this trend may slow. Market-wide stress tests completed by Swedbank and the Swedish Riksbank, among others, point to stable solvency among mortgage customers of Swedish banks.

Swedbank Mortgage's loans are granted on the basis of the ability of customers to repay. The large retail network of Swedbank and the Savings banks is well integrated in the local economy, and customers are demonstrating sound solvency. A strong local presence is also a strength when analyzing local property prices and assessing the value of collateral offered to Swedbank Mortgage.

The Swedish Riksbank's interest rate hikes, coupled with the Financial Supervisory Authority's new mortgage cap, are expected to slow the increase in housing prices in the years ahead. During the year low interest rates and the special tax reduction for housing improvements, repairs and maintenance (ROT-avdraget) encouraged owners of single-family homes and condominiums to invest in their homes which contributed to a high demand for mortgage loans.

Due to the actions of the Swedish Riksbank and the Financial Supervisory Authority, we expect new mortgage demand as a whole to decrease in 2011.

Competition among the country's mortgage lenders is tight. Swedbank Mortgage is carefully following the developements and participating in discussions on financial market policies and similar regulations on mortgage loans. Especially in times of change, perseverance, a local presence and a wholehearted commitment based on close relationships are some of the most important competitive advantages.

Stable real estate market

The Swedish housing market has several important qualities that contribute to the stability of the real estate market. The most fundamental is the solvency of households, which have low loan-to-value ratios in relation to the market value of their properties. Tax cuts in recent years are helping to further improve household solvency. In contrast to many other European countries, Sweden does not have a developed market where single-family homes and condominiums are bought for rental purposes. As a result, underlying prices are based on actual demand, not speculation. The price increases in recent years have therefore had little to do with speculation. Instead, the rising housing prices are mainly the result of the limited number of new properties. Compared with the rest of the Nordic region and Europe, Sweden has generally maintained a low rate of new construction since the Swedish financial crisis in the early '90s. Housing demand exceeds supply in fast-growing metropolitan regions in particular.

Credit demand in the commercial sector is driven by the acquisition financing of real estate property by converted and newly formed tenant-owner associations.

Increased volatility in the agricultural and forestry sector

The financial crisis and recession affected the agricultural sector. Dairy and horticultural companies faced the toughest economic pressure. Market conditions clearly improved in 2010 and prices rose for these businesses. Agricultural property prices remain stable. The forestry sector was affected by the recession and financial crisis as well. Demand for forest products increased in 2010, resulting in higher prices for lumber and pulpwood producers. Prices of forest properties rose in 2010.

New mortgage cap

As of October 2010 properties intended for housing purposes may be mortgaged up to 85 per cent of the property's value, according to the new general advice of the Financial Supervisory Authority. This change is expected to have limited direct effect on Swedbank Mortgage's lending, since it has long been restrictive in granting new loans. Swedbank Mortgage welcomes the new regulations, which we feel will contribute to a less volatile and better balanced mortgage market.

Loan portfolio

The residential sector accounts for slightly over 90 per cent of Swedbank Mortgage's lending. During the year total lending increased by SEK 31bn before provisions or 5 per cent (SEK 49bn, 8 per cent in 2009). Nearly the entire net increase has been in the private residential segment.

The lending increase in 2010 was slightly lower than in immediately preceding years. During the year the economy continued to improve and employment levels rose, but unemployment remained relatively high and uncertainty affected housing prices. Moreover, the increases in the base rate previously announced by the Swedish Riksbank began during the summer. In 2009 Swedbank Mortgage introduced tighter requirements on underlying collateral and household assets for new lending. As a whole, these factors slowed the increase in the company's lending during the year.

Stable risk level in the loan portfolio

Extensive stress tests of the mortgage portfolio were conducted during the year. The tests incorporated scenarios such as significantly higher interest rates and significantly lower housing prices. The results of these tests indicated robust solvency among the company's mortgage customers and a low risk of credit impairments, even if economic conditions were to substantially worsen from a Swedish perspective.

The deep understanding of customers gained through their large retail network, with an emphasis on customer solvency, has helped Swedbank and the Savings banks to maintain past due loans at very low levels.

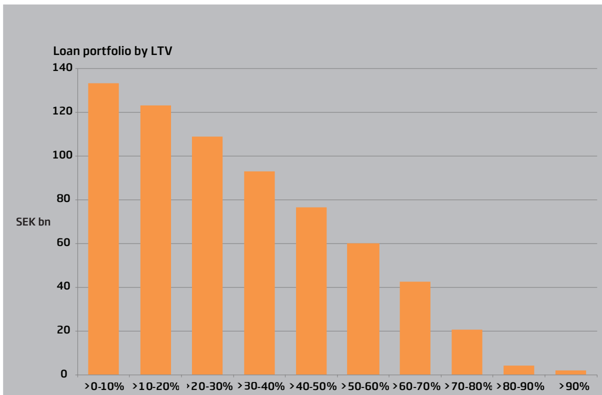
A low loan-to-value ratio among Swedbank Mortgage's customers, combined with a favourable real estate market, has meant that the few customers who have incurred payment problems have usually been able to sell their properties without losing money.

The figure on page 7 (Risk classification Swedbank Mortgage) illustrates how the overall portfolio of loans to homeowners, businesses and agricultural and forestry enterprises is distributed by risk class. On the scale, 21 represents the lowest risk and 0 the highest risk, with an additional class for defaults. During 2010 a slight migration to higher risk classes has taken place, indicating a sound ability among the company's mortgage customers to repay their debt and a low risk of credit losses.

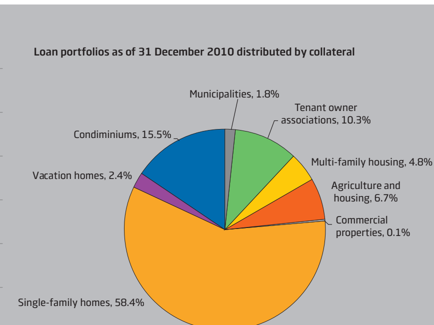
Swedbank Mortgage's low risk profile is the result of restrictive credit requirements, geographical loan diversification among many customers and close monitoring of loan customers locally. Loans judged as having higher risks are given extra attention.

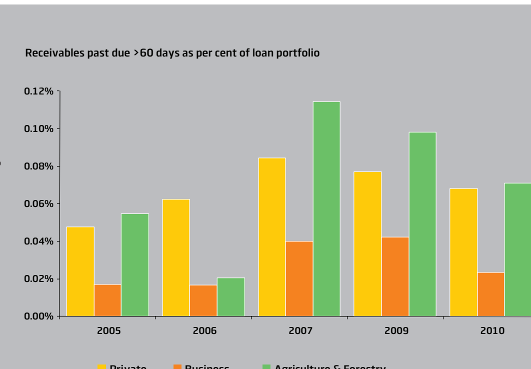
Lending to the commercial sector, which largely consists of tenant-owner associations, with low loan-to-value ratios, fell by SEK 4bn to SEK 119bn.

Agricultural companies have been affected by major price fluctuations in food prices due to the financial crisis and global changes. The need for larger, more efficient farms is raising and driving loan demand. Demand for mortgage loans in the agricultural and forestry sector therefore remained high in 2010. Lending to the sector increased by SEK 3bn during the year to SEK 46bn.



Over half the loan portfolio has a loan-to-value ratio (LTV) of less than 30 per cent.



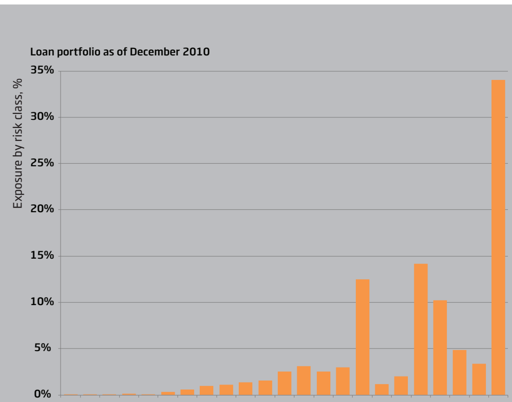


New portfolio provision model affected the year's credit impairments

In 2010 credit impairments affected profit by SEK 168m (SEK 8m in 2009). The large part of this increase is due to the change in valuation model for portfolio provisions introduced by Swedbank Mortgage at the beginning of the year. Established credit impairments amounted to SEK 38m (22), utilisation of previous provisions amounted to SEK 5m (1) and recoveries from previous years' impairments totalled SEK 1m (8). Provisions for credit impairments amounted to a net of SEK 136m during the year, against a year-earlier net reversal of SEK 6m.

The volume of loans past due by more than 60 days remains at a very low level. Swedbank's risk classification system and rules serve as the basis of efficient monitoring routines that are designed to minimise future impairments. Household loans past due by more than 60 days as a share of the total loan portfolio remain low at around 0.07 per cent (0.08). The corresponding figure is 0.02 per cent (0.04) for commercial loans and 0.07 per cent (0.10) for agricultural and forestry loans.

The portfolio's impaired loans, after deducting provisions of SEK 56m (57), amounted to SEK 86m (108) as of 31 December 2010, corresponding to 0.01 per cent (0.02) of the total loan portfolio. Loans with interest reductions amounted to SEK 0m (0). Provisions for impaired loans and book values are shown in note 4.



Funding

In 2010 the global capital markets were deeply affected by the sovereign debt crisis. In Sweden, on the other hand, the economic recovery has been considerably faster and stronger than expected, and the Swedish Riksbank was one of the first central banks to withdraw its extraordinary liquidity support measures and commence increasing its base rate.

In 2010 the global capital markets were deeply affected by the sovereign debt crisis. Investors have worried about growing debt and large budget deficits in countries such as Greece, Ireland, Portugal and Spain. Austerity budgets have hurt growth prospects, and concerned investors fear that some of these countries may have to restructure their debts. A number of banks and mortgage institutions from southern Europe and Ireland have essentially been shut out of funding markets and remain dependent on the European Central Bank for their funding. In Sweden, on the other hand, the economic recovery has been considerably faster and stronger than expected, and the Swedish Riksbank was one of the first central banks to withdraw its extraordinary liquidity support measures and begin to raise its benchmark interest rate. Swedish banks and mortgage institutions are strongly positioned and have held a sound position in relation to investors' search for safe investment alternatives during this international turbulence.

Demand for Swedish covered bonds in the euro market has been very good. In 2010 Swedbank Mortgage issued four so-called euro benchmark covered bonds (maturing in January 2013, January 2014, June 2015 and March 2017), twice the number in 2008 and 2009. Swedbank Mortgage now has seven outstanding euro benchmark covered bonds. Swedbank Mortgage has also issued a number of public covered bonds in CHF and has been active in registered covered bonds with long maturities, primarily targeting the German pension- and insurance markets.

The Swedish market for covered bonds continued to operate efficiently in 2010. Swedbank Mortgage has continued to offer new issues, and the Swedish market still remains its primary funding source. During the fall of 2010 Swedbank Mortgage began a structural change of the maturity profile of its Swedish covered bonds. Going forward its bond loans will mature at nine-month intervals, compared with about 12 months before. The expectation is that this will create a closer match between assets and liabilities and better spread out maturities over time. Initially in 2010 three new bond loans were issued maturing in 2015, 2016 and 2017.

Moody's		Standard & Poor´s	
Short	Long	Short	Long
P–1	Aaa *	A–1+	AAA *
P–2	Aa1	A–1	AA+
P–3	Aa2	A–2	AA
Not prime	Aa3	A–3	AA-
	A1	B	A+
	A2**	C	A
	A3	D	A-
	Baa1		BBB+
	Baa2		BBB
	Baa3		BBB-

* Covered Bond rating
** Placed on review for upgrade 2010-11-16

Outstanding volume of covered bonds by program*

Book values Per 31 December 2010 SEKbn	Total
Mortgage bonds in Sweden	291
Euro Mid Term Note program	115
Mid Term Note program	22
Registered Covered Bonds	18
Norwegian mortgage bond program	3

* For further information, see note 4a–d.

Risk management

Swedbank Mortgage measures and reports risks in accordance with the guidelines and policies of the Swedbank Group. Swedbank Mortgage's principal risks are credit risks, financial risks and operational risks. For further information, see note 4a-d.

CREDIT RISK

Credit risk is the risk that a counterparty cannot meet its obligations and that pledged assets will not cover the company's claim. Credit risk also includes concentration risk, i.e. large exposures or concentrations in the loan portfolio to certain regions or industries. Swedbank Mortgage's credit risks primarily arise in its lending to the public (private individuals and companies). Risks are geographically diversified throughout Sweden and largely consist of loans secured by single-family homes and condominiums.

Swedbank Mortgage's lending is handled through the distribution network of Swedbank and the Savings banks. The right to grant loans has been delegated to Swedbank and the Savings banks within specific limits. Decisions of principle regarding credit issues or otherwise of importance (in individual cases or in general) are made by Swedbank Mortgage's Board of Directors. Furthermore, Swedbank Mortgage's Board sets loan limits for various types of properties.

Swedbank Mortgage has delegated the right to establish procedures on the appraisal and management of collateral and for borrowers with financial difficulties to Swedbank. The delegation applies until further notice and can be recalled immediately by Swedbank Mortgage at any time. Swedbank Mortgage's Board regularly receives reports on credit risks in the company and other types of analyses of the loan portfolio.

Loan evaluations take into account the customer's ability to repay and the value of the collateral. The latter is based on the property's long-term market value as determined by an appraiser familiar with the local market. Moreover, the customer is carefully analysed in an internal risk classification system and assigned a value on a risk scale. The risk classification system plays a central role in the Group's day-to-day lending operations. It is used in the preparation of loan applications, as guidance in making decisions and to determine who may grant a loan.

The risk classification is also used to measure risks at an aggregate level according to Group-wide models. Swedbank Mortgage's loan portfolio has a very high credit quality with low risks, where 88 per cent of the exposure in the risk classification has been assigned investment grade risk classes and are considered to have very low risk.

The treasury department also faces counterparty risks, for Swedbank Mortgage mainly through derivative contracts. In the majority of derivative contracts, the Parent Company is the counterparty. Counterparty risks are also reduced through bilateral agreements, which allow risks to be netted using standardised procedures, as well as through special agreements on collateral with certain counterparties.

Swedish mortgage regulations were tightened in 2010 when the Financial Supervisory Authority introduced a mortgage cap of 85 per cent of a property's value. Swedbank Mortgage's restrictive credit policy was already in compliance with the new rules, in addition to which the bank further tightened its mortgage requirements during the fourth quarter.

FINANCIAL RISK

Financial risks are divided into two main types: market risk and liquidity risk. Swedbank Mortgage's Board sets comprehensive goals for market and liquidity risks. It also sets limits within the risks mandates given to Swedbank Mortgage by Swedbank. Moreover, the Board retains responsibility for ensuring that the requisite guidelines and instructions for risk management are established and followed.

Market and liquidity risks that arise in lending are transferred to Swedbank Mortgage's treasury department, which has specific mandates for these risks. The department has a risk control function responsible for the day-to-day monitoring and compilation of information on financial risks. Financial risk utilisation is reported to the Board of Swedbank Mortgage and Swedbank's risk control unit on a continual basis.

Market risk

Market risk refers to the risk that changes in exchange rates and interest rates will lead to a decline in the value of net assets and liabilities, including derivatives.

Because Swedbank Mortgage's lending in SEK is partly financed with funding in other liquid currencies, a foreign exchange risk arises. This risk is neutralised through derivatives in the foreign exchange market. Despite extensive funding in foreign currency, Swedbank Mortgage's exposure to foreign currency risks is therefore very limited. Swedbank Mortgage had no open currency positions as of 31 December 2010.

The interest rate risk in Swedbank Mortgage's operations primarily arises as a result of differences in the average fixed interest rate periods in the lending portfolio and funding. The risk is managed primarily through Swedbank Mortgage's active participation in the funding market, and by using derivatives in the fixed income market, e.g. swaps and forwards. Interest rate risk cannot be completely eliminated, since residential mortgages are constantly refinanced at new terms and new loans are granted. The remaining risk that affects Swedbank Mortgage's profit is limited, however, and is kept within an interval approved by the company's Board.

Liquidity risks

Liquidity risks arise because the maturity structures of Swedbank Mortgage's assets and liabilities, including derivatives, do not coincide. Swedbank Mortgage defines liquidity risk as the risk of not being able to fulfil payment commitments on any given due date without significantly raising the cost to fund payments.

Swedbank Mortgage's liquidity can be forecast, since the maturities and interest payments on its mortgages and funding are known in advance. With the help of accurate forecasts and diversified funding in a large number of capital markets, Swedbank Mortgage minimises the risk of liquidity problems. Liquidity exposure is limited by the company's Board and monitored continuously by Swedbank Mortgage and the Swedbank Group. Liquidity exposure is also limited by covered bond legislation.

In 2007 the Financial Supervisory Authority gave Swedbank Mortgage permission to issue covered bonds. Having access to the covered bond market proved very valuable during the financial crisis. The high credit rating of covered bonds broadens the investor base, facilitates favourable funding costs and makes it possible to pledge the bonds as mortgage collateral with the Swedish Riksbank. As a whole, Swedbank Mortgage is well-prepared to manage liquidity risks going forward.

OPERATIONAL RISKS

Operational risk is defined as the risk of losses due to inadequate or insufficient internal routines, human error and faulty systems, or due to outside circumstances. Swedbank Mortgage's work to minimise these operational risks is based on Swedbank's methods and routines. The Swedbank Group applies both qualitative methods such as self-evaluations and quantitative methods, where reporting is done in an operating loss database.

CAPITAL ADEQUACY

Swedbank Mortgage's capital adequacy ratio should not fall below the level that at any given time is considered appropriate in order to maintain sustainable financial stability while developing the business.

Basel II

According to the current capital adequacy rules, Basel II, the capital requirement is closely linked to risk profile, risk measurement and the assessment of risk capital needs. With the approval of the Financial Supervisory Authority, Swedbank Mortgage bases capital requirements for credit risks primarily on internal risk measurements according to the Internal Ratings Based Method (IRB method) that has been developed by the Swedbank Group. There is also a capital requirement for operational risks, which, with the approval of the Financial Supervisory Authority, is calculated according to a standardised method. For Swedbank Mortgage, the Basel II rules mean a limited need for equity, as its business is focused on mortgages, which are generally characterised by very low levels of risk. The special transition rules that applied in 2009, gradually lowered capital requirements due to Basel II, compared with the previous Basel I. According to these transition rules, the minimum capital requirement in 2009 was at least 80 per cent of the requirement calculated according to the old rules. The transition rules have since been extended to 2011, meaning that the 80 per cent floor still applied in 2010.

Key financial highlights 2006 – 2010

	2010	2009	2008	2007	2006
Profit					
Investment margin, % **	0.53	0.56	0.56	0.67	0.75
Return on equity, %	7.4	9.27	10.0	10.6	11.5
Earnings per share, SEK	101.70	113.26	116.52	119.70	117.65
Capital					
Capital base, SEKm	30 968	29 744	27 005	26 882	26 823
Capital quotient ***	1,17	1,20	1,05	1,11	1,16
Capital adequacy ratio, % ***	9,3	9,6	8,4	8,9	9,3
Tier 1 capital ratio, % ***	9,3	9,6	8,4	8,2	8,6
Number of shares at start/end of period, million	23	23	23	23	23
Equity per share, SEK	1 377.39	1 313.78	1 200.52	1 084.00	1 077.00
Credit quality					
Credit impairment ratio, %	0,00	0,00	0,00	– 0,01	– 0,00
Total provision ratio for impaired loans, %	141.8	43.1	4.8	73.9	104.4
Share of unimpaired loans, %	0.01	0.02	0.02	0.01	0.01
Other					
Number of employees	0	0	0	13	18

* Not restated according to IAS 39.
** Calculated as of 2008 as a 12-month average. The previous calculation method used the report period's average.
*** As of 2007 capital ratios are calculated according to FFFS 2007:1 (Basel 2).

Profit analysis

Operating profit amounted to SEK 3 179m (3 631). Net interest income was reduced by SEK 339m to SEK 4 069m (4 408). The dominating reason for the lower net interest income was a lower average margin during 2010 compared to the previous year despite an increasing trend, which was due to a low starting level for the year. The turning point appeared in the beginning of the past year. The increase in volumes for the year, amounting to SEK 30bn, compensated to some extent the lower margin. Funding costs have been considerably affected by the extended average maturity for the debts. The increased costs of funding have certainly affected the net interest income negatively but it has also resulted in a reduced need of liquidity reserves which has had a positive effect on the net interest income. The lower levels of interest rates during the year compared to previous year have led to somewhat lower return on equity.

Of the commission costs most part is arising from the interchange between the savings banks and partly owned banks. These costs amounted to SEK 562m (661). The reduction is a result of changes in the agreement on commission with the savings banks and partly owned banks.

In net gains and losses on financial items at fair value are included changes in value on items for which fair value option is applied. In April 2009 a gradual transition was initiated to increase amortized cost and hedge accounting by applying fair value hedge accounting and cash flow hedging. Changes in value in fair value hedges on the hedged item and the hedging instrument is reported in the income statement while the effective part of the changes in value on a cash flow hedge is reported in equity and is included in other comprehensive income. In net gains and losses in financial items at fair value are also included profit and losses on prepayments on loans at amortized cost and repurchases of issued securities at amortized cost. All included the net gains and losses on financial items at fair value amounted to SEK -206m (-131).

Administrative expenses have from 2010 been moved to Swedbank AB.

Net credit impairment amounted to SEK 168m (8). Most of the credit impairment is due to that Swedbank Mortgage has changed its valuation model for portfolio provisions. The new model was implemented during the first half year and resulted in a one-time effect amounting to SEK 153m.

Proposed distribution of profit

Proposed distribution of profit	mSEK
Swedbank Mortgage AB (publ)	
Retained earnings	14 144
Profit for the year	2 339
Total available	**16 483**
The Board of Directors proposes that the following amount be carried forward	16 483
Total	**16 483**

Five-year summary

Income statement SEKm	2010	2009	2008	2007	2006
Interest income	20 137	23 148	32 150	25 540	20 121
Interest expenses	- 16 068	– 18 740	– 28 669	– 21 407	– 15 970
Net interest income	**4 069**	**4 408**	**3 481**	**4 133**	**4 151**
Net commissions	- 523	– 626	– 450	– 529	– 534
Other operating income	- 199	– 122	629	238	200
Total income	**3 347**	**3 660**	**3 660**	**3 842**	**3 817**
Operating expenses	0	21	51	57	66
Profit before impairments	**3 347**	**3 639**	**3 609**	**3 785**	**3 751**
Credit impairments	168	8	6	– 43	– 8
Operating profit	**3 179**	**3 631**	**3 603**	**3 828**	**3 759**
Tax expense	840	1 026	923	1 075	1 053
Profit for the year	**2 339**	**2 605**	**2 680**	**2 753**	**2 706**

Balance sheet	2010	2009	2008	2007	2006
Assets					
Loans to credit institutions	36 493	97 590	106 244	66 838	47 232
Loans to the public	697 299	672 420	623 401	560 633	510 479
Interest-bearing securities		50		99	
Other assets	10 789	13 838	26 394	11 464	9 538
Total assets	**744 581**	**783 848**	**756 089**	**638 935**	**567 348**
Liabilities					
Amount owed to credit institutions	229 177	192 738	152 776	125 006	99 238
Debt securities in issue	451 328	537 771	552 321	464 064	421 648
Other liabilities	32 396	23 122	23 380	22 544	19 363
Subordinated liabilities				2 389	2 328
Total liabilities	**712 901**	**753 631**	**728 477**	**614 003**	**542 577**
Equity	31 680	30 217	27 612	24 932	24 771
Total liabilities and equity	**744 581**	**783 848**	**756 089**	**638 935**	**567 348**

Income statement

SEKm	Note	Group 2010	Group 2009	Swedbank Mortgage AB 2010	Swedbank Mortgage AB 2009
Interest income		20 137	23 148	20 137	23 148
Interest expenses		- 16 068	-18 740	- 16 068	-18 740
Net interest income	7	**4 069**	**4 408**	**4 069**	**4 408**
Dividends received	8				151
Commission income		53	53	53	53
Commission expenses		- 576	-679	- 576	-679
Net commissions	9	**- 523**	**-626**	**- 523**	**-626**
Net gains and losses on financial items at fair value	10	- 206	-131	- 206	-131
Other operating income	11	7	9	7	9
Total income		**3 347**	**3 660**	**3 347**	**3 811**
Staff costs	12		0		0
Other administrative expenses	13		19		19
Total administrative expenses			**19**		**19**
Depreciation/amortisation	14		2		0
Total expenses			**21**		**19**
Profit before impairments		**3 347**	**3 639**	**3 347**	**3 792**
Credit impairments	15	168	8	168	8
Operating profit		**3 179**	**3 631**	**3 179**	**3 784**
Appropriations	16				840
Tax expense	17	840	1 026	840	1 247
Profit for the year		**2 339**	**2 605**	**2 339**	**3 377**
Earnings per share	18	101.70	113.26		

Statement of comprehensive income

SEKm	Note	Group 2010	Group 2009	Swedbank Mortgage AB 2010	Swedbank Mortgage AB 2009
Profit for the year reported via income statement		2 339	2 605	2 339	3 377
Cash flow hedges:					
Gains/losses during the period	19	812		812	
Income tax relating to components of other comprehensive income	19	- 214		- 214	
Total comprehensive income for the year		**2 937**	**2 605**	**2 937**	**3 377**

Balance sheet

		Group		Swedbank Mortgage AB	
SEKm	**Note**	**2010**	**2009**	**2010**	**2009**
Assets					
Loans to credit institutions	20	36 493	97 590	36 493	97 590
Loans to the public	21	697 299	672 420	697 299	672 420
Shares and participating interests	22	1	1	1	1
Investments in Group entities	23			0	0
Derivatives	24	6 931	10 544	6 931	10 544
Intangible fixed assets	25		0		0
Tangible assets	26		0		0
Current tax assets		501		501	
Other assets	27	280	56	280	56
Prepaid expenses and accrued income	28	3 076	3 237	3 076	3 237
Total assets		**744 581**	**783 848**	**744 581**	**783 848**
Liabilities and equity					
Liabilities					
Amounts owed to credit institutions	29	229 177	192 738	229 177	192 738
Debt securities in issue	30	451 328	537 771	451 328	537 771
Derivatives	24	15 565	7 810	15 565	7 810
Current tax liabilities			458		458
Deferred tax liabilities	17	214		214	
Other liabilities	31	3 209	94	3 209	94
Accrued expenses and prepaid income	32	13 408	14 760	13 408	14 760
Total liabilities		**712 901**	**753 631**	**712 901**	**753 631**
Untaxed reserves	33				
Equity					
Equity attributable to shareholders of the Parent Company	34	31 680	30 217		
Share capital				11 500	11 500
Other funds				3 100	3 100
Retained earnings				17 080	15 617
Total equity		**31 680**	**30 217**	**31 680**	**30 217**
Total liabilities and equity		**744 581**	**783 848**	**744 581**	**783 848**
Pledged assets	35	640 310	610 536	640 310	610 536
Commitments, nominal amount	35	9 390	11 188	9 390	11 188

Notes not directly related to the income statement, balance sheet, statement of cash flow or statement of changes in equity:

Note 1 Corporate information

Note 2 Accounting policies

Note 3 Critical accounting judgments and estimates

Note 4 Risks

Note 5 Capital adequacy analysis

Note 6 Operating segments

Note 36 Related parties

Note 37 Fair value of financial instruments

Note 38 Events after 31 December 2010

Statement of cash flow

	Group		Swedbank Mortgage AB	
SEKm	**2010**	**2009**	**2010**	**2009**
Operating activities				
Operating profit	3 180	3 631	3 180	3 784
Adjustments for non-cash items in operating activities	- 2880	2 437	- 2880	2 437
Taxes paid	- 1 274	-1 426	- 1 274	-1 426
Increase/decrease in loans to credit institutions	16 500	3 003	16 500	3 003
Increase/decrease in loans to the public	- 30 420	-49 115	- 30 420	- 49 115
Increase/decrease in holdings of securities		50		50
Increase/decrease in amount owed to credit institutions	36 455	40 218	36 455	39 418
Increase/decrease in other assets and liabilities, net	225	- 69	225	- 71
Cash flow from operating activities	**21 786**	**- 1 271**	**21 786**	**- 1 920**
Investing activities				
Change in fixed assets				650
Cash flow from investing activities				**650**
Financing activities				
Issuance of interest-bearing securities	243 224	220 481	243 224	220 481
Redemption of interest-bearing securities	- 225 452	- 170 372	- 225 452	- 170 372
Increase/decrease in other funding	- 84 156	- 54 489	- 84 158	- 54 489
Cash flow from financing activities	**- 66 384**	**- 4 380**	**- 66 384**	**- 4 380**
Cash flow for the year	**- 44 598**	**- 5 651**	**- 44 598**	**- 5 650**
Cash and cash equivalents at beginning of the year	60 079	65 730	60 079	65 729
Cash flow for the year	- 44 598	-5 651	- 44 598	- 5 650
Liquid assets at end of year	15 481	60 079	15 481	60 079

Comment on consolidated statement of cash flow

The statement of cash flow shows receipts and disbursements during the year as well as cash at the beginning and end of the year. The statement of cash flow is reported using the indirect method and is based on operating income for the period and changes in the balance sheet. Operating income is adjusted for changes not included in cash flow from operating activities. Cash flows are reported separately for receipts and disbursements from operating, investing and financing activities.

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for income tax paid and items not included in cash flow from operating activities. Changes in assets and liabilities in operating activities consist of items that are part of regular business activities, such as loans to and borrowings from the public and credit institutions, and that are not attributable to investing and financing activities. The profit generated cash flow includes interest receipts of SEK 20 301m (25 942m) and interest payments, including capitalised interest, of SEK 17 116m (19 630m).

Financing activities

The issue and repayment of bond loans with maturities exceeding one year are reported gross. The item “Change in other funding” includes the net change in funding with shorter maturities and high turnover.

Cash and cash equivalents

Cash consist of balances on cash accounts.

Specification of adjustment of non/cash items

	Group		Swedbank Mortgage AB	
SEKm	**2010**	**2009**	**2010**	**2009**
Unrealised translation differences, bonds in issue	- 902	– 376	- 902	– 376
Prepaid expenses and accrued income	160	2 795	160	2 795
Accrued expenses and prepaid income	- 1 351	– 754	- 1 351	– 754
Change in value of loans to the public and credit institutions	5 540	97	5 540	97
Change in value of funding and derivatives	- 6 327	675	- 6 327	675
Total	**- 2 880**	**2 437**	**- 2 880**	**2 437**

Statement of changes in equity

		Equity attributable to shareholders of Swedbank Mortgage AB			
Group SEKm	**Share capital**	**Other capital contribution**	**Cashflow hedge**	**Retained earnings**	**Total**
Opening balance 1 January 2009	**11 500**	**2 400**		**13 712**	**27 612**
Total comprehensive income for the year				2 605	2 605
Closing balance 31 December 2009	**11 500**	**2 400**		**16 317**	**30 217**
Opening balance 1 January 2010	**11 500**	**2 400**		**16 317**	**30 217**
Group contribution paid				- 2000	- 2000
Tax reduction due to Group contributions paid				526	526
Total comprehensive income for the year			598	2 339	2 937
Closing balance 31 December 2010	**11 500**	**2 400**	**598**	**17 182**	**31 680**

Swedbank Mortgage AB, SEKm	Share capital	Statutory reserve	Cashflow hedge	Non-restricted equity	Total
Opening balance 1 January 2009	**11 500**	**3 100**		**12 241**	**26 840**
Total comprehensive income for the year				3 377	3 377
Closing balance 31 December 2009	**11 500**	**3 100**		**15 618**	**30 217**
of which, conditional shareholder's contributions				2 400	2 400
Opening balance 1 January 2010	**11 500**	**3 100**		**15 618**	**30 217**
Group contribution paid				- 2 000	- 2 000
Tax reduction due to Group contributions paid				526	526
Total comprehensive income for the year			598	2 339	2 937
Closing balance 31 December 2010	**11 500**	**3 100**	**598**	**16 483**	**31 680**
of which, conditional shareholder's contributions				2 400	2 400

Notes

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

1 Corporate information

The consolidated financial statements and the annual report for Swedbank Mortgage AB (publ) for the financial year 2010 were approved for issuance by the Board of Directors and the President on 4 February 2011. Swedbank Mortgage AB, which maintains its registered office in Stockholm, Sweden, is a wholly owned subsidiary of Swedbank AB (publ). The Group's operations are described in the Board of Directors' report. The consolidated financial statements and annual report will be adopted by the Parent Company's Annual General Meeting.

2 Accounting policies

BASIS OF ACCOUNTING

The financial reports and the consolidated financial statements are prepared in accordance with the International Financial reporting Standards (IFRS) as adopted by the EU and interpretations of them. The standards are issued by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The standards and interpretations become mandatory for listed companies' consolidated financial statements concurrently with their approval by the EU.
Complete financial reports refer to:

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

The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority.

The financial statements are based on the historical cost basis. Subsequent measurements are based on the valuation category of financial instruments. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value have been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEK m) unless indicated otherwise.

PARENT COMPANY

The Parent Company prepares its financial statements according to the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations of the Swedish Financial Supervisory Authority and recommendation RFR2 of the Swedish Financial Reporting Board.

CHANGES IN ACCOUNTING POLICIES

None of the changes in accounting policies affect Swedbank Mortgage's reporting. On the other hand, the order in which the notes are listed has been changed slightly in the 2010 annual report. Notes relating to risk and capital disclosures have generally been moved to the beginning, while those that are not directly related to individual balance sheet or income statement items have been shifted to the end. The notes have also been revised and complemented to some extent in order to improve information disclosures.

In Note 36 Related parties, transactions with companies in the Swedbank Group have been divided between transactions with the Parent Company, Swedbank AB, and transactions with other companies in the Swedbank Group in separate tables.

SIGNIFICANT ACCOUNTING POLICIES

Presentation of financial statements (IAS 1)

Financial statements provide a structured representation of a company's financial position and financial results. The purpose is to provide information on the company's financial position, financial results and cash flows useful in connection with financial decisions. The financial statements also indicate the results of management's administration of the resources entrusted to them. Complete financial statements consist of a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes. Swedbank Mortgage presents the statement of comprehensive income in the form of two statements. A separate income statement contains all revenue and expense items in profit provided that a special IFRS does not require or allow otherwise. Such other revenue and expense items are recognised in other total comprehensive income. The statement of comprehensive income contains the profit recognised in the income statement as well as the components included in other total comprehensive income.

Consolidated financial statements (IFRS 3, IAS 27)

The consolidated financial statements are prepared in accordance with the purchase method and include Swedbank Mortgage AB (publ) and the wholly owned subsidiary Swedbank Skog och Lantbruk AB (dormant).

Assets and liabilities in foreign currency (IAS 21)

The consolidated financial statements are presented in SEK, which is also the Group's functional currency and presentation currency. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction day. Financial assets, liabilities and derivatives in foreign currency are translated at the rates prevailing at the closing day. All gains and losses on the translation of monetary items and non-monetary items measured at fair value are recognised through profit or loss as changes in exchange rates in net gains and losses on financial items at fair value.

Financial instruments (IAS 32, IAS 39)

The large part of the Group's balance sheet items refers to financial instruments. A financial instrument is any form of agreement which gives rise to a financial asset in one company and a financial liability or equity instrument in another.

Cash is an example of a financial asset, while financial liabilities might include an agreement to pay or receive cash or other financial assets. Financial instruments are classified on various lines of the balance sheet such as loans to the public or credit institutions depending on the counterparty. If the financial instrument does not have a specific counterparty or when it is listed on the market, it is classified on the balance sheet among various types of securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. A derivative is a financial instrument that is distinguished by the fact that its value changes, for example, due to exchange rates, interest rates or share prices, at the same time that little or no initial net investment is required. The agreement is settled on a future date. Derivatives are reported on separate lines of the balance sheet, either as assets or liabilities depending on whether the contract has a positive or negative fair value. Contractually accrued interest is recognised on separate lines on the balance sheet. Financial assets are recognised on the balance sheet on the trade day when an acquisition agreement has been entered into, with the exception of loans and receivables, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or essentially been transferred to another party. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged, cancelled or expired.

Repurchase transaction

A genuine repurchase transaction (repo) is defined as a contract where the parties have agreed on the sale of securities and the subsequent repurchase of corresponding assets at a predetermined price. In a repo, the sold security remains on the balance sheet, since the Group is exposed to the risk that the security will fluctuate in value before the repo expires. The payment received is recognised as a financial liability on the balance sheet based on who the counterparty is. Sold securities are also recognised as a pledged asset. The proceeds received for acquired securities, so-called reverse repos, are recognised on the balance sheet as a loan to the selling party.

Financial instruments, recognition (IAS 39)

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

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

A few individual holdings of insignificant value have been categorised as available-for-sale financial assets in the valuation category available-for-sale.

All financial instruments are initially recognised at fair value, which corresponds to cost. For financial instruments that subsequently are not valued at fair value through profit or loss, supplementary entries are made for direct transaction expenses to acquire the financial instrument. Subsequent measurements depend on the valuation category to which the financial instrument is attributed. Notes to items in the balance sheet with financial instruments indicate how the carrying amount is divided between valuation categories.

Valuation category at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise instruments held for trading and all derivatives, excluding those designated for hedge accounting according to the method for cash flow hedges. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, trading. This category also includes other financial instruments that upon initial recognition have irrevocably been designated as at fair value, the so-called fair value option. The option to irrevocably measure financial instruments at fair value is used in the Group for individual portfolios of loans, securities in issue and amounts owed to credit institutions, when they together with derivatives essentially eliminate the portfolio's aggregate interest rate risk. The option is used to eliminate the accounting volatility that would otherwise arise because different measurement principles are normally used for derivatives and other financial instruments. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, other.

The fair value of financial instruments is determined based on quoted prices on active markets. When such market prices are not available, generally accepted valuation models such as discounting of future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changes in value are recognised through profit or loss in net gains and losses on financial items at fair value. Changes in value owing to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss item. Changes in the value of financial liabilities owing to changes in Swedbank Mortgage's credit worthiness are also recognised separately when they arise. Decreases in value attributable to debtor or issuer insolvency are attributed to credit impairments.

Valuation category loans and receivables

Loans to credit institutions and the public, categorised as loans and receivables, are recognised on the balance sheet on the settlement day. These loans are measured at amortised cost as long as there is no objective evidence indicating that a loan or group of loans is impaired. Loans are initially recognised at cost, which consists of the loan amount paid out less fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's cost as a result of the calculation of the present value of future payments is considered the effective interest rate. The loan's amortised cost is calculated by discounting the remaining future payments by the effective interest rate.

Interest income includes interest payments received and the change in the loan's amortised cost during the period, which produces a consistent return. On the closing day, it is determined whether there is objective evidence to indicate an impairment need for a loan or group of loans. If, after the loan is initially recognised, one or more events have occurred that negatively impact estimated future cash flows, and the impact can be estimated reliably, impairment is made. The impairment is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted by the loan's original effective interest rate. Swedbank Mortgage determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured collectively in the event objective evidence of impairment exists. Any impairment is then calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. If the impairment decreases in subsequent periods, previously recognised impairment losses are reversed. Loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred, however.

Loan impairments are recognised through profit or loss as credit impairments, which is done either as provisions for individually impaired loans, portfolio provisions or write-offs of impaired loans. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is amortised cost less write-offs and provisions.

Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

Valuation category other financial liabilities

Financial liabilities that are not recognised as financial instruments at fair value through profit or loss are initially recognised on the trade day at cost and subsequently at amortised cost. Amortised cost is calculated in the same way as for loans and receivables.

Hedge accounting at fair value

Hedge accounting at fair value is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. With hedge accounting, the hedged risk in the hedged instrument is also measured at fair value. Both the change in the value of the hedging instrument, the derivative, and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items at fair value.

One requirement to apply hedge accounting is that the hedge has been formally identified and documented. The hedge's efficiency must be measurable in a reliable way and must be expected to be and during reported periods have been very effective in offsetting changes in value.

Cash flow hedges

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in interest rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative, the hedging instrument, is recognised directly in other total comprehensive income.

Any ineffective portion is recognised through profit or loss in net gains and losses on financial items at fair value. When a projected cash flow leads to the recognition of a non-financial item, any gains or losses on the hedging instrument are eliminated from other total comprehensive income and recognised through profit or loss in the same periods that the hedged item affects profit or loss. One of the prerequisites of hedge accounting is that the hedge is formally identified and documented. Its effectiveness must be measurable in a reliable way and be expected to remain, and during reported periods have been, very effective in offsetting changes in value.

Revenues (IAS 18)

The principles of revenue recognition for financial instruments are described in a separate section, Financial instruments, recognition (IAS 39). Interest income and interest expenses for financial instruments calculated according to the effective interest method are recognised as net interest income.

Changes in value in the valuation category Financial instruments at fair value through profit or loss as well as all changes in exchange rates between functional and other currencies are recognised in net gains and losses on financial items at fair value. Fees for various services provided to customers are recognised as income when the services rendered. Such income is recognised in both commission income and other income.

Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are tax attributable to taxable temporary differences and must be paid in the future.

Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing day and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Confirmed tax rates on the closing day are used in the calculations.

All current and deferred taxes are recognised through profit or loss as tax with the exception of tax attributable to items recognised directly in other total comprehensive income or equity.

Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of cash and balances with central banks and the net claim of overnight deposit receivables and overnight deposit liabilities with maturities up to five days. Cash and cash equivalents also include Treasury bills, other bills and mortgage bonds eligible for refinancing with central banks taking into account repos and short selling.

IFRS 8 Operating segments

Segment reporting is presented on the basis of management's perspective and relates to the parts of Swedbank Mortgage that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker.

Swedbank Mortgage has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting.

Swedbank Mortgage has three operating segments that meet the requirements of IFRS 8: Private, Corporate, and Forestry and Agriculture. Revenue is distributed with the help of customer interest rates, internal interest rates, commission agreements and relevant distribution factors. Interest income and interest expenses are netted, since the Group's chief operating decision maker uses net interest income to determine the segment's result. Expenses are only distributed in internal reports with regard to credit impairments. Items such as changes in value of financial instruments, return on legal equity and other minor items are not distributed to the operating segments. Among balance sheet items, loans to the public are distributed.

NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standard Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2011. The IASB permits earlier application. For Swedbank to apply them also requires that they be approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the 2010 annual report.

Amendment to Financial Instruments: Disclosures (IFRS 7)

The amendment will apply to financial years beginning on or after 1 July 2011. The EU has not yet approved the amendment, which establishes additional requirements on quantitative and qualitative disclosures of the derecognition of financial assets from the balance sheet when the company retains a continued involvement in the derecognised financial assets. If a transfer of financial assets does not result in a derecognition in its entirety, an additional disclosure is required.

Financial Instruments: Recognition and Measurement (IFRS 9)

The new standard on the recognition and measurement of financial instruments has not been adopted by the EU, nor is there a timetable when an approval can be expected.

The standard is a complete revision and will replace the current standard IAS 39, Financial Instruments: recognition and Measurement. The standard reduces the number of valuation categories for financial assets. The main reporting categories are now amortised cost and fair value through profit or loss. The rules for financial liabilities correspond to the existing rules in IAS 39 plus a supplement on how credit risk is presented when financial liabilities are measured at fair value. The change in the credit risk for financial liabilities designated at fair value according to the so-called fair value option is normally presented in other comprehensive income and not in the traditional income statement. This is provided that further inconsistencies do not arise in presentation of any eliminated changes in value.

The standard will be complemented by new rules for impairment of financial assets that are categorized as financial assets at amortised cost, new rules for hedge accounting and new rules on derecognition from the balance sheet.

IFRS 9 will probably be applied to financial years beginning on or after 1 January 2013.

Effect on Swedbank's financial reports

The new IFRS 9 Financial Instruments will affect Swedbank Mortgage's financial reporting. The scope of the effect cannot be determined at present, since the valuation of Swedbank Mortgage's financial assets is largely dependent on how the rules on hedge accounting and on the impairment of financial assets in the valuation category amortised cost are eventually worded. A judgment cannot be made until the remaining sections are issued.

3 Critical accounting judgments and estimates

Presentation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as recognised income and expenses during the report period. Management continuously evaluates these judgments and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans and deferred taxes. Management bases its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

JUDGMENTS

Financial instruments

When financial instruments are valued at fair value, quoted prices on active markets are primarily used. When quoted prices on active markets are not available, various valuation models are used instead. The Group determines when markets are considered inactive and when quoted prices no longer correspond to fair value, requiring valuation models to be used. The company determines which valuation model and which pricing parameters are most appropriate for the individual instrument. All the valuation models Swedbank Mortgage uses are generally accepted and are subject to independent risk control.

The company has determined that the option to measure financial instruments at fair value provides the fairest accounting of a large part of the loan and funding portfolios, since the interest rate risk is hedged through the use of derivatives. A determination is also made for which financial instruments hedge accounting will be used. In both cases the determination is made to avoid accounting volatility where possible. Accounting volatility lacks economic relevance and arises when financial instruments are valued with different measurement principles despite that they financially hedge each other.

Estimates

The company uses various estimates and assumptions about the future to determine the value of certain assets and liabilities.

Financial instruments measured at fair value

When financial instruments are measured at fair value according to valuation models, a determination is made which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar turnover or were similarly issued will be used. When such prices or components of prices cannot be identified, management must make its own assumptions. As of 31 December 2010 financial liabilities measured at fair value with internal assumptions that have a significant effect on the valuation amounted to SEK 10 096m. A 10 bp change in the assumed valuation rate would result in a change in value of SEK 20m.

Provisions for credit impairments

Receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for groups of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial reconstructions, and local economic developments tied to non-payments, such as an increase in unemployment or decreases in real estate. Where a loss event has occurred, individual loans are classified as impaired loans.

Provisions for impaired loans are made on the difference between estimated value, i.e., estimated future cash flows discounted by the loan's original effective interest rate, and carrying amounts according to contractual cash flows.

Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and management's assumptions of current market conditions.

Management is of the opinion that provision estimates are important because of the complexity of making these estimates.

4 Risks

Risk management is descibed in the board of directors report on page 9-10.

4a Credit risks

Loans to the public and credit institutions, book values 2010

	Loans that are not impaired				Impaired loans			
	Book value before provisions							
Group and Swedbank Mortgage AB	Payments on time	Past due	Portfolio provisions	Book value after provisions	Book value before provisions	Provisions	Book value after provisions	Total
Loans to the public and credit institutions	732 571	1 281	- 146	733 706	142	- 56	86	733 792
Total loans to the public and credit institutions	**732 571**	**1 281**	**- 146**	**733 706**	**142**	**- 56**	**86**	**733 792**
Sector/industry								
Private customers	583 474	1 025	- 101	584 398	101	- 34	67	584 465
Real estate management	102 193	256	- 45	102 404	39	- 20	19	102 423
Retail, hotels, restaurants	648			648				648
Construction	830			830				830
Manufacturing	97			97				97
Transportation	171			171				171
Forestry and agriculture	627			627				627
Other corporate lending	4 773			4 773	2	- 2		4 773
Municipalities	3 265			3 265				3 265
Total	**696 078**	**1 281**	**- 146**	**697 213**	**142**	**- 56**	**86**	**697 299**
Credit institutions	36 493			36 493				36 493
Total loans to the public and credit institutions	**732 571**	**1 281**	**- 146**	**733 706**	**142**	**- 56**	**86**	**733 792**
Collateral held as security								
Residential properties incl. condominiums	632 952	1 025	- 101	633 876	101	-34	67	633 943
Other real estate	49 110	256	- 45	49 321	41	- 22	19	49 340
Municipalities	14 016			14 016				14 016
Total	**696 078**	**1 281**	**- 146**	**697 213**	**142**	**- 56**	**86**	**697 299**
Credit institutions	36 493			36 493				36 493
Total loans to the public and credit institutions	**732 571**	**1 281**	**- 146**	**733 706**	**142**	**- 56**	**86**	**733 792**

4a Credit risks, cont.

Loans to the public and credit institutions, book values 2009

	Loans that are not impaired				Impaired loans			
	Book value before provisions							
Group and Swedbank Mortgage AB	Payments on time	Past due	Portfolio provisions	Book value after provisions	Book value before provisions	Provisions	Book value after provisions	Total
Loans to the public and credit institutions	768 582	1 334	-14	769 902	165	-57	108	770 010
Total loans to the public and credit institutions	**768 582**	**1 334**	**-14**	**769 902**	**165**	**-57**	**108**	**770 010**
Sector/industry								
Private customers	552 501	960		553 461	112	-35	77	553 538
Real estate management	106 931	374	-14	107 291	52	-21	31	107 322
Retail, hotels, restaurants	429			429				429
Construction	898			898				898
Manufacturing	94			94				94
Transportation	185			185				185
Forestry and agriculture	595			595				595
Other corporate lending	4 739			4 739	1	-1		4 739
Municipalities	4 620			4 620				4 620
Total	**670 992**	**1 334**	**-14**	**672 312**	**165**	**-57**	**108**	**672 420**
Credit institutions	97 590			97 590				97 590
Total loans to the public and credit institutions	**768 582**	**1 334**	**-14**	**769 902**	**165**	**-57**	**108**	**770 010**
Collateral held as security								
Residential properties incl. condominiums	606 861	960		607 821	112	-35	77	607 898
Other real estate	45 967	374	-14	46 327	53	-22	31	46 358
Municipalities	18 164			18 164				18 164
Total	**670 992**	**1 334**	**-14**	**672 312**	**165**	**-57**	**108**	**672 420**
Credit institutions	97 590			97 590				97 590
Total loans to the public and credit institutions	**768 582**	**1 334**	**-14**	**769 902**	**165**	**-57**	**108**	**770 010**

4a Credit risks, cont.

Impaired, past due, and restructured loans

Group and Swedbank Mortgage AB	2010	2009
Impaired loans		
Book value before provisions	142	165
Provisions for the year	- 56	-57
Book value after provisions	86	108
Net impaired loans ratio, %	**0.01**	**0.02**
Gross impaired loans ratio, %	**0.02**	**0.02**
Book value of impaired loans returned in status to normal loans during the period	22	41
Past due loans that are not impaired		
Valuation category, loans and receivables		
Loans past due, 5-30 days	147	174
Loans past due, 31-60 days	107	55
Loans past due, 61 days or more	71	83
Valuation category, fair value through profit or loss		
Loans past due, 5-30 days	466	542
Loans past due, 31-60 days	248	222
Loans past due, 61 days or more	242	258
Total	**1 281**	**1 334**

Provisions

Group and Swedbank Mortgage AB	2010	2009
Opening balance	**71**	**77**
Provisions for the year	11	10
Recoveries of previous provisions	- 12	-17
Provisions during the fiscal period, for loans that are not impaired	132	1
Closing balance	**202**	**71**
Total provision ratio for impaired loans, % (including portfolio provisions for individually assessed loans in relation to book value before provision for individually identified impaired loans), %	141.8%	43.1%
Provision ratio for individually identified impaired loans, %	39.5%	34.8%

Specified above are the reserves allocated for impaired loans as well as for other lending where loss events have occurred but where individual loans have not yet been identified. Loss events include late or non-payments, situations where the borrower is likely to go bankrupt and domestic or local economic developments tied to non-payments, such as diminished asset values.

Credit risk exposure on loans to the public according to the internal risk classification (nominal value before provisions)

		2010				2009			
Exposure at default	Riskgrades	Private customers	Corporates	Forestry & agriculture	Total	Private customers	Corporates	Forestry & agriculture	Totalt
Defaults	Default	444	131	105	680	474	136	85	695
High risk	0-5	3 700	3 815	1 531	9 046	3 890	5 554	1 547	10 991
Augmented risk	6-8	5 555	13 395	4 764	23 714	6 057	14 089	4 784	24 930
Normal risk	9-12	18 113	34 692	15 247	68 052	18 426	39 402	13 787	71 615
Low risk	13-21	489 227	79 428	24 807	533 462	458 693	74 366	23 112	556 171
Non-rated					6				8
Total		**517 039**	**131 461**	**46 454**	**694 960**	**487 541**	**133 547**	**43 315**	**664 410**

4b Summary of maturities

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. Changes in value and items without an agreed maturity date where the probable realisation date has not been determined are reported in the column "Without maturity date/change in value". Liquidity management is de-scribed in the Board of Directors' report on page 8. Funding, and page 9, Risk management.

Remaining maturity, 2010

Group and Swedbank Mortgage AB	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discount effect*	Total
Assets								
Loans to credit institutions	15 493	4 500	10 500	6 000				36 493
Loans to the public		645	13 392	30 359	34 078	616 487	2 339	697 299
Derivatives		147	02 901	3 419	200	-173	437	6 931
Other assets							3 858	3 858
Total assets	**15 493**	**5 292**	**26 793**	**39 778**	**34 278**	**616 314**	**6 633**	**744 581**
Liabilities								
Amounts owed to credit institutions		123 384	40 578	65 215				229 177
Debt securities in issue		16 877	83 610	300 054	45 481	13 207	- 7 901	451 328
Derivatives		616	3 764	12 313	4 978	2 275	- 8 381	15 565
Other liabilities							16 831	16 831
Total liabilities		**140 877**	**127 952**	**377 582**	**50 459**	**15 482**	**549**	**712 901**

Remaining maturity, 2009

Group and Swedbank Mortgage AB	Payable on demand	< 3 mths	3 mths-1 yr	1-5 yrs	5-10 yrs	> 10 yrs	Without maturity date/discount effect*	Total
Assets								
Loans to credit institutions		61 090	16 500	20 000				97 590
Loans to the public		1 938	5 733	30 270	35 377	591 020	8 081	672 420
Derivatives		-138	7 202	3 728	-4	-306	62	10 544
Other assets							3 294	3 294
Total assets		**62 890**	**29 435**	**53 998**	**35 373**	**590 714**	**11 437**	**783 848**
Liabilities								
Amounts owed to credit institutions		63 879	84 491	44 321	30		16	192 738
Debt securities in issue		31 087	207 971	242 014	28 709	14 332	13 658	537 771
Derivatives		705	2 396	4 523	973	253	-1 040	7 810
Other liabilities							15 313	15 313
Total liabilities		**95 671**	**294 858**	**290 858**	**29 712**	**14 585**	**27 947**	**753 631**

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

4c Interest rate risk

Interest risk is measured as the change in the value of interest-bearing assets and liabilities resulting from an increase of one percentage point in all market rates (for valuation principles, see note 2). The effect of such an increase would have reduced the fair value of all interest-bearing assets and liabilities, including derivatives, by SEK 695m (75) as of 31 December 2010. An increase of one percentage point in all market interest rates as of 31 December 2010 would have reduced net gains and losses on financial items by SEK 303m (214) for the portion of Swedbank Mortgage's balance sheet measured at fair value through profit or loss.

Group and Swedbank Mortgage AB 2010	**<=3 mths**	**3-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-10 yrs**	**> 10 yrs**	**Total**
SEK	125	- 28	- 452	- 167	- 245	- 111	151	1	31	- 695
Foreign currency										
Total	**125**	**- 28**	**- 452**	**- 167**	**- 245**	**- 111**	**151**	**1**	**31**	**- 695**
of which financial instruments measured at fair value										
SEK	52	- 106	- 235	- 123	- 30	- 81	163	26	31	- 303
Foreign currency										
Total	**52**	**- 105**	**- 235**	**- 123**	**- 30**	**- 81**	**163**	**26**	**31**	**- 303**

Group and Swedbank Mortgage AB 2009	**<=3 mths**	**3-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-10 yrs**	**> 10 yrs**	**Total**
SEK	- 45	157	310	- 247	- 77	- 51	- 98	- 68	42	- 75
Foreign currency										
Total	**- 45**	**157**	**310**	**-247**	**- 77**	**- 51**	**- 98**	**- 68**	**42**	**- 75**
of which financial instruments measured at fair value										
SEK	- 75	0	- 4	- 230	- 50	28	14	61	41	- 214
Foreign currency										
Total	**- 75**	**0**	**- 4**	**- 230**	**- 50**	**28**	**14**	**61**	**41**	**- 214**

4d Currency distribution

Group and Swedbank Mortgage AB, 2010	SEK	EUR	CHF	NOK	Other	Total
Assets						
Loans to credit institutions	36 493					36 493
Loans to the public	697 299					697 299
Other assets, undistributed	10 789					10 789
Total assets	**744 581**					**744 581**
Liabilities						
Amounts owed to credit institutions	229 177					229 177
Debt securities in issue and subordinated liabilities	339 915	92633	9 872	5 446	3 462	451 328
Other liabilities, undistributed	32 396					32 396
Total liabilities	**601 488**	**92 633**	**9 872**	**5 446**	**3 462**	**712 901**
Other assets and liabilities, including positions in derivatives		92 633	9 872	5 446	3 462	111 413
Net position in currency						

Group and Swedbank Mortgage AB, 2009	SEK	EUR	CHF	NOK	Other	Total
Assets						
Loans to credit institutions	97 590					97 590
Loans to the public	672 420					672 420
Interest-bearing securities	0					0
Other assets, undistributed	13 838					13 838
Total assets	**783 848**					**783 848**
Liabilities						
Amounts owed to credit institutions	192 738					192 738
Deposits/borrowings from the public	0					0
Debt securities in issue and subordinated liabilities	432 624	92 402	1 701	482	10 562	537 771
Other liabilities, undistributed	23 123					23 123
Total liabilities	**648 484**	**92 402**	**1 701**	**482**	**10 562**	**753 631**
Other assets and liabilities, including positions in derivatives		92 402	1 701	482	10 562	105 147
Net position in currency						

5 Capital adequacy

Capital adequacy analysis

The capital adequacy regulations express the legislator's perception of how much capital, designated as the capital base, a credit institution must have in relation to the size of the risks it faces. In accordance with the Capital Adequacy and Large Exposures Act, the capital base must at a minimum correspond to the sum of the capital requirement for credit risks, market risks and operating risks. Accordingly, the capital quotient, i.e., the capital base divided by the capital requirement, must be greater than 1.0.

Swedbank also formulates and documents its own methods and processes for evaluating the Group's capital requirements. This evaluation includes Swedbank Mortgage. The capital requirement is determined systematically on the basis of the total level of risks to which Swedbank may be exposed. All risks are taken into account, including risks other than those included in the calculation of the capital requirement. The capital requirement constitutes the buffer that is required in order to protect Swedbank from future losses, with the objective of fulfilling the minimum capital requirements and maintaining access to capital markets.

	Swedbank Mortgage AB	
Capital adequacy	**2010**	**2009**
Capital base	30 968	29 744
Capital requirement	26 556	24 844
Capital surplus	4 412	4 900
Capital quotient	1.17	1.20
Risk-weighted amount	331 945	310 556
Tier 1 capital ratio, %	9.3	9.6
Capital adequacy ratio, %	9.3	9.6

	Swedbank Mortgage AB	
Capital base	**2010**	**2009**
Tier 1 capital	30 968	29 744
Total	**30 968**	**29 744**

	Swedbank Mortgage AB	
Tier 1 capital	**2010**	**2009**
Equity according to balance sheet in annual report		
Deferred tax assets	31 680	30 217
Intangible assets	- 10	
Capital share of accrual reserve	- 598	
Deduction internal risk classification, provision surplus	- 104	- 473
Total	**30 968**	**29 744**

	Swedbank Mortgage AB	
Capital requirement	**2010**	**2009**
Credit risks	4 211	4 194
Operating risks *	471	467
Supplement, transitional rules	21 874	20 184
Total	**26 556**	**24 844**

* According to standard method, retail bank

	Swedbank Mortgage AB	
Capital requirement for credit risks	**2010**	**2009**
Credit risks according to IRB	4 211	4 194
of which institutional exposures	2	5
of which corporate exposures	1 724	1 688
of which retail exposures	2 471	2 493
of which non-credit-obligation asset exposures	14	8

Credit risks according to IRB

	2010			2009		
Swedbank Mortgage AB	**Exposure after credit risk mitigant**	**Average risk weight**	**Capital requirement**	**Exposure after credit risk mitigant**	**Average risk weight**	**Capital requirement**
Institutional exposures	279	10.3%	2	369	16.5%	5
Corporate exposures	30 402	70.9%	1 724	30 448	69.3%	1 688
Retail exposures	652 891	4.7%	2 471	619 454	5.0%	2 493
Non-credit-obligation asset exposures	181	100.0%	14	106	100.0%	8
Total	**683 753**	**7.7%**	**4 211**	**650 378**	**8.1%**	**4 194**

Internal Capital Adequacy Assessment Process (ICAAP)

Definition

The Internal Capital Adequacy Assessment Process is the bank's process to ensure that Swedbank Mortgage is adequately capitalised to cover its risks and to conduct and develop its operations. The internal capital adequacy assessment therefore takes into account all relevant risks that arise within Swedbank Mortgage.

Development 2010

Since the 2009 ICAAP, the models and the calculations have been further elaborated, notably regarding concentration risks and the further involvement of senior management and business units. Swedbank Mortgage's ICAAP is a process where business units are involved in measuring risks and incorporating the results in business strategies. Given the turmoil and the great uncertainty in the global economy, the 2010 ICAAP was based on exceptionally negative scenarios. The results shown in the sections below indicate that Swedbank Mortgage is adequately capitalised as of 31 December 2009. The ICAAP was approved by the Board of Directors in December 2010.

Measurement

Swedbank Mortgage's internal capital adequacy assessment is based on two different methods: the Building Block model and the Scenario model. Building Block is a static model with an evaluation horizon of one year, while Scenario is a dynamic model with a multi-year horizon. Since the capital adequacy assessment represents the bank's own estimation of its requirement according to Pillar 2, the assessment may deviate, upwards or downwards, from the corresponding capital requirement according to Pillar 1.

Types of risk

Risks that have been identified and for which Swedbank Mortgage has allocated mitigating capital are:

- Credit risk (incl. concentration risk)
- Market risk (incl. interest rate risk outside trading activities)
- Operational risk
- Earnings volatility risk

Other forms of strategic risk and reputational risk usually are not dealt with in capital adequacy simulations, even though the capital buffer also implicitly protects against such risks.

These risks remain an important part of Swedbank Mortgage's potential risk exposure, however, which is why they are carefully monitored and managed. Liquidity constraints may arise as a result of an imbalance between risks and capital. The Internal Capital Adequacy Assessment Process is designed to ensure that such imbalances do not arise. Consequently, a conservative view of liquidity risks is crucial to the capital process.

Total capital requirement

The ultimate capital need for Swedbank Mortgage according to the assessment is given through a combination of the Building Block model and the Scenario model, together SEK 4.7bn, and through current transition rules from Basel I to Basel II. The transition rules account for SEK 20.2bn of Swedbank Mortgage's capital supply. As of 31 December 2009 the total capital requirement according to the two models and the transition rules was SEK 24.9bn.

The total capital supply as per the same date amounted to SEK 29.7bn. As long as Swedbank Mortgage maintains a larger capital supply than the Pillar 2 requirement, all risks are covered, including the negative effects that an adverse scenario may have on the capital supply. An important conclusion of the 2010 Internal Capital Adequacy Assessment Process was that Swedbank Mortgage's capital buffer held at 31 December 2009 was adequate to maintain a Tier 1 capital ratio exceeding the minimum capital requirements by a comfortable margin even in the unlikely but possible event of adverse macroeconomic developments that are extremely unfavourable to Swedbank Mortgage.

To estimate the ultimate capital need, these quantitative calculations are included in a general assessment and discussion, which consider analyses of the market's expectations, competitive comparisons and other factors.

Economic conditions remained highly uncertain, and the consensus view in the market that banks are in need of higher capitalisation was reinforced.

6 Operating segments

Group and Swedbank Mortgage AB	2010 Private	2010 Corporate	2010 Forestry and Agriculture	2010 Total	2009 Private	2009 Corporate	2009 Forestry and Agriculture	2009 Total
Net interest income	2 597	439	252	3 288	2 776	520	267	3 563
Net commissions	- 426	- 28	- 69	- 523	– 521	– 33	– 72	– 626
Total income	**2 171**	**411**	**183**	**2 765**	**2 255**	**487**	**195**	**2 937**
Credit impairments	125	42	1	168	20	– 14	2	8
Operating profit	**2 046**	**369**	**182**	**2 597**	**2 235**	**501**	**193**	**2 929**
Lending to the public	531 229	119 435	46 635	**697 299**	503 737	124 809	43 874	**672 420**

Reconciliation between segment reporting and financial report

Group	2010 Net interest income	2010 Income	2010 Operating profit	2009 Net interest income	2009 Income	2009 Operating profit
Total segments	3 288	2 765	2 597	3 563	2 937	2 929
Return on legal equity	781	781	781	845	845	845
Net gains and losses on financial items at fair value		- 206	- 206		-131	- 131
Other income		7	7		9	9
Other expenses						-21
Total financial report	**4 069**	**3 347**	**3 179**	**4 408**	**3 660**	**3 631**

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

7 Net interest income

	Group 2010	Group 2009	Swedbank Mortgage AB 2010	Swedbank Mortgage AB 2009
Interest income				
Loans to credit institutions	350	883	350	883
Loans to the public	19 787	22 265	19 787	22 265
Total	**20 137**	**23 148**	**20 137**	**23 148**
Interest expenses				
Amount owed to credit institutions	- 3 200	– 4 185	- 3 200	– 4 185
Debt securities in issue	- 12 656	– 14 445	- 12 656	– 14 445
of which derivatives	3 178	2 156	3 178	2 156
of which commission for state guarantee	- 8	– 105	- 8	– 105
Other	- 92	– 110	- 92	– 110
of which state stabilisation fee	- 76	– 63	- 76	– 63
Total	**- 16 068**	**- 18 740**	**- 16 068**	**- 18 740**
Total net interest income	**4 069**	**4 408**	**4 069**	**4 408**
Average balance				
Loans to credit institutions	72 255	116 523	72 255	116 523
Loans to the public	682 641	653 333	682 641	653 333
Amount owed to credit institutions	208 369	210 466	208 369	210 466
Debt securities in the issue	504 488	530 214	504 488	530 214
Interest income on financial assets at amortised cost	6 537	6 234	6 537	11 631
Interest income on financial liabilities at amortised cost	11 324	6 779	11 324	4 309
Interest income on impaired loans	3	4	3	4

8 Dividends received

Swedbank Mortgage AB	2010	2009
Shares and participating interests in Group companies		151
Total		**151**

9 Net commissions

Group and Swedbank Mortgage AB	2010	2009
Commission income		
Payment processing	53	53
Total	**53**	**53**
Commission expenses		
Commissions to savings banks	- 562	– 661
BKN fees	- 3	– 2
Market maker fees	- 11	– 11
Other commissions	0	– 5
Total	**- 576**	**- 679**
Total net commissions	**- 523**	**- 626**

10 Net gains and losses on financial items at fair value

Group and Swedbank Mortgage AB	2010	2009
Valuation category, fair value through profit or loss		
Trading and derivatives		
Interest-bearing securities	- 11 550	– 10 572
Total	**- 11 550**	**- 10 572**
Other		
Interest-bearing securities	11 162	10 310
Total	**11 162**	**10 310**
Hedge accounting at fair value		
Hedging instruments	- 1 012	122
Hedged item	1 014	– 153
Total	**2**	**- 31**
Financial liabilities at amortised cost	75	
Valuation category, loans and receivables	105	162
Total net gains and losses on financial items at fair value	**- 206**	**-131**

11 Other operating income

Group and Swedbank Mortgage AB	2010	2009
Other operating income	7	9
Total other operating income	**7**	**9**

12 Remuneration and benefits for senior executives

Compensations

During the financial year 2009 board members received SEK 125 000 in remuneration. As of 2010 board members receive remuneration from Swedbank AB.

Benefits for senior executives

	Group		Swedbank Mortgage AB	
	2010	2009	2010	2009
Loans to President	1	9	1	8
Loans to Board members	2	11	2	6
No. of persons with loans	2	6	2	2

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

Information on senior executives

The number of senior executives as of 31 December 2010 was 5 (5).

Number of employees

As of 1 November 2008 personnel who were previously employed by Swedbank Mortgage AB are employed by Swedbank AB.

13 Other administrative expenses

Group and Swedbank Mortgage AB	2010	2009
IT expenses		8
Travel and entertainment		0
Audit		2
Consulting		0
Marketing		0
Outside services		3
Other		6
Total		**19**

Group and Swedbank Mortgage AB	Audit 2010	Audit 2009	Consultation 2010	Consultation 2009
Remuneration to the Group's auditors				
Deloitte		1.5		0.2
Total		**1.5**		**0.2**

As of 2010 the Group's auditors receive remuneration from Swedbank AB.

14 Depreciation/amortisation of tangible and intangible fixed assets

	Group		Swedbank Mortgage AB	
	2010	2009	2010	2009
Equipment		0		0
Intangible fixed assets		2		0
Total		**2**		**0**

15 Net credit impairments

Group and Swedbank Mortgage AB	2010	2009
Provisions for loans that individually are assessed as impaired		
Provisions	11	9
Reversed of previous provisions	- 7	– 16
Provisions for homogenous groups of impaired loans, net	0	1
Total	**4**	**- 6**
Portfolio provisions for loans that individually are not assessed as impaired	**132**	**1**
Write-offs		
Established losses	38	22
Utilisation of previous provisions	- 5	– 1
Recoveries	- 1	– 8
Total	**32**	**13**
Net credit impairments	168	8
Credit impairments by valuation category		
Loans and receivables	67	2
Fair value through profit or loss	101	6
Total	**168**	**8**
Credit impairments by borrower category, General public		
Write-off and provisions	181	33
Recoveries from previous years' actual credit impairments	- 13	– 25
Total	**168**	**8**

Swedbank Mortgage has changed its valuation model for portfolio provisions. The new model was implemented during 2010 and resulted in a one-time effect amounting to SEK 153m.

16 Appropriations

Swedbank Mortgage AB	2010	2009
Untaxed reserves		
Tax allocation reserve		840
Total		**840**

17 Tax

	Group		Swedbank Mortgage AB	
Tax expense	**2010**	**2009**	**2010**	**2009**
Tax related to previous years	4	71	4	71
Current tax	836	1 176	836	1 176
Deferred tax		- 221		
Total	**840**	**1 026**	**840**	**1 247**

Group

The tax expense corresponds to 26.3% of the Group's pre-tax profit. The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2010		2009	
	SEKm	**per cent**	**SEKm**	**per cent**
Result	840	26.30	1 026	28,26
26.3% of pre-tax profit	840	26.30	955	26,30
Difference	**0**	**0,0**	**- 71**	**- 2,0**
The difference consists of the following items:				
Tax from previous years	4	0.1	- 71	2,0
Tax-exempt income/ non-deductible expenses	0	0	0	0
Total	**4**	**0.1**	**- 71**	**2,0**

	Balance sheet		Income statement	
Group	**2010**	**2009**	**2010**	**2009**
Deferred tax liabilities				
Untaxed reserves	214			-221
Amortisation of intangible assets				0
Total	**214**			**-221**

Swedbank Mortgage AB

The tax expense corresponds to 26.3% of the company's pretax profit. The difference between the company's tax expense and the tax expense based on current tax rates is explained below:

	2010		2009	
	SEKm	**per cent**	**SEKm**	**per cent**
Result	840	26.30	1 247	27
26.3% of pre-tax profit	840	26.30	1 216	26
Difference	**0**	**0,0**	**- 31**	**-0,7**

The difference consists ofthe following items:

Tax from previous years	4	0,1	- 71	-1,5
Tax-exempt dividends	0	0,0	39	0,8
Other tax-exempt income/ non-deductible expenses	0	0,0	1	0,0
Total	**4**	**0,1**	**- 31**	**-0,7**

18 Earnings per share

Earnings per share are calculated by dividing net profit attributable to the shareholders of the parent by the weighted average number of shares outstanding.

	2010	2009
Profit attributable to shareholders of the company	2 339	2 605
Average number of shares outstanding, million	23	23
Earnings per share, SEK	101.70	113.26

No other transactions involving shares or potential shares have taken place between the balance sheet date and the date of completion of these financial statements.

19 Tax for each component in other comprehensive income

	2010				2009			
Group and Swedbank Mortgage AB	**Before tax amount**	**Deferred tax**	**Current tax**	**Net of tax amount**	**Before tax amount**	**Deferred tax**	**Current tax**	**Net of tax amount**
Cash flow hedges	812	214		598				
Other comprehensive income	**812**	**214**		**598**				

20 Loans to credit institutions

Group and Swedbank Mortgage AB	2010	2009
Valuation category, loans and receivables		
Swedish banks	36 493	97 590
Total	**36 493**	**97 590**

21 Loans to the public

Group and Swedbank Mortgage AB	2010	2009
Valuation category, loans and receivables		
Swedish public	257 346	176 308
Total	**257 346**	**176 309**
Valuation category, fair value through profit or loss		
Other		
Swedish public *	439 953	496 111
Total	**439 953**	**496 111**
Total loans to the public	**697 299**	**672 420**
* Nominal amount	437 412	488 030
Number of loans	1 567 481	1 525 508

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

22 Shares and participating interests

	Book value		Cost	
Group & Swedbank Mortgage AB	**2010**	**2009**	**2010**	**2009**
Condominiums	1	1	1	1
Total	**1**	**1**	**1**	**1**
of which, unlisted	1	1	1	1

23 Investments in Group entities

Shares in subsidiaries, Swedbank Mortgage AB's shareholdings, 31 December 2010	Number	Quota value/ share	Book value
Swedbank Skog och Lantbruk AB 100% *	200	500,0	0,1
Total	**200**	**500,0**	**0,1**

* Corporate identification number 556061-5592, Stockholm.

24 Derivatives

	Remaining contractual term to maturity, nominal amount					Positive values		Negative values	
Group and Swedbank Mortgage AB	**< 1 year**	**1-5 years**	**> 5 years**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Derivatives in hedge accounting									
Fair value hedge									
Interest-rate swaps	42 700	145 190	43 723	231 613	115 463	2 534	1 053	1 080	185
Cash flow hedge									
Currency swaps		44 892	42 032	86 924				8 506	
Total	**42 700**	**190 082**	**85 755**	**318 537**	**115 463**	**2 534**	**1 053**	**9 586**	**185**
Other derivatives									
Interest-rate-related									
Options	2 850	15 500		18 350	24 150	30	58		
Forward contracts	2 262	8		2 270	144 029	0	9	0	
Swaps	25 643	83 083	22 717	131 443	194 293	2 594	6 387	4 098	6 394
Currency-related									
Forward contracts					7195		71		27
Swaps	15 562	18 784	10 075	44 421	100 952	1 773	2 966	1 881	1 204
Total	**46 317**	**117 375**	**32 792**	**196 484**	**470 619**	**4 397**	**9 491**	**5 979**	**7 625**
Grand total	**89 017**	**307 457**	**118 547**	**515 021**	**586 082**	**6 931**	**10 544**	**15 565**	**7 810**
of which cleared					3 821		4		

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

	< 1 year	1-3 years	3-5 years	5-10 years	> 10 years
Cash inflows (assets)					
Cash outflows (liabilities)	1 436	13 592	34 950	30 890	14 492
Net cash flows	**- 1 436**	**- 13 592**	**- 34 950**	**- 30 890**	**- 14 492**

25 Intangible fixed assets

Group and Swedbank Mortgage AB	2010	2009
Cost		
Opening balance		40
Closing balance		**40**
Accumulated amortisation		
Opening balance		**- 38**
Amortisation for the year		- 2
Closing balance		**- 40**
Book value		**0**

26 Tangible assets

Group and Swedbank Mortgage AB	2010	2009
Current assets		
Repossessed assets		0
Total		**0**
Fixed assets		
Equipment		0
Total		**0**
Total		**0**

Group and Swedbank Mortgage AB Equipment	2010	2009
Cost		
Opening balance		0
Closing balance		**84**
Accumulated depreciation		
Opening balance		**- 84**
Less sales and disposals		0
Depreciation for the year		0
Closing balance		**- 84**
Book value		**0**

27 Other assets

Group and Swedbank Mortgage AB	2010	2009
Security settlement claims	80	
Other assets	200	56
Total other assets	**280**	**56**

28 Prepaid expenses and accrued income

Group and Swedbank Mortgage AB	2010	2009
Accrued interest income	3 071	3 234
Prepaid expenses and accrued income	5	3
Total	**3 076**	**3 237**

29 Amounts owed to credit institutions

Group and Swedbank Mortgage AB	2010	2009
Valuation category, other financial liabilities		
Swedish banks	219 081	147 188
Total	**219 081**	**147188**
Valuation category, fair value through profit or loss		
Other*		
Swedish banks	10 096	45 550
Total	**10 096**	**45 550**
Total	**229 177**	**192 738**
* Nominal amount	10 096	45 534

30 Debt securities in issue

Group and Swedbank Mortgage AB	2010	2009
Valuation category, other financial liabilities		
Commercial paper	1 430	
Bond loans	313 198	225 810
Change in value due to hedge accounting	- 861	153
Other	1 349	66 227
Total	**315 116**	**292 190**
Valuation category, fair value through profit or loss		
Other *		
Commercial paper	100	20 861
Bond loans	136 112	224 720
Total	**136 112**	**245 581**
Total	**451 328**	**537 771**
* Nominal amount	141 127	236 688

31 Other liabilities

Group and Swedbank Mortgage AB	2010	2009
Group contribution to parent company	2 000	
Security settlement liabilities	1 033	7
Other	176	87
Total	**3 209**	**94**

32 Accrued expenses and prepaid income

Group and Swedbank Mortgage AB	2010	2009
Accrued interest expenses	12 726	13 995
Accrued expenses and prepaid income	682	765
Total	**13 408**	**14 760**

33 Untaxed reserves

Swedbank Mortgage AB	2010	2009
Opening balance		**840**
Reversal of/provision to tax allocation reserve		-840
Closing balance		**0**

34 Equity according to Annual Accounts Act ÅRKL

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

	Group		Swedbank Mortgage AB	
	2010	2009	2010	2009
Restricted equity				
Share capital	11 500	11 500	11 500	11 500
Statutory reserve	3 100	3 100	3 100	3 100
Total	**14 600**	**14 600**	**14 600**	**14 600**
Non-restricted equity				
Conditional shareholder's contribution	2 400	2 400	2 400	2 400
Retained earnings	14 680	13 217	14 680	13 217
Total	**17 080**	**15 617**	**17 080**	**15 617**
Total equity	**31 680**	**30 217**	**31 680**	**30 217**

	2010	2009
Number of shares		
Approved and issued, millions	23	23

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

35 Contingent liabilities, assets pledged and commitments

Group and Swedbank Mortgage AB	2010	2009
Assets pledged		
Assets pledged for own liabilities*	640 207	610 456
Securities pledged for forward contracts	103	80
Commitments, nominal amount		
Loans granted but not paid	9 390	11 188
Total	**649 700**	**621 724**

Nominal amounts for interest, equity and currency related contracts are reported in note 24 Derivatives.

* Consists of collateral for covered bonds. This collateral is reported as the customer's nominal loan principal, including accrued interest.

36 Related parties

I. Parent company

Swedbank Mortgage AB is a wholly owned subsidiary of Swedbank AB (publ). The following headings in the balance sheet and statement of comprehensive income include transactions with Swedbank AB in the amounts specified.

	Group		Swedbank Mortgage AB	
	2010	2009	2010	2009
Group receivables				
Loans to credit institutions	36 481	97 576	36 481	97 576
Derivatives	6 831	10 411	6 831	10 411
Other assets	29	29	29	29
Prepaid expenses and accrued income	173	562	173	562
Total	**43 514**	**108 578**	**43 514**	**108 578**
Group liabilities				
Amounts owed to credit institutions	229 138	192 699	229 138	192 699
Debt securities in issue	39 364	176 012	39 364	176 012
Derivatives	15 565	7 767	15 565	7 767
Other liabilities	2 000		2 000	
Accrued expenses and prepaid income	4 548	7 482	4 548	7 482
Total	**290 615**	**383 960**	**290 615**	**383 960**
Statement of comprehensive income				
Interest income	520	1 050	520	1 050
Interest expenses	- 2 674	- 7 236	- 2 674	- 7 236
Other administrative expenses		-4		-4
Total	**- 2 154**	**-6 190**	**- 2 154**	**-6 190**

II. Other companies in the Swedbank Group

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

	Group		Swedbank Mortgage AB	
	2010	2009	2010	2009
Group liabilities				
Securities in issue	3 600			3 600
Accrued expenses and prepaid income	136	167	136	167
Total	**3 736**	**167**	**3 736**	**167**
Statement of comprehensive income				
Commission expenses	- 136	-167	- 136	-167
Total	**- 136**	**-167**	**- 136**	**-167**

III. Senior executives

See note 12 for further information.

37 Fair value of financial instruments

A comparison between the book value and fair value of the Group's financial assets and financial liabilities according to the definition in IAS 39 is presented below. The fair value of other assets and liabilities is considered equivalent to book value.

Group	2010			2009		
	Book value	**Fair value**	**Difference**	**Book value**	**Fair value**	**Difference**
Assets						
Financial Assets						
Loans to credit institutions	36 493	36 503	10	97 590	97 609	19
Loan receivables	36 493	36 503	10	97 590	97609	19
Loans to the public	697 299	696 789	- 510	672 420	674 560	2 140
Loan receivables	257 346	256 836	- 510	176 309	178 449	2 140
Fair value through profit or loss	439 953	439 953	0	496 111	496 111	0
Shares and participating interests	1	1	0	1	1	0
Available for sale investments	1	1	0	1	1	0
Derivatives	6 931	6 931	0	10 544	10 544	0
Non-financial assets	3 857	3 356	0	3 293	3 293	0
Total	**744 581**	**744 081**	**- 500**	**783 848**	**786 007**	**2 159**
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	229 177	229 121	- 56	192 738	193 134	397
Other financial liabilities	219 081	219 025	- 56	147 188	147 585	397
Fair value through profit or loss	10 096	10 096	0	45 500	45 550	0
Debt securities in issue, etc.	451 328	451 002	- 326	537 771	540 213	2 442
Other financial liabilities	315 116	314 790	- 326	292 190	294 632	2 442
Fair value through profit or loss	136 212	136 212	0	245 581	245 581	0
Derivatives	15 565	15 565	0	7 810	7 810	0
Non-financial assets	16 831	16 831	0	15 313	15 313	0
Total	**712 901**	**712 519**	**- 382**	**753 631**	**756 469**	**2 839**

Determination of fair value of financial instruments

The methods for determining fair values are divided into three levels based on the degree of observability in the valuation.

The fair value of financial instruments is primarily determined based on quoted market prices on an active market (Level 1). This category contains bonds in issue that are traded on an active market. When quoted market prices are unavailable for the instrument in its entirety, generally accepted valuation models, such as the discounting of future cash flows, are used. These valuation models are based on observable market inputs (Level 2) in the form of prices of financial instruments that are as similar as possible and for which transactions have been executed. This category primarily includes less liquid debt securities in issue, derivatives and loans to the public. The value change in own credit worthiness has been determined by calculating the difference between the value based on current prices from external dealers for own credit worthiness and the value based on own credit worthiness in own not quoted issues at the origination date.

The change in the value of securities in issue attributable to changes in credit risk amounted to SEK -85m during the period and is recognised in net gains and losses on financial items at fair value. The accumulated change in value amounted to SEK -13m. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. The change in the value of loans to the public attributable to changes in credit risk amounted to SEK -101m during the period and is recognised as credit impairments. The amount is determined as the difference between current estimated creditworthiness and estimated creditworthiness of the borrower at lending date. Other changes in fair value are considered to be attributable to changes in market risks.

Valuation models may require certain internal estimates (Level 3), the scope of which is dependent on the instrument's complexity and the availability of market inputs. This category contains loans from Swedbank AB whose valuation is based on observable interbank interest rates adjusted for the difference between the interbank rate and the contractual interest rate at the time the contract was entered into. See also note 3 Critical accounting judgements and estimates.

The table below shows the valuation method for financial instruments measured at fair value.

Financial instruments at fair value

	2010				2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to the public		439 953		439 953		496 111		496 111
Derivatives		6 931		6 931		10 544		10 544
Total		**446 884**		**446 884**		**506 655**		**506 655**
Liabilities								
Amounts owed to credit institutions			10 096	10 096		34 550	10 999	45 550
Debt securities in issue, etc.	99 392	36 820		136 212	111 468	134 113		245 581
Derivatives		15 565		15 565		7 810		7 810
Total	**99 392**	**52 385**	**10 096**	**161 873**	**111 468**	**176 473**	**10 999**	**298 941**

Financial instruments at fair value based on Level 3

	2010	**2009**
Opening balance	**10 999**	
Loss in statement of comprehensive income	3	- 3
Loans raised		10 996
Maturities	900	
Closing balance	**10 096**	**10 999**

38 Events after 31 December 2010

No important events have occured.

-

Definitions

Capital quotient
The capital base in relation to the capital requirement.

Capital adequacy ratio
The capital base in relation to the risk-weighted amount.

Capital base
The sum of Tier 1 (primary) and Tier 2 (supplementary) capital less items in accordance with chapter 3 sections 5-8 of the Capital Adequacy and Large Exposures Act.

Credit impairment ratio
Credit impairments on loans and other credit risk provisions, net, in relation to the opening balance of loans to the public.

Credit impairments
Established and probable losses for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Impaired loans
Loans where there is, on an individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually and provisions for homogenous loans assessed individually constitute impaired loans, net.

Interest fixing period
Contracted period during which interest on an asset or liability is fixed.

Investment margin
Net interest income in relation to average total assets.

Loan-to-value (LTV) ratio
Loan amount in relation to the market value of the collateral.

Provision for credit impairment
Impairment of loans if the solvency of the borrower is not expected to improve sufficiently within two years and the value of the collateral does not cover the loan amount.

Provision ratio for individually identified impaired loans
Specific provisions for loans assessed individually and provisions for homogenous groups of loans assessed collectively in relation to impaired loans, gross.

Restructured loan
Loan for which the borrower has been granted some form of concession due to a deteriorated financial position.

Return on equity
Net profit for the year in relation to average equity.

Risk-weighted assets
Total assets on the balance sheet and off-balance sheet commitments, divided into credit and market risks, valued and risk weighted according to current capital adequacy regulations.

Share of impaired loans
Book value of impaired loans, net, in relation to book value of loans to the public.

Tier 1 capital
Equity less deferred tax assets and intangible assets in the Group plus equity contributions and reserves that may be included in the capital base as Tier 1 capital according to chapter 3 section 4 of the Capital Adequacy and Large Exposures Act.

Tier 1 capital ratio
Tier 1 capital in relation to risk-weighted assets.

Total provision ratio for impaired loans
All provisions for loans in relation to impaired loans, gross.

Signatures of the Board of Directors and the President

Stockholm, 4 February 2011

Anders Ekedahl
Chairman

Johan Smedman Regional Manager, Middle Region, Swedish Retail Management	Ingvar Svensson President of Falkenbergs Sparbank	Ragnar Udin President of Sparbanken Alingsås

Helena Silvander
President of Swedbank Mortgage

Our auditors' report was submitted on 22 February 2011

Deloitte AB

Jan Larsson
Authorised Public Accountant

Auditors' report

To the Annual General Meeting of Swedbank Mortgage AB (publ)
Registration number 556003-3283.

We have audited the annual report, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Swedbank Mortgage AB (publ) for the financial year 2010. The company's annual report and consolidated accounts are included in this document on pages 2–36 . The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the annual accounts and the application of the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the statements of comprehensive income and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the admi¬nistration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 22 February 2011

Deloitte AB

Jan Larsson
Authorised Public Accountant

List of bond loans

Bonds issued abroad for Swedbank Mortgage AB (publ)

Original interest rate, %	Issue date	Final payment date	Interest adjustment (RR) and redemption (U)	Currency	Outstanding loan debt, Nominal amount in local currency* 31 Dec 2010
4.625%	08-05-23	11-05-23		EUR	1 000 000
5.130%	06-06-01	11-06-01		HKD	80 000
6.200%	08-06-09	11-06-09		NOK	500 000
0.858%	10-06-22	11-06-22		USD	150 000
0.852%	09-06-30	11-06-30		CHF	150 000
1.158%	09-07-08	11-07-08		SEK	1 020 000
1.348%	10-04-01	11-10-03		EUR	30 000
0.240%	10-04-21	11-10-21		JPY	5 000 000
0.670%	10-04-21	11-10-21		SEK	500 000
0.680%	09-11-11	11-11-11		SEK	855 000
0.703%	09-12-16	11-12-16		SEK	300 000
1.498%	10-07-05	12-01-05		SEK	500 000
0.700%	10-01-27	12-01-27		SEK	700 000
0.865%	10-03-05	12-03-05		SEK	900 000
1.445%	10-04-16	12-04-16		EUR	15 000
0.895%	10-04-30	12-04-30		SEK	1 000 000
0.920%	10-05-10	12-05-10		SEK	1 000 000
1.020%	10-05-21	12-05-21		SEK	2 400 000
0.867%	10-06-04	12-06-20		SEK	1 490 000
1.103%	10-06-28	12-06-28		SEK	750 000
6.910%	02-07-11	12-07-11		NOK	110 000
1.200%	10-07-13	12-07-13		SEK	400 000
0.996%	10-08-04	12-08-03		EUR	50 000
1.300%	10-08-13	12-08-13		SEK	500 000
1.530%	10-03-02	12-08-17		EUR	25 000
1.108%	10-06-01	12-09-03		SEK	1 500 000
0.985%	10-03-05	12-09-05		SEK	3 800 000
1.460%	10-09-21	12-09-21		SEK	300 000
1.023%	10-08-18	12-09-27		SEK	500 000
1.172%	10-10-12	12-10-12		EUR	200 000
1.615%	10-10-18	12-10-18		SEK	600 000
3.580%	10-05-07	13-01-07		NOK	400 000
2.500%	10-01-21	13-01-21		EUR	1 000 000
1.058%	10-08-03	13-02-04		EUR	70 000
1.010%	10-04-19	13-04-19		SEK	300 000
1.260%	10-04-22	13-04-22		CHF	375 000
1.680%	10-10-20	13-06-19		SEK	400 000
1.171%	10-07-23	13-07-23		EUR	100 000
1.550%	10-09-10	13-09-10		SEK	300 000
0.478%	10-10-05	13-10-04		CHF	150 000
1)	05-08-01	13-12-27		HKD	299 000
4.170%	07-01-12	14-01-13		HKD	48 000
2.000%	10-11-02	14-01-31		EUR	1 000 000
2.520%	10-02-03	14-02-03		EUR	20 000
1)	04-12-14	14-04-01		SEK	200 000
1.510%	10-08-12	14-05-05		SEK	950 000
4.125%	09-06-09	14-06-09		EUR	625 000
4.125%	09-06-09	14-06-09		EUR	625 000
3.610%	09-07-02	14-07-02		EUR	10 000
2.370%	09-10-16	14-10-16		NOK	1 000 000
2.370%	10-04-16	14-10-16		NOK	150 000
5.365%	06-10-23	14-12-23		USD	23 000
1)	04-12-06	14-12-30		HKD	130 000
1)	05-07-26	14-12-30		HKD	346 000

* Thousands

1) Zero coupon bond

List of bond loans

Bonds issued abroad for Swedbank Mortgage AB (publ)

Original interest rate, %	Issue date	Final payment date	Interest adjustment (RR) and redemption (U)	Currency	Outstanding loan debt, Nominal amount in local currency* 31 Dec 2010
4.500%	10-01-26	15-01-26		NOK	300 000
2.925%	10-01-26	15-01-26		EUR	50 000
2.030%	10-10-11	15-03-18		SEK	575 000
1.635%	10-03-29	15-05-29		CHF	150 000
2.500%	10-06-15	15-06-15		EUR	1 100 000
0.949%	05-08-03	15-08-03		JPY	2 000 000
5.135%	08-08-05	15-08-05		EUR	20 000
5.595%	06-08-21	15-08-21		USD	11 000
5.000%	05-08-25	15-08-25		EUR	10 000
4.966%	08-08-14	15-09-14		EUR	50 000
2.600%	10-11-30	15-11-30		EUR	10 000
2)	04-04-07	15-12-01		SEK	500 000
2)	04-06-01	15-12-01		SEK	200 000
1)	05-06-07	15-12-30		HKD	220 000
3.170%	10-02-03	16-02-03		EUR	15 000
3.200%	10-02-03	16-02-03		EUR	40 000
4.620%	06-02-08	16-02-08		HKD	80 000
3.750%	09-08-12	16-05-12		EUR	20 000
5.072%	06-08-22	16-08-22		HKD	110 000
4.923%	06-08-25	16-08-25		HKD	110 000
2.135%	10-02-26	16-08-26		CHF	350 000
3.625%	09-10-05	16-10-05		EUR	1 250 000
3.375%	10-03-22	17-03-22		EUR	1 000 000
4.170%	09-07-20	17-07-20		EUR	7 000
1.625%	10-12-08	17-12-08		CHF	200 000
3.400%	10-04-19	18-04-19		EUR	3 000
5.950%	08-06-18	18-06-18		NOK	500 000
2.000%	03-08-04	18-08-05	U every half year	JPY	500 000
4.920%	09-08-21	18-08-21		EUR	7 000
4.920%	09-08-21	18-08-21		EUR	3 000
4.680%	09-06-17	19-06-17		EUR	15 000
4.450%	09-07-15	19-07-15		EUR	25 000
4.420%	09-07-29	19-07-29		EUR	10 000
4.276%	09-08-07	19-08-07		EUR	13 000
1.267%	09-08-28	19-08-28		EUR	25 000
4.000%	09-09-10	19-09-10		EUR	10 000
3.955%	09-09-11	19-09-11		EUR	10 000
4.570%	09-09-17	19-09-17		EUR	20 000
4.640%	09-09-17	19-09-17		EUR	20 000
4.000%	09-09-23	19-09-23		EUR	30 500
4.020%	09-09-28	19-09-27		EUR	22 000
4.050%	09-10-01	19-10-01		EUR	15 000
4.900%	09-10-22	19-10-22		NOK	750 000
5.100%	09-11-10	19-11-11		NOK	850 000
4.190%	09-09-11	20-06-08		EUR	10 000
2)	05-06-15	20-06-15		JPY	500 000
3.723%	10-06-24	20-06-24		EUR	10 000
2)	05-05-27	20-07-27	U every half year	JPY	1 000 000
4.560%	09-07-28	20-07-28		EUR	10 000
4.290%	09-08-21	20-08-21		EUR	100 000
4.028%	09-08-31	20-08-31		EUR	61 000
4.000%	09-09-15	20-09-15		EUR	15 000
4.000%	09-09-22	20-09-22		EUR	20 000
1.182%	10-07-02	20-09-27		EUR	10 000

* Thousands
1) Zero coupon bond
2) Index bond

List of bond loans

Bonds issued abroad for Swedbank Mortgage AB (publ)

Original interest rate, %	Issue date	Final payment date	Interest adjustment (RR) and redemption (U)	Currency	Outstanding loan debt, Nominal amount in local currency* 31 Dec 2010
3.980%	09-10-21	20-10-21		EUR	10 000
3.600%	05-06-30	20-12-01		SEK	350 000
2)	06-04-28	20-12-01		SEK	220 000
3.920%	10-02-04	21-02-04		EUR	40 000
3.850%	10-04-08	22-04-08		EUR	50 000
3.500%	10-06-30	23-06-30		EUR	10 000
2)	03-07-07	23-07-14	U every year	JPY	500 000
4.520%	09-08-18	23-08-18		EUR	10 000
4.870%	09-05-15	24-05-15		EUR	30 000
5.090%	09-06-12	24-06-12		EUR	30 000
4.950%	09-07-27	24-07-26		EUR	35 000
4.010%	10-05-20	25-05-20		EUR	10 000
5.000%	09-07-21	25-07-21		EUR	25 000
5.125%	09-07-21	25-07-21		EUR	25 000
4.682%	09-08-07	25-08-07		EUR	30 000
4.245%	09-10-29	25-10-29		EUR	200 000
5.020%	09-07-22	26-07-22		EUR	15 000
4.672%	09-08-19	26-08-19		EUR	125 000
3.460%	10-06-02	27-06-02		EUR	33 000
4.100%	10-02-11	28-02-11		EUR	230 000
4.040%	10-02-11	28-02-11		EUR	17 000
4.000%	10-04-19	28-04-19		EUR	63 000
5.020%	09-07-20	28-07-20		EUR	35 000
5.100%	09-05-18	29-05-18		EUR	10 000
5.070%	09-05-22	29-05-22		EUR	10 000
4.710%	09-05-25	29-05-25		EUR	10 000
5.075%	09-05-26	29-05-28		EUR	10 000
5.300%	09-06-25	29-06-25		SEK	300 000
5.200%	09-06-25	29-06-25		EUR	10 000
5.083%	09-07-30	29-07-30		EUR	100 000
5.080%	09-07-30	29-07-30		EUR	80 000
4.910%	09-08-27	29-08-27		EUR	12 000
4.600%	10-01-27	30-01-28		EUR	10 000
4.400%	10-02-03	30-02-11		EUR	4 000
2)	06-06-26	33-06-27	U every year	JPY	1 000 000
2)	03-06-26	33-08-26	U every year	JPY	1 000 000
5.350%	08-09-10	38-09-10	U 18**	EUR	20 000
4.570%	10-03-01	40-03-01		EUR	40 000
4.320%	10-05-11	40-05-11		EUR	30 000
4.070%	10-07-02	40-07-02		EUR	20 000
4.030%	10-07-02	40-07-02		EUR	39 000

* Thousands
2) Index bond
** Callable for redemption on 2018-09-10 and therafter every 5th year.

List of bond loans

Bonds issued in Sweden for Swedbank Mortgage AB (publ)

Issue no.	Original interest rate, %	Issue/final payment date	Issue/final payment year	Outstanding loan debt. In SEK* 31 Dec 2010
166	6.75	05-05	1997/14	42 076 800
175	4.00	06-15	2005/11	28 690 900
176	4.25	06-20	2006/12	60 372 000
177	4.75	06-19	2007/13	52 543 000
179	5.80	05-12	2008/16	87 000
180	5.70	05-12	2008/20	4 866 000
181	2.70	12-05	2009/11	32 370 000
182	3.75	03-18	2009/15	46 163 000
183	3.75	09-16	2010/16	14 029 000
184	3.75	06-15	2010/15	634 000
185	3.75	03-15	2010/17	3 500 000
7170	1)	05-05	2000/14	6 048
MTN 3018	3.858	03-10 01-17	2005/11	500 000
MTN 3019	3.905	03-10 03-15	2005/11	500 000
MTN 3020	3.941	03-10 05-16	2005/11	500 000
MTN 3021	3.989	03-10 07-15	2005/11	500 000
MTN 3032	4.373	06-27 07-15	2000/14	500 000
MTN 3040	5.238	07-16 06-15	2007/11	500 000
MTN 3041	5.262	08-15 06-15	2007/11	1 000 000
MTN 3042	5.173	09-17 03-15	2007/11	500 000
MTN 3043	5.175	09-12 03-15	2007/11	2 000 000
MTN 3044	5.197	09-12 04-15	2007/11	2 000 000
MTN 3045	5.219	09-12 05-16	2007/11	2 000 000
MTN 3076	1.700	04-22 04-22	2009/11	300 000
MTN 3085	0.680	11-20 11-21	2009/11	765 000
MTN 3086	1.903	03-21	2010/11	10 500 000
			Total	307 402 748

* Thousands

1) Zero coupon bond

Board of Directors*, Auditors and Executive Committee

Board members appointed by the Annual General Meeting:

Anders Ekedahl
Head of Customer Solutions and Products, Swedish Bank Management
Born 1960

Helena Silvander
President of Swedbank Mortgage
Born 1963

Johan Smedman
Regional Manager, Middle Region, Swedish Retail Management
Born 1964

Ingvar Svensson
President of Falkenbergs Sparbank
Född 1950

Ragnar Udin
President of Sparbanken Alingsås
Born 1945

Auditor appointed by the Annual General Meeting:

Deloitte AB
Jan Larsson

Swedbank Mortgage's Executive Committee:

Helena Silvander
President of Swedbank Mortgage
e-mail: helena.silvander@swedbank.se

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

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