

Swedbank Mortgage

Year-end report

January - December 2006

Swedbank Mortgage

JANUARY – DECEMBER 2006 IN SUMMARY

(comparative figures refer to the corresponding period previous year)

- Lending increased by nominal SEK 43,074 million during the year (39,944) and amounted to SEK 511,646 million (468,572)
- Increased market shares for new lending
- Recoveries exceeded new loan losses

The Group, which changed its name to Swedbank Mortgage (in Swedish: Swedbank Hypotek) during the year, 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, municipal investments, and agricultural and forestry properties.

Profit

Operating profit for the year 2006 amounted to SEK 3,759 million (4,815). Volume growth has been strong and Swedbank Mortgage has strengthened its position within the sector for private homes. The market competition is continuously strong. Net interest income amounted to SEK 4,151 million (4,993). The return on equity was 11.5 percent (17.1).

Expenses and loan losses

Commission expenses have due to lower margins slightly decreased compared with the corresponding period previous year and amounted to SEK 565 million (574). A new agreement has been made, which favours an increase of the business exchange with the savings banks and partly owned banks.

Operating expenses are in line with the corresponding period previous year and amounted to SEK 66 million (66). Recoveries from previous years provisions exceeded new loan losses and provisions which is why loan losses net affected the result positively with SEK 8 million (18). Established loan losses amounted to SEK 21 million (47). Provisions for anticipated loan losses totaling SEK 114 million (139) as of December 31, 2006. Specifications of loan losses and loans are shown in Notes 2 and 3.

Lending and funding

Loans for private homes rose by nominal SEK 43,214 million during 2006 (36,372) and agricultural loans increased by SEK 2,561 million (2,918). Loans for commercial properties decreased by SEK 2,701 million (+654). The decrease is primarily due to a transfer of loans to Swedbank AB, driven by an increased demand for products provided by the parent company. Swedbank Mortgage's loans to the public amounted to SEK 510,479 million (472,058) as of December 31, 2006, of which the fair value changes on lending according to IFRS accounted for SEK -1,167 million (3,486).

Swedbank Mortgage's total market share was 30 percent (30) as of December 31, 2006. The share of new household lending rose to 32 percent during 2006 (25).

46 percent of the total funding has been raised from foreign money and capital markets. Swedbank Mortgage has decided to base its business on covered bonds and will apply to the Swedish Financial Supervisory Authority for such licence. After receiving a licence, the company has to utilize the licence within one year.

Capital adequacy

As of December 31, 2006 the capital adequacy ratio was 9.3 percent (10.1), of which the primary capital ratio was 8.6 percent (8.5).

Interest rate risk

An increase in market interest rates of one percent as of December 31, 2006 would have reduced the value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by approximately SEK 465 million (564).

A one-percent increase in market interest rates would have decreased net gains and losses on financial items at fair value by SEK 145 million (-8).

Accounting policies

The year-end report for the Group is prepared according to IAS 34 "Interim Financial Reporting", which means that it follows the same accounting principles as in the most recent annual report. Swedbank Mortgage changed accounting policies during 2005, according to the fair value option in IAS 39 which the EU approved in November 2005. The changes are due to use of the fair value option for delimited portfolios of lending and debt securities in issue. The restated Income statements and Balance sheets were published in the preliminary year-end report, and all comparable figures are restated in this report.

IFRS as it is included in the Annual Accounts Act, do not contain the fair value option. Therefore the Parent Company, with approval from the Financial Supervisory Authority, is following FFFS 2002:22 again in 2006.

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 at the beginning of April 2007.

Swedbank Mortgage Group – Key financial highlights 2002–2006

	2006	2005	2004*	2003**	2002**
Lending					
Loans to the public, SEK m.	510,479	472,058	428,628	398,752	367,645
Profitability					
Operating profit, SEK m.	3,759	4,815	4,602	4,255	3,839
Investment margin, %	0.75	0.98	1.11	1.17	1.22
Return on equity, %	11.5	17.1	17.0	16.5	15.9
Earnings per share, SEK	117.65	150.74	144.04	133.17	120.18
Capital					
Capital base, SEK m.	26,823	26,116	23,673	22,723	20,048
Equity, SEK m.	24,771	22,065	18,840	17,654	16,251
Number of shares at beginning/end of period, million	23	23	23	23	23
Equity per share, SEK	1,077.00	959.35	819.13	767.57	706.59
Capital adequacy ratio, %	9.3	10.1	10.3	11.0	10.8
Primary capital, %	8.6	8.5	8.2	8.5	8.8
Credit quality					
Loan losses, SEK m.	-8	-18	-46	18	129
Loan loss level, %	-0.00	-0.00	-0.01	0.005	0.04
Provision ratio for impaired loans, %	104.4	96.6	73.3	70.2	73.4
Share of impaired loans, according to loans to the public, %	0.01	0.02	0.04	0.04	0.04

* Prepared according to IFRS, but is not restated according to IAS39

** According to previously applied accounting principles.

Income statement

Group, according to IFRS

SEK million	Note	Jan - Dec 2006	Jan - Dec 2005	Change %	Oct - Dec 2006	Oct - Dec 2005	Change %
Interest income		20,121	19,176	5	5,384	4,562	18
Interest expenses		-15,970	-14,183	13	-4,310	-3,384	27
NET INTEREST INCOME		4,151	4,993	-17	1,074	1,178	-9
Commission income		31	32	-3	8	8	0
Commission expenses		-565	-574	-2	-156	-163	-4
NET COMMISSION INCOME		-534	-542	-1	-148	-155	-5
Net gains and losses on financial items at fair value	1	185	397	-53	12	86	-
Other operating income		15	15	0	4	4	0
TOTAL INCOME		3,817	4,863	-22	942	1,113	-15
Staff costs		-17	-20	-15	-4	-4	0
Other general administrative expenses		-31	-39	-21	-10	-5	100
TOTAL ADMINISTRATIVE EXPENSES		-48	-59	-19	-14	-9	56
Depreciation/amortization and impairment of tangible and intangible fixed assets		-18	-7	-	-5	-2	-
TOTAL EXPENSES		-66	-66	0	-19	-11	73
PROFIT BEFORE LOAN LOSSES		3,751	4,797	-22	923	1,102	-16
Loan losses, net	2	8	18	-56	20	13	54
OPERATING PROFIT		3,759	4,815	-22	943	1,115	-15
Tax expense		-1,053	-1,348	-22	-265	-312	-15
PROFIT FOR THE PERIOD		2,706	3,467	-22	678	803	-16
Earnings per share, before and after dilution, SEK		117.65	150.74		29.48	34.91	

Swedbank Mortgage AB, according to ÅRKL

SEK million	Note	Jan - Dec 2006	Jan - Dec 2005	Change %	Oct - Dec 2006	Oct - Dec 2005	Change %
Interest income		20,218	19,215	5	5,406	4,607	17
Interest expenses		-16,042	-14,534	10	-4,326	-3,458	25
NET INTEREST INCOME		4,176	4,681	-11	1,080	1,149	-6
Commission income		23	25	-8	6	6	0
Commission expenses		-507	-517	-2	-142	-150	-5
NET COMMISSIONS INCOME		-484	-492	-2	-136	-144	-6
Net gains and losses on financial items at fair value	1	-8	3	-	0	-4	-
Other operating income		14	14	0	4	4	0
TOTAL INCOME		3,698	4,206	-12	948	1,005	-6
Staff costs		-15	-19	-21	-3	-4	-25
Other general administrative expenses		-38	-66	-42	-9	-14	-36
TOTAL ADMINISTRATIVE EXPENSES		-53	-85	-38	-12	-18	-33
Depreciation/amortization and impairment of tangible and intangible fixed assets		-7	-7	0	-2	-2	-
TOTAL EXPENSES		-60	-92	-35	-14	-20	-30
PROFIT BEFORE LOAN LOSSES		3,638	4,114	-12	934	985	-5
Loan losses, net	2	8	18	-56	20	12	67
OPERATING PROFIT		3,646	4,132	-12	954	997	-4
Tax expense		-1,021	-1,157	-12	-267	-279	-4
PROFIT FOR THE PERIOD		2,625	2,975	-12	687	718	-4

Balance sheet

SEK million	Note	According to IFRS		According to ARKL	
		Group		Swedbank Mortgage AB	
		Dec 31 2006	Dec 31 2005	Dec 31 2006	Dec 31 2005
Assets					
Treasury bills eligible for refinancing with central banks		99	100	99	100
Loans to credit institutions	3	47,232	35,921	76,227	62,417
Loans to the public	3	510,479	472,058	478,764	438,250
Derivatives	4	2,537	7,997	2,656	1,692
Other assets		7,059	2,760	8,853	4,685
TOTAL ASSETS		567,406	518,836	566,599	507,144
Liabilities and equity					
Liabilities					
Amount owed to credit institutions		99,238	79,472	99,626	79,414
Debt securities in issue		421,647	398,375	426,268	390,207
Derivatives	4	8,109	5,462	2,374	1,845
Other liabilities		11,313	9,222	11,723	9,834
Subordinated liabilities		2,328	4,240	2,338	4,199
TOTAL LIABILITIES		542,635	496,771	542,329	485,499
Equity					
Shareholders' equity		24,771	22,065	24,270	21,645
TOTAL EQUITY		24,771	22,065	24,270	21,645
TOTAL LIABILITIES AND EQUITY		567,406	518,836	566,599	507,144

Financial instruments distributed by valuation category according to IAS 39

SEK million	Dec 31, 2006	Dec 31, 2005
Assets		
Treasury bills and other bills eligible for refinancing with central banks	99	100
valuation category, Fair value through profit or loss, trading	99	100
Loans to credit institutions	47,232	35,921
valuation category, Loans and receivables	47,232	35,921
Loans to the public	510,479	472,058
valuation category, Loans and receivables	106,994	104,427
valuation category, Fair value through profit or loss	403,485	367,631
Liabilities		
Amount owed to credit institutions	99,238	79,472
valuation category, Other financial liabilities	92,376	77,085
valuation category, Fair value through profit or loss, other	6,862	2,387
Debt securities in issue	421,648	398,375
valuation category, Fair value through profit or loss, other	421,648	398,375
Subordinated liabilities	2,328	4,240
valuation category, Other financial liabilities	2,328	4,208
changes in the value according to hedge accounting	2	32

Cash flow statement

SEK million	Group		Swedbank Mortgage AB	
	Jan - Dec 2006	Jan - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Cash and cash equivalents at beginning of period*	6,547	17,520	6,311	17,036
Cash flow from operating activities	-44,043	-27,660	-44,255	-27,443
Cash flow from investing activities	-9	-31		
Cash flow from financing activities	38,405	16,718	38,405	16,718
CASH FLOW FOR THE PERIOD	-5,647	-10,973	-5,850	-10,725
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	900	8,547	461	6,311

* of which securities pledged for OMX AB

at beginning of period	100	50	100	50
at end of period	100	100	100	100

Statement of changes in equity

Group

SEK million	Equity attributable to the shareholder of Swedbank Mortgage
Closing balance December 31, 2004	18,840
Change in accounting policies relating to IAS 39 Financial instruments: Recognition and Measurement	-242
Opening balance January 1, 2005	18,598
Profit for the period	3,467
CLOSING BALANCE DECEMBER 31, 2005	22,065
Opening balance January 1, 2006	22,065
Profit for the period	2,706
CLOSING BALANCE DECEMBER 31, 2006	24,771

Swedbank Mortgage AB

SEK million	Restricted equity	Non-restricted equity	Total
Opening balance January 1, 2005	14,600	4,070	18,670
Profit for the period		2,975	2,975
CLOSING BALANCE DECEMBER 31, 2005	14,600	7,045	21,645
of which conditional shareholders' contributions		2,400	2,400
Opening balance January 1, 2006	14,600	7,045	21,645
Profit for the period		2,625	2,625
CLOSING BALANCE DECEMBER 31, 2006	14,600	9,670	24,270
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
SEK million	2006	2005	2006	2005
Valuation category, Fair value through profit or loss				
<i>Trading and derivatives</i>				
Interest-bearing securities	-8,250	331	-6,137	347
TOTAL	-8,250	331	-6,137	347
<i>Other</i>				
Interest-bearing securities	8,386	-113	6,142	-377
TOTAL	8,386	-113	6,142	-377
<i>Hedge accounting at fair value</i>				
Hedging instruments	-32	-57	-2	-91
Hedged item	30	59	2	100
TOTAL	-2	2	-0	9
Interest income compensation, loans valued at cost	51	177	7	107
Change in exchange rates	0	0	0	0
TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE	185	397	12	86

Swedbank Mortgage AB	Jan - Dec	Jan - Dec	Okt - Dec	Okt - Dec
SEK million	2006	2005	2006	2005
Capital gains/losses				
Interest-bearing securities	-8	3	0	-4
TOTAL	-8	3	0	-4
Changes in exchange rates	0	0	0	0
TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE	-8	3	0	-4

2 Loan losses, net

Group

SEK million	Jan - Dec	Jan - Dec	Okt - Dec	Okt - Dec
	2006	2005	2006	2005
Loans assessed individually				
The period's write-off for established loan losses	11	34	4	5
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established loan losses	-6	-31	-3	-5
The period's provisions for anticipated loan losses	13	4	10	1
Recoveries from previous years' established loan losses	-3	-5	-1	-1
Recovered provisions for anticipated loan losses	-17	-22	-8	-7
THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY	-2	-20	2	-7
Collective provisions for loans assessed individually				
Allocation to/withdrawal from collective provisions	-16	-4	-24	-7
Collectively assessed homogenous groups of loans with limited value and similar credit risk				
The period's write-off for established loan losses	10	13	2	4
Recoveries from previous years' established loan losses	-1	-2	-1	-1
Allocation to/ withdrawal from loan loss reserve	1	-5	1	-2
THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS	10	6	2	1
THE PERIOD'S NET LOAN LOSS EXPENSE	-8	-18	-20	-13
Loan losses distributed by valuation category				
Loans and receivables	-2	-4	-5	-3
Fair value through profit or loss	-6	-14	-15	-10
TOTAL	-8	-18	-20	-13
Loan losses distributed by borrower category				
General public				
Write-off and provisions	19	42	-7	1
Reversal and recoveries from previous years' established loan losses	-27	-60	-13	-14
TOTAL	-8	-18	-20	-13

Swedbank Mortgage AB

SEK million	Jan - Dec	Jan - Dec	Okt - Dec	Okt - Dec
	2006	2005	2006	2005
Loans assessed individually				
The period's write-off for established loan losses	10	34	3	5
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established loan losses	-6	-31	-3	-5
The period's provisions for anticipated loan losses	13	4	10	1
Recoveries from previous years' established loan losses	-3	-5	-1	-1
Recovered provisions for anticipated loan losses	-16	-22	-8	-6
THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY	-2	-20	2	-6
Collective provisions for loans assessed individually				
Allocation to/withdrawal from collective provisions	-16	-4	-24	-7
Collectively assessed homogenous groups of loans with limited value and similar credit risk				
The period's write-off for established loan losses	10	13	2	4
Recoveries from previous years' established loan losses	-1	-2	-1	-1
Allocation to/ withdrawal from loan loss reserve	1	-5	1	-2
THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS	10	6	2	1
THE PERIOD'S NET LOAN LOSS EXPENSE	-8	-18	-20	-12

3 Loans to credit institutions and loans to the public

SEK million	Group		Swedbank Mortgage AB	
	Dec 31 2006	Dec 31 2005	Dec 31 2006	Dec 31 2005
Book value (before accounting for provisions)	557,825	508,118	555,104	500,804
Specific provisions for individually assessed loans	-35	-45	-34	-43
Collective provisions for loans assessed individually	-60	-75	-60	-75
Provisions for collectively valued homogenous groups of loans with limited value and similar credit risk	-19	-19	-19	-19
TOTAL PROVISIONS	-114	-139	-113	-137
BOOK VALUE	557,711	507,979	554,991	500,667
of which valuation category Loans and receivables	154,225	140,348		
of which valuation category Fair value through profit or loss, other	403,486	367,631		
Total provision ratio for impaired loans, %	104.4	96.6	107.0	101.6
Provision ratio for individually identified impaired loans, %	49.9	44.2	50.4	45.8
Impaired loans				
Book value of impaired loans	55	80	52	73
Share of impaired loans, %	0.01	0.02	0.01	0.02
Past due loans for which interest is recognized as income				
Book value of past due loans that are not included in impaired loans and in respect of which accrued interest is recognized as income	157	149	139	123
Restructured* and reclassified loans				
Book value before restructuring of loans, restructured during the financial period	2	30	2	30
Book value after restructuring of loans, restructured during the financial period	2	23	2	23
Book value of impaired loans returned in status to normal loans during the financial period	36	56	36	56

* A loan is considered restructured if the lender has granted some form of concession due to financial problems on the part of the borrower.

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
Sector SEK million						
Private individuals	411,489	-7		-19	411,463	32
Real estate management	85,566	-27	-60		85,479	21
Other corporate lending	7,795	-1			7,794	2
Municipalities	5,743				5,743	
TOTAL	510,593	-35	-60	-19	510,479	55
Credit institutions	47,232				47,232	
TOTAL LOANS TO CREDIT INSTITUTIONS AND PUBLIC	557,825	-35	-60	-19	557,711	55

4 Specification of derivatives in the Group as of December 31, 2006

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.

SEK million	Interest rate-related	Foreign exchange-related	Others
	Book value	Book value	Book value
Derivatives with positive values	1,605	932	-
Derivatives with negative values	1,898	6,211	0
Nominal amount	156,902	211,837	7,843

Swedbank Mortgage 's ratings

	S&P	Moody's	Fitch
Long-term		Aa3	AA-
Short-term	A-1	P-1	F1+

Stockholm, February 16, 2007

A handwritten signature in dark ink, appearing to be 'JL', written in a cursive style.

Jan Lilja
President

This year-end report has not been reviewed by the company's auditors

For further information, please contact

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