Nordea

Annual Report 2006

Nordea Hypotek AB (publ)

Nordea is the leading financial services group in the Nordic and Baltic Sea region. Nordea makes it possible for the customers to reach their objectives through a broad range of products, services and solutions in banking, asset management and insurance. Nordea Group has almost 10 million customers and 1,100 bank branches, and with its 4.6 million e-customers is a leader in Internet banking. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.

Contents

Statement by the President

Higher rates of interest resulted in slower growth in loans and housing prices

Lending from the Swedish mortgage institutions increased markedly in 2006 as well. Growth slackened however in comparison with previous years. Market growth in total was 8.2 percent in contrast to 10.7 percent the year before, and at year-end total lending from mortgage institutions amounted to SEK 1,670bn (including securitisations). Lending to households for financing of self-contained houses and tenant-owner apartments increased by 12.5 percent, while the corresponding increase in 2005 was no less than 16.8 percent. Though still high, the growth rate was thus lower during 2006.

Prices of self-contained houses and tenant-owner apartments developed likewise at a slower pace. As a national average housing prices in December 2006 increased by 9-10 percent in twelve months – clearly a lower rate of increase than a year earlier – with largely stagnant prices towards year-end, according to the leading estate agent organisations' joint statistics.

The Swedish economy developed strongly in 2006 with a GNP growth probably close to 4.5 percent and strongly increased employment. It would seem that behind the decelerated growth rate in lending and housing prices lays the successive increases in the rate of interest that the Riksbank implemented during the year. During 2006 the repo rate was on average 2.20 percent compared to 1.74 percent the previous year and at the end of the year it was 3 percent, twice as high as one year earlier. Borrowers who chose variable interest could thus see their interest expenses in Swedish kronor increasing by over 20 percent between both years. Long-term interest rates also experienced an upward trend, albeit not quite as substantial; on closing the books 2006 for example five-year-interest was 4.62 percent, 0.53 percentage points higher than as one year earlier.

Nordea Hypotek's operation largely followed the same pattern as the market on the whole. Our lending increased in total by 8 percent, of which self-contained houses and tenant-owner apartments accounted for an increase of 10 percent. Market share for self-contained houses and tenant-owner apartments, which is clearly elastic in relation to variations in the interest rates on offer, fell by some tenth of a percentage unit while it continued to increase in the corporate sector, particularly where housing cooperatives and municipal housing companies are concerned. Overall market share was largely unchanged and at the end of the year stood at 17 percent.

Satisfactory result

Despite shrinking market margins in connection with new lending and renewals of existing loans, our net interest income increased somewhat. The explanation is in part the larger lending volume, and in part the changes in our product range, which influenced the average interest margin in a positive way, and also the somewhat higher return on equity resulting from the higher general level of interest rates. Net commissions also developed positively. The fact that operating profit, nevertheless, was lower than in the previous year is attributable to the positive exchange rate effects of a non-recurring nature in the result for 2005, at which time the company reported in euro. Excluding these exchange rate effects we achieved a better result in 2006, and in the light of an increasingly competitive mortgage market, I consider the results satisfactory.

My appraisal is that the mortgage companies' results, generally speaking, in the next few years will be negatively influenced by margins for new lending and renewals of existing loans lying lower than incoming stock margins. It remains to be seen if the volume increases can fully compensate for the lower interest margins. The new capital adequacy rules under the Basel II framework mean however lower requirements for equity in connection with a given credit volume. Consequently, I repeat what I wrote last year, that there are good prerequisites for capital return in terms of percent, to be improved gradually as the new rules gain impact.

Good credit quality continues

We do not yet see any signs of higher rates of interest leading to increased payment problems among our borrowers. Both in terms of number and amount the volume of impaired loans has been largely constant at a very low level for several years in spite of the lending volume having increased the whole time, which means a proportionately falling trend. The share has in recent years been under one thousandth of lending (see diagram in the Board of Directors' Report). The fact that interest rates despite increases during the year still remain at an historically low level is of course a relevant factor but an important explanation is also our strict credit approval investigation into repayment ability, which among other things contains sensitivity analyses with different interest scenarios.

For the sixth consecutive year net loan losses remained positive, meaning that recoveries from earlier years' write-offs and provisions exceeded losses for the financial year. I am thus able to say with satisfaction that our very high credit quality continues and shows no signs of weakening.

Covered bonds – a success

In accordance with the plan outlined in last year's annual report we converted outstanding bond volumes to covered bonds in June 2006 and began issuing new ones. The bonds have received the highest rating Aaa/AAA from Moody's and Standard & Poor´s respectively.

In October Nordea Hypotek issued the first Swedish covered bonds on the international capital market. The issue was for five years and amounted to 1,250 million euro, with which it was assigned benchmark status for so called jumbo issues. It was very positively received by the market and was oversubscribed more than three times in one hour. Subsequent issues during the current year have confirmed that our bonds enjoy great popularity among international investors. The domestic market also warmly received our covered bonds and this meant lower borrowing costs, to the advantage of our loan customers.

Nordea is an active member of the European Covered Bond Council (ECBC), formed a few years ago with the aim to among other things spread knowledge and facilitate trade in covered bonds across borders. ECBC has rapidly acquired a strong reputation in wide circles.

Low home loan costs in Sweden promote growth

Intense competition on the home loan market led to continued downward pressure on interest margins, not least towards the end of the year. According to an investigation by the European Mortgage Federation (EMF) regarding home loan conditions in 13 EU countries in 2006, margins in Sweden were among the third or fourth lowest and the total average cost of interest was the very lowest. Development after the time of investigation indicates that Sweden's position has further improved. At the same time transaction costs in connection with purchase and lending on residential property is next after Great Britain lowest throughout the entire EU, according to another study by EMF. All in all, Swedish home loan consumers enjoy very favourable conditions, in a European perspective as well.

This can be seen as one of several explanations to the rising housing prices and household wealth that we have been able to see in recent years. Good loan possibilities on favourable terms also contribute in a positive way to mobility on the markets for housing and labour, which is favourable to the country's economic growth.

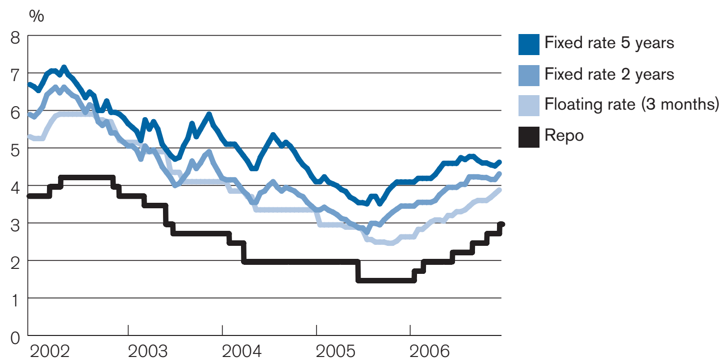
Thank you

I would like to say a warm thank you to all staff at various units in Nordea, who have carried out a devoted job on behalf of the company. I would also like to thank all the estate agents who cooperate with us throughout the country for their valuable contributions, as well as all new and old customer and investors who have shown confidence in us.

Stockholm 20 February 2007

Leif Ronander
President

Nordea Hypotek's mortgage rates and the Riksbank's repo rate



Five-year summary

Income statement

SEKm	2006	2005	2004	2003	2002
Net interest income	1,969	1,946	2,133	2,138	2,011
Net commission income	51	44	40	49	42
Net result from financial operations	22	105	124	–	–
Other operating income	7	0	0	2	2
Total operating income	**2,049**	**2,095**	**2,297**	**2,189**	**2,055**
Personnel expenses	–3	–2	–3	–4	–4
Other operating expenses	–504	–498	–451	–10	–13
Total operating expenses	**–507**	**–500**	**–454**	**–14**	**–17**
Profit before loan losses	**1,542**	**1,595**	**1,843**	**2,175**	**2,038**
Loan losses, net	14	8	77	4	10
Operating profit	**1,556**	**1,603**	**1,920**	**2,179**	**2,048**
Appropriations	–2	477	–487	–1	–10
Tax on profit for the year	–435	–579	–408	–610	–571
Net profit for the year	**1,119**	**1,501**	**1,025**	**1,568**	**1,467**

Balance sheet at 31 December

SEKm	2006	2005	2004	2003	2002
Assets					
Loans to credit institutions	100	740	1,836	103	1
Lending to the public	283,637	262,586	234,537	212,108	193,133
Other assets	1,197	2,338	953	1,223	1,489
Total assets	**284,934**	**265,664**	**237,326**	**213,434**	**194,623**
Liabilities and equity					
Loans from credit institutions	84,030	108,609	104,032	60,684	62,847
Debt securities in issue	182,274	138,333	115,222	128,959	116,391
Other liabilities	4,814	5,906	5,660	13,306	6,606
Subordinated liabilities	2,400	1,400	1,440	940	40
Total liabilities	**273,518**	**254,248**	**226,354**	**203,889**	**185,884**
Untaxed reserves	**–**	**–**	**479**	**–**	**–**
Equity	**11,416**	**11,416**	**10,492**	**9,545**	**8,739**
Total liabilities and equity	**284,934**	**265,664**	**237,326**	**213,434**	**194,623**

Reporting as per legally limited IFRS applies for the years 2006 and 2005.

Ratios and key figures

	2006	2005	2004	2003	2002
Return on average equity, %	9.5	10.1	13.4	16.8	16.0
Return on total capital (%)	0.6	0.6	0.8	1.1	1.1
Investment margin, %	0.72	0.77	0.94	1.04	1.08
Cost/Income ratio before loan losses, %	24.7	23.9	19.8	0.7	0.8
Cost/Income ratio after loan losses, %	24.1	23.5	16.4	0.5	0.3
Reserves for impaired loans, %	10.1	12.3	14.6	39.2	44.5
Impaired loans ratio, %	0.06	0.07	0.07	0.06	0.05
Loan loss level, %	–0.005	–0.003	–0.036	–0.002	–0.006
Risk-weighted amount, SEKm	153 378	139 966	130 267	106 980	94 774
Capital base, SEKm	13 816	12 816	12 237	10 453	8 755
Total capital ratio, %	9.01	9.16	9.39	9.77	9.24
Tier 1 capital ratio, %	7.44	8.16	8.32	8.92	9.22
Average number of employees	2	2	2	5	6

Definition

Capital base
The capital base constitutes the numerator in calculating the capital ratio. It consists of the sum of tier 1 capital (see definition) and supplementary capital (consisting of subordinated debenture loans).

Cost/Income ratio after loan losses
Operating expenses plus loan losses as a percentage of operating income.

Cost/Income ratio before loan losses
Operating expenses as a percentage of operating income.

Impaired loans ratio
Net impaired loans as a percentage of lending.

Investment margin
Net interest income as a percentage of average total assets.

Loan loss level
Loan losses as a percentage of the opening balance of lending to the public.

Reserves for impaired loans
Reserves for possible loan losses in relation to gross impaired loans.

Return on average equity
Net profit for the year as a percentage of equity, quarterly average.

Return on total capital
Operating profit as a percentage of average total assets.

Risk-weighted amount
Total assets as shown in balance sheet and off-balance-sheet items valued on the basis of credit and market risks in accordance with regulations governing capital adequacy.

Tier 1 capital
Part of the capital base (see definition). Consists of equity.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted amounts.

Total capital ratio
Capital base as a percentage of risk-weighted amounts

Board of Directors' Report

The Board of Directors and the President of Nordea Hypotek AB (publ) (Corp. reg. no. 556091-5448) hereby presents the Annual Report for 2006. The company is a wholly owned subsidiary of Nordea Bank AB (publ) (Corp. reg. no. 516406-0120).

Definitions
In this report of the Board of Directors the terms below shall have the following meanings:
"The company" means Nordea Hypotek AB (publ),
"The parent company" and "the parent bank" means Nordea Bank AB (publ),
"The Nordea Group" "the Group" and "Nordea" means Nordea Bank AB (publ) and its subsidiaries.

Operations
The company operates in the Swedish market and grants loans, primarily long-term in nature, to private individuals, individual businessmen, municipalities and other legal entities through the parent bank's network of bank branches. The purpose of the lending is primarily to finance properties, agriculture and municipal activities. The central emphasis is on housing financing. Collateral consists mainly of mortgages on residential property, tenant-owner apartments or of municipal guarantees.

Change of reporting currency
Effective 1 January 2006 the company has reverted to Swedish kronor as reporting currency. This means that comparisons – both regarding amounts and percentages – for the years 2005 and 2004 are affected by fluctuating rates of exchange since business transactions were conducted in Swedish kronor and then converted into euro.

Numerical information in this annual report in respect of years 2005 and 2004, that were originally reported in euro, have for purposes of comparability been converted to Swedish kronor. Income items have thereby been restated at the average exchange rate for each year, while balance items have been restated at the exchange rate on the closing date each year. See also under Note 1 "Accounting policies".

Result
Operating profit amounted to SEK 1,556m (1,603), which is a decrease by 2.9 percent compared to the previous year. When comparing to operating profit the previous year, the following major items effecting comparability should be taken into consideration:

- Net interest income amounted to SEK 1,969m (1,946), an increase of 1.2 percent. Net interest income was influenced positively by higher lending volume, which was however offset by lower margins in connection with new lending and renewals of existing loans. Furthermore, higher interest earnings on equity due to higher interest rates contributed positively to the development of net interest income.
- Currency fluctuations between euro and Swedish kronor have resulted in an income of SEK 8m (104), which is reported in the income statement as net result from financial operations.

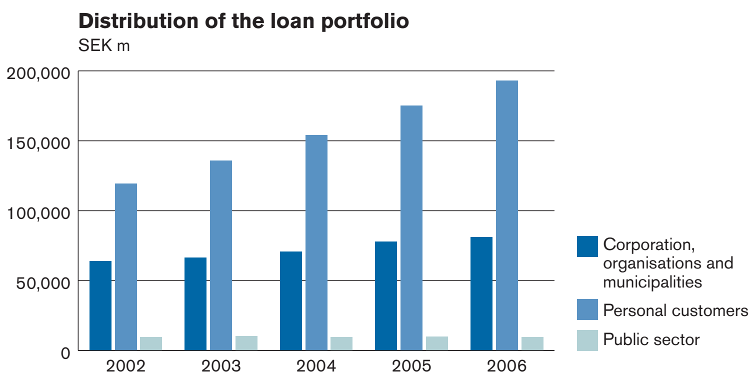
Return on equity was 9.5 percent (10.1).

Lending
Lending to the public during the year increased by 8.0 percent to SEK 283,637m at year-end.

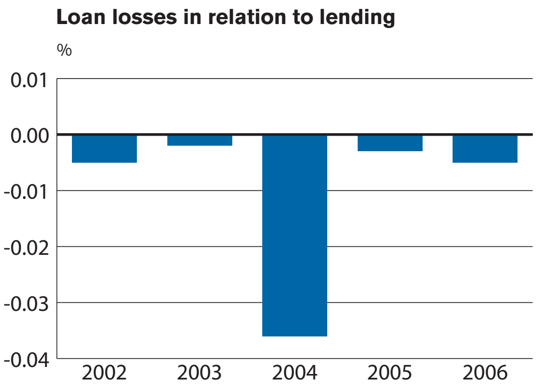
Lending to corporations, organisations and municipalities
Lending to legal entities increased by SEK 3,437m (3.9 percent) to SEK 90,821m at the end of the financial year.

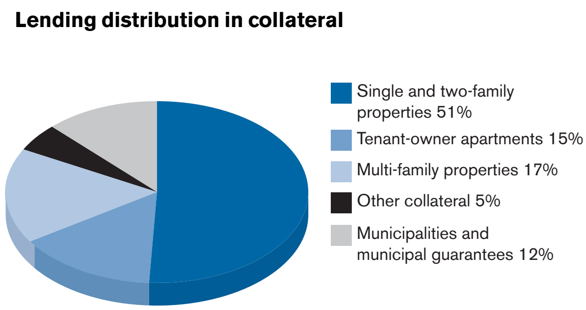
Lending to personal customers
Lending to households increased by SEK 17,615m (10.1 percent) to SEK 192,817m.

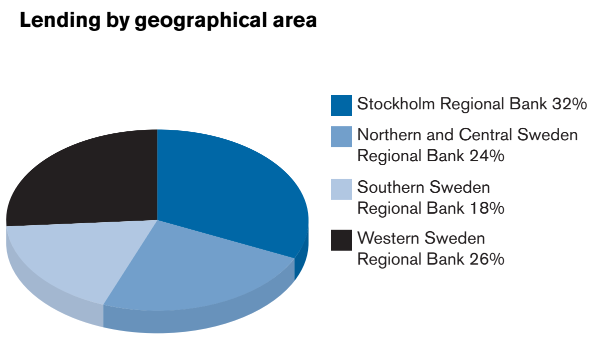
Loan losses



Recoveries of previously written-off claims and reversals of provisions in previous years exceeded new incurred and expected losses by SEK 14m (8).







Currency policy

The company's policy is not to have any exposure to currency risk. In compliance with this the company had no such exposure at the closing date.

Funding

As per 30 June 2006 the company converted all outstanding bonds to covered bonds. Subsequently, all long-term borrowing, with the exception of subordinated debenture loans, has taken place in the form of covered bonds. A covered bond is a borrowing instrument, regulated under the Act governing the issue of covered bonds (SFS 2003:1223), that gives investors special priority in the event of the issuer's bankruptcy. Covered bonds may only be issued after special permission from the Financial Supervisory Authority and on the basis of assets of high quality. As shown below the company's covered bonds have received the highest credit ratings from two well-reputed rating institutes, which among other things has resulted in access to a wider circle of investors, not least in the international capital markets.

In the Swedish market the company issued in 2006 fixed-rate bonds with maturities of more than one year for SEK 58.3bn (69.2). The issues take place repeatedly in existing and new series of which the majority are so-called benchmark bonds. The company has agreements with six banks that ensure high liquidity in the bonds. During the year the company also issued a subordinated debenture loan of SEK 1bn (–), which in its entirety was endorsed by the Parent Company.

The company has an EMTN programme for international funding. The framework for this programme was raised in 2006 to EUR 10bn. During the year covered bonds were issued in an amount equivalent to 11.3 bn Swedish kronor (–) under this programme.

Total outstanding covered bonds at year-end amounted to SEK 180.7bn. In addition to that the company had outstanding subordinated debenture loans of SEK 2.4bn (1.4).

In addition to long-term borrowing according to the above the company successively during the year raised short-term borrowing with the parent company. At the end of the year the outstanding amount from such borrowing stood at SEK 84.0bn (108.5).

International rating

The company in June 2006 was rated Aaa/AAA by Moody's Investor Service and respectively Standard & Poor´s for the covered bonds that account for the company's main long-term borrowing.

Risk management

Risk exposure is an integrated part of all financial operations and Nordea takes on a number of risks in its normal operations. Foremost among these is credit risk in connection with lending and receivables to the public. Risk management is one of the key elements for success in the financial services sector and Nordea has clearly defined policies and instructions for risk management. Nordea Hypotek is entirely integrated with Nordea's risk management system.

Risk management principles and control

Nordea's Board of Directors has the ultimately responsibility for limiting and monitoring the Group's risk exposure. Risks in Nordea are measured and reported according to common principles and policies approved by the Board. Nordea's Board decides on policies for credit, market, liquidity, and operational risk management. All policies are reviewed at least annually.

In the credit instructions, Nordea's board also decides on powers-to-act for Credit Committees at different levels within Nordea's business areas. The authorisations vary for different decision-making levels, mainly in terms of the size of limits and also depending on the internal rating of customers. The Board's Credit Committee monitors the development of the credit portfolio, including industries and major customer exposures.

Nordea's board also decides on limits for the group's market and liquidity risks.

Group Credit and Risk Control is responsible for the overall risk management framework. The framework comprises policies, instructions and guidelines for the entire Group. In regard to the question of structural net interest risk and liquidity risk, the framework is however formulated by Group Treasury.

The business areas bear the main responsibility for risk management in their respective operations, including identification, control and reporting, while Group Credit and Risk Control consolidate and manage risks at group level.

Nordea Hypotek's Board of Directors is ultimately responsible for limiting and monitoring the company's risk exposure, and regularly reviews reports on risk exposure.

Credit risk

Credit risk is defined as the risk of loss if counterparts of the company's fail to fulfil their agreed obligations and that pledged collateral does not cover the company's claims.

Most of the credit risk in respect of Nordea Hypotek arises from lending of various types to the public (corporate and personal customers). Credit risk also comprises transfer risk, settlement risk and credit risk in financial instruments such as derivatives.

Credit risk in derivative contracts arises when the company's counterpart in the contract defaults prior to maturity of the contract and that the company at that time has a claim against the counterpart. Settlement risk is the risk of losing the principal of a financial instrument, if a counterpart defaults during the settlement process. Transfer risk is a credit risk attributable to the transfer of money from another country where the borrower is domiciled and is affected by changes in the economic and political situation of countries.

Responsibility and control processes

The relevant decision-making authorities on different levels in the Group make decisions in respect of credit risk limits for customer and customer groups.

The primary responsibility for credit risks that affect Nordea Hypotek lies with the customer-responsible units in the parent bank, which continuously assesses the customer's ability to fulfil its obligations and identify deviations from the agreed terms and weaknesses in the customer's financial position. The company's management regularly monitors customers' weakened financial positions or payment delays through detailed reporting and also following up by implementing necessary measures.

If credit weaknesses are identified in relation to a customer exposure, that exposure is assigned special attention in terms of review of the risk. In addition to continuous monitoring a plan of action is created to minimise the potential credit loss. If necessary a special team is set up to support the customer-responsible unit.

Nordea continuously examines the credit portfolio's quality and then seeks indications of write-down needs.

Weak and impaired exposures are examined at least once a quarter with respect to the present financial position, future prospects, future repayment capacity and also possible provision requirements.

A claim is reported as impaired and a provision is made if there is objective evidence, in the form of loss occurrences or observable data, which shows that the customer's future cash flow has been affected to such an extent that full repayment, including security, is no longer probable. The size of the provision corresponds to the expected loss with consideration to the discounted value of future cash flow and the value of pledged collateral. Impaired exposures can be either performing or non-performing.

Risks in specific industries are controlled through industry policies setting requirements and limits on the overall industry exposure and industry-monitoring groups monitor these risks. Environmental risks in respect of corporate customers are included in the aggregate risk assessments using a process called the Environmental Assessment Tool.

Methods of measurement
Quantification of credit risk was initially developed within Nordea as a part of the Economic Capital framework. The introduction of the Basel II framework approaches and far-reaching efforts have been undertaken to align the internal quantification of credit risk with the external requirements in Basel II.

Rating and scoring
Rating and scoring are the key components in the risk management framework for credit risk. The common denominator of the rating/scoring models is the ability to rank the customers and predict defaults. While the rating models are used for corporate customers and bank counterparts, scoring models are used for personal customers and small business companies.

In connection with internal rating an assessment is made of the repayment ability of corporate customers and bank counterparts. Every rating grade has been assigned a Probability of Default (PD) percentage, which is used as input in the Economic Capital framework and in future will also be used in the Basel II-framework.

Ratings are normally assigned in conjunction with limit/credit proposals or annual reviews and are approved by the credit committees.

Scoring models are purely a statistical method used to predict the probability of default among customers. Nordea utilises three types of scoring models in the credit processes – assessment models based on information derived from the customer's credit application, from the customer's behaviour in other respects or from credit-rating agencies. The models are mainly used for the personal customer segment, but also for small-sized companies.

Analysis of credit risk

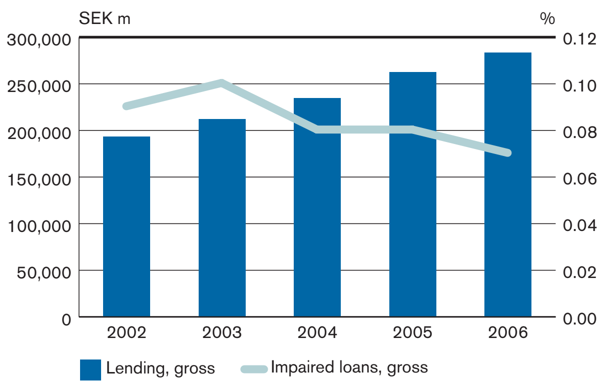
Lending to the public
Nordea Hypotek's lending increased during 2006 by 8.0 percent in 2006 to 283,637 SEKm (262,586). Lending to the corporate sector accounted for 32 percent (33) of the exposure, thereof the public sector (state and municipal) 11 percent (11). The household sector's percentage of exposure was 68 percent (67). The distribution of the lending on maturities and types of collateral is shown below in note 14. The company only mortgages properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 1,296m (1,153).
As in the previous year, the company did not have any assets in the form of bonds or other interest-bearing securities. The credit risk exposure in derivatives amounted to SEK 1,287m (877).

Loans to credit institutions
Lending to credit institutions amounted at the end of the year to SEK 100m (740), all of which was placed in Group companies for terms of less than one year.

Impaired loans
Impaired loans, gross amounted to SEK 195m (207), of which SEK 188m (172) were lending to households. The net amount, after a SEK 20m (26) deduction for provisions for impaired loans, was SEK 175m (182), corresponding to 0.06 percent (0.07) of the total volume of loans outstanding.

Lending to the public and impaired loans



Off-balance-sheet commitments
Nordea Hypotek's business operations include off-balance-sheets commitments. Such items include commercial products such as credit commitments etc, as well as repurchase of own bonds and financial commitments in the form of derivative instruments. The latter concern particularly agreements to exchange currencies (currency forwards) and agreements about exchanges of interest payments (swaps). Total exposure to counterparty risk pertaining to off-balance-sheet commitments amounted to SEK 69m (203) at the end of the year, measured as the risk-weighted amount in accordance with capital adequacy rules.

Market risk

Market risk in Nordea Hypotek is the risk of a negative effect on profit or share capital resulting from movements in financial market variables. Nordea Hypotek's market risk is primarily connected to the company's funding.

The Board of Directors decides risk levels, methods of risk measurement and limits regarding total market risk.

Exposure to interest rate risk arises when there is a lack of balance in the interest rate structure between assets and liabilities and off-balance-sheet items. The company limits its exposure to interest rate fluctuation by matching the interest rate and due date structure for assets and liabilities. The company's interest risk is analysed on a daily basis. "Interest risk" refers here to the change in the value of the portfolio that arises in connection with a parallel shift of the yield curve by one percentage point. On closing day, the interest risk amounted to SEK 30.6m (49.1) for interest rate increase.

Exposure to currency risk arises when assets and liabilities in the same currency are of unequal amounts. See further under the heading Currency policy above.

The company has no exposures related to equities or commodities.

Liquidity risk

Liquidity risk refers to the risk of being able to fulfil liquidity commitments only at increased cost or – ultimately – not being able to fulfil the commitment in connection with maturity.

Risk management focuses both on short-term and structural liquidity risk. The management of Nordea's liquidity risk management includes a business continuity plan and stress testing for liquidity management. A number of liquidity risk measures have been developed to measure the exposure for both time horizons.

In order to avoid short-term financing disturbances Nordea measures financing need, expressed as a maximum expected need for liquid funds over the next 14 days. The funding gap is measured in respect of each separate currency and for all currencies in aggregate.

Nordea has a liquidity buffer to secure funding in situations where the Group is in urgent need of cash funds and the normal financing sources are insufficient. The liquidity buffer consists of high quality securities that can be sold or used as collateral for financing.

Operational risk

In the Nordea Group's policy for internal control and risk management, operational risk is defined as the risk of incurring losses, including damaged reputation, due to deficiencies or errors caused by internal processes, people and systems or by external events. Legal risks and compliance risks as well as crime risk and process risk, including IT risk, constitute sub-categories to operational risk.

Operational risks exist in all activities within the organisation, in the operations outsourced to subcontractors and all activities with external parties.

Solid internal control and quality management, consisting of a risk-management framework, leadership and skilled personnel, is the key to successful operational risk management.

Information security, physical security and prevention of crime are vital elements in the management of operational risks. In order to cover all of this, the Group's security function is included in Group Credit and Risk Control and cooperates closely with Group IT and Group Legal and Compliance.

The main processes for management of operational risk is continuous monitoring in the form of evaluation of own operations and also documentation and registration of incidents and quality shortcomings. In the development of the processes the focus lies on analysis of events with connection to operational risk, indicators for potential risk and other early warning signals. Damage limitation methods consist of continuity planning for operations and crisis management preparedness and also broad insurance cover for major events.

Basel II

Basel II is used as a collective term for the new capital adequacy rules that according to an EU directive enter into force in January 2007 and which are based on what is called the Basel agreement. The rules and regulations are built up around three so called pillars. The first pillar comprises capital requirement, the second pillar concerns the regulatory authorities' supervision and the third pillar comprise information requirements.

Nordea has applied to the Swedish Financial Supervisory Authority for permission to use the foundation IRB approach (Internal Rating Based Approach) from 2007 to determine capital requirements for credit risk and the standardised approach for operational risk. The application, which relates to credit risk comprises lending and receivables to companies and banks.

In the application of Basel II the internal risk evaluation will be used as input data in capital requirement calculations. To fulfil the minimum requirement in the EU directive concerning the IRB method for credit risk Nordea has refined the internal models and processes that are used within the system for Economic Capital. Furthermore, the development of an extensive data warehouse with financial information is in progress, a calculation module and a reporting tool that will be completed in 2007.

The effects of Basel II will be manifested gradually since the directive's minimum requirements limit the institution's possibility to reduce the capital base. During 2007 risk-weighted assets may not fall below 95 percent of the amount calculated in accordance with Basel I; in 2008 the lower limit will fall to 90 percent and in 2009 to 80 percent. In the year 2010 the minimum requirement in Basel I will be replaced by the first pillar in Basel II (capital requirements). At the same time Nordea's internal capital calculation will function as the capital goal.

Environmental issues

In accordance with the Nordea Group's Corporate Citizenship principles Nordea Hypotek is committed to sustainable development by combining financial activity with responsibility for the environment and society. The Group shows concern for the environment and strives to reduce the negative and increase the positive environmental impact of the company's operations.

The Nordea Group applies an environmental policy that serves as a guideline for how the units within Group can take environmental aspects into consideration in their own operations, and at the same time strives towards reducing the costs and risks involved.

The policy should also serve as a guideline for decisions regarding financial operations and choice of contractors.

Legal proceedings

There are no disputes or legal proceedings in which material claims have been raised against the company.

Application of IFRS/IAS

The company has to a limited extent undergone a changeover to IFRS (International Financial Reporting Standards) from 2006. Limited application of IFRS in this connection refers to an application of IFRS with the exception and addition of what is specified in Swedish Financial Accounting Standards Council's recommendation RR 32:05 ”accounting for legal entities”, and also of the Swedish Financial Supervisory Authority's directions. The changeover to IFRS influenced Nordea Hypotek's reporting in certain respects. All in all, the new accounting standards are, however, not deemed to result in any material impact on the company's result or the equity.

From the company's point of view, the most important change of accounting policies occurs as regards financial instruments (IAS 39).

Nordea Hypotek uses hedge accounting for financial assets and liabilities where relevant. The signification is that fair value applied to all derivatives and also on certain assets and liabilities where the interest risk is secured.

Outlook for 2007

The outlook for the Swedish economy's development in 2007 appears favourable. Growth is indeed expected to be somewhat lower than in 2006 but still relatively high and employment is set to continue to increase. Private consumption is also stimulated by increased real wages and lower income taxes. The year began with an expected increase in the Riksbank's repo rate but even if there are prospects for a further increase in the rate of interest, the most recent forecasts from the central bank have mitigated the fears of substantial interest rate increases in the next few years. Demand for credit from households for purchases and home improvements is therefore set to remain strong, which probably means stable or rising housing prices and a continued strong increase in the company's lending to households.

Growth in the economy and a vigorous property market also create good prospects for continued increase in corporate lending.

Intense competition in the company's sphere of operations implies that pressure on interest margins is likely to remain, which is why the company's net interest earnings are not expected to develop at the same pace as volume of lending.

Change in the Board of Directors

At the Annual General Meeting of Shareholders on 13 March 2006 Björn Hökby, Country Manager Sweden, Segment Corporate within Retail Banking in Nordea, was elected ordinary member of Nordea Hypotek's board of directors.

Distribution of earnings

The proposed distribution of earnings is provided on page 33.

Income statement

SEK (000s)	Note	2006	2005
Operating income			
Interest income	2	9,940,237	9,329,661
Interest expenses	2	–7,971,207	–7,383,806
Net interest income	**2**	**1,969,030**	**1,945,855**
Commission income	3	66,192	57,470
Commission expenses	4	–15,355	–13,240
Net commission income	**3,4**	**50,837**	**44,230**
Net result from financial operations	5	21,604	105,195
Other operating income	6	7,218	343
Total operating income		**2,048,689**	**2,095,623**
Operating expenses			
General administrative expenses			
Personnel expenses	7	–2,671	–2,573
Other administrative expenses	8	–504,206	–497,692
Depreciation of tangible fixed assets	9	–63	–64
Total operating expenses		**–506,940**	**–500,329**
Profit before loan losses		**1,541,749**	**1,595,294**
Loan losses, net	10	14,004	7,708
Operating profit		**1,555,753**	**1,603,002**
Appropriations	11	–1,917	476,651
Tax on profit for the year	12	–435,270	–579,375
Net profit for the year		**1,118,566**	**1,500,278**

Balance sheet

31 December, SEK (000s)	Note	2006-12-31	2005-12-31
Assets			
Loans to credit institutions	13, 15	99,768	740,225
Lending to the public	14, 15	283,637,184	262,586,120
Tangible assets	16	179	243
Other assets	17	443,257	1,682,715
Prepaid expenses and accrued income	18	753,529	654,323
Total assets		**284,933,917**	**265,663,626**
Assets pledged		None	None
Liabilities and equity			
Loans from credit institutions	19	84,030,000	108,608,900
Debt securities in issue	20	182,273,535	138,333,144
Other liabilities	21	1,741,181	2,963,428
Accrued expenses and prepaid income	22	3,073,487	2,942,257
Subordinated liabilities	23	2,400,000	1,400,000
Total liabilities		**273,518,203**	**254,247,729**
Equity	24		
Restricted equity			
Share capital		110,000	103,432
Statutory reserve		–	20,686
Unrestricted equity			
Retained profit		10,187,148	9,791,501
Net profit for the year		1,118,566	1,500,278
Total equity		**11,415,714**	**11,415,897**
Total liabilities and equity		**284,933,917**	**265,663,626**
Contingent liabilities		None	None
Commitments	25	137,344,631	83,947,040

Other notes	
Accounting policies	1
Capital adequacy	26
Derivatives	27
Assets and liabilities at fair value	28
Fixed-interest terms for assets and liabilities	29
Assets and liabilities in foreign currencies	30
Segment reporting	31
Classification of financial instruments	32

Movements in equity

Movements in equity, 2006

SEK (000s)	Share capital	Statutory reserve	Unrestricted	Total
Balance at beginning of year	103,432	20,686	11,291,779	11,415,897
Sum of changes reported directly against equity, excluding transactions vis à vis the company's owners	**103,432**	**20,686**	**11,291,779**	**11,415,897**
Net profit for the year	–	–	1,118,566	1,118,566
Sum of changes excluding transactions vis à vis the company's owners	**103,432**	**20,686**	**12,410,345**	**12,534,463**
Group contributions paid	–	–	–1,553,818	–1,553,818
Tax effect of group contributions	–	–	435,069	435,069
Bonus issue	6,568	–20,686	14,118	–
Balance at year-end	**110,000**	**–**	**11,305,714**	**11,415,714**

Movements in equity, 2005

SEK (000s)	Share capital	Statutory reserve	Unrestricted	Total
Balance at beginning of year	99,320	19,864	10,373,012	10,492,196
Adjustment as a result of changed accounting principles, IFRS	–	–	–1,469	–1,469
Translation differences	4,112	822	445,729	450,663
Sum of changes reported directly against equity, excluding transactions vis à vis the company's owners	**103,432**	**20,686**	**10,817,272**	**10,941,390**
Net profit for the year	–	–	1,500,278	1,500,278
Sum of changes excluding transactions vis à vis the company's owners	**103,432**	**20,686**	**12,317,550**	**12,441,668**
Shareholders' contributions received	–	–	469,418	469,418
Group contributions paid	–	–	–2,076,652	–2,076,652
Tax effect of group contributions	–	–	581,463	581,463
Balance at year-end	**103,432**	**20,686**	**11,291,779**	**11,415,897**

Cash flow statement

SEK (000s)	2006	2005[3]
Operating activities		
Operating profit	1,555,753	1,620,433
Pension adjustments	–1,917	–1,368
Adjustments for items not included in cash flow	29,203	484,545
Income tax paid	–3,724	–416,655
Cash flow from operating activities before changes in operating assets and liabilities [1]	**1,579,315**	**1,686,955**
Changes in operating assets and liabilities		
Change in lending to the public	–21,048,377	–18,347,118
Change in derivatives, assets	298,844	–549,407
Change in other assets	945,422	–976,040
Change in deposits by credit institutions	–24,578,900	271,028
Change in derivatives, liabilities	410,221	407,217
Change in other liabilities	–1,110,721	–2,376,245
Cash flow from operating activities	**–43,504,196**	**–19,883,610**
Financing activities		
Change in debt securities in issue	43,940,391	18,342,342
Shareholders' contributions received	–	469,418
Group contributions paid	–2,076,652	–
Change in subordinated liabilities	1,000,000	–99,596
Cash flow from financing activities	**42,863,739**	**18,712,164**
Cash flow for the year	**–640,457**	**–1,171,446**
Cash and cash equivalents at the beginning of the year	740,225	1,911,671
Cash and cash equivalents at the end of the year [2]	99,768	740,225
Change	**–640,457**	**–1,171,446**

[1] **Interest payments**		
Interest payments received	9,841,976	9,596,164
Interest payments made	–7,785,066	–7,225,502
[2] **Additional information**		
Liquid assets include loans to credit institutions, payable on demand	99,768	740,225

[3] Recalculation has been performed at the exchange rate 9.388362 for all items.

Notes to the financial statements

Note 1
Accounting policies

Basis for presentation
Nordea Hypotek's annual report is prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (ÅRKL) and the regulations and general directions of the Swedish Financial Supervisory Authority in respect of annual reports of credit institutions and securities companies (FFFS 2005:33) and the recommendations of the Swedish Financial Accounting Standards Council RR 32 (05). Nordea Hypotek applies so called limited IFRS and this refers to the standards approved for application in the EU with the limitations that follow from RR 32 and FFFS 2005:33. This means that all of the EU-approved IFRS and declarations are applicable as far as possible within the framework of ÅRKL and with consideration to the connection between financial reporting and taxation.

The additional information, including risk information, required according to the above mentioned standards and legislation, has been included in the notes and the Board of Directors' report. On 13 March 2007 the board of directors approved the annual report, which is subject to final approval by the Annual General Meeting of Shareholders on 20 March 2007.

Changed accounting principles
The changes concern the accounting policies in respect of financial instruments (IAS 39). At the turn of the year 2005/2006 the opening balance for 2005 changed in connection with the changeover to the limited IFRS. The comparison figures have been changed in a corresponding way. The company has also changed reporting currency from Euro to Swedish kronor. The comparative figures concerning previous periods have as regards income statements been restated at the average exchange rate during the period in question, while balance sheet items and cash flow analyses have been restated at the closing date rate.

Changes in connection with the changeover to IFRS

SEK (000s)	Opening balance 2005	Closing balance 2005
Income statement		
Net result of financial operations	–	1,393
Tax on profit for the year	–	–390
Net profit for the year	**–**	**1,003**
Balance sheet		
Other assets	–	467,747
Other liabilities	–	468,254
Retained profit	–1,469	–1,510
Net profit for the year	**–**	**1,003**

In all other material respects the accounting policies and the basis for calculations are unchanged in comparison to the previous year's annual report.

Critical judgments and key sources of estimation uncertainty
The preparation of financial statements in accordance with generally accepted accounting principles in certain cases requires the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that the management consider to be correct and reasonable. These estimates and underlying assumptions affect the reported amounts for assets, liabilities and commitments outside the balance sheet, as well as income and expenses in the financial statements presented. Actual outcome can later to some extent, differ from the estimates and the assumptions made.
Certain accounting principles may be considered to be of special significance for Nordea Hypotek's financial position, since they are based on difficult, complex and subjective estimates and assessments from the management, which are in most cases uncertain in nature. These critical estimates and assessments are mainly in reference to:
- fair valuation measurement of:
  – financial instruments and
- impairment testing of loans and receivables.

Fair value measurement
Financial instruments
Critical judgments are exercised when determining fair value of financial instruments in the following areas:
- The choice of valuation techniques.
- The determination of when quoted prices do not represent fair value
- The construction of fair value assessments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgment of which market parameters are observable.

In all these instances the decisions are based on professional judgment in accordance with Nordea's accounting and valuation policies. All such decisions are subject to approval by the relevant group functions.

Impairment testing
Loans and receivables
When testing individual loans for impairment, the most critical judgment, containing the highest uncertainty, relates to the estimation of the most probable future cash flow generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section "Loans and receivables".

Recognition operating income and operating expenses
Net interest income
Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using effective interest rate method as basis for the calculation.

Net commission income
Commission income and expenses are transaction based and recognised in the period when the services are received.

Assets and liabilities denominated in foreign currency
Assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate, corresponding to the average of official buying and selling rates at closing. Forward positions in foreign currencies have been valued at the current rate for forward contracts with the equivalent remaining maturity.

When currency-related derivatives are used for currency hedging, the currency hedging instrument and the corresponding hedged item are translated at the year-end rates.

Hedge accounting
IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so called hedge accounting. Nordea Hypotek applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities.

The company's hedge accounting policy has been formulated to fulfil the requirements specified in IAS 39. Nordea Hypotek uses hedge accounting to achieve symmetric handling in terms of reporting the changes in fair value for the hedged item and changes in fair value in respect of the hedged instrument. The overall purpose is to have a fair representation of Nordea Hypotek's economical hedges in the financial statements.

According to IAS 39 there are in general mainly three types of hedge accounting:
• Cash flow hedge accounting
• Fair value hedge accounting
• Hedges of net investments in foreign operations.

In Nordea Hypotek, fair value hedge accounting is used for all hedges apart from hedges of net investments, meaning that both the hedging instrument and the hedged item are measured at fair value, with changes in fair values recognised directly in the income statement.

Hedge instruments
The hedge instruments used in Nordea Hypotek are predominantly interest rate swaps. Currency interest rate swaps (CIRS) are only used in a few transactions.

Hedged items
According to IAS 39 a hedged item can be a single asset or liability as well as a group of assets or liabilities with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets or liabilities.

Determination of fair value of financial instruments
Fair value is defined by IAS 32 and IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The best evidence of fair value is the existence of published price quotations in an active market and, insofar as they are available, that they are used in connection with the valuation of financial assets and financial liabilities. Nordea Hypotek uses published price quotations to establish the fair value of instruments.

Reporting of business transactions
Business transactions are reported at the time that risks and rights are transferred between the parties and payment is deemed likely. Trade date accounting is applied for transactions in the money and bond markets, and in the currency market. In the income statement, gross amounts are reported. Income and expense items are offset only when a statutory rule or an accounting standard requires or permits it.

Assets and liabilities are in most cases reported in gross amounts. The netting of assets and liabilities is used, however, if a statutory right to offset the commitments exists and settlement occurs simultaneously.

Receivables and payables arising from the sale and purchase of securities are also reported net in those cases where the transaction is settled through a clearinghouse.

Classification of financial instruments
Each financial instrument within the scope of IAS 39 has been classified into one of the following categories:

Financial assets:
- Financial assets at fair value through profit or loss:
  – Financial assets designated as measured at fair value in the income statement
- Loans and receivables

Financial liabilities
- Financial liabilities at fair value through profit or loss
  – Financial liabilities designated as measured at fair value through profit or loss
- Other financial liabilities

The classification of financial instrument in different categories constitutes the basis for how each financial instrument is measured in the balance sheet and how the changes in this value is entered in the books.

Financial assets and liabilities are valued at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are estimated at fair value. All changes in value in respect of these items are reported directly in the income statement under the item "Net result from financial operations".

Loans outstanding
Loan receivables constitute financial assets that are not derivatives, with fixed or specific payments, and which are not quoted on an active market. These assets together with impaired loans are described further in the section "Loans and receivables".

Other financial liabilities
Other financial liabilities, which have not been classified as belonging to the category "Financial liabilities" are measured at fair value via profit or loss, and valued at accrued acquisition value. Interest on "Other financial liabilities" are reported in the income statement under the item "Interest expenses".

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair value, including accrued interest, are recognised as assets in the item "Other assets". Derivatives with total negative fair value, including accrued interest, are recognised as liabilities under the item "Other liabilities".

Realised and unrealised gains and losses from derivatives are recognised in the income statement under the item "Net result from financial operations".

Loans and receivables
Loans and receivables are measured at amortised cost (see also note 32 on Classification of financial instruments).

Nordea Hypotek monitors loans and receivables as described in the Board of Directors' Report. Loans attached to individual customers or groups of customers are identified as impaired if there is objective evidence of impairment and an impairment test indicates a loss.

Impairment test of loans attached to individual customers
Nordea tests significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have been impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators for impairment and whether those can be regarded to be objective evidence of impairment. In the process to conclude whether there is objective evidence of impairment, an assessment is done to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the book value of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired. Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of loans attached to groups of customers
Groups of loans with similar risk characteristics are assessed for impairment for:
- loans that are individually significant but not impaired, and for
- loans that are not significant, which have not been tested for impairment on an individual basis.

Nordea monitors its portfolio through the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in the group. Common for the customers in the group is that they have similar risk characteristics. The methods used to perform the impairment tests differ somewhat depending on if the loans are not significant or significant. For groups of loans where the loans are not significant the methods used are based mostly on historical data and experienced judgment performed by management. For groups of loans where the loans are significant, Nordea uses the existing rating system as a basis when assessing the credit risk.

Impairment loss
If the book value of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals, the difference is the impairment loss. If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses will be recorded as changes in the allowance account and as "Loan losses" in the income statement. If the impairment loss is regarded as final, it is reported as a realised loss. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has stated a likely economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer and, if applicable, to a group of loans.

Restructured loans
In this context a restructured loan is defined as a loan where the creditor has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for the creditor. After a reconstruction the loan is normally regarded as not impaired under new conditions. Concessions made in a reconstruction are regarded as a final loss. If the creditor retains a possibility to regain the realised loan loss incurred, this is, in the event of a recovery, reported as a recovery of realised loan losses.

Valuation of minor loans with similar credit risk
Homogenous groups of receivables with limited value and similar credit risk are evaluated on cluster basis. The evaluation is based on the experience of realised loan losses and the assessment of the probable loss trend for the group in question. The principle for the split into groups is documented considering previous loan losses, assessment of future development and the basis applied for assessment.

Tangible assets
Tangible assets are reported at their acquisition value less any accumulated depreciation according to plan and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis as follows:

Equipment	5 years

Group contributions
Group contributions paid or received between Swedish companies for the purpose of optimising the tax of the Group are reported in accordance with URA 7 issued by the Swedish Financial Accounting Standards Council as a decrease/increase of unrestricted equity, after adjustment for tax.

Equity
In accordance with Swedish law, equity is split into funds available for distribution (unrestricted equity), and respectively non-distributable (restricted funds) equity.

Restricted funds
In accordance with local legislation, 10 % of the net profit of each Swedish company in the Nordea Group is transferred to a non-distributable statutory reserve until this reserve represents 20 % of the share capital of the company in question. The reserve can only be utilised after decision by the Annual General Meeting.

Unrestricted
The principal purpose of the company's unrestricted reserves is to retain sufficient equity to ensure a capital ratio, which by an adequate margin fulfils the legal requirement in this respect. Surplus unrestricted equity may be transferred to the company's owners.

Pensions
Pension costs
In 2006, pensions costs comprise premiums and fees to insurance companies and pension funds as well as actuarially calculated pension costs for other commitments. The actuarial pension costs refer to commitments guaranteed by a pension foundation. In accordance with instructions from the Swedish Financial Supervisory Authority, the costs are reversed in the item Pension adjustment and substituted by pension benefits paid, contributions made to or received from the pension foundation, and recognised changes in the pension provisions. Special payroll tax and return tax applicable to the Swedish pension system are also recognised in the Pension adjustment.

Taxes
Income tax comprises current tax and deferred tax. Income tax is reported as a cost respectively income and is taken up in the income statement as a tax expense, apart from income tax pertaining to transactions that are reported directly against equity.

Current tax is based on Nordea Hypotek's taxable income and is calculated on the basis of local tax regulations and local tax rates.

Deferred tax assets and liabilities are reported, in accordance with the balance sheet method, for all temporary differences that arise between booked and respectively fiscal value on assets and liabilities. Deferred tax assets are reported for unutilised fiscal losses and tax deductions. Tax assets are only reported insofar as it is probable that future taxable profit that is available, against which temporary differences, unutilised fiscal losses and tax deductions can be utilised. Deferred tax assets, as well as reporting of deferred taxes going forward, are evaluated continuously. Deferred tax liabilities are calculated for temporary differences and untaxed reserves.

Deferred tax assets and liabilities are not discounted. Assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted at the balance sheet date.

Current tax assets and current tax liabilities, as well as deferred tax assets and tax liabilities, are set off when statutory right to setting off is in effect.

Segment reporting
Nordea's operations are organised into three business areas and group functions: The business areas are Retail Banking, Corporate and Institutional Banking and Asset Management & Life. Nordea Hypotek conducts no operations in the business area Asset Management & Life.
The business areas operate under decentralised profit responsibility. According to IAS 14 reporting of vertically integrated operations is encouraged, and therefore presented together with the business area's result, as well as the result for Group Treasury, which is responsible for Nordea's financial management.

Under the heading "Other" the costs in respect of group functions, which do not pertain to services to the business areas, are reported.

Exchange rates

EUR 1 = SEK	2005	2004
Income statement (average)	9.2873743	9.1275906
Balance sheet (at end of period)	9.388362	9.015254

Note 2

Interest income and interest expenses

SEK (000s)	2006	2005
Interest income		
Loans to credit institutions	9,787	31,244
Lending to the public	9,930,450	9,298,417
Total interest income*	**9,940,237**	**9,329,661**
* Of which, Group companies	202,194	205,821
Interest expenses		
Loans from credit institutions	–2,220,616	–1,933,206
Debt securities in issue	–5,595,991	–5,229,914
Subordinated liabilities	–40,597	–34,293
Other interest expenses	–114,003	–186,393
Total interest expenses*	**–7,971,207**	**–7,383,806**
* Of which, Group companies	–2,323,942	–2,111,883
Net interest income	**1,969,030**	**1,945,855**

Average interest rate, lending		
Lending to the public		
Average volume, SEK 000s	271,846	250,007
Average interest, %	3.65	3.76

Interest income from financial instruments that is not measured at fair value through profit or loss is estimated at SEK 9,940m. Interest expenses from financial instruments that are not measured at fair value through profit or loss are estimated at SEK 7,857m.

Commission income

SEK (000s)	2006	2005
Loan commissions	39,769	39,359
Other commissions	26,423	18,111
Total	**66,192**	**57,470**

Note 4

Commission expenses

SEK (000s)	2006	2005
Security commissions	–15,009	–12,359
Other commissions	–346	–881
Total*	**–15,355**	**–13,240**
* Of which, Group companies	–2,365	–3,092

Note 5

Net result from financial operations

SEK (000s)	2006	2005
Interest-bearing securities and other interest-related instruments	13,469	1,393
Foreign exchange gains/losses	8,135	103,802
Total*	**21,604**	**105,195**
* Of which, Group companies	–760,465	–149

Net gains/losses for categories of financial instruments

SEK (000s)	2006	2005
Financial instruments with hedge accounting	21,604	105,195
of which net losses on hedging instruments	–191,119	–64,040
of which net gains on hedged items	212,723	169,235

Note 3

Average balances

	2006		2005	
SEK (000s)	Average balance	Interest, %	Average balance	Interest, %
Assets				
Loans to credit institutions	536,486	1.82	1,621,740	1.95
Lending to the public	271,845,578	3.65	250,006,721	3.76
Total interest-bearing assets	**272,382,064**	**3.65**	**251,628,461**	**3.75**
Non-interest-bearing assets	1,780,299	–	3,365,037	–
Total assets	**274,162,363**	**3.63**	**254,993,498**	**3.70**
Liabilities and equity				
Loans from credit institutions	93,928,886	2.36	99,702,211	1.96
Debt securities in issue	161,557,595	3.46	134,892,155	3.92
Subordinated liabilities	1,476,923	2.75	1,435,736	2.41
Total interest-bearing liabilities	**256,963,404**	**3.06**	**236,030,102**	**3.08**
Non-interest-bearing liabilities	5,314,580	–	7,062,364	–
Untaxed reserves	–	–	448,287	–
Equity	11,884,379	–	11,452,745	–
Total liabilities and equity	**274,162,363**	**2.91**	**254,993,498**	**2.93**
Investment margin, %	0.72		0.77	

Note 6

Other operating income

SEK (000s)	2006	2005
Other	7,218	343
Total	**7,218**	**343**

Note 7

Personnel expenses

SEK (000s)	2006	2005
Salaries and remuneration (specification below)	–1,372	–1,351
Pension costs (specification below)	–723	–652
Social insurance contributions	–481	–481
Allocation to profit-sharing foundation	–30	–23
Other	–65	–66
Total*	**–2,671**	**–2,573**
* Of which, Group companies	–23	–20

Salaries and remuneration

To President and deputy [1]	–1,372	–1,351
Total	**–1,372**	**–1,351**
[1] Of which, performance-based salary	–105	–32

Pension costs:

Actuarial pension costs	–686	–651
Pension premiums	–37	–1
Total	**–723**	**–652**

No directors' fee was paid to board members.

The President's performance-based salary is dependent on the attainment of goals set by the chairman of the Board of Directors, and can be a maximum of 25 percent of the fixed salary. Provisions for performance-based salary each year is preliminary. Any performance-based salary for 2006 is determined in March 2007, and is paid subsequently. Deviations against allocations made are charged to the result for 2007. Nordea Hypotek has no share-based incentive system.

The President had a car and fuel benefit during the whole year.

The President's contract of employment may be terminated by either the President or the company with a mutual period of notice of six (6) months.

In accordance with their employment contracts the President and the Vice President are entitled to six months' salary during the period of notice. For the President the notice pay and severance pay may not exceed 24 months' salary. The total amount will be reduced by any salary the President receives as a result of other employment during the payment period.

Loans to the Board of Directors, President and executives

SEK	2006	2005
Lending at year-end	8,656,546	5,525,566

Pension commitments to the President and executives

SEK	2006	2005
Pension costs related to former President	354,060	351,908
Pension commitments related to former President	3,997,025	4,137,404
Pension costs related to President	496,400	441,893
Pension commitments related to President	5,927,552	5,305,100
Pension costs related to Vice President	226,693	210,396
Pension commitments related to Vice President	3,262,810	2,981,293

The pension age for the President and Vice President is 65 years. At the pensionable age, pension is paid according to collective agreement. Fixed salary is pensionable income. One third of performance-based salary is pensionable income. Pensions are paid from pension foundation. All pensions are benefit defined. The President and the Vice President have a partial pension of 20 percent according to paragraph 7 in the pension agreement signed between BAO and Finansförbundet/SACO.

Actuarial pension costs and pension premiums include an increment for special wage tax. The actual tax paid is reported under the item "Pension adjustment" among allocations.

The company's pension commitments are covered partly by allocation to Nordea Bank Sveriges Pensionsstiftelse, partly by insurance policies.

Average number of employees

Full-time equivalents	2006	2005
Men	2	2
Total	**2**	**2**

At year-end the total number of employees was 2 (2).

Remuneration to the Board of Directors, President and executives

SEK	Fixed salary		Variable salary		Benefits		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
President	675,159	706,269	104,800	31,977	86,066	86,004	866,025	824,250
Vice President	591,647	613,136	–	–	–	–	591,647	613,136

Note 8

Other administrative expenses

SEK (000s)	2006	2005
Computer systems and equipment	–106	–58
Rents and other costs of premises	–665	–618
Postage and telephone	–2,148	–3,916
Sales costs	–491,400	–489,939
Other expenses	–9,887	–3,161
Total*	**–504,206**	**–497,692**
* Of which, Group companies	–499,437	–491,528

Auditor's Fees:		
KPMG Bohlins AB		
Auditing assignments	–262	–551
Other assignments	–248	–
Ernst & Young AB		
Auditing assignments	–11	–132
Total	**–521**	**–683**

Note 9

Depreciation of tangible fixed assets

SEK (000s)	2006	2005
Equipment	–63	–64
Total	**–63**	**–64**

Note 10

Loan losses, net

SEK (000s)	2006	2005
Specific reserves for individually assessed loans		
Losses incurred during the year	–402	–3,629
Amount of previous provisions used during the year	–	2,509
The year's provisions for possible loan losses	–2,300	–1,508
Reversal of previous provisions	8,950	2,266
Total	**6,248**	**–362**

Homogenous groups of loans receivables with limited value and similar credit risk		
Losses incurred during the year	–2,802	–3,809
Recovery of previously incurred losses	11,318	11,952
Reversal/provision for for possible loan losses	–760	–73
Total	**7,756**	**8,070**
Net costs for loan losses during the year	**14,004**	**7,708**

Note 11

Appropriations

SEK (000s)	2006	2005
Appropriations		
Reversal equalisation reserve	–	478,005
Total	**–**	**478,005**
Other allocations		
Pension adjustments		
Actuarial pension costs	686	651
Special wage tax	–508	–
Pension benefits paid	–2,095	–2,005
Total	**–1,917**	**–1,354**
Total	**–1,917**	**476,651**

Note 12

Tax on profit for the year

SEK (000s)	2006	2005
Current tax		
Tax on the year's taxable income	–435,073	–578,985
Deferred tax income/expenses		
Deferred tax as a result of temporary differences	–197	–390
Total	**–435,270**	**–579,375**

Profit before tax	1,553,836	2,079,653
Adjustment relating to IFRS	–	–1,393
Group contributions	–1,553,818	–2,078,257
Tax-exempt income	–18	–3
Taxable income	**0**	**0**

Note 13

Loans to credit institutions

SEK (000s)	2006	2005
Financial fixed assets		
Swedish banks	99,768	740,225
Total*	**99,768**	**740,225**
* Of which, Group companies	99,768	740,225

Maturity information		
Remaining maturity, book value		
Payable on demand	99,768	740,225
Total	**99,768**	**740,225**
Average remaining maturity, years	–	–

Note 14

Lending to the public

SEK (000s)	2006	2005
Financial fixed assets	283,637,184	262,586,120
Total	**283,637,184**	**262,586,120**
Lending is reported net after deduction of provisions of	–19,653	–25,543

Maturity information

Remaining maturity, book value		
Maximum 3 months	150,209,303	130,759,396
3 months – 1 year	29,490,466	30,574,961
1–5 years	97,216,484	96,262,464
More than 5 years	6,720,931	4,989,299
Total	**283,637,184**	**262,586,120**
Average remaining maturity, years	1.2	1.2

For assets and liabilities that are subject to payment by instalments the remaining maturity has been calculated as the time remaining until each instalment.

For credits with consecutively running periods of fixed terms the remaining maturity has been calculated as the time remaining until the next date of change of conditions.

Lending, gross, divided by collateral type

SEK (000s)	2006	2005
Single and two-family properties	145,569,425,	134,047,087
Tenant-owner apartments	41,329,639	35,638,269
Multi-housing property	48,131,895	44,656,905
Public sector incl. surety/guarantee	33,970,385	34,040,564
Other collateral	14,655,493	14,228,838

Note 15

The credit portfolio and its impaired loans

SEK (000s)	2006	2005
Loans to credit institutions	99,768	740,225
Lending to the public	283,637,184	262,586,120
Total	**283,736,952**	**263,326,345**

Credit portfolio per customer category

SEK (000s)					As per 2006-12-31
	Credit institutions	Companies	Private individuals	Public sector	Total
Loans before reserves	**99,768**	**81,219,744**	**192,829,371**	**9,607,722**	**283,756,605**
– of which impaired loans	–	7,378	187,510	–	194,888
– of which non-performing loans which are impaired	–	1,995	184,010	–	186,005
– of which performing loans which are impaired	–	5,383	3,500	–	8,883
Reserves	**–**	**–6,953**	**–12,700**	**–**	**–19,653**
– of which impaired loans	–	–6,953	–12,700	–	–19,653
– of which non-performing loans which are impaired	–	–1,570	–9,200	–	–10,770
– of which performing loans which are impaired	–	–5,383	–3,500	–	–8,883
Loans at book value	**99,768**	**81,212,791**	**192,816,671**	**9,607,722**	**283,736,952**
– of which impaired loans	–	425	174,810	–	175,235
– of which non-performing loans which are impaired	–	425	174,810	–	175,235
Specification of reserves					
Specific reserves for individually assessed loans	–	–6,953	–3,500	–	–10,453
Reserves for groups of loans with limited value	–	–	–9,200	–	–9,200
Total reserves	**–**	**–6,953**	**–12,700**	**–**	**–19,653**

Note 15 cont.

The credit portfolio and its impaired loans

SEK (000s)					As per 2005-12-31
	Credit institutions	Companies	Personal customers	Public sector	Total
Loans before reserves	**740,225**	**77,393,319**	**175,213,568**	**10,004,776**	**263,351,888**
– of which impaired loans	–	35,490	171,797	–	207,287
– of which non-performing loans which are impaired	–	22,457	168,797	–	191,254
– of which performing loans which are impaired	–	13,033	3,000	–	16,033
Reserves	**–**	**–14,103**	**–11,440**	**–**	**–25,543**
– of which impaired loans	–	–14,103	–11,440	–	–25,543
– of which non-performing loans which are impaired	–	–1,070	–8,440	–	–9,510
– of which performing loans which are impaired	–	–13,033	–3,000	–	–16,033
Loans at book value	**740,225**	**77,379,216**	**175,202,128**	**10,004,776**	**263,326,345**
– of which impaired loans	–	21,387	160,357	–	181,744
– of which performing loans which are impaired	–	21,387	160,357	–	181,744
Specification of reserves					
Specific reserves for individually assessed loan receivables	–	–14,103	–3,000	–	–17,103
Reserves for groups of loans with limited value	–	–	–8,440	–	–8,440
Total reserves	**–**	**–14,103**	**–11,440**	**–**	**–25,543**

Ratios and key figures

	2006	2005
Reserves/impaired loans, gross, %	10	12
Impaired loans, gross/Lending to the public, gross, %	0.07	0.08
Impaired loans, net/Lending to the public, net, %	0.06	0.07

Note 16

Tangible assets

SEK (000s)	2006	2005
Fixed assets		
Equipment		
Acquisition value at beginning of year	316	327
Translation differens	–	–9
Accumulated depreciation according to plan in previous year	–74	–11
Depreciation according to plan for the year	–63	–64
Book value, net	**179**	**243**

It is expected that the assets will be divested within 12 months.

Note 17

Other assets

SEK (000s)	2006	2005
Derivatives		
Interest-related	388,313	186,597
Currency-related	7,240	507,800
Claims on securities settlement proceeds [1]	351,660	407,216
Tax assets	4,808	–
Fair value changes of the hedged items in portfolios	–322,654	568,597
Other	13,890	12,505
Total*	**443,257**	**1,682,715**

[1] Claims on securities settlement proceeds, gross	351,661	407,216
** Of which, Group companies	409,436	560,759

Note 18

Prepaid expenses and accrued income

SEK (000s)	2006	2005
Accrued interest income [1]	748,480	650,218
Prepaid expenses	5,049	4,105
Total	**753,529**	**654,323**

[1] Of which, unpaid interest payment due	17,545	57,381

Note 19

Loans from credit institutions

SEK (000s)	2006	2005
Swedish banks	84,030,000	108,511,000
Foreign banks	–	97,900
Total*	**84,030,000**	**108,608,900**

* Of which, Group companies	84,030,000	108,608,900

Maturity information

Remaining maturity, book value		
Payable on demand	–	–
Maximum 3 months	83,313,000	98,714,000
3 months – 1 year	32,000	9,152,900
1–5 years	685,000	742,000
Total	**84,030,000**	**108,608,900**
Average remaining maturity, years	0.0	0.1

Note 20

Debt securities in issue[1]

SEK (000s)	2006	2005
Swedish bonds	170,686,119	137,951,604
EMTN	11,587,416	381,540
Total*	**182,273,535**	**138,333,144**

[1] See Specification to the Notes.

* Of which, Group companies	4,148,188	2,145,963

Maturity information

Remaining maturity, book value		
Maximum 1 year	66,212,451	30,665,489
1–5 years	114,179,609	106,745,287
5–10 years	1,881,475	355,290
More than 10 years	–	567,078
Total	**182,273,535**	**138,333,144**
Average remaining maturity, years	2.9	2.3

Note 21

Other liabilities

SEK (000s)	2006	2005
Derivatives		
Interest-related	983,499	849,574
Currency-related	303,227	26,931
Accounts payable	187	236
Current tax liabilities	3,818	2,730
Fair value changes of the hedged items in portfolios	–1,104,085	–
Other	1,554,535	2,083,957
Total*	**1,741,181**	**2,963,428**
* Of which, Group companies	2,841,109	2,237,345

Note 22

Accrued expenses and prepaid income

SEK (000s)	2006	2005
Accrued interest expenses	2,846,815	2,660,674
Other accrued expenses	5,782	5,994
Prepaid income	220,890	275,589
Total*	**3,073,487**	**2,942,257**

* Of which, Group companies	124,303	165,692

Note 23

Subordinated liabilities [1]

SEK (000s)	2006	2005
Dated subordinated debenture loans [2]	2,400,000	1,400,000
Total*	**2,400,000**	**1,400,000**

[1] See Specification to the Notes

[2] Total interest expense for the year	40,597	34,293
* Of which, Group companies	2,400,000	1,400,000

These debenture loans are subordinated to other liabilities.

Note 24

Equity

SEK (000s)	2006	2005
Restricted equity		
Share capital (100,000 shares)	110,000	103,432
Statutory reserve	–	20,686
	110,000	**124,118**
Unrestricted		
Retained profit	10,187,148	9,791,501
Net profit for the year	1,118,566	1,500,278
	11,305,714	**11,291,779**
Total	**11,415,714**	**11,415,897**

Note 25

Commitments

Nominal amounts, SEK (000s)	2006	2005
Commitments concerning future payments	7,526,000	–
Interest and currency-related contracts	128,522,713	82,793,544
Unutilised credit commitments	1,295,918	1,153,496
Total	**137,344,631**	**83,947,040**

Note 26

Capital adequacy

SEKm	2006	2005
Capital base, after proposed distribution of earnings		
Tier 1 capital		
Equity	11,416	11,416
Total tier 1 capital	**11,416**	**11,416**
Supplementary capital		
Dated subordinated debenture loans	2,400	1,400
Total supplementary capital	**2,400**	**1,400**
Total capital base	**13,816**	**12,816**

Risk-weighted amount for credit and market risks

	2006	2005
Credit risks as specified below	153,378	139,602
Market risks as specified below	–	364
Total risk-weighted amount	**153,378**	**139,966**
Tier 1 capital ratio, %	7.4	8.2
Total capital ratio, %	9.0	9.2

Specification of risk-weighted amount, credit risks

SEKm	Items in the balance sheet		Off balance sheet items			Total risk-
Risk-weighing by category[1]	Reported	Risk-weighted	Nominal	Adjusted	Riskweighted	weighted amount
A 0%	34,563	–	129,543	1,694	–	–
B 20%	357	72	–	–	–	72
C 50%	193,407	96,703	276	138	69	96,772
D 100%	56,534	56,534	–	–	–	56,534
Total	**284,861**	**153,309**	**129,819**	**1,832**	**69**	**153,378**

[1] Risk categories include:
A Claim on, or guaranteed by the Swedish government, a Swedish municipality and receivables from Group companies
B Claim on, or guaranteed by banks and mortgage institutions
C Claim backed by mortgages on residential property
D Other receivables and claims

Class C is the highest risk category for interest and currency-related derivatives

Specification of risk-weighted amounts, market risks

SEKm	2006	2005
Currency risks	–	364
Total	**–**	**364**

Note 27

Derivatives

SEK m	Reported in the balance sheet Fair value Positive	Reported in the balance sheet Fair value Negative	Nominal amount
Interest-related contracts 2006			
Interest rate swaps	388	983	116,256
Other derivatives	–	–	270
Total*	**388**	**983**	**116,526**
* Of which, Group companies	388	983	116,526
Currency-related contracts 2006			
Currency and interest rate swaps	7	303	11,996
Currency forwards	–	–	–
Total*	**7**	**303**	**11,996**
* Of which, Group companies	7	303	11,996

SEK m	Reported in the balance sheet Fair value Positive	Reported in the balance sheet Fair value Negative	Nominal amount
Interest-related contracts 2005			
Interest rate swaps	187	850	69,061
Other derivatives	–	–	90
Total*	**187**	**850**	**69,151**
* Of which, Group companies	–	161	3,342
Currency-related contracts 2005			
Currency-interest rate swaps	10	27	438
Currency forwards	498	–	13,205
Total*	**508**	**27**	**13,643**
* Of which, Group companies	498	–	13,205

SEK m	2006 Positive	2006 Negative	2005 Positive	2005 Negative
Maturity information				
Remaining maturity, book value				
Maximum 3 months	–	–9	515	–62
3 months – 1 year	81	–81	–	–89
1–5 years	206	–1,144	144	–654
More than 5 years	109	–53	36	–72
Total	**396**	**–1,287**	**695**	**–877**

Note 28

Assets and liabilities at fair value

SEK m	2006 Book value	2006 Adjusting to fair value	2006 Market value	2005 Book value	2005 Adjusting to fair value	2005 Market value
Assets						
Loans to credit institutions	100	–	100	740	–	740
Lending to the public	283,637	–872	282,765	262,586	1,021	263,607
Other assets	443	–	443	1,684	–	1,684
Prepaid expenses and accrued income	754	–	754	654	–	654
Total assets	**284,934**	**–872**	**284,062**	**265,664**	**1,021**	**266,685**
Liabilities and equity						
Loans from credit institutions	84,030	7	84,037	108,609	53	108,662
Debt securities in issue	182,274	–670	181,604	138,333	1,321	139,654
Other liabilities	1,741	–	1,741	2,964	–	2,964
Accrued expenses and prepaid income	3,073	–	3,073	2,942	–	2,942
Subordinated liabilities	2,400	0	2,400	1,400	0	1,400
Total liabilities	**273,518**	**–663**	**272,855**	**254,248**	**1,374**	**255,622**
Equity						
Share capital	110	–	110	103	–	103
Statutory reserve	–	–	–	21	–	21
Retained profit	10,187	–	10,187	9,792	–	9,792
Net profit for the year	1,119	–	1,119	1,500	–	1,500
Total liabilities and equity	**284,934**	**–663**	**284,271**	**265,664**	**1,374**	**267,038**
Net negative value		–209			–353	

Revaluation of lending is performed on account of changes in market interest rate. The discount rates used are based on the market rate for each term. Securities are revalued at the market price. The company applies hedge accounting.

Note 29

Fixed-interest terms for assets and liabilities

Fixed-interest terms at 31 December 2006

SEK m	On demand	< 3 months	3–12 months	1–5 years	> 5 years	Without fixed-interest terms
Assets						
Interest-bearing assets	100	150,209	29,490	97,216	6,721	–
Off-balance-sheet items	–	45,947	37,507	43,407	973	–
Non-interest-bearing assets	–	–	–	–	–	1,197
Total assets	**100**	**196,156**	**66,997**	**140,623**	**7,694**	**1,197**
Liabilities and equity						
Interest-bearing liabilities	–	93,417	58,540	114,865	1,881	–
Off-balance-sheet items	–	90,738	12,169	20,082	4,845	–
Non-interest-bearing liabilities/ incl. equity	–	–	–	–	–	16,230
Total liabilities and equity	**–**	**184,155**	**70,709**	**134,947**	**6,726**	**16,230**
Exposure	100	12,001	–3,712	5,676	968	–15,033
Cumulative exposure	100	12,101	8,389	14,065	15,033	–

Fixed-interest terms at 31 December 2006

SEK m	On demand	< 3 months	3–12 months	1–5 years	> 5 years	Without fixed-interest terms
Assets						
Interest-bearing assets	740	130,759	30,575	96,262	4,989	–
Off-balance-sheet items (interest rate swaps)	–	28,259	1,922	38,002	878	–
Non-interest-bearing assets	–	–	–	–	–	2,337
Total assets	**740**	**159,018**	**32,497**	**134,264**	**5,867**	**2,337**
Liabilities and equity						
Interest-bearing liabilities	–	100,255	39,677	107,487	922	–
Off-balance-sheet items (interest rate swaps)	–	40,802	3,562	19,982	4,715	–
Non-interest-bearing liabilities/incl. equity	–	–	–	–	–	17,321
Total liabilities and equity	**–**	**141,057**	**43,239**	**127,469**	**5,637**	**17,321**
Exposure	740	17,961	–10,742	6,795	230	–14,984
Cumulative exposure	740	18,701	7,959	14,754	14,984	–

Note 30

Assets and liabilities in foreign currencies **2006**

31 December, SEKm	EUR	USD	Other	Total
Assets				
Other assets	11,436	–1	127	11,562
Total assets	**11,436**	**–1**	**127**	**11,562**
Liabilities and equity				
Debt securities in issue	11,366	–	121	11,487
Other liabilities	53	–1	6	58
Total liabilities and equity	**11,419**	**–1**	**127**	**11,545**
Net position, foreign currencies	17	–	–	17

Note 31

Segment reporting

Primary segments

Customer responsible units	Retail Banking		Corporate and Institutional Banking		Group Treasury		Other		Total	
SEK m	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Income statement										
Net interest income	1,836	1,898	1	1	18	–44	114	91	1,969	1,946
Net commission income	99	86	–	0	–15	–13	–33	–29	51	44
Net result of financial operations	–	0	–	0	22	109	–	–4	22	105
Other income	7	0	–	–	–	–	–	–	7	0
Total operating income	**1,942**	**1,984**	**1**	**1**	**25**	**52**	**81**	**58**	**2,049**	**2,095**
Other expenses	–15	–10	–	–	–1	–	–491	–490	–507	–500
Total operating expenses	**–15**	**–10**	**–**	**–**	**–1**	**–**	**–491**	**–490**	**–507**	**–500**
Loan losses, net	14	8	–	–	–	–	–	–	14	8
Operating profit	**1,941**	**1,982**	**1**	**1**	**24**	**52**	**–410**	**–432**	**–1,556**	**1,603**
Balance sheet										
Loans and receivables	276,855	255,989	50	1,291	–	–	6,832	6,046	283,737	263,326
Other assets	2,826	2,503	1	–1,122	–1,127	1,387	–503	–430	1,197	2,338
Total assets	**279,681**	**258,492**	**51**	**169**	**–1,127**	**1,387**	**6,329**	**5,616**	**284,934**	**265,664**
Deposits by credit institutions	–	–	–	–	84,030	108,609	–	–	84,030	108,609
Other liabilities	267,880	244,618	50	167	–85,181	–107,268	6,739	8,122	189,488	145,639
Total liabilities	**267,880**	**244,618**	**50**	**167**	**–1,151**	**1,341**	**6,739**	**8,122**	**273,518**	**254,248**
Untaxed reserves and equity	11,801	11,801	1	0	24	56	–410	–441	11,416	11,416
Total liabilities and equity	**279,681**	**256,419**	**51**	**167**	**–1,127**	**1,397**	**6,329**	**7,681**	**284,934**	**265,664**

Note 32

Classification of financial instruments

SEKm, 31 December 2006	Loans and receivables	Derivatives used for hedging	Non financial assets	Total
Assets				
Loans to credit institutions	100	–	–	100
Lending to the public	283,637	–	–	283,637
Tangible assets	–	–	0	0
Other assets				
Derivatives	–	396	–	396
Changes in fair value for interest hedged items in hedge portfolios	–323	–	–	–323
Other	365	–	5	370
Prepaid expenses and accrued income	754	–	–	754
Total	**284,533**	**396**	**5**	**284,934**

SEKm, 31 December 2006	Derivatives used for hedging	Other financial liabilities	Total
Liabilities			
Loans from credit institutions	–	84,030	84,030
Debt securities in issue	–	182,274	182,274
Other liabilities			
Derivatives	1,287	–	1,287
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–1,104	–1,104
Other	–	1,558	1,558
Accrued expenses and prepaid income	–	3,073	3,073
Subordinated liabilities	–	2,400	2,400
Total	**1,287**	**272,231**	**273,518**

Specifications to the Notes

Specification to Note 20:

Swedish bonds, SEK (000s) **2006**

Number	Currency	Issue date	Interest rate %	Due dates for interest	Due date	Outstanding nominal amount
5513*	SEK	98-09-01	5.00	20 Apr	09-04-20	577,000
5517*	SEK	02-04-23	6.00	19 Sep	07-09-19	57,535,000
5518*	SEK	03-03-19	4.50	17 Sep	08-09-17	41,536,000
5519*	SEK	05-05-26	3.25	16 Jun	10-06-16	38,770,000
5520*	SEK	05-10-19	3.25	17 Jun	15-06-17	1,418,000
5521*	SEK	05-10-19	3.25	17 Jun	20-06-17	695,000
5522*	SEK	05-11-22	3.00	17 Jun	09-06-17	12,547,000
5523*	SEK	06-05-29	3.75	15 Jun	11-06-15	16,112,000

Loan 5513-5523: No interest rate adjustment

*Tap issues

Repurchase agreements
5520 – nom. 140,000 with due date 070103
5,522 – nom. 341,000 with due date 070102, nom. 483,000 with due date 070103
5,523 – nom. 543,000 with due date 070102, nom. 6,019,000 with due date 070221

EMTN (bonds issued in foreign currency) **2006**

Currency	Issue day	Due date	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
HKD	02-07-11	09-08-28	5.34	137,000
SEK	02-12-16	08-12-01	Index-linked bond	100,000
EUR	06-10-25	11-10-25	3.75	1,250,000

[1] Refers to original issue. The currency exposure and interest rate on certain loans have been changed by using currency and interest rate swaps.

Loans in foreign currency **2006**

Currency	Issue day	Due date	Interest rate, %		Outstanding nominal amount in EUR, (000s)
EUR	99-05-04	09-05-04	3 months' Euribor + 0.125	Schuldschein[1]	15,000

[1] Not covered.

Specification to Note 23:

Subordinated liabilities, SEK (000s) **2006**

Number	Currency	Interest rate, %	Due date	Outstanding nominal amount
Loan 2	SEK	3 months' stibor +0.50	13-06-30	900,000
Loan 3	SEK	3 months' stibor +0.33	14-12-30	500,000
Loan 4	SEK	3 months' stibor +0.19	16-12-29	1,000,000

Proposed distribution of earnings

After the company paid group contributions amounting to SEK 1,553,818,000 the following amount is available for distribution by the Annual General Meeting of Shareholders:

	SEK
Retained profit	10,187,148,000
Net profit for the year	1,118,566,000
Total	**11,305,714,000**

The Board of Directors and the President propose that:

	SEK
To be carried forward	11,305,714,000
Total	**11,305,714,000**

Stockholm 13 March 2007

Hans Jacobson
Chairman

Göran Lind

Björn Hökby

Kurt Gustafsson

Leif Ronander
President

Our audit report was submitted on 14 March 2007

KPMG Bohlins AB

Hans Åkervall
Authorised Public Accountant

Göran Engquist
Authorised Public Accountant
Deloitte AB
Appointed by the Financial Supervisory Authority

Audit report

To the Annual Meeting of the shareholders of Nordea Hypotek AB (publ), (Corp. reg. no. 556091-5448)

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Nordea Hypotek AB (publ) for the year 2006. These accounts and the administration of the company and the application of the Annual Accounts Act of Credit Institutions and Securities Companies when preparing the annual accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, Banking Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis of our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 14 March 2007

KPMG Bohlins AB

Hans Åkervall
Authorised Public Accountant

Göran Engquist

Authorised Public Accountant
Deloitte AB
Appointed by the Financial Supervisory Authority

Board of Directors, Auditors and Management

Board of Directors

Chairman

Hans Jacobson, born 1955
Nordea Bank AB (publ)
Retail Banking, Head of Segment Household

Members

Kurt Gustafsson, born 1954
Nordea Bank AB (publ)
Retail Banking, Segment Household, Head of Multichannel Management

Göran Lind, born 1946
Nordea Bank AB (publ)
Retail Banking, Segment Household
Project Manager Basel II
(from 2007-01-01)
Group Credit and Risk Control
Head of Credit, Retail Banking, Sweden (up to 2006-12-31)

Björn Hökby, born 1962
Nordea Bank AB (publ)
Retail Banking, Segment Corporate
Country Manager Sweden

Leif Ronander, born 1945
President of
Nordea Hypotek AB (publ)

Auditors

Chief auditor

KPMG Bohlins AB
Hans Åkervall
Authorised Public Accountant

Göran Engquist
Authorised Public Accountant
Deloitte AB
Appointed by the Financial Supervisory Authority accountant

Management

Leif Ronander, born 1945
President

Sten Roghe, born 1943
Head of Credits and Deputy President

Addresses

Nordea Hypotek AB (publ)

Visiting address:	Malmskillnadsgatan 23, Stockholm
Postal address:	SE-105 71 Stockholm, Sweden
Telephone:	08-463 70 00
Telefax:	08-463 71 85
Internet:	www.nordea.se
E-mail:	nordea.hypotek@nordea.se