

Swedbank



Swedbank Mortgage

Interim report

January – March 2007

Swedbank Mortgage

JANUARY – MARCH 2007 IN SUMMARY

(comparative figures refer to the corresponding period previous year)

- Lending increased by SEK 12 billion during the first three months (8)
- Increased market shares for new lending
- Improved rating by Moody's for Swedbank Mortgage' long-term funding to Aa1 (from Aa3)
- Swedbank Mortgage has applied for permission to issue covered bonds

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

Operating profit amounted to SEK 1,039 million (910). The volume increase in the first quarter amounted to SEK 12,022 million (8,477), the highest increase ever in a first quarter. Net interest income for the period amounted to SEK 1,056 million (1,020). During the first quarter, the competition in the market adversely affected the margin by 0.02 percentage points.

Expenses and loan losses

Commission expenses, which are paid to the savings banks and partly owned banks, amounted to SEK 129 million (114). Operating expenses amounted to SEK 17 million (12), an increase due to the planned transition to covered bonds.

Loan losses for the year, net, are positive and amounted to SEK 30 million (-5). Provisions for anticipated losses amounted to SEK 84 million (138) as of March 31, 2007. Loan losses and loans are further specified in notes 2 and 3.

Lending and funding

As of March 31, 2007 Swedbank Mortgage's loans to the public amounted to SEK 521,979 million (478,709), of which the change in the market value of the loans accounted for SEK -1,690m (1,661). The market share for new household loans increased to 35 percent in January and February 2007 (28).

Of the total funding, 47 percent has been issued in foreign money and capital markets (45). In February 2007, Moody's upgraded Swedbank Mortgage's long-term rating from Aa3 to Aa1.

New capital adequacy rules

New rules on capital adequacy and large exposures, Basel II, 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. Implementation is taking place in stages during a three-year period through 2009. 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.

The capital adequacy ratio according to the new rules amounted to 10.0 percent on March 31, 2007 (9.3 on December 31, 2006 according to the older rules), of which the tier 1 capital ratio was 9.3 percent (8.6 on December 31, 2006 according to the older rules).

A specification of capital adequacy are provided in note 6.

Interest rate risk

An increase in market interest rates of one percentage point as of March 31, 2007 would have reduced the value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by approximately SEK 498 million (527).

A one percentage point increase in market interest rates would have decreased net gains and losses on financial items at fair value by SEK 22 million (-50).

Accounting policies

The interim 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 values derivatives at fair value. As a result, separate portfolios of lending and securities in issue are also valued 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 90 million and the closing equity balance for 2006 by SEK 205 million. Other accounting policies agree with those applied in the most recent annual report.

Financial reporting

Swedbank Mortgage's interim report for the first six months of 2007 will be released on 7 August 2007.

Events after March 31, 2007

Swedbank Mortgage has applied for permission from the Financial Supervisory Authority to issue covered bonds. A preliminary assessment by Moody's indicates that Swedbank Mortgage has good prospects of receiving the highest credit rating, AAA, on its covered bonds.

Swedbank Mortgage Group – Key financial highlights 2003–2007

	2007*	2006*	2006**	2005**	2004***	2003***
Lending						
Loans to the public, SEK m.	521,979	478,709	510,479	472,058	428,628	398,752
Profitability						
Operating profit, SEK m.	1,039	910	3,759	4,815	4,602	4,255
Investment margin, %	0.71	0.77	0.75	0.98	1.11	1.17
Return on equity, %	11.9	11.7	11.5	17.1	17.0	16.5
Earnings per share, SEK	32.52	28.48	117.65	150.74	144.04	133.17
Capital						
Capital base, SEK m.	27,015	26,072	26,823	26,116	23,673	22,723
Equity, SEK m.	25,519	22,721	24,771	22,065	18,840	17,654
Number of shares at beginning/end of period, million	23	23	23	23	23	23
Equity per share, SEK	1,109.52	987.87	1,077.00	959.35	819.13	767.57
Capital adequacy ratio, %	10.0	9.9	9.3	10.1	10.3	11.0
Primary capital, %	9.3	8.4	8.6	8.5	8.2	8.5
Credit quality						
Loan losses, SEK m.	-30	5	-8	-18	-46	18
Loan loss level, %	-0.02	0.00	-0.00	-0.00	-0.01	0.00
Provision ratio for impaired loans, %	87.9	101.1	104.4	96.6	73.3	70.2
Share of impaired loans, according to loans to the public, %	0.01	0.02	0.01	0.02	0.04	0.04

* As of March 31 according to IFRS

** As of December 31 according to IFRS

*** As of December 31, 2005 according to IFRS

Income statement

Group

SEK million	Note	Jan - March 2007	Jan - March 2006	Change %
Interest income		5,771	4,714	22
Interest expenses		-4,715	-3,694	28
NET INTEREST INCOME		1,056	1,020	4
Commission income		7	8	-13
Commission expenses		-136	-121	12
NET COMMISSION INCOME		-129	-113	14
Net gains and losses on financial items at fair value	1	97	17	-
Other operating income		2	3	-33
TOTAL INCOME		1,026	927	11
Staff costs		-4	-4	0
Other general administrative expenses		-10	-5	-
TOTAL ADMINISTRATIVE EXPENSES		-14	-9	56
Depreciation/amortization and impairment of tangible and intangible fixed assets		-3	-3	0
TOTAL EXPENSES		-17	-12	42
PROFIT BEFORE LOAN LOSSES		1,009	915	10
Loan losses	2	30	-5	-
OPERATING PROFIT		1,039	910	14
Tax expense for the period		-291	-255	14
PROFIT FOR THE PERIOD		748	655	14
Earnings per share, before and after dilution, SEK		32.52	28.48	

Swedbank Mortgage AB

SEK million	Note	Jan - March 2007	Jan - March 2006	Change %
Interest income		5,692	4,549	25
Interest expenses		-4,712	-3,620	30
NET INTEREST INCOME		980	929	5
Commission income		5	6	-17
Commission expenses		-119	-108	10
NET COMMISSIONS INCOME		-114	-102	12
Net gains and losses on financial items at fair value	1	110	53	-
Other operating income		1	3	-67
TOTAL INCOME		977	883	11
Staff costs		-3	-4	-25
Other general administrative expenses		-10	-13	-23
TOTAL ADMINISTRATIVE EXPENSES		-13	-17	-24
Depreciation/amortization and impairment of tangible and intangible fixed assets		0	-2	-
TOTAL EXPENSES		-13	-19	-32
PROFIT BEFORE LOAN LOSSES		964	864	12
Loan losses	2	30	-5	-
OPERATING PROFIT		994	859	16
Tax expense for the period		-279	-240	16
PROFIT FOR THE PERIOD		715	619	16

Balance sheet

SEK million	Note	Group			Swedbank Mortgage AB		
		March 31 2007	March 31 2006	Dec 31 2006	March 31 2007	March 31 2006	Dec 31 2006
Assets							
Treasury bills eligible for refinancing with central banks		99	199	99	99	199	99
Loans to credit institutions	3	80,941	45,477	47,232	110,392	72,659	76,126
Loans to the public	3	521,979	478,709	510,479	488,576	447,630	477,672
Derivatives	4	5,100	6,977	2,537	5,096	6,977	2,537
Other assets		6,112	3,724	7,059	7,998	5,647	8,863
TOTAL ASSETS		614,231	535,086	567,406	612,161	533,112	565,297
Liabilities and equity							
Liabilities							
Amount owed to credit institutions		104,804	71,576	99,238	104,804	71,576	99,238
Debt securities in issue		462,715	420,418	421,647	461,567	419,216	420,536
Derivatives	4	3,336	4,503	8,109	3,319	4,503	8,048
Other liabilities		15,484	11,674	11,313	15,318	11,475	11,082
Subordinated liabilities		2,373	4,194	2,328	2,373	4,194	2,328
TOTAL LIABILITIES		588,712	512,365	542,635	587,381	510,964	541,232
Equity							
Shareholders' equity		25,519	22,721	24,771	24,780	22,148	24,065
TOTAL EQUITY		25,519	22,721	24,771	24,780	22,148	24,065
TOTAL LIABILITIES AND EQUITY		614,231	535,086	567,406	612,161	533,112	565,297

Financial instruments distributed by valuation category according to IAS 39

SEK million	March 31, 2007
Assets	
Loans to credit institutions	80,941
valuation category, Loans and receivables	80,941
Loans to the public	521,979
valuation category, Loans and receivables	111,252
valuation category, Fair value through profit or loss	410,727
Liabilities	
Amount owed to credit institutions	104,804
valuation category, Other financial liabilities	92,498
valuation category, Fair value through profit or loss, other	12,306
Debt securities in issue	462,715
valuation category, Fair value through profit or loss, other	462,715
Subordinated liabilities	2,373
valuation category, Other financial liabilities	2,372
changes in the value according to hedge accounting	1

Cash flow statement

SEK million	Group			Swedbank Mortgage AB		
	Jan - March 2007	Jan - March 2006	Jan - Dec 2006	Jan - March 2007	Jan - March 2006	Jan - Dec 2006
Cash and cash equivalents at beginning of period*	900	6,547	6,547	461	6,311	6,311
Cash flow from operating activities	-3,262	-11,527	-44,043	-3,357	-11,495	-44,255
Cash flow from investing activities	-	-9	-9	-	-	-
Cash flow from financing activities	39,803	20,672	38,405	39,803	20,672	38,405
CASH FLOW FOR THE PERIOD	36,541	9,136	-5,647	36,446	9,177	-5,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	37,441	15,683	900	36,907	15,488	461
* of which securities pledged for OMX AB						
at beginning of period	100	100	100	100	100	100
at end of period	100	200	100	100	200	100

Statement of changes in equity

Group

SEK million	Equity attributable to Shareholders' equity
Opening balance January 1, 2006	22,066
Profit for the period	655
CLOSING BALANCE MARCH 31, 2006	22,721
Opening balance January 1, 2007	24,771
Profit for the period	748
CLOSING BALANCE MARCH 31, 2007	25,519

Swedbank Mortgage AB

SEK million	Restricted equity	Non-restricted equity	Total
Closing balance December 31, 2005	14,600	7,045	21,645
Change in accounting policies according to FFFS 2006:16		-115	-115
Opening balance January 1, 2006	14,600	6,930	21,530
Profit for the period		619	619
CLOSING BALANCE MARCH 31, 2006	14,600	7,549	22,149
of which conditional shareholders' contributions 1)		2,400	2,400
Closing balance december 31, 2005	14,600	7,045	21,645
Change in accounting policies according to FFFS 2006:16		-115	-115
Opening balance January 1, 2006	14,600	6,930	21,530
Profit for the period		2,535	2,535
CLOSING BALANCE DECEMBER 31, 2006	14,600	9,465	24,065
of which conditional shareholders' contributions 1)		2,400	2,400
Opening balance January 1, 2007	14,600	9,465	24,065
Profit for the period		715	715
CLOSING BALANCE MARCH 31, 2007	14,600	10,180	24,780
of which conditional shareholders' contributions		2,400	2,400

Notes

1 Net gains and losses on financial items at fair value

Group	Jan - March	Jan - March
SEK million	2007	2006
Valuation category, Fair value through profit or loss		
<i>Trading and derivatives</i>		
Interest-bearing securities	6,649	-593
TOTAL	6,649	-593
<i>Other</i>		
Interest-bearing securities	-6,558	585
TOTAL	-6,558	585
<i>Hedge accounting at fair value</i>		
Hedging instruments	0	-10
Hedged item	0	14
TOTAL	0	4
Interest income compensation, loans valued at cost	6	21
Change in exchange rates	0	0
TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE	97	17

Swedbank Mortgage AB

SEK million		
Capital gains/losses		
Interest-bearing securities	110	53
TOTAL	110	53
Changes in exchange rates	0	0
TOTAL NET PROFIT ON FINANCIAL ITEMS AT FAIR VALUE	110	53

2 Loan losses, net

Group

SEK million	Jan - March 2007	Jan - March 2006
Loans assessed individually		
The period's write-off for established loan losses	4	4
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	-2	-1
The period's provisions for anticipated loan losses	-	3
Recoveries from previous years' established loan losses	-5	0
Recovered provisions for anticipated loan losses	-4	-3
THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY	-7	3
Collective provisions for loans assessed individually		
Allocation to/withdrawal from collective provisions	-24	1
Collectively assessed homogenous groups of loans with limited value and similar credit risk		
The period's write-off for established loan losses	2	1
Recoveries from previous year's established loan losses	0	0
Allocations to/ withdrawal from loan loss reserve	-1	-1
THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS	1	1
THE PERIOD'S NET LOAN LOSS EXPENSE	-30	5
Loan losses distributed by valuation category		
Loans and receivables	-7	1
Fair value through profit or loss	-23	4
TOTAL	-30	5

Swedbank Mortgage AB

SEK million	Jan - March 2007	Jan - March 2006
Loans assessed individually		
The period's write-off for established loan losses	4	4
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	-2	-1
The period's provisions for anticipated loan losses	-	3
Recoveries from previous years' established loan losses	-5	0
Recovered provisions for anticipated loan losses	-4	-3
THE PERIOD'S NET EXPENSE FOR LOANS ASSESSED INDIVIDUALLY	-7	3
Collective provisions for loans assessed individually		
Allocation to/withdrawal from collective provisions	-24	1
Collectively assessed homogenous groups of loans with limited value and similar credit risk		
The period's write-off for established loan losses	2	1
Recoveries from previous year's established loan losses	0	0
Allocations to/ withdrawal from loan loss reserve	-1	-1
THE PERIOD'S NET EXPENSE FOR COLLECTIVELY ASSESSED LOANS	1	1
THE PERIOD'S NET LOAN LOSS EXPENSE	-30	5
Loan losses distributed by valuation category		
Loans and receivables	-7	1
Fair value through profit or loss	-23	4
TOTAL	-30	5

3 Loans to credit institutions and loans to the public

SEK million	Group			Swedbank Mortgage AB		
	March 31 2007	March 31 2006	Dec 31 2006	March 31 2007	March 31 2006	Dec 31 2006
Book value (before accounting for provisions)	603,004	524,324	557,825	599,051	520,425	553,935
Specific provisions for individually assessed loans	-29	-44	-35	-28	-42	-43
Collective provisions for loans assessed individually	-36	-76	-60	-36	-76	-75
Provisions for collectively valued homogenous groups of loans with limited value and similar credit risk	-19	-18	-19	-19	-18	-19
TOTAL PROVISIONS	-84	-138	-114	-83	-136	-137
BOOK VALUE	602,920	524,186	557,711	598,968	520,289	553,798
of which valuation category Loans and receivables	192,193	149,444	154,225	218,513	174,173	180,438
of which valuation category Fair value through profit or loss, other	410,727	374,742	403,486	380,455	346,116	373,360
Book value of impaired loans (unsettled)	48	75	55	45	68	73
Total provision ratio for impaired loans, %	87.9	101.1	104.4	90.1	106.6	101.6
Provision ratio for individually identified impaired loans, %	50.2	45.2	49.9	50.8	46.9	45.8
Impaired loans as % of total lending, %	0.01	0.02	0.01	0.01	0.02	0.02

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	422,433	-3		-19	422,411	32
Real estate management	86,235	-25	-36		86,174	13
Other corporate lending	7,867	-1			7,866	3
Municipalities	5,528				5,528	
TOTAL	522,063	-29	-36	-19	521,979	48
Credit institutions	80,941				80,941	
TOTAL LOANS TO CREDIT INSTITUTIONS AND PUBLIC	603,004	-29	-36	-19	602,920	48

4 Specification of derivatives in the Group as of March 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.

SEK million	Interest rate-related	Foreign exchange-related	Others
	Book value	Book value	Book value
Derivatives with positive values	2,122	2,978	-
Derivatives with negative values	1,644	1,691	0
Nominal amount	178,868	250,316	283

5 Memorandum items

SEK million	Group			AB Spintab		
	March 31 2007	March 31 2006	Dec 31 2006	March 31 2007	March 31 2006	Dec 31 2006
Assets pledged for own liabilities	100	3,732	100	100	3,732	100
Contingent liabilities	1,172	1,203	1,172	1,172	1,203	1,172
Commitments	5,946	4,603	6,756	5,533	4,160	6,294

6 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			
	March 31 2007	March 31 2007	Dec 31 2006	March 31 2006
mkr				
Primary capital	25,068	25,494	24,683	22,065
Supplementary capital	1,947	2,185	2,140	4,007
Capital base	27,015	27,679	26,823	26,072
Risk-weighted assets	100,243	296,143	288,169	263,845
Capital requirement for credit risks, older rules	0	23,691	23,054	21,108
Capital requirement for credit risks, IRB	7,487			
Capital requirement for operational risks	532			
Capital requirement	8,019	23,691	23,054	21,108
Supplement during transition period (95%)	13,637			
Capital requirement including supplement	21,656			
Tier 1 capital ratio, % excluding supplement	25.0	8.6	8.6	8.4
Capital adequacy ratio, % excluding supplement	26.9	9.3	9.3	9.9
Capital base in relation to capital requirement excluding supplement	3.37	1.17	1.16	1.24
Tier 1 capital ratio, % including supplement	9.3			
Capital adequacy ratio, % including supplement	10.0			
Capital base in relation to capital requirement including supplement	1.25			

Swedbank Mortgage 's ratings

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

Stockholm, April 25, 2007



Jan Lilja
President

Review Report of interim financial information

Introduction

We have reviewed the interim report for the period January 1 to March 31, 2007, 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, April 25, 2007

Deloitte AB

Jan Palmqvist
Authorized Public Accountant

For further information, please contact

Mr. Jan Lilja, President and Chief Financial Officer
Phone +46-8-5859 1019

Ms. Yvonne Germer, Head of Accounting
Phone +46-8-5859 2814



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: 08-5859 21 00

Telefax: 08-10 79 70

www.swedbank.se/mortgage