

# Swedbank Mortgage

## Interim report

January - June 2008

Stockholm July 17, 2008



- Net interest income increased by SEK 85m compared to the previous quarter and amounted to SEK 1,829m
- Loans to the public increased during the quarter by a nominal amount of SEK 9.4bn to SEK 573.3bn
- Credit risk in the portfolio remains very low

All amounts within parentheses refer to the corresponding period previous year.

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 the first half year amounted to SEK 1,613m (2,010). The net interest income was SEK 85m higher than the previous quarter and amounted to SEK 1,829m (2,091). The net interest income was SEK 262m lower than the corresponding period previous year, which is explained by high price competition in the market during the last year and Swedbank Mortgage's decision to maintain extra liquidity due to the turbulence in the financial markets, which has resulted in a higher cost of liquidity. During the second quarter margins on new lending have been settled at higher levels than the previous four quarters. The net gains and losses on financial items at fair value have increased by SEK 50m compared to the previous quarter.

### Lending

As per June 30, 2008 Swedbank Mortgage's loans to the public amounted to SEK 573,260m (535,094), of which the change in the market value of the loans accounted for SEK -8,465m (-4,662). The increase in volume reflects the lower activity which has characterized the market in the recent months and

amounted to SEK 16,789m (28,099) for the first half year. The statistics for prime mortgages has changed. Now the lending from both banks and mortgage institutions are included in the selection. Previous statistics only included lending from mortgage institutions. Swedbank Mortgage's total market share of prime mortgages was approximately 28 percent (29) as per May 31, 2008.

### Covered bonds

On April 21, 2008 Swedbank Mortgage converted to covered bonds as its primary funding source. The transition took place through a conversion of outstanding long-term funding to covered bonds with a AAA rating from Standard and Poor's and Aaa rating from Moody's. The first international covered bond of one billion Euro was issued 31 May 2008.

### Expenses and loan losses

Commission expenses, which are paid to the savings banks and partly owned banks, amounted to SEK 235m (259). Operating expenses amounted to SEK 26m (32).

Credit risk in the portfolio remains very low. Recoveries from previous provisions exceeded new losses and provisions, due to which net loan losses for the period are positive and amounted to SEK 10m (60). Provisions for anticipated loan losses amounted to SEK 69m (77) as per June 30, 2008. Loan losses and loans are further specified in notes 2 and 3.

### Capital adequacy

New rules on capital adequacy and large exposures, Basel 2, were introduced in 2007. Transitional rules apply in 2008 and 2009, after which Basel 2 will take full effect from 2010. For Swedbank Mortgage, the new rules mean lower capital requirements since the

mortgage area is characterized by low risk. According to the new rules, the capital requirement according to Pillar 1, excluding the supplement for the transitional rules, amounted to SEK 4,405m as per June 30, 2008, compared with SEK 26,697m according to the old rules. This corresponds to a capital adequacy ratio, excluding the supplement for the transitional rules, of 46.6 percent, which can be compared to 8.7 percent including the supplement for the transitional rules.

According to the new rules and current transitional rules, the total capital adequacy quotient amounted to 1.09 as per June 30, 2008 (1.11 as per December 31, 2007) and the capital adequacy ratio was 8.7 percent (8.9 as per December 31, 2007), of which the tier 1 capital ratio was 8.7 percent (8.2 on December 31, 2007).

A specification of capital adequacy is provided in note 7.

#### **Interest rate risk**

An increase in market interest rates of one percentage point as per June 30, 2008 would have reduced the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, net by approximately SEK 376m (537).

A one percentage point increase in market interest rates would have reduced Swedbank Mortgage's net gains and losses on financial items at fair value by SEK 59m (1) as per June 30, 2008 for financial instruments measured at fair value.

#### **Risks and uncertainties**

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

In addition to what is stated in this interim report, a description of the company's risks is provided in the annual report for 2007. 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 interim report for the group has been prepared in accordance with IAS 34 Interim Financial Reporting. 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 (replaced by the Financial Reporting Council as per April 1, 2007). The accounting policies agree with those applied in the annual report for 2007.

#### **Financial reporting**

Swedbank Mortgage's interim report for the third quarter 2008 will be released on October 23.

# The Group - Key Financial highlights 2004 - 2008

	June 30 2008	June 30 2007	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004 *
<b>Lending</b>						
Loans to the public, SEKm	573 260	535 094	560 633	510 479	472 058	428 628
<b>Profitability</b>						
Operating profit, SEKm	1 613	2 010	3 828	3 759	4 815	4 602
Investment margin **, %	0,60	0,70	0,67	0,75	0,98	1,11
Return on equity, %	9,1	11,4	10,6	11,5	17,1	17,0
Earnings per share, SEK	50,48	62,91	119,70	117,65	150,74	144,04
<b>Capital</b>						
Capital base, SEKm	25 639	28 051	26 882	26 823	26 116	23 673
Equity, SEKm	26 093	26 218	24 932	24 771	22 065	18 840
Number of shares at beginning/end of period, SEKm	23	23	23	23	23	23
Equity per share, SEK	1 134,48	1 139,91	1 084,00	1 077,00	959,35	819,13
Total capital adequacy quotient ***	1,09	1,24	1,11			
Capital adequacy ratio, % ***	8,7	9,9	8,9	9,3	10,1	10,3
Tier 1 Capital ratio, % ***	8,7	9,2	8,2	8,6	8,5	8,2
<b>Credit quality</b>						
Loan losses, SEKm	-10	-60	-43	-8	-18	-46
Loan loss level, %	-0,00	-0,02	-0,01	-0,00	-0,00	-0,01
Provision ratio for impaired laons, %	45,5	72,5	73,9	104,4	96,6	73,3
Share of impaired loans, according to loans to the public, %	0,02	0,01	0,01	0,01	0,02	0,04

\* According to previously applied accounting policies.

\*\* From 2008 the investment margin is calculated as an average over 12 months. Previously calculated as an average for the report period.

\*\*\* Since 2007, capital ratios are calculated according to FFFS 2007:1 (Basel 2).

# Income statement

## Group

SEKm	Note	Jan-June 2008	Jan-June 2007	Change %	April-June 2008	April-June 2007	Change %
Interest income		15 396	11 970	29	7 867	6 199	27
Interest expenses		-13 567	-9 879	37	-6 910	-5 164	34
<b>Net interest income</b>		<b>1 829</b>	<b>2 091</b>	<b>-13</b>	<b>957</b>	<b>1 035</b>	<b>-8</b>
Commission income		28	16	75	14	9	56
Commission expenses		-247	-275	-10	-119	-139	-14
<b>Net commission income</b>		<b>-219</b>	<b>-259</b>	<b>-15</b>	<b>-105</b>	<b>-130</b>	<b>19</b>
Net gains and losses on financial items at fair value	1	13	145	-91	32	48	-33
Other operating income		6	5	20	3	2	
<b>Total income</b>		<b>1 629</b>	<b>1 982</b>	<b>-18</b>	<b>887</b>	<b>955</b>	<b>-7</b>
Staff costs		5	9	-44	3	5	-40
Other general administrative expenses		14	16	-13	7	6	17
<b>Total administrative expenses</b>		<b>19</b>	<b>25</b>	<b>-24</b>	<b>10</b>	<b>11</b>	<b>-9</b>
Depreciation/amortization of tangible and intangible fixed assets		7	7		4	4	
<b>Total expenses</b>		<b>26</b>	<b>32</b>	<b>-19</b>	<b>14</b>	<b>15</b>	<b>-7</b>
<b>Profit before loan losses</b>		<b>1 603</b>	<b>1 950</b>	<b>-18</b>	<b>873</b>	<b>940</b>	<b>-7</b>
Loan losses, net	2	-10	-60	-83	-4	-30	-87
<b>Operating profit</b>		<b>1 613</b>	<b>2 010</b>	<b>-20</b>	<b>877</b>	<b>970</b>	<b>-10</b>
Tax expense		452	563	-20	246	271	-10
<b>Profit for the period</b>		<b>1 161</b>	<b>1 447</b>	<b>-20</b>	<b>631</b>	<b>699</b>	<b>-10</b>
Earnings per share, before and after dilution, SEK		50,48	62,91		27,43	30,39	

## Swedbank Mortgage AB

SEKm	Note	Jan-June 2008	Jan-June 2007	Change %	April-June 2008	April-June 2007	Change %
Interest income		15 241	11 801	29	7 803	6 109	28
Interest expenses		-13 550	-9 872	37	-6 914	-5 160	34
<b>Net interest income</b>		<b>1 691</b>	<b>1 929</b>	<b>-12</b>	<b>889</b>	<b>949</b>	<b>-6</b>
Commission income		24	12		12	7	71
Commission expenses		-223	-244	-9	-108	-125	-14
<b>Net commission income</b>		<b>-199</b>	<b>-232</b>	<b>-14</b>	<b>-96</b>	<b>-118</b>	<b>-19</b>
Net gains and losses on financial items at fair value	1	89	187	-52	103	77	34
Other operating income		6	4	50	3	3	
<b>Total income</b>		<b>1 587</b>	<b>1 888</b>	<b>-16</b>	<b>899</b>	<b>911</b>	<b>-1</b>
Staff costs		4	8	-50	2	5	-60
Other general administrative expenses		14	15	-7	7	5	40
<b>Total administrative expenses</b>		<b>18</b>	<b>23</b>	<b>-22</b>	<b>9</b>	<b>10</b>	<b>-10</b>
Depreciation/amortization of tangible and intangible fixed assets		0	0		0	0	
<b>Total expenses</b>		<b>18</b>	<b>23</b>	<b>-22</b>	<b>9</b>	<b>10</b>	<b>-10</b>
<b>Profit before loan losses</b>		<b>1 569</b>	<b>1 865</b>	<b>-16</b>	<b>890</b>	<b>901</b>	<b>-1</b>
Loan losses, net	2	-10	-60	-83	-4	-30	87
<b>Operating profit</b>		<b>1 579</b>	<b>1 925</b>	<b>-18</b>	<b>894</b>	<b>931</b>	<b>-4</b>
Tax expense		442	539	-18	250	260	-4
<b>Profit for the period</b>		<b>1 137</b>	<b>1 386</b>	<b>-18</b>	<b>644</b>	<b>671</b>	<b>-4</b>

# Balance sheet

SEKm	Note	Group			Swedbank Mortgage AB		
		June 30 2008	June 30 2007	Dec 31 2007	June 30 2008	June 30 2007	Dec 31 2007
<b>Assets</b>							
Treasury bills eligible for refinancing with central banks		99			99		
Loans to credit institutions	3	72 580	47 577	66 838	104 615	77 527	98 281
Loans to the public	3	573 260	535 094	560 633	537 291	501 170	525 164
Derivatives	4	5 966	4 031	6 034	5 966	4 027	6 030
Other assets		6 713	7 542	5 430	8 621	9 481	7 403
<b>Total assets</b>		<b>658 618</b>	<b>594 244</b>	<b>638 935</b>	<b>656 592</b>	<b>592 205</b>	<b>636 878</b>
<b>Liabilities and equity</b>							
<b>Liabilities</b>							
Amount owed to credit institutions		109 211	107 813	125 006	173 217	107 813	125 006
Debt securities in issue		505 399	445 465	464 064	440 270	444 342	462 919
Derivatives	4	5 194	5 412	4 608	5 198	5 382	4 616
Other liabilities		12 721	6 979	17 936	12 690	6 860	17 868
Subordinated liabilities			2 357	2 389		2 357	2 389
<b>Total liabilities</b>		<b>632 525</b>	<b>568 026</b>	<b>614 003</b>	<b>631 375</b>	<b>566 754</b>	<b>612 798</b>
<b>Equity</b>		<b>26 093</b>	<b>26 218</b>	<b>24 932</b>	<b>25 217</b>	<b>25 451</b>	<b>24 080</b>
<b>Total liabilities and equity</b>		<b>658 618</b>	<b>594 244</b>	<b>638 935</b>	<b>656 592</b>	<b>592 205</b>	<b>636 878</b>

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

Group	June 30 2008	June 30 2007	Dec 31 2007
<b>Assets</b>			
Treasury bills eligible for refinancing with central banks	99		
valuation category, Fair value through profit or loss, trading	99		
Loans to credit institutions	72 580	47 577	66 838
valuation category, Loans and receivables	72 580	47 577	66 838
Loans to the public	573 260	535 094	560 633
valuation category, Loans and receivables	143 968	109 675	117 711
valuation category, Fair value through profit or loss, other	429 292	425 419	442 922
Derivatives	5 966	4 031	6 034
valuation category, Fair value through profit or loss, trading and derivatives	5 966	4 031	6 034
<b>Skulder</b>			
Amount owed to credit institutions	109 211	107 813	125 006
valuation category, Other financial liabilities	40 500	95 840	114 552
valuation category, Fair value through profit or loss, other	68 711	11 973	10 454
Debt securities in issue	505 399	445 465	464 064
valuation category, Other financial liabilities	65 352		
valuation category, Fair value through profit or loss, other	440 047	445 465	464 064
Derivatives	5 194	5 412	4 608
valuation category, Fair value through profit or loss, trading and derivatives	5 194	5 412	4 608
Subordinated liabilities		2 357	2 389
valuation category, Other financial liabilities		2 357	2 389
changes in value according to hedge accounting		0	0

# Cash flow statement

SEKm	Group			Swedbank Mortgage AB		
	Jan-June 2008	Jan-June 2007	Jan-Dec 2007	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Cash and cash equivalents at beginning of period *	22 572	900	900	21 778	461	461
Cash flow from operating activities	-28 617	-22 885	-18 213	-29 119	-23 045	-18 568
Cash flow from financing activities	35 527	25 429	39 885	35 527	25 429	39 885
<b>Cash flow for the period</b>	<b>6 910</b>	<b>2 544</b>	<b>21 672</b>	<b>6 408</b>	<b>2 384</b>	<b>21 317</b>
Cash and cash equivalents at end of period *	29 482	3 444	22 572	28 186	2 845	21 778

\* of which securities for OMX AB

at beginning of period		99	99		99	99
at end of period	99			99		

# Statement of changes in equity

## Group

SEKm	Equity attributable to shareholders of Swedbank Mortgage AB		
	Capital contributions	Other equity	Total equity
Opening balance Januari 1, 2007	13 900	10 871	24 771
Profit for the period		1 447	1 447
<b>Closing balance June 30, 2007</b>	<b>13 900</b>	<b>12 318</b>	<b>26 218</b>
Opening balance Januari 1, 2008	13 900	11 032	24 932
Profit for the period		1 161	1 161
<b>Closing balance June 30, 2008</b>	<b>13 900</b>	<b>12 193</b>	<b>26 093</b>

## Swedbank Mortgage AB

SEKm	Non-		Total equity
	Restricted equity	restricted equity	
Opening balance Januari 1, 2007	14 600	9 465	24 065
Profit for the period		1 386	1 386
<b>Closing balance June 30, 2007</b>	<b>14 600</b>	<b>10 851</b>	<b>25 451</b>
of which conditional shareholders' contributions		2 400	2 400
Opening balance Januari 1, 2007	14 600	9 465	24 065
Group contribution		-3 600	-3 600
Tax due to Group contribution		1 008	1 008
Profit for the period		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
Opening balance Januari 1, 2008	14 600	9 480	24 080
Profit for the period		1 137	1 137
<b>Closing balance June 30, 2008</b>	<b>14 600</b>	<b>10 617</b>	<b>25 217</b>
of which conditional shareholders' contributions		2 400	2 400

# Notes

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

### Group

SEKm	Jan-June 2008	Jan-June 2007	April-June 2008	April-June 2007
<b>Valuation category, Fair value through profit or loss</b>				
<i>Trading and derivatives</i>				
Interest-bearing securities	-446	4 662	6 449	-1 987
<i>Other</i>				
Interest-bearing securities	454	-4 528	-6 419	2 030
<b>Total</b>	<b>8</b>	<b>134</b>	<b>30</b>	<b>43</b>
<b>Interest income compensation, loans valued at cost</b>	<b>5</b>	<b>11</b>	<b>2</b>	<b>5</b>
<b>Change in exchange rates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13</b>	<b>145</b>	<b>32</b>	<b>48</b>

### Swedbank Mortgage AB

SEKm	Jan-June 2008	Jan-June 2007	April-June 2008	April-June 2007
<b>Valuation category, Fair value through profit or loss</b>				
<i>Trading and derivatives</i>				
Interest-bearing securities	-370	4 705	6 520	-1 957
<i>Other</i>				
Interest-bearing securities	454	-4 528	-6 419	2 030
<b>Total</b>	<b>84</b>	<b>177</b>	<b>101</b>	<b>73</b>
<b>Interest income compensation, loans valued at cost</b>	<b>5</b>	<b>10</b>	<b>2</b>	<b>4</b>
<b>Change in exchange rates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>89</b>	<b>187</b>	<b>103</b>	<b>77</b>

## Note 2 Loan losses, net

### Group

SEKm	Jan-June 2008	Jan-June 2007	April-June 2008	April-June 2007
<b>Loans assessed individually</b>				
The period's write-off for established loan losses	2	6	2	2
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	0	-5	0	-3
The period's provisions for anticipated loan losses	8	6	7	6
Recoveries from previous year's established loan losses	-1	-32	-1	-27
Recovered provisions for anticipated loan losses	-6	-5		-1
<b>The period's net expense for loans assessed individually</b>	<b>2</b>	<b>-30</b>	<b>7</b>	<b>-23</b>
<b>Collective provisions for loans assessed individually</b>				
Allocation to/withdrawal from collective provisions	-17	-36	-15	-12
<b>The period's net expense for collective provisions for loans assessed individually</b>	<b>-17</b>	<b>-36</b>	<b>-15</b>	<b>-12</b>
<b>Collectively assessed homogenous groups of loans with limited value and similar credit risk</b>				
The period's write-off for established loan losses	3	3	2	1
Recoveries from previous year's established loan losses	-1	0	-1	0
Allocations to/withdrawal from loan loss reserve	3	3	3	4
<b>The period's net expense for collectively assessed loans</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>5</b>
<b>The period's net loan loss expense</b>	<b>-10</b>	<b>-60</b>	<b>-4</b>	<b>-30</b>
<b>Loan losses distributed by valuation category</b>				
Loans and receivables	-3	-12	-2	-5
Fair value through profit or loss	-7	-48	-2	-25
<b>Total</b>	<b>-10</b>	<b>-60</b>	<b>-4</b>	<b>-30</b>

The loan losses refer to the borrower category general public.

### Swedbank Mortgage AB

SEKm	Jan-June 2008	Jan-June 2007	April-June 2008	April-June 2007
<b>Loans assessed individually</b>				
The period's write-off for established loan losses	2	6	2	2
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	0	-5	0	-3
The period's provisions for anticipated loan losses	7	6	7	6
Recoveries from previous year's established loan losses	-1	-32	-1	-27
Recovered provisions for anticipated loan losses	-5	-5		-1
<b>The period's net expense for loans assessed individually</b>	<b>2</b>	<b>-30</b>	<b>8</b>	<b>-23</b>
<b>Collective provisions for loans assessed individually</b>				
Allocation to/withdrawal from collective provisions	-17	-36	-15	-12
<b>The period's net expense for collective provisions for loans assessed individually</b>	<b>-17</b>	<b>-36</b>	<b>-15</b>	<b>-12</b>
<b>Collectively assessed homogenous groups of loans with limited value and similar credit risk</b>				
The period's write-off for established loan losses	3	3	2	1
Recoveries from previous year's established loan losses	-1	0	-1	0
Allocations to/withdrawal from loan loss reserve	3	3	3	4
<b>The period's net expense for collectively assessed loans</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>5</b>
<b>The period's net loan loss expense</b>	<b>-10</b>	<b>-60</b>	<b>-4</b>	<b>-30</b>
<b>Loan losses distributed by valuation category</b>				
Loans and receivables	-3	-12	-2	-6
Fair value through profit or loss	-7	-48	-2	-24
<b>Total</b>	<b>-10</b>	<b>-60</b>	<b>-4</b>	<b>-30</b>

The loan losses refer to the borrower category general public.



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

SEKm	Group			Swedbank Mortgage AB		
	June 30 2008	June 30 2007	Dec 31 2007	June 30 2008	June 30 2007	Dec 31 2007
Book value before accounting for provisions	645 909	582 748	627 553	641 973	578 773	623 526
Specific provisions for individually assessed loans	-26	-32	-25	-24	-31	-24
Collective provisions for loans assessed individually	-11	-23	-28	-11	-23	-28
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-32	-22	-29	-32	-22	-29
<b>Total provisions</b>	<b>-69</b>	<b>-77</b>	<b>-82</b>	<b>-67</b>	<b>-76</b>	<b>-81</b>
<b>Book value</b>	<b>645 840</b>	<b>582 671</b>	<b>627 471</b>	<b>641 906</b>	<b>578 697</b>	<b>623 445</b>
Book value of impaired loans	94	52	57	91	50	54
Total provision ratio for impaired loans, %	45,5	72,5	73,9	45,8	73,9	75,3
Provision ratio for individually identified impaired loans, %	38,2	50,7	48,9	38,3	51,3	49,4
Share impaired loans, %	0,02	0,01	0,01	0,02	0,01	0,01

### Lending distributed by sector/branch

Group SEKm	Real estate		Other corporate lending	Munici- palities	Total loans to the public	Credit- institutions	Total lending
	Privat individuals	manage- ment					
<b>Book value before provisions</b>	<b>477 600</b>	<b>85 100</b>	<b>5 978</b>	<b>4 651</b>	<b>573 329</b>	<b>72 580</b>	<b>645 909</b>
Specific provisions for individually assessed loans	-1	-24	-1		-26		-26
Collective provisions for loans assessed individually		-11			-11		-11
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-32				-32		-32
<b>Book value after provisions</b>	<b>477 567</b>	<b>85 065</b>	<b>5 977</b>	<b>4 651</b>	<b>573 260</b>	<b>72 580</b>	<b>645 840</b>
Book value of impaired loans	60	31	3		94		94

### Note 4 Derivatives

Swedbank Mortgage trades in derivatives for the purpose of hedging certain positions with regard to the value of interest rates and foreign currencies.

Group SEKm	June 30, 2008			June 30, 2007		
	Interest rate	Foreign exchange	Total	Interest rate	Foreign exchange	Total
<b>Derivatives related to:</b>						
Derivatives with positive value	3116	2 850	<b>5 966</b>	1 905	2 126	<b>4 031</b>
Derivatives with negative value	2005	3 189	<b>5 194</b>	1 807	3 605	<b>5 412</b>
Nominal value	228 625	177 925	<b>406 550</b>	179 678	273 183	<b>452 861</b>

Credit derivatives with a book value of SEK 0m (0) and nominal value of SEK 6 521m (7 326).

## Note 5 Assets pledged, contingent liabilities and commitments

SEKm	Group			Swedbank Mortgage AB		
	June 30 2008	June 30 2007	Dec 31 2007	June 30 2008	June 30 2007	Dec 31 2007
<b>Contingent liabilities</b>						
Loan guarantees	1 346	1 150	1 132	1 346	1 150	1 132
<b>Assets pledged</b>						
Securities pledged for other liabilities	99			99		
<b>Commitments, nominal amounts</b>						
Letters of credit granted but not utilized	11 254	15 002	11 620	10 871	14 546	11 232
<b>Total</b>	<b>12 699</b>	<b>16 152</b>	<b>12 752</b>	<b>12 316</b>	<b>15 696</b>	<b>12 364</b>

## Note 6 Related parties

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

SEKm	Group			Swedbank Mortgage AB		
	June 30 2008	June 30 2007	Dec 31 2007	June 30 2008	June 30 2007	Dec 31 2007
<b>Assets</b>						
Loans to credit institutions	72 175	46 314	66 233	69 952	45 902	65 627
Derivatives	5 684	925	2 051	5 684	925	2 051
Other assets	12	10	22	12	10	21
Prepaid expenses and accrued income	2 690	6	38	2 690	6	38
<b>Total</b>	<b>80 561</b>	<b>47 255</b>	<b>68 344</b>	<b>78 338</b>	<b>46 843</b>	<b>67 737</b>
<b>Liabilities</b>						
Amounts owed to credit institutions	109 211	107 813	124 637	109 211	107 813	124 637
Debt securities in issue	111 574	11 997	27 582	111 574	11 997	27 582
Derivatives	4 036	999	1 559	4 036	999	1 559
Other assets	3 600	3	3 600	3 600	3	3 600
Accrued expenses and prepaid income	6 026	4 259	6 438	6 026	4 259	6 435
<b>Total</b>	<b>234 447</b>	<b>125 071</b>	<b>163 816</b>	<b>234 447</b>	<b>125 071</b>	<b>163 813</b>
<b>Income statement</b>						
Interest income	1 899	1 097	2 341	1 879	1 097	2 334
Interest expenses	-3 165	-1 824	-4 270	-3 165	-1 824	-4 270
Net gains and losses on financial items at fair value		1 313	1 957		1 313	1 957
Commission expenses	-4	-14	-33	-3	-14	-30
Other operating income			153			145
General administrative expenses	3	6	8	3	6	8
<b>Total</b>	<b>-1 273</b>	<b>566</b>	<b>140</b>	<b>-1 292</b>	<b>566</b>	<b>128</b>

## Note 7 Capital adequacy

For Swedbank Mortgage the Basel 2 capital adequacy rules mean that the minimum capital requirement for credit risks will be based, with the permission of the Financial Supervisory Authority, 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. The capital requirement for operational risks is calculated, with approval of the Swedish Financial Supervisory Authority, using the standardized method.

Special rules that apply during a transitional period through 2009 gradually reduce the capital requirement owing to the new rules. The transitional rules require that the minimum capital requirement in 2008 and 2009 may not fall below 90 percent and 80 percent, respectively, of the capital requirement calculated according to the older rules.

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

Financial companies group	According to older rules			
	June 30 2008	June 30 2008	June 30 2007	Dec 31 2007
<b>SEKm</b>				
Primary capital	25 639	25 897	25 945	24 705
Supplementary capital			2 106	2 177
<b>Capital base</b>	<b>25 639</b>	<b>25 897</b>	<b>28 051</b>	<b>26 882</b>
<b>Risk-weighted assets</b>	<b>55 063</b>	<b>333 713</b>	<b>70 765</b>	<b>54 923</b>
Capital requirement for credit risks, older rules		26 697		
Capital requirement for credit risks, IRB	3 904		5 129	3 862
Capital requirement for operational risks	501		532	532
<b>Capital requirement</b>	<b>4 405</b>	<b>26 697</b>	<b>5 661</b>	<b>4 394</b>
Supplement during transition period (95%)	19 177		17 016	19 724
<b>Capital requirement including supplement</b>	<b>23 582</b>	<b>26 697</b>	<b>22 677</b>	<b>24 118</b>
Tier 1 capital ratio, % excluding supplement	46,6	7,8	36,7	45,0
Capital adequacy ratio, % excluding supplement	46,6	7,8	39,6	48,9
Capital base in relation to capital requirement excluding supplement	5,82	0,97	4,95	6,12
Tier 1 capital ratio, % including supplement	8,7		9,2	8,2
Capital adequacy ratio, % including supplement	8,7		9,9	8,9
Capital base in relation to capital requirement including supplement	1,09		1,24	1,11

## Swedbank Mortgage's rating

	S&P	Moody's	Fitch
Covered bonds	AAA	Aaa	
Long-term		Aa2	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 period January 1, 2008 to June 30, 2008 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 July 17, 2008

Jan Lidén  
Chairman

Kjell Hedman  
Deputy Chairman

Jan Lilja  
President

Lars Ljungålv

Ingvar Svensson

Ragnar Udin

## Review Report of interim financial information

### Introduction

We have reviewed the interim report for the period January 1 to June 30, 2008, for Swedbank Mortgage AB (publ). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information for Swedbank Mortgage AB (publ) is not, in all material aspects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34.

Stockholm, July 17, 2008

Deloitte AB

Jan Larsson  
Authorized Public Accountant

## **Publication of financial information**

Swedbank Mortgage will publish financial results on the following dates in 2008:

Interim report for the third quarter on October 23

The year-end report for 2008 is scheduled to be published on February 12, 2009

## **For further information, please contact**

Jan Lilja, President and Chief Financial Officer

Phone +46 8 585 910 19

Pia Heldesjö, Head of Accounting

Phone +46 8 585 926 45

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

Corporate identification no 556003-3283

The Company has its registered office in Stockholm

Visiting address: Regeringsgatan 13

Postal address: 106 11 Stockholm

Telephone: +46 8 585 921 00

Telefax: +46 8 107 970

[www.swedbank.se/mortgage](http://www.swedbank.se/mortgage)