

Swedbank Mortgage

Interim report

January - September 2008

Stockholm October 21, 2008



- Margins on new lending and renewals of existing loans are higher compared to previous periods
- Liquidity buffer and longer funding affects the net interest income negatively
- During the year, covered bonds amounting to 94bn have been issued to external investors

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.

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

Profit analysis

Operating profit for the first three quarters amounted to SEK 2,132m (2,807). The net interest income was SEK 507m lower than the corresponding period previous year and amounted to SEK 2,636m (3,143). About SEK 200m of the lower net interest income is explained by high price competition in the market during the last year. Due to the market situation, Swedbank Mortgage has chosen to maintain a large liquidity reserve, which has affected the net interest income negatively by SEK 150m. Due to a mismatch between maturities in short term lending and short term funding, the net interest income is further negatively affected by SEK 150m. During the second and third quarter, margins on new lending and renewals of existing loans have been higher compared to previous periods.

Swedbank Mortgage applies "fair value option" according to IAS 39 on the main part of the balance sheet and accounts for changes in value on assets and liabilities, including derivatives, in Net gains and losses on items at fair value. The change in value for the period amounted to SEK -158m (19) and is explained by high volatility in the difference in interest rates on mortgage bonds and inter-bank rates during September.

Expenses and loan losses

Commission expenses, which are paid to the savings

banks and partly owned banks, amounted to SEK 351m (382). Operating expenses amounted to SEK 37m (42).

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 9m (61). Provisions for anticipated loan losses amounted to SEK 70m (68) as per September 30, 2008. Loan losses and loans are further specified in notes 2 and 3.

Lending

As per September 30, 2008 Swedbank Mortgage's loans to the public amounted to SEK 580,467m (547,494), of which the change in the market value of the loans accounted for SEK -6,917m (-4,287). The increase in volume reflects the lower activity which has characterized the market in the recent months and amounted to SEK 22,446m (40,120) for the first three quarters.

The statistics for prime mortgages has changed. Now the lending from both banks and mortgage institutions are included in the selection. That means that a larger number of actors are included in the statistics now compared to earlier, when only lending from mortgage institutions was included. Swedbank Mortgage's total market share of prime mortgages was approximately 28 percent (29) as per August 31, 2008.

Funding

On April 21, 2008 Swedbank Mortgage converted its long-term funding 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 15 May 2008.

Swedbank Mortgage has issued covered bonds amounting to 71bn in the Swedish market and 23bn in the international market during the year. Corresponding figures for the third quarter are 18bn in the Swedish

market and 11bn in the international. During the fourth quarter 2008 25bn of the external long-term funding will mature and during 2009 the corresponding figure is 102bn.

Swedbank Mortgage is well prepared for payments by keeping a large liquidity reserve and has good funding resources under existing issuance programs.

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 4,290m as per September 30, 2008, compared to SEK 27,134m according to the old rules. This corresponds to a capital adequacy ratio, excluding the supplement for the transitional rules, of 48.5 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 September 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 by one percentage point as per September 30, 2008 would have reduced the fair value of Swedbank Mortgage's interest-bearing assets and liabilities, including derivatives, by approximately SEK 183m (498).

A one percentage point increase in market interest rates would have increased Swedbank Mortgage's net gains and losses on financial items at fair value by SEK 251m (-70) as per September 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 to 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.

Events after 30 September 2008

Swedbank Mortgage has as of October 5 acquired all loans to the public, lent by the wholly owned subsidiary Swedbank Jordbrukskredit AB. Going forward, the lending to agricultural and forestry properties will be given directly by Swedbank Mortgage, under the secondary name Swedbank Jordbrukskredit. The change has no impact on the lending business.

Swedbank Mortgage's long-term rating have been lowered by Moody's from Aa2 to Aa3. The lower rating does not affect Swedbank Mortgage's covered bonds and is expected to have little impact on the company's funding expenses in the short term.

Financial reporting

Swedbank Mortgage's year-end report for 2008 is scheduled to be published on February 12 2009.

The Group - Key Financial highlights

2004 - 2008

	Sep 30 2008	Sep 30 2007	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004 *
Lending						
Loans to the public, SEKm	580 467	547 494	560 633	510 479	472 058	428 628
Profitability						
Operating profit, SEKm	2 132	2 807	3 828	3 759	4 815	4 602
Investment margin **, %	0,60	0,71	0,67	0,75	0,98	1,11
Return on equity, %	8,0	10,4	10,6	11,5	17,1	17,0
Earnings per share, SEK	66,74	87,87	119,70	117,65	150,74	144,04
Capital						
Capital base, SEKm	26 020	28 682	26 882	26 823	26 116	23 673
Equity, SEKm	26 467	26 792	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	1 150,74	1 164,87	1 084,00	1 077,00	959,35	819,13
Total capital adequacy quotient ***	1,09	1,22	1,11			
Capital adequacy ratio, % ***	8,7	9,8	8,9	9,3	10,1	10,3
Tier 1 Capital ratio, % ***	8,7	9,0	8,2	8,6	8,5	8,2
Credit quality						
Loan losses, SEKm	-9	-61	-43	-8	-18	-46
Loan loss level, %	-0,00	-0,02	-0,01	-0,00	-0,00	-0,01
Provision ratio for impaired loans, %	44,1	67,8	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	2008 Q3	2008 Q2	%	2007 Q3	%	2008 Jan-sep	2007 Jan-sep	%
Interest income		8 272	7 867	5	6 436	29	23 668	18 406	29
Interest expenses		-7 465	-6 910	8	-5 384	39	-21 032	-15 263	38
Net interest income		807	957	-16	1 052	-23	2 636	3 143	-16
Commission income		16	14	14	8		44	24	83
Commission expenses		-124	-119	4	-130	-5	-371	-405	-8
Net commission income		-108	-105	3	-122	-11	-327	-381	-14
Net gains and losses on financial items at fair value	1	-171	32		-126	36	-158	19	
Other operating income		3	3		2	50	9	7	29
Total income		531	887	-40	806	-34	2 160	2 788	-23
Staff costs		2	3	-33	2		7	11	-36
Other general administrative expenses		6	7	-14	4	50	20	20	
Total administrative expenses		8	10	-20	6	33	27	31	-13
Depreciation/amortization of tangible and intangible fixed assets		3	4	-25	4	-25	10	11	-9
Total expenses		11	14	-21	10	10	37	42	-12
Profit before loan losses		520	873	-40	796	-35	2 123	2 746	-23
Loan losses, net	2	1	-4		-1		-9	-61	-85
Operating profit		519	877	-41	797	-35	2 132	2 807	-24
Tax expense		145	246	-41	223	-35	597	786	-24
Profit for the period		374	631	-41	574	-35	1 535	2 021	-24
Earnings per share, before and after dilution, SEK		16,26	27,43		24,96		66,74	87,87	

Swedbank Mortgage AB

SEKm	Note	2008 Q3	2008 Q2	%	2007 Q3	%	2008 Jan-sep	2007 Jan-sep	%
Interest income		8 193	7 803	5	6 358	29	23 434	18 159	29
Interest expenses		-7 452	-6 914	8	-5 379	39	-21 002	-15 251	38
Net interest income		741	889	-17	979	-24	2 432	2 908	-16
Commission income		15	12	25	6		39	18	
Commission expenses		-111	-108	3	-116	-4	-335	-360	-7
Net commission income		-96	-96		-110	-13	-296	-342	-14
Net gains and losses on financial items at fair value	1	-152	103		-124	23	-63	63	
Other operating income		2	3	-33	3	-33	8	7	14
Total income		495	899	-45	748	-34	2 081	2 636	-21
Staff costs		2	2		1		6	9	-33
Other general administrative expenses		6	7	-14	5	20	20	20	
Total administrative expenses		8	9	-11	6	33	26	29	-10
Depreciation/amortization of tangible and intangible fixed assets		0	0		0		0	0	
Total expenses		8	9	-11	6	33	26	29	-10
Profit before loan losses		487	890	-45	742	-34	2 055	2 607	-21
Loan losses, net	2	1	-4		-1		-9	-61	-85
Operating profit		486	894	-46	743	-35	2 064	2 668	-23
Tax expense		136	250	-46	208	-35	578	747	-23
Profit for the period		350	644	-46	535	-35	1 486	1 921	-23

Balance sheet

SEKm	Note	Group			Swedbank Mortgage AB		
		Sep 30 2008	Sep 30 2007	Dec 31 2007	Sep 30 2008	Sep 30 2007	Dec 31 2007
Assets							
Treasury bills eligible for refinancing with central banks		99	149		99	149	
Loans to credit institutions	3	93 434	48 031	66 838	125 551	78 594	98 281
Loans to the public	3	580 467	547 494	560 633	544 206	512 828	525 164
Derivatives	4	11 075	3 214	6 034	11 072	3 214	6 030
Other assets		20 600	8 427	5 430	22 706	10 450	7 403
Total assets		705 675	607 315	638 935	703 634	605 235	636 878
Liabilities and equity							
Liabilities							
Amount owed to credit institutions		133 576	114 401	125 006	197 582	114 388	125 006
Debt securities in issue		528 338	446 326	464 064	463 164	445 217	462 919
Derivatives	4	2 213	7 144	4 608	2 270	7 111	4 616
Other liabilities		15 081	10 303	17 936	15 052	10 184	17 868
Subordinated liabilities			2 349	2 389		2 349	2 389
Total liabilities		679 208	580 523	614 003	678 068	579 249	612 798
Equity		26 467	26 792	24 932	25 566	25 986	24 080
Total liabilities and equity		705 675	607 315	638 935	703 634	605 235	636 878

Financial instruments distributed by valuation category according to IAS 39

Group SEKm	Sep 30 2008	Sep 30 2007	Dec 31 2007
Assets			
Treasury bills eligible for refinancing with central banks	99	149	
valuation category, Fair value through profit or loss, trading	99	149	
Loans to credit institutions	93 434	48 031	66 838
valuation category, Loans and receivables	93 434	48 031	66 838
Loans to the public	580 467	547 494	560 633
valuation category, Loans and receivables	153 580	111 300	117 711
valuation category, Fair value through profit or loss, other	426 887	436 194	442 922
Derivatives	11 075	3 214	6 034
valuation category, Fair value through profit or loss, trading and derivatives	11 075	3 214	6 034
Liabilities			
Amount owed to credit institutions	133 576	114 401	125 006
valuation category, Other financial liabilities	40 500	103 878	114 552
valuation category, Fair value through profit or loss, other	93 076	10 523	10 454
Debt securities in issue	528 338	446 326	464 064
valuation category, Other financial liabilities	64 006		
valuation category, Fair value through profit or loss, other	464 332	446 326	464 064
Derivatives	2 213	7 144	4 608
valuation category, Fair value through profit or loss, trading and derivatives	2 213	7 144	4 608
Subordinated liabilities		2 349	2 389
valuation category, Other financial liabilities		2 349	2 389

Cash flow statement

SEKm	Group			Swedbank Mortgage AB		
	Jan-Sep 2008	Jan-Sep 2007	Jan-Dec 2007	Jan-Sep 2008	Jan-Sep 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	236 090	-25 842	-18 213	235 381	-25 591	-18 568
Cash flow from financing activities	-206 736	27 119	39 885	-206 736	27 119	39 885
Cash flow for the period	29 354	1 277	21 672	28 645	1 528	21 317
Cash and cash equivalents at end of period *	51 926	2 177	22 572	50 423	1 989	21 778
* of which securities for OMX AB						
at beginning of period		99	99		99	99
at end of period	99	149		99	149	

Statement of changes in equity

Group

SEKm	Equity attributable to shareholders of Swedbank Mortgage AB		
	Capital contributions	Other equity	Total equity
Opening balance January 1, 2007	13 900	10 871	24 771
Profit for the period		2 021	2 021
Closing balance September 30, 2007	13 900	12 892	26 792
Opening balance January 1, 2008	13 900	11 032	24 932
Profit for the period		1 535	1 535
Closing balance September 30, 2008	13 900	12 567	26 467

Sedan Mortgage AB

Seem	Non-		Total equity
	Restricted equity	restricted equity	
Opening balance January 1, 2007	14 600	9 465	24 065
Profit for the period		1 921	1 921
Closing balance September 30, 2007	14 600	11 386	25 986
of which conditional shareholders' contributions		2 400	2 400
Opening balance January 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
Closing balance December 31, 2007	14 600	9 480	24 080
of which conditional shareholders' contributions		2 400	2 400
Opening balance January 1, 2008	14 600	9 480	24 080
Profit for the period		1 486	1 486
Closing balance September 30, 2008	14 600	10 966	25 566
of which conditional shareholders' contributions		2 400	2 400

Notes

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

SEKm	2008 Q3	2008 Q2	2007 Q3	2008 Jan-sep	2007 Jan-sep	2007 Full-year
Valuation category, Fair value through profit or loss						
<i>Trading and derivatives</i>						
Interest-bearing securities	7 710	6 449	-2 846	7 264	1 816	7 132
<i>Other</i>						
Interest-bearing securities	-7 883	-6 419	2 717	-7 429	-1 811	-7 061
Total	-173	30	-129	-165	5	71
Interest income compensation, loans valued at cost	2	2	3	7	14	15
Change in exchange rates	0	0	0	0	0	0
Total	-171	32	-126	-158	19	86

SEKm	2008 Q3	2008 Q2	2007 Q3	2008 Jan-sep	2007 Jan-sep	2007 Full-year
Valuation category, Fair value through profit or loss						
<i>Trading and derivatives</i>						
Interest-bearing securities	7 729	6 520	-2 844	7 359	1 861	7 168
<i>Other</i>						
Interest-bearing securities	-7 883	-6 419	2 717	-7 429	-1 811	-7 061
Total	-154	101	-127	-70	50	107
Interest income compensation, loans valued at cost	2	2	3	7	13	15
Change in exchange rates	0	0	0	0	0	0
Total	-152	103	-124	-63	63	122

Note 2 Loan losses, net

Group	2008	2008	2007	2008	2007	2007
SEKm	Q3	Q2	Q3	Jan-sep	Jan-sep	Full-year
Loans assessed individually						
The period's write-off for established loan losses	1	2	7	2	13	17
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established		0	-2	0	-7	-7
The period's provisions for anticipated loan losses	1	7	-4	9	2	4
Recoveries from previous year's established loan losses	0	-1	-1	-2	-33	-33
Recovered provisions for anticipated loan losses	-1		-2	-6	-7	-7
The period's net expense for loans assessed individually	1	7	-2	3	-32	-26
Collective provisions for loans assessed individually						
Allocation to/withdrawal from collective provisions	1	-15	0	-16	-36	-32
The period's net expense for collective provisions for loans assessed individually	1	-15	0	-16	-36	-32
Collectively assessed homogenous groups of loans with limited value and similar credit risk						
The period's write-off for established loan losses	1	2	1	4	4	6
Recoveries from previous year's established loan losses	-1	-1	0	-2	0	0
Allocations to/withdrawal from loan loss reserve	-1	3	0	2	3	10
The period's net expense for collectively assessed loans	-1	4	1	4	7	15
The period's net loan loss expense	1	-4	-1	-9	-61	-43
Loan losses distributed by valuation category						
Loans and receivables	1	-2	0	-2	-12	-9
Fair value through profit or loss	0	-2	-1	-7	-49	-34
Total	1	-4	-1	-9	-61	-43

The loan losses refer to the borrower category general public.

Sedan Mortgage AB	2008	2008	2007	2008	2007	2007
Seem	Q3	Q2	Q3	Jan-sep	Jan-sep	Full-year
Loans assessed individually						
The period's write-off for established loan losses	1	2	7	2	13	16
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established		0	-2	0	-7	-7
The period's provisions for anticipated loan losses	1	7	-4	9	2	4
Recoveries from previous year's established loan losses	0	-1	-1	-2	-33	-33
Recovered provisions for anticipated loan losses	-1		-2	-6	-7	-7
The period's net expense for loans assessed individually	1	8	-2	3	-32	-27
Collective provisions for loans assessed individually						
Allocation to/withdrawal from collective provisions	1	-15	0	-16	-36	-32
The period's net expense for collective provisions for loans assessed individually	1	-15	0	-16	-36	-32
Collectively assessed homogenous groups of loans with limited value and similar credit risk						
The period's write-off for established loan losses	1	2	1	4	4	6
Recoveries from previous year's established loan losses	-1	-1	0	-2	0	0
Allocations to/withdrawal from loan loss reserve	-1	3	0	2	3	10
The period's net expense for collectively assessed loans	-1	4	1	4	7	15
The period's net loan loss expense	1	-4	-1	-9	-61	-44
Loan losses distributed by valuation category						
Loans and receivables	1	-2	0	-2	-13	-9
Fair value through profit or loss	0	-2	-1	-7	-48	-35
Total	1	-4	-1	-9	-61	-44

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		
	Sep 30 2008	Sep 30 2007	Dec 31 2007	Sep 30 2008	Sep 30 2007	Dec 31 2007
Book value before accounting for provisions	673 971	595 593	627 553	669 825	591 489	623 526
Specific provisions for individually assessed loans	-27	-23	-25	-25	-22	-24
Collective provisions for loans assessed individually	-12	-23	-28	-12	-23	-28
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-31	-22	-29	-31	-22	-29
Total provisions	-70	-68	-82	-68	-67	-81
Book value	673 901	595 525	627 471	669 757	591 422	623 445
Book value of impaired loans	101	56	57	98	53	54
Total provision ratio for impaired loans, %	44,1	67,8	73,9	44,4	69,1	75,3
Provision ratio for individually identified impaired loans, %	36,8	44,9	48,9	36,8	45,2	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	Total		Credit- institutions	Total lending
	Private individuals	manage- ment	corporate lending	Munici- palities	loans to the public		
Book value before provisions	486 857	83 124	6 031	4 525	580 537	93 434	673 971
Specific provisions for individually assessed loans	-2	-24	-1		-27		-27
Collective provisions for loans assessed individually		-12			-12		-12
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-31				-31		-31
Book value after provisions	486 824	83 088	6 030	4 525	580 467	93 434	673 901
Book value of impaired loans	66	32	3		101		101

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	Sep 30, 2008			Sep 30, 2007		
	Interest rate	Foreign exchange	Total	Interest rate	Foreign exchange	Total
Derivatives related to:						
Derivatives with positive value	2 165	8 910	11 075	1 769	1 445	3 214
Derivatives with negative value	1 880	333	2 213	1 527	5 617	7 144
Nominal value	249 671	167 111	416 782	242 050	228 724	470 774

Credit derivatives with a book value of SEK 0m (0) and nominal value of SEK 6,362m (7,122).

Note 5 Assets pledged, contingent liabilities and commitments

SEKm	Group			Swedbank Mortgage AB		
	Sep 30 2008	Sep 30 2007	Dec 31 2007	Sep 30 2008	Sep 30 2007	Dec 31 2007
Contingent liabilities						
Loan guarantees	1 107	1 141	1 132	1 107	1 141	1 132
Assets pledged						
Securities pledged for other liabilities	99	149		99	149	
Commitments, nominal amounts						
Letters of credit granted but not utilized	9 920	14 227	11 620	9 552	13 807	11 232
Total	11 126	15 517	12 752	10 758	15 097	12 364

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		
	Sep 30 2008	Sep 30 2007	Dec 31 2007	Sep 30 2008	Sep 30 2007	Dec 31 2007
Assets						
Loans to credit institutions	93 247	45 272	66 233	90 824	45 272	65 627
Derivatives	9 625	646	2 051	9 625	646	2 051
Other assets	13	32	22	13	32	21
Prepaid expenses and accrued income	2 215	-13	38	2 215	0	38
Total	105 100	45 937	68 344	102 677	45 950	67 737
Liabilities						
Amounts owed to credit institutions	132 875	109 350	124 637	132 875	109 363	124 637
Derivatives	2 150	2 474	1 559	2 150	2 474	1 559
Other assets	5	0	3 600	5	0	3 600
Accrued expenses and prepaid income	83	5 284	6 438	74	5 284	6 435
Total	135 113	117 108	136 234	135 104	117 121	136 231
Income statement						
Interest income	2 976	1 608	2 341	2 922	1 602	2 334
Interest expenses	-6 236	-2 902	-4 270	-6 236	-2 902	-4 270
Net gains and losses on financial items at fair value	0	-435	1 957	0	-435	1 957
Commission expenses	-83	-21	-33	-74	-21	-30
Other operating income	1		153	1		145
General administrative expenses	7	-4	8	7	-4	8
Total	-3 349	-1 746	140	-3 394	-1 752	128

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 SEKm	According to older rules		Sep 30 2007	Dec 31 2007
	Sep 30 2008	Sep 30 2008		
Primary capital	26 020	26 273	26 546	24 705
Supplementary capital	0	0	2 136	2 177
Capital base	26 020	26 273	28 682	26 882
Risk-weighted assets	53 625	339 175	60 280	54 923
Capital requirement for credit risks, older rules		27 134		
Capital requirement for credit risks, IRB	3 789		4 290	3 862
Capital requirement for operational risks	501		532	532
Capital requirement	4 290	27 134	4 822	4 394
Supplement during transition period	19 690		18 681	19 724
Capital requirement including supplement	23 980	27 134	23 503	24 118
Tier 1 capital ratio, % excluding supplement	48,5	7,7	44,0	45,0
Capital adequacy ratio, % excluding supplement	48,5	7,7	47,6	48,9
Capital base in relation to capital requirement excluding supplement	6,07	0,97	5,95	6,12
Tier 1 capital ratio, % including supplement	8,7		9,0	8,2
Capital adequacy ratio, % including supplement	8,7		9,8	8,9
Capital base in relation to capital requirement including supplement	1,09		1,22	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+

Swedbank Mortgage's long-term rating have been lowered by Moody's from Aa2 to Aa3. The lower rating does not affect Swedbank Mortgage's covered bonds and is expected to have little impact on the company's funding expenses in the short term.

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 September 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 October 21, 2008

Jan Lidén
Chairman

Kjell Hedman
Deputy Chairman

Jan Lilja
President

Lars Ljungälv

Ingvar Svensson

Ragnar Udin

Review Report of interim financial information

Introduction

We have reviewed the interim report for the period January 1 to September 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 consist 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 October 21, 2008

Deloitte AB

Jan Larsson
Authorized Public Accountant

Publication of financial information

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

For further information, please contact

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