

Interim report January-June 2006 for Nordea Hypotek AB (publ)

Reporting currency

As of the beginning of the financial year 2006 the company has reverted to Swedish kronor (SEK) as the reporting currency. See further below in note 1, Accounting policies.

Application of IFRS/IAS

The company has adopted a statutory IFRS (International Financial Reporting Standards) in 2006. The changeover to IFRS influences Nordea Hypotek's reporting in certain respects. All in all, the new accounting standards are, however, not deemed to have any material impact on the company's future result or the shareholders' equity. From the company's point of view, the most important change of accounting policies refers to financial instruments (IAS 39). See further in note 1.

Result

Operating profit amounted to SEK 748m (827), a reduction by 9.5 percent (3.9) compared to the same period of the previous year.

Compared to the previous year the result has been affected by the following main factors:

- Net interest income decreased by SEK 9m.
- Net commission income grew by SEK 9m.
- Net result from financial operations fell SEK 61m.
- Sales costs rose by SEK 28m.
- Positive net loan losses increased by SEK 10m.

Income

Net interest income amounted to SEK 960m (969), and net commission income amounted to SEK 28m (19).

Expenses

The operating expenses increased compared to the previous year. In all they amounted to SEK 252m (226), of which sales costs charged by the parent company amounted to SEK 248m (220).

Lending

At the end of the report period lending amounted to SEK 272,683m (247,884), an increase in 12 months of 10.0 percent (10.3).

Lending to private customers increased by SEK 20,814m or 12.7 percent (12.6). Lending to corporate customers increased by 4.7 percent (6.2).

The company's market share continued to increase slightly, and at the end of the period it was 17.0 percent (16.9).

Impaired loans and loan losses

Impaired loans, net, amounted to SEK 180m (178), which corresponds to 0.07 percent (0.07) of total lending.

Net loan losses from recoveries and new loan losses (positive net loan losses) amounted to SEK 11m (1).

Funding

The company's borrowing is conducted in both Swedish and international markets. Long-term financing occurs mainly by way of issuance of bonds with maturities from 2 to 5 years. During the period, bonds equalling an amount of SEK 29,995m (31,950) were issued in Swedish currency. Issues in other currencies amounted to SEK 0m (0). The remaining bond volume as at 30 June 2006 amounted to SEK 140,287m (141,564), of which SEK 265m (280) was in currencies other than SEK.

Covered bonds, rating Aaa/AAA

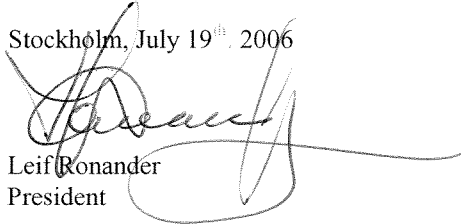
Nordea Hypotek converted at 30 June 2006 outstanding bonds with a nominal amount of SEK 140,149m to covered bonds. After conversion Nordea Hypotek will issue covered bonds on a regular basis. Moody's Investors Service and Standard and Poor's have assigned the company's covered bonds a credit rating of Aaa and AAA respectively.

Covered bonds are debt instruments, regulated in a separate Swedish act, for which the investor is given a priority of claim towards a pool of high quality assets in the event of the issuer's bankruptcy. The covered bond issuance and assigned ratings will allow Nordea Hypotek to expand its funding into a broader base of funding sources, especially on the international financial market.

Capital adequacy

The company's capital adequacy as at 30 June 2006 was 8.8 percent (9.7), of which Tier 1 capital ratio was 7.8 percent (8.6). Included in the capital base of SEK 12,816m (12,779) were subordinated debenture loans of SEK 1,400m (1,400). The minor decrease in capital adequacy is due to the higher lending volume. Profits generated during the period have not been included in the capital base.

Stockholm, July 19th, 2006


Leif Ronander
President

Nordea Hypotek AB (publ), corporate registration number 556091-5448, is part of the Nordea Group, and is a wholly owned subsidiary of Nordea Bank AB (publ). This interim report has not been reviewed by the company's auditors.

Income statement

SEK (000s)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Operating income			
Interest income	4,782,154	4,780,546	9,329,661
Interest expenses	-3,822,174	-3,811,370	-7,383,806
Net interest income	959,980	969,176	1,945,855
Commission income	33,394	25,393	57,470
Commission expenses	-5,791	-6,734	-13,240
Net commission income	27,603	18,659	44,230
Net result from financial operations	2,442	63,082	105,195
Other operating income	-	590	343
Total operating income	990,025	1,051,507	2,095,623
Operating expenses			
General administrative expenses			
Personnel expenses	-1,277	-1,224	-2,573
Other administrative expenses	-251,173	-224,391	-497,692
Depreciation and write-down of tangible fixed assets	-32	-32	-64
Total operating expenses	-252,482	-225,647	-500,329
Profit before loan losses	737,543	825,860	1,595,294
Loan losses, net	Note 2		
	10,710	1,227	7,708
Operating profit	748,253	827,087	1,603,002
Appropriations	Note 4		
	-980	-659	476,651
Tax on profit for the period	-208,551	-232,942	-579,375
Net profit for the period	538,722	593,486	1,500,278

Balance sheet

SEK (000s)		30 June 2006	30 June 2005	31 Dec 2005
Assets				
Loans to credit institutions	Note 3	578,774	2,233,205	740,225
Lending	Note 3	272,683,161	247,884,024	262,586,120
Other assets		1,362,806	4,341,661	2,337,281
Total assets		274,624,741	254,458,890	265,663,626
Assets pledged		-	-	-
Liabilities and shareholders' equity				
Loans from credit institutions		113,558,828	88,362,900	108,608,900
Debt securities in issue		142,919,458	144,759,553	138,333,144
Other liabilities		4,791,836	7,830,156	5,905,685
Subordinated debt		1,400,000	1,400,000	1,400,000
Untaxed reserves		-	479,444	-
Shareholders' equity		11,954,619	11,626,837	11,415,897
Total liabilities and shareholders' equity		274,624,741	254,458,890	265,663,626
Contingent liabilities		-	-	-
Commitments		80,731,741	67,276,493	83,947,040
Other notes				
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Movements in shareholders' equity

SEK (000s)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Balance at beginning of year	11,415,897	10,490,727	10,490,727
Shareholders' contributions received	-	-	469,418
Group contributions paid, net after tax	-	-	-1,495,189
Translation difference	-	542,624	450,663
Net profit for the period	538,722	593,486	1,500,278
Balance at end of period	11,954,619	11,626,837	11,415,897

Cash flow statement

SEK (000s)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Cash flow from operating activities before changes in ordinary business assets and liabilities	1,840,268	2,506,647	1,686,955
Change in ordinary business assets and liabilities	-4,511,381	-25,891,090	-21,570,565
Cash flow from operating activities	-2,671,113	-23,384,443	-19,883,610
Cash flow from investing activities	-	-	-
Cash flow from financial operations	2,509,662	23,690,579	18,712,164
Cash flow for the period	-161,451	306,136	-1,171,446
Liquid assets at beginning of period	740,225	1,927,069	1,911,671
Liquid assets at end of period	578,774	2,233,205	740,225
Change	-161,451	306,136	-1,171,446
Additional information			
Liquid assets include			
Loans to credit institutions, payable on demand	578,774	2,233,205	740,225

Note 1 Accounting policies

This interim report has been prepared in accordance with the regulations (FFFS 2005:33) issued by the Swedish Financial Supervisory Authority. After year-end 2005, adjustments were made to the opening balance 2005 at the changeover to a statutory IFRS. The corresponding adjustments have been made to comparative figures. The company has changed its reporting currency 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 items in the Cash flow statement have been restated at the closing date rate. The accounting policies are otherwise unchanged compared to the previous period.

Adjustments at the changeover to a statutory IFRS

SEK (000s)	Opening balance 2005	Jan-June 2005	Jan-Dec 2005
Income statement			
Net result from financial operations	-	-247	1,393
Tax on profit for the period	-	73	-390
Net profit for the period	-	-174	1,003
Balance sheet			
Other assets	-	1,970,032	467,747
Other liabilities	-	1,971,755	468,254
Retained profit	-1,469	-1,549	-1,510
Net profit for the period	-	-174	1,003

Exchange rates	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
EUR 1 = SEK			
Income statement (average)	9.3247	9.1487	9.2874
Balance sheet (at end of period)	9.2110	9.4640	9.3884

Note 2 Loan losses, net

SEK (000s)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
<i>Specific reserves for individually appraised receivables</i>			
Losses incurred during the year	-	-843	-3,629
Amount of previous provisions used during the period	-	96	2,509
The period's provisions for possible loan losses	-408	-1,320	-1,508
Reversal of previous provisions	8,450	897	2,266
Total	8,042	-1,170	-362
<i>Homogenous groups of receivables with limited value and similar credit risk appraised by category</i>			
Losses incurred during the year	-1,435	-2,234	-3,809
Recovery of previously incurred losses	5,133	5,426	11,952
Reversal/provision for possible loan losses	-1,030	-795	-73
Total	2,668	2,397	8,070
The period's net result from loan losses	10,710	1,227	7,708

Note 3 Loan portfolio and its impairment

	30 June 2006	30 June 2005	31 Dec 2005
SEKm			
Loans to credit institutions	579	2,233	740
Lending	272,683	247,884	262,586
Total	273,262	250,117	263,326

Loan portfolio by categories of borrowers

30 June 2006 SEKm	Credit institutions	Corporates	Households	Public sector	Total
Loans before reserves	579	78,407	184,411	9,883	273,280
- of which impaired loans	-	6	192	-	198
- of which non-performing loans	-	2	189	-	191
- of which performing loans which are impaired	-	4	3	-	7
Reserves	-	-6	-12	-	-18
- of which impaired loans	-	-6	-12	-	-18
- of which non-performing loans	-	-2	-9	-	-11
- of which performing loans which are impaired	-	-4	-3	-	-7
Loans at book value	579	78,401	184,399	9,883	273,262
- of which impaired loans	-	0	180	-	180
- of which non-performing loans	-	0	180	-	180

Specification of reserves

Specific reserves for individually assessed loans	-	-6	-3	-	-9
Reserves for groups of non-significant loans	-	-	-9	-	-9
Total reserves	-	-6	-12	-	-18

Key ratios

	30 June 2006	30 June 2005	31 dec 2005
Reserves/impaired loans, gross, percent	9	14	12
Impaired loans, gross/lending, gross, percent	0.07	0.08	0.08
Impaired loans, net/lending, net, percent	0.07	0.07	0.07

Note 4 Appropriations

SEK (000s)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Allocations			
Reversal of profit equalisation reserve	-	-	478,005
Total	-	-	478,005
Other allocations			
Pension adjustments			
Actuarial pension costs	322	310	651
Special wage tax	-254	-7	-
Pension benefits paid	-1,048	-962	-2,005
Total other allocations	-980	-659	-1,354
Total appropriations	-980	-659	476,651

Note 5 Derivative instruments

30 June 2006	Interest-related contracts		Currency-related contracts	
SEKm	Fair value	Book value	Fair value	Book value
Positive values	747	747	11	11
Negative values	1,281	1,281	53	53

Note 6 Capital adequacy

SEKm	30 June 2006	30 June 2005	31 Dec 2005
Tier 1 capital	11,416	11,379	11,416
Capital base	12,816	12,779	12,816
Risk-weighted amount	146,314	131,774	139,966
Tier 1 capital ratio, percent	7.8	8.6	8.2
Total capital ratio, percent	8.8	9.7	9.2