

# Swedbank Mortgage

Year-end report 2007

February 14, 2008

# Swedbank Mortgage

JANUARY – DECEMBER 2007 IN SUMMARY

(comparative figures refer to the corresponding period previous year)

- Operating profit amounted to SEK 3,828m (3,759)
- Lending increased by nominal SEK 53,293m (43,074)
- Credit risk in the portfolio remains very low

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

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

## Profit analysis

Operating profit for 2007 is in line with the corresponding period previous year and amounted to SEK 3,828m (3,759). Net interest income amounted to SEK 4,133m (4,151). Volume growth has been strong during the year and amounted to nominal 53,293m (43,074). The market competition is continuously strong with interest margin pressure as a consequence. During the year refunded surpluses of SEK 142m from the company's loan insurance were reported as other income. The return on equity was 10.6 percent (11.5).

## Lending and funding

Lending increased in all segments during the year. Loans for private homes rose by nominal SEK 49,303m (43,214) and agricultural loans increased by SEK 2,889m (2,561). Loans for commercial properties increased by SEK 1,101m (-2,701). Swedbank Mortgage's loans to the public amounted to SEK 560,633m (510,479) as of December 31, 2007, of which the fair value changes on lending accounted for SEK -4,306m (-1,167). Swedbank Mortgage's total market share was around 30 percent (30) as of December 31, 2007.

Despite turbulence in the financial markets, Swedbank Mortgage maintained good access to liquidity in both the Swedish and international capital markets. Of its total funding, 45 (46) percent has been issued in foreign money and capital markets. During the second quarter 2008 Swedbank Mortgage's Swedish and international bond portfolio will be converted to covered bonds, improving the credit rating.

## Expenses and loan losses

Commission expenses, which are paid to the savings banks and partly owned banks, amounted to SEK 561m (565).

Operating expenses have decreased compared to

last year and amounted to SEK 57m (66). Credit risk in the portfolio remains very low. The average loan-to-value ratio in the underlying single-family homes and condominiums amounted to 44 percent of their market value at year-end 2007. Eighty percent of the volume has a loan-to-value ratio of less than 50 percent of the properties' market value.

Recoveries from previous years provisions exceeded new loan losses and provisions, why loan losses net affected the earnings positively with SEK 43m (8). Established loan losses amounted to SEK 23m (21). Provisions for anticipated loan losses totaling SEK 82m (114) as of December 31, 2007. Specifications of loan losses and loans are shown in Notes 2 and 3.

## Capital adequacy

New rules on capital adequacy and large exposures, FFFS 2007:1 (Basel 2), apply as of February 1, 2007. According to the new rules, the capital requirement will be more closely linked to the company's risk profile. In addition to a capital requirement for credit risks, a capital requirement is also being introduced for operational risks. For Swedbank Mortgage, the new capital adequacy rules will gradually mean lower capital requirements since its operations are in the mortgage area, which is characterized by very low risk. Full effect will be reached in 2010. According to the new rules the capital requirement, excluding supplement according to the transitional rules, amounted to SEK 4,394m as of December 31, 2007, which can be compared to SEK 25,833m according to the old rules.

According to the new capital adequacy rules and current transitional rules the capital adequacy quotient (capital base/capital requirement) was 1.11 as of December 31, 2007 (1.16 as of December 31, 2006 according to older rules) and the capital adequacy ratio was 8.9 percent (9.3 as of December 31, 2006 according to older rules), of which the tier 1 capital ratio was 8.2 percent (8.6 as of December 31, 2006 according to older rules). A specification of capital adequacy is shown in Note 7.

## Interest rate risk

An increase in market interest rates of one percentage point as of December 31, 2007 would have redu-

ced the value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by SEK 593m (465).

A one percentage point increase in market interest rates would have decreased net gains and losses on financial items at fair value by SEK 210 million (145), referring to the financial instruments measured at fair value.

#### **Risks and uncertainties**

Swedbank Mortgage's earnings may be affected by the surrounding world fluctuations that the company has no control over. The risks are primarily credit risk, financial risk and operational risk. Swedbank Mortgage maintains a low-risk profile through a well-diversified credit portfolio and limited financial and operational risks.

In addition to what is stated in this interim report, a description of the company's risks is provided in the annual report for 2006. No significant changes have taken place with regard to the distribution of risks compared with what is stated in the annual report.

#### **Accounting policies**

The year-end report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and follows the same accounting policies as the most recent

annual report.

The parent company, Swedbank Mortgage AB, prepares its accounts according to the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial Supervisory Authority and recommendation RR 32:06 of the Swedish Financial Accounting Standards Council. As of 2007 the parent company measures derivatives at fair value. As a result, separate portfolios of lending and securities in issue are also measured at fair value according to the so-called fair value option. The change means that the parent company's recognition of financial instruments follows the same policies as already applied in the group. All comparative figures have been restated. The change in the parent company described above reduced profit for the year 2006 by SEK 90m and the closing equity balance for 2006 by SEK 205m. Other accounting policies agree with those applied in the most recent annual report.

#### **Financial reporting**

Swedbank Mortgage's complete annual report will be made available to the public on the internet and at Swedbank Mortgage's office at Regeringsgatan 13 in Stockholm during March, 2008.

# Swedbank Mortgage Group – Key financial highlights 2003–2007

	2007*	2006*	2005*	2004**	2003**
<b>Lending</b>					
Loans to the public, SEK m.	560,633	510,479	472,058	428,628	398,752
<b>Profitability</b>					
Operating profit, SEK m.	3,828	3,759	4,815	4,602	4,255
Investment margin, %	0.67	0.75	0.98	1.11	1.17
Return on equity, %	10.6	11.5	17.1	17.0	16.5
Earnings per share, SEK	119.70	117.65	150.74	144.04	133.17
<b>Capital</b>					
Capital base, SEK m.	26,882	26,823	26,116	23,673	22,723
Equity, SEK m.	24,932	24,771	22,065	18,840	17,654
Number of shares at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	1,084.00	1,077.00	959.35	819.13	767.57
Total capital quotient**	1.11	1.16	1.26	1.29	1.37
Capital adequacy ratio, %**	8.9	9.3	10.1	10.3	11.0
Tier 1 capital ratio, %**	8.2	8.6	8.5	8.2	8.5
<b>Credit quality</b>					
Loan losses, SEK m.	-43	-8	-18	-46	18
Loan loss level, %	-0.01	-0.00	-0.00	-0.01	0.00
Provision ratio for impaired loans, %	73.9	104.4	96.6	73.3	70.2
Share of impaired loans, according to loans to the public, %	0.01	0.01	0.02	0.04	0.04

\*According to previously applied accounting principles

\*\*2007 according to Basel 2 transitional rules, 2003-2006 according to old rules

# Income statement

## Group

SEKm	Note	Jan - Dec 2007	Jan - Dec 2006	Change %	Oct - Dec 2007	Oct - Dec 2006	Change %
Interest income		25,540	20,121	27	7,134	5,384	33
Interest expenses		-21,407	-15,970	34	-6,144	-4,310	43
<b>NET INTEREST INCOME</b>		<b>4,133</b>	<b>4,151</b>	<b>0</b>	<b>990</b>	<b>1,074</b>	<b>-8</b>
Commission income		32	31	3	8	8	
Commission expenses		-561	-565	-1	-156	-156	
<b>NET COMMISSION INCOME</b>		<b>-529</b>	<b>-534</b>	<b>-1</b>	<b>-148</b>	<b>-148</b>	
Net gains and losses on financial items at fair value	1	86	185	-54	67	12	
Other operating income		152	15		145	4	
<b>TOTAL INCOME</b>		<b>3,842</b>	<b>3,817</b>	<b>1</b>	<b>1,054</b>	<b>942</b>	<b>12</b>
Staff costs		14	17	-18	3	4	-25
Other general administrative expenses		29	31	-6	9	10	-10
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<b>43</b>	<b>48</b>	<b>-10</b>	<b>12</b>	<b>14</b>	<b>-14</b>
Depreciation/amortization and impairment of tangible and intangible fixed assets		14	18	-22	3	5	-40
<b>TOTAL EXPENSES</b>		<b>57</b>	<b>66</b>	<b>-14</b>	<b>15</b>	<b>19</b>	<b>-21</b>
<b>PROFIT BEFORE LOAN LOSSES</b>		<b>3,785</b>	<b>3,751</b>	<b>1</b>	<b>1,039</b>	<b>923</b>	<b>13</b>
Loan losses, net	2	-43	-8		18	-20	
<b>OPERATING PROFIT</b>		<b>3,828</b>	<b>3,759</b>	<b>2</b>	<b>1,021</b>	<b>943</b>	<b>8</b>
Tax expense		1,075	1,053	2	289	-265	9
<b>PROFIT FOR THE PERIOD</b>		<b>2,753</b>	<b>2,706</b>	<b>2</b>	<b>732</b>	<b>678</b>	<b>8</b>
Earnings per share, before and after dilution, SEK		119.70	117.65		31.83	29.48	

## Swedbank Mortgage AB

SEKm	Note	Jan - Dec 2007	Jan - Dec 2006	Change %	Oct - Dec 2007	Oct - Dec 2006	Change %
Interest income		25,210	19,697	28	7,051	5,294	33
Interest expenses		-21,377	-15,882	35	-6,126	-4,299	42
<b>NET INTEREST INCOME</b>		<b>3,833</b>	<b>3,815</b>	<b>0</b>	<b>925</b>	<b>995</b>	<b>-7</b>
Commission income		25	23	9	7	6	17
Commission expenses		-504	-507	-1	-144	-142	1
<b>NET COMMISSIONS INCOME</b>		<b>-479</b>	<b>-484</b>	<b>-1</b>	<b>-137</b>	<b>-136</b>	<b>1</b>
Net gains and losses on financial items at fair value	1	122	228	-46	59	-13	
Other operating income		143	14		136	4	
<b>TOTAL INCOME</b>		<b>3,619</b>	<b>3,573</b>	<b>1</b>	<b>983</b>	<b>850</b>	<b>16</b>
Staff costs		11	15	-27	2	3	-33
Other general administrative expenses		28	38	-26	8	9	-11
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<b>39</b>	<b>53</b>	<b>-26</b>	<b>10</b>	<b>12</b>	<b>-17</b>
Depreciation/amortization and impairment of tangible and intangible fixed assets		1	7	-86	1	2	-50
<b>TOTAL EXPENSES</b>		<b>40</b>	<b>60</b>	<b>-33</b>	<b>11</b>	<b>14</b>	<b>-21</b>
<b>PROFIT BEFORE LOAN LOSSES</b>		<b>3,579</b>	<b>3,513</b>	<b>2</b>	<b>972</b>	<b>836</b>	<b>16</b>
Loan losses, net	2	-44	-8		17	-20	
<b>OPERATING PROFIT</b>		<b>3,623</b>	<b>3,521</b>	<b>3</b>	<b>955</b>	<b>856</b>	<b>12</b>
Tax expense		1,016	986	3	269	240	12
<b>PROFIT FOR THE PERIOD</b>		<b>2,607</b>	<b>2,535</b>	<b>3</b>	<b>686</b>	<b>616</b>	<b>11</b>

## Balance sheet

SEKm	Note	Group		Swedbank Mortgage AB	
		Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006
<b>Assets</b>					
Treasury bills eligible for refinancing with central banks			99		99
Loans to credit institutions	3	66,838	47,232	98,281	76,126
Loans to the public	3	560,633	510,479	525,164	477,672
Derivatives	4	6,034	2,537	6,030	2,537
Other assets		5,430	7,001	7,403	8,863
<b>TOTAL ASSETS</b>		<b>638,935</b>	<b>567,348</b>	<b>636,878</b>	<b>565,297</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Amount owed to credit institutions		125,006	99,238	125,006	99,238
Debt securities in issue		464,064	421,648	462,919	420,536
Derivatives	4	4,608	8,109	4,616	8,048
Other liabilities		17,936	11,254	17,868	11,082
Subordinated liabilities		2,389	2,328	2,389	2,328
<b>TOTAL LIABILITIES</b>		<b>614,003</b>	<b>542,577</b>	<b>612,798</b>	<b>541,232</b>
<b>Equity</b>					
Equity		24,932	24,771	24,080	24,065
<b>TOTAL EQUITY</b>		<b>24,932</b>	<b>24,771</b>	<b>24,080</b>	<b>24,065</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>638,935</b>	<b>567,348</b>	<b>636,878</b>	<b>565,297</b>

### Financial instruments distributed by valuation category according to IAS 39

SEKm	Dec 31, 2007	Dec 31, 2006
<b>Assets</b>		
Treasury bills and other bills eligible for refinancing with central banks		99
valuation category, Fair value through profit or loss, trading		99
Loans to credit institutions	66,838	47,232
valuation category, Loans and receivables	66,838	47,232
Loans to the public	560,633	510,479
valuation category, Loans and receivables	117,711	106,994
valuation category, Fair value through profit or loss, other	442,922	403,485
Derivatives	6,034	2,537
valuation category, Fair value through profit or loss, trading and derivatives	6,034	2,537
<b>Liabilities</b>		
Amount owed to credit institutions	125,006	99,238
valuation category, Other financial liabilities	114,552	92,376
valuation category, Fair value through profit or loss, other	10,454	6,862
Debt securities in issue	464,064	421,648
valuation category, Fair value through profit or loss, other	464,064	421,648
Derivatives	4,608	8,109
valuation category, Fair value through profit or loss, trading and derivatives	4,608	8,109
Subordinated liabilities	2,389	2,328
valuation category, Other financial liabilities	2,389	2,328
changes in the value according to hedge accounting	0	2

## Cash flow statement

SEKm	Group		Swedbank Mortgage AB	
	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2007	Jan - Dec 2006
<b>Cash and cash equivalents at beginning of period*</b>	<b>900</b>	<b>6,547</b>	<b>461</b>	<b>6,311</b>
Cash flow from operating activities	-18,213	-44,043	-18,568	-44,255
Cash flow from investing activities		-9		
Cash flow from financing activities	39,885	38,405	39,885	38,405
<b>CASH FLOW FOR THE PERIOD</b>	<b>21,672</b>	<b>-5,647</b>	<b>21,317</b>	<b>-5,850</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD*</b>	<b>22,572</b>	<b>900</b>	<b>21,778</b>	<b>461</b>
* of which securities pledged for OMX AB				
at beginning of period	99	99	99	99
at end of period		99		99

## Statement of changes in equity

Group	Equity attributable to the shareholder of Swedbank Mortgage AB
<b>SEKm</b>	
<b>Opening balance January 1, 2006</b>	<b>22,065</b>
Profit for the year	2,706
<b>CLOSING BALANCE DECEMBER 31, 2006</b>	<b>24,771</b>
<b>Opening balance January 1, 2007</b>	<b>24,771</b>
Group contribution	-3,600
Tax due to Group contribution	1,008
Profit for the year	2,753
<b>CLOSING BALANCE DECEMBER 31, 2007</b>	<b>24,932</b>

Swedbank Mortgage AB	Restricted equity	Non-restricted equity	Total
<b>SEKm</b>			
<b>Closing balance December 31, 2005</b>	<b>14,600</b>	<b>7,045</b>	<b>21,645</b>
Change in accounting principles according to FFFS 2006:16		-115	-115
<b>Opening balance January 1, 2006</b>	<b>14,600</b>	<b>6,930</b>	<b>21,530</b>
Profit for the year		<b>2,535</b>	<b>2,535</b>
<b>CLOSING BALANCE DECEMBER 31, 2006</b>	<b>14,600</b>	<b>9,465</b>	<b>24,065</b>
of which conditional shareholders' contributions		<b>2,400</b>	<b>2,400</b>
<b>Opening balance January 1, 2007</b>	<b>14,600</b>	<b>9,465</b>	<b>24,065</b>
Group contribution		-3,600	-3,600
Tax due to Group contribution		1,008	1,008
Profit for the year		2,607	2,607
<b>CLOSING BALANCE DECEMBER 31, 2007</b>	<b>14,600</b>	<b>9,480</b>	<b>24,080</b>
of which conditional shareholders' contributions		2,400	2,400

# Notes

## 1 Net gains and losses on financial items at fair value

Group	Jan - Dec	Jan - Dec	Oct - Dec	Oct - Dec
SEKm	2007	2006	2007	2006
<b>Valuation category, Fair value through profit or loss</b>				
<i>Trading and derivatives</i>				
Interest-bearing securities	7,132	-8,250	5,316	-6,137
<b>TOTAL</b>	<b>7,132</b>	<b>-8,250</b>	<b>5,316</b>	<b>-6,137</b>
<i>Other</i>				
Interest-bearing securities	-7,061	8,386	-5,250	6,142
<b>TOTAL</b>	<b>-7,061</b>	<b>8,386</b>	<b>-5,250</b>	<b>6,142</b>
<i>Hedge accounting at fair value</i>				
Hedging instruments	-2	-32	0	-2
Hedged item	2	30	0	2
<b>TOTAL</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-0</b>
Interest income compensation, loans valued at cost	15	51	1	7
Change in exchange rates	0	0	0	0
<b>TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE</b>	<b>86</b>	<b>185</b>	<b>67</b>	<b>12</b>

### Swedbank Hypotek AB

	Jan - Dec	Jan - Dec	Oct - Dec	Oct - Dec
SEKm	2007	2006	2007	2006
<b>Valuation category, Fair value through profit or loss</b>				
<i>Trading and derivatives</i>				
Interest-bearing securities	7,168	-8,207	5,308	-6,162
<b>TOTAL</b>	<b>7,168</b>	<b>-8,207</b>	<b>5,308</b>	<b>-6,162</b>
<i>Other</i>				
Interest-bearing securities	-7,061	8,386	-5,250	6,142
<b>TOTAL</b>	<b>-7,061</b>	<b>8,386</b>	<b>-5,250</b>	<b>6,142</b>
<i>Hedge accounting at fair value</i>				
Hedging instruments	-2	-32	0	-2
Hedged item	2	30	0	2
<b>TOTAL</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-0</b>
Interest income compensation, loans valued at cost	15	51	1	7
Change in exchange rates	0	0	0	0
<b>TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE</b>	<b>122</b>	<b>228</b>	<b>59</b>	<b>-13</b>



## 2 Loan losses, net

### Group

SEKm	Jan - Dec 2007	Jan - Dec 2006	Oct - Dec 2007	Okt - Dec 2006
<b>Loans assessed individually</b>				
The period's write-off for established loan losses	17	11	4	4
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established loan losses	-7	-6	0	-3
The period's provisions for anticipated loan losses	4	13	2	10
Recoveries from previous period's established loan losses	-33	-3	0	-1
Recovered provisions for anticipated loan losses	-7	-17	0	-8
<b>THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY</b>	<b>-26</b>	<b>-2</b>	<b>6</b>	<b>2</b>
<b>Collective provisions for loans assessed individually</b>				
Allocation to/withdrawal from collective provisions	-32	-16	4	-24
<b>Collectively assessed homogenous groups of loans with limited value and similar credit risk</b>				
The period's write-off for established loan losses	6	10	2	2
Recoveries from previous period's established loan losses	0	-1	0	-1
Allocation to/ withdrawal from loan loss reserve	10	1	7	1
<b>THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS</b>	<b>15</b>	<b>10</b>	<b>8</b>	<b>2</b>
<b>THE PERIOD'S NET LOAN LOSS EXPENSE</b>	<b>-43</b>	<b>-8</b>	<b>18</b>	<b>-20</b>
<b>Loan losses distributed by valuation category</b>				
Loans and receivables	-9	-2	3	-5
Fair value through profit or loss	-34	-6	15	-15
<b>TOTAL</b>	<b>-43</b>	<b>-8</b>	<b>18</b>	<b>-20</b>

### Swedbank Mortgage AB

SEKm	Jan - Dec 2007	Jan - Dec 2006	Oct - Dec 2007	Okt - Dec 2006
<b>Loans assessed individually</b>				
The year's write-off for established loan losses	16	10	3	3
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established loan losses	-7	-6	0	-3
The period's provisions for anticipated loan losses	4	13	2	10
Recoveries from previous years' established loan losses	-33	-3	0	
Recovered provisions for anticipated loan losses	-7	-16	0	-8
<b>THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY</b>	<b>-27</b>	<b>-2</b>	<b>5</b>	<b>2</b>
<b>Collective provisions for loans assessed individually</b>				
Allocation to/withdrawal from collective provisions	-32	-16	4	-24
<b>Collectively assessed homogenous groups of loans with limited value and similar credit risk</b>				
The period's write-off for established loan losses	6	10	2	2
Recoveries from previous period's established loan losses	0	-1	0	-1
Allocation to/ withdrawal from loan loss reserve	10	1	7	1
<b>THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS</b>	<b>15</b>	<b>10</b>	<b>8</b>	<b>2</b>
<b>THE PERIOD'S NET LOAN LOSS EXPENSE</b>	<b>-44</b>	<b>-8</b>	<b>17</b>	<b>-20</b>
<b>Loan losses distributed by valuation category</b>				
Loans and receivables	-9	-2	3	-5
Fair value through profit or loss	-35	-6	14	-15
<b>TOTAL</b>	<b>-44</b>	<b>-8</b>	<b>17</b>	<b>-20</b>

### 3 Loans to credit institutions and loans to the public

SEKm	Group		Swedbank Mortgage AB	
	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006
Book value (before accounting for provisions)	627,553	557,825	623,526	553,911
Specific provisions for individually assessed loans	-25	-35	-24	-34
Collective provisions for loans assessed individually	-28	-60	-28	-60
Provisions for collectively valued homogenous groups of loans with limited value and similar credit risk	-29	-19	-29	-19
<b>TOTAL PROVISIONS</b>	<b>-82</b>	<b>-114</b>	<b>-81</b>	<b>-113</b>
<b>BOOK VALUE</b>	<b>627,471</b>	<b>557,711</b>	<b>623,445</b>	<b>553,798</b>
of which valuation category Loans and receivables	184,549	154,225	212,170	180,439
of which valuation category Fair value through profit or loss, other	442,922	403,486	411,275	373,359
Book value of impaired loans	57	55	54	73
Total provision ratio for impaired loans, %	73.9	104.4	75.3	107.0
Provision ratio for individually identified impaired loans, %	48.9	49.9	49.4	50.4
Impaired loans as % of total lending, %	0.01	0.01	0.01	0.01

#### Specification: Loans and receivables

Group	Book value before provisions	Specific provisions for individually assessed loans	Collective provisions for individually assessed loans	Provisions for collectively assessed homogenous groups	Book value of loans after provisions	Book value of impaired loans
Private individuals	461,274	-5		-29	461,240	39
Real estate management	86,165	-19	-28		86,118	16
Other corporate lending	7,876	-1			7,875	2
Municipalities	5,400				5,400	
<b>TOTAL</b>	<b>560,715</b>	<b>-25</b>	<b>-28</b>	<b>-29</b>	<b>560,633</b>	<b>57</b>
Credit institutions	66,838				66,838	
<b>TOTAL LOANS TO CREDIT INSTITUTIONS AND PUBLIC</b>	<b>627,553</b>	<b>-25</b>	<b>-28</b>	<b>-29</b>	<b>627,471</b>	<b>57</b>

### 4 Specification of derivatives in the Group as of December 31, 2007

Swedbank Mortgage trades in derivatives for the purpose of hedging certain positions with regard to the value of interest rates and foreign currencies. The following table is prepared in accordance with the directives of the Swedish Financial Supervisory Authority and includes all derivatives in the Group.

SEKm	Interest rate-related	Currency-related	Total
Derivatives with positive values	1,948	4,086	6,034
Derivatives with negative values	1,588	3,020	4,608
Nominal amount	219,363	223,965	443,328

## 5 Assets pledged, contingent liabilities and commitments

SEK m	Group		Swedbank Hypotek AB	
	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006
Contingent liabilities				
Loan guarantees	1,132	1,172	1,132	1,172
Assets pledged				
Securities pledged for other liabilities		99		99
Commitments, nominal amounts				
Letters of credit granted but not utilized	11,620	6,756	11,232	6,294
<b>TOTAL</b>	<b>12,752</b>	<b>8,027</b>	<b>12,364</b>	<b>7,565</b>

## 6 Related parties

The following headings in the balance sheet and income statement include transactions with Swedbank AB in the amounts specified.

SEK m	Group		Swedbank Hypotek AB	
	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006
Assets				
Loans to credit institutions	66,233	43,028	65,627	42,777
Derivatives	2,051	206	2,051	206
Other assets	22	10	21	10
Prepaid expenses and accrued income	38		38	
<b>TOTAL</b>	<b>68,344</b>	<b>43,244</b>	<b>67,737</b>	<b>42,993</b>
Liabilities				
Amounts owed to credit institutions	124,637	99,219	124,637	99,219
Debt securities in issue	27,582	12,339	27,582	12,339
Derivatives	1,559	1,557	1,559	1,557
Other assets	3,600		3,600	
Accrued expenses and prepaid income	6,438	4,387	6,435	4,387
<b>TOTAL</b>	<b>163,816</b>	<b>117,502</b>	<b>163,813</b>	<b>117,502</b>
Income statement				
Interest income	2,341	1,258	2,334	1,256
Interest expenses	-4,270	-3,087	-4,270	-3,087
Net gains and losses on financial items at fair value	1,957	1,029	1,957	1,029
Commission expenses	-33	-30	-30	-30
General administrative expenses	145	6	145	6
<b>TOTAL</b>	<b>-150</b>	<b>-836</b>	<b>-154</b>	<b>-838</b>

## 7 Capital adequacy

For Swedbank Mortgage the new capital adequacy rules mean that the minimum capital requirement for credit risks now, with the permission of the Financial Supervisory Authority, will be based on an internal risk measurement according to the Internal Ratings Based Approach ("IRB") established by Swedbank. For a small portion of lending the capital requirement for credit risks is calculated according to the older rules. In addition, a special capital requirement for operational risks has been added, which the company, with the approval of the Swedish Financial Supervisory Authority, has chosen to calculate with the help of the standardized method.

Special transitional rules that apply during a transitional period through 2009 gradually reduce the capital requirement owing to the new rules. The transitional rules mean that the minimum capital requirement in 2007 may not be less than 95 percent of the capital requirement calculated according to the older rules, which for 2008 and 2009 corresponds to a floor of 90 percent and 80 percent, respectively.

The financial companies group Swedbank Mortgage comprises Swedbank Mortgage AB and Swedbank Jordbrukskredit AB.

Financial companies group	According to older rules		
	Dec 31 2007	Dec 31 2007	Dec 31 2006
<b>SEKm</b>			
Tier 1 capital	24,705	24,916	24,684
Supplementary capital	2,177	2,201	2,139
<b>Capital base</b>	<b>26,882</b>	<b>27,117</b>	<b>26,823</b>
<b>Risk-weighted assets</b>	<b>54,923</b>	<b>322,909</b>	<b>288,169</b>
Capital requirement for credit risks, older rules		25,833	23,054
Capital requirement for credit risks, IRB	3,862		
Capital requirement for operational risks	532		
<b>Capital requirement</b>	<b>4,394</b>	<b>25,833</b>	<b>23,054</b>
Supplement during transition period	19,724		
<b>Capital requirement including supplement</b>	<b>24,118</b>	<b>25,833</b>	<b>23,054</b>
Tier 1 capital ratio, % excluding supplement	45.0	7.7	8.6
Capital adequacy ratio, % excluding supplement	48.9	8.4	9.3
Capital base in relation to capital requirement excluding supplement	6.12	1.05	1.16
Tier 1 capital ratio, % including supplement	8.2		
Capital adequacy ratio, % including supplement	8.9		
Capital base in relation to capital requirement including supplement	1.11		

### Swedbank Mortgage 's ratings

	S&P	Moody's	Fitch
Long-term		Aa1	AA-
Short-term	A-1	P-1	F1+

### **The signatures of the Board of Directors and the President**

The Board of Directors and the President assure that the interim report for the year 2007 provides a fair and accurate overview of the operations, financial position and results of the parent company and the group, and that it describes the significant risks and uncertainties faced by the parent company and the companies in the group.

Stockholm 6 February 2008

Jan Lidén  
Chairman

Kjell Hedman  
Deputy Chairman

Jan Lilja  
President

Lars Ljungälv

Ingvar Svensson

Ragnar Udin

### **Review Report of interim financial information**

For further information, please contact

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## **Swedbank Mortgage AB (publ)**

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