Nordea

Annual Report 2008

Nordea Hypotek AB (publ)

Nordea´s vision is to be the leading Nordic bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea Group has around 10 million customers, approx. 1,400 branch offices and a leading net banking position with 5.2 million e-customers. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Contents

5-year overview

Income statement

SEKm	2008	2007	2006	2005	2004
Net interest income	2,325	1,911	1,969	1,946	2,133
Net fee and commission income	47	52	51	44	40
Net gains/losses on items at fair value	–110	–6	22	105	124
Other income	0	0	7	0	0
Total operating income	**2,262**	**1,957**	**2,049**	**2,095**	**2,297**
General administrative expenses:					
Staff costs	–2	–3	–3	–2	–3
Other expenses	–504	–503	–504	–498	–451
Depreciation, amortisation and impairment charges of tangible assets	0	0	0	0	0
Total operating expenses	**–506**	**–506**	**–507**	**–500**	**–454**
Loan losses	–1	7	14	8	77
Disposals of tangible assets	0	0	–	–	0
Operating profit	**1,755**	**1,458**	**1,556**	**1,603**	**1,920**
Appropriations	–2	–2	–2	477	–487
Income tax expense	–491	–408	–435	–579	–408
Net profit for the year	**1,262**	**1,048**	**1,119**	**1,501**	**1,025**

Balance sheet at 31 December

SEKm	2008	2007	2006	2005	2004
Assets					
Loans to credit institutions	609	429	100	740	1,836
Lending to the public	340,491	316,689	283,637	262,586	234,537
Derivatives	17,190	1,940	396	695	139
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,775	–561	–323	569	–
Tangible assets	0	0	0	0	0
Tax assets	1	0	5	–	2
Other assets	809	165	366	420	12
Prepaid expenses and accrued income	990	996	753	654	800
Total assets	**361,865**	**319,658**	**284,934**	**265,664**	**237,326**
Liabilities					
Deposits by credit institutions	60,493	72,933	84,030	108,609	104,032
Debt securities in issue	272,386	226,614	182,274	138,333	115,222
Derivatives	1,916	1,109	1,287	877	451
Fair value changes of the hedged items in portfolio hedge of interest rate risk	5,014	–1,528	–1,104	–	–
Tax liabilities	–	–	4	3	405
Other liabilities	1,753	1,457	1,554	2,084	2,289
Accrued expenses and prepaid income	5,087	3,857	3,073	2,942	2,515
Subordinated liabilities	3,800	3,800	2,400	1,400	1,440
Total liabilities	**350,449**	**308,242**	**273,518**	**254,248**	**226,354**
Untaxed reserves	–	–	–	–	479
Equity	**11,416**	**11,416**	**11,416**	**11,416**	**10,492**
Total liabilities and equity	**361,865**	**319,658**	**284,934**	**265,664**	**237,326**

For the years 2005–2008, the accounting principles are according to limited IFRS.

Ratios and key figures

	2008	2007	2006	2005	2004
Return on average shareholders' equity, %	10.7	8.9	9.5	10.1	13.4
Return on total capital, %	0.5	0.5	0.6	0.6	0.8
Investment margin, %	0.69	0.63	0.72	0.77	0.94
C/I ratio, %	22.4	25.5	24.1	23.5	16.4
Risk-weighted amount, before transition rules, SEKm	47,418	108,634			
Risk-weighted amount, SEKm[1)]	166,585	161,373	153,378	139,966	130,267
Capital base, SEKm[1)]	14,976	15,088	13,816	12,816	12,237
Total capital ratio, before transition rules, %	31.6	13.9			
Tier 1 capital ratio, before transition rules, %	23.8	10.4			
Total capital ratio, %[1)]	9.0	9.3	9.0	9.2	9.4
Tier 1 capital ratio, %[1)]	6.8	7.0	7.4	8.2	8.3
Average number of employees	2	2	2	2	2

1) Key ratios as per 2007–2008 are calculated on the basis of the floor rules that are to be applicable according to the new capital cover regulations (Basel II).
For the years 2005–2008, the accounting principles are according to limited IFRS.

Definitions

Capital base
The capital base constitutes the numerator in calculating the capital ratio. It consists of the sum of tier 1 capital (equity) and supplemenatary capital (subordinated debenture loans).

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

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

Return on average shareholders' 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.

Risk-weighted amount, before transition rules
Risk-weighted assets before adjusting for floor rules.

Tier 1 capital ratio, before transition rules
Tier 1 capital in relation to risk-weighted assets before adjusting for floor rules.

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.

Total capital ratio, before transition rules
The capital base in relation to risk-weighted assets before adjusting for floor rules.

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 2008. The company is a wholly owned subsidiary of Nordea Bank AB (publ) (Corp. reg. no. 516406-0120).

Operations

At present the company operates in the Swedish market and grants loans, primarily long-term in nature, to private individuals, individual businesses, 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.

Result

Operating profit amounted to SEK 1,755m (1,458), which is a increase by 20.3 per cent 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 2,325m (1,911), a increase of 21.7 per cent. Net interest income was influenced positively by higher lending volume. The margins have increased somewhat during the second half of the year, chiefly to compensate for increased costs for liquidity premiums.
- Net gains/losses on items at fair value amounted to SEK –110m (–6).

Return on equity was 10.7 per cent (8.9).

Lending

Lending and receivables to the public during the year increased by 7.5 per cent (11.7) to SEK 340,491m (316,689) at year-end.

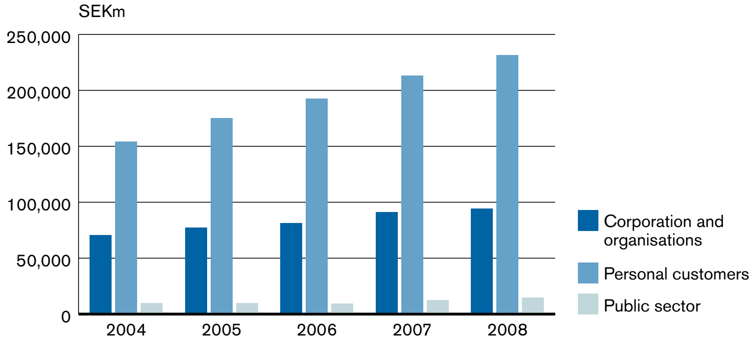
Lending and receivables to corporations, organisations and municipalities

Lending and receivables to legal entities increased by SEK 5,359m (5.2 per cent) to SEK 108,969m at the end of the financial year.

Lending and receivables to personal customers

Lending and receivables to households increased by SEK 18,442m (8.7 per cent) to SEK 231,521m.

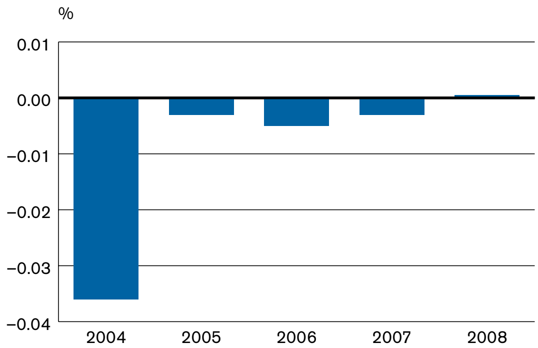
Distribution of the loan portfolio



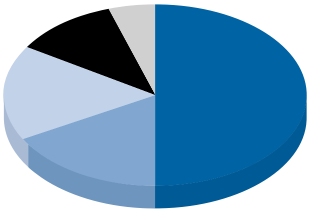
Loan losses

Realised and expected losses exceeded recoveries of off-written claims and reversals of provisions in previous years in the amount of SEK -1m (+7).

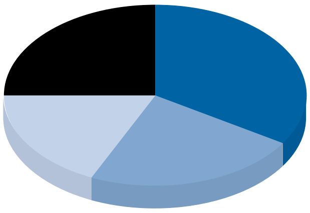
Loan losses in relation to lending



Lending distribution in collateral



Lending by geographical area



Currency policy

The company's policy is not to have any exposure to currency risk. In all essentials the assets and liabilities are hedged by currency swaps.

Funding

During 2008 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 borrower'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 2008 fixed-rate bonds with maturities of more than one year for SEK 83.2bn (64.4). The issues take place repeatedly in existing and new series of which the majority are so-called benchmark bonds. The company has agreements with five banks that ensure high liquidity in the bonds. During the year the company also issued a subordinated debenture loan of SEK 0.9bn (1.4), which in its entirety was endorsed by the Parent Company.

The company has an EMTN programme for international funding. The framework for this programme is EUR 15bn. During the year covered bonds were issued in an amount equivalent to 23.5bn Swedish kronor (31.1). Issuance of specific documented "Namensschuldverschreibung" is also included in this amount.

Total outstanding covered bonds at yearend amounted to SEK 272.7bn (228.2). In addition to that the company had outstanding subordinated debenture loans of SEK 3.8bn (3.8).

In addition to the aforementioned long-term borrowing the company has successively during the year secured its funding through short-term borrowing with the parent company. At the end of the year the outstanding amount from such borrowing stood at SEK 60.5bn (72.9).

International rating

The company has since June 2006 been 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. These are credit risk, market risk, liquidity risk and operative risks. Foremost among these is credit risk in connection with lending and receivables to the public. None of the above exposures and risks is expected to have any significant adverse effect on the company or its financial position in the next year.

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. More can be found in the section "Risk, Liquidity and Capital management", page 31.

Responsibility and control processes

The relevant decision-making bodies 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 assess 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 uncertain 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.

Environmental risks in respect of corporate customers are included in the aggregate risk assessments using a process called the Environmental Assessment Tool.

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

Ratings are normally assigned in connection 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 uses 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 used primarily for the personal customer segment, and also for small-sized companies.

Analysis of credit risk

Lending and receivables to the public
Nordea Hypotek's lending increased by 7.5 per cent in 2008 to SEK 340,491m (316,689). Lending and receivables to the corporate sector accounted for 32 per cent (33) of the exposure, thereof the public sector (state and municipal) 13 per cent (12). The household sector's percentage of exposure was 68 per cent (67). The distribution of the lending on maturities and types of collateral is shown in Note 13. At present the company only provides mortgages in respect of properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 1,842m (2,306).

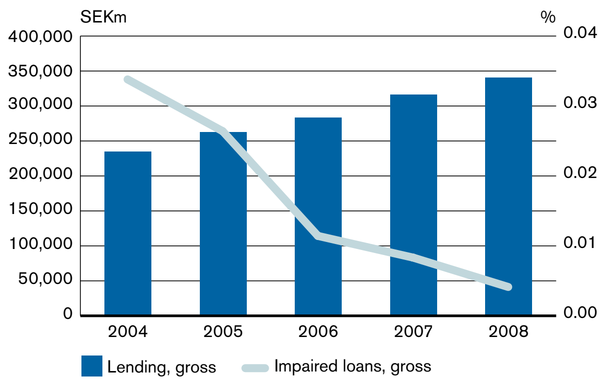
As in the previous year, the company did not have any assets in the form of bonds or other interest-bearing securities. The credit risk exposure in derivatives amounted to SEK 1,916m (1,109).

Lending and receivables to credit institutions
Lending and receivables to credit institutions amounted at the end of the year to SEK 609m (429), all of which was placed in Group companies for terms of less than one year.

Impaired loans

Impaired loans, gross, amounted to SEK 14m (26), of which SEK 4m (9) were lending and receivables to households. The net amount, after a SEK 7m (9) deduction for provisions for impaired loans, was SEK 7m (17), corresponding to 0.002 per cent (0.005) of the total volume of loans outstanding.

Lending to the public and impaired loans



Commitments

Nordea Hypotek's business operations include 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). The balance sheet items "Derivatives" reflects the net present value of derivatives contracts. The nominal value of derivatives contracts is disclosed in Note 25.

In total the risk-weighted assets for counterparty credit risk amounted to SEK 286m (0). The exposure is mainly towards Nordea Bank Denmark A/S which receives a 20 per cent risk-weight. The risk-weighted assets for other off balance sheet exposures amounted to SEK 720m (505).

Capital adequacy

The application of the new set of rules and regulations applicable beginning from 1 February 2007 (Basel II) is described exhaustively in the section Risk, Liquidity and Capital management on page 31. The paragraph also shows the numerical data for the assessment of the company's capital adequacy.

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 the 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.

Outlook for 2009

Due to the prevailing market conditions, the provided outlook is associated with an unusually high degree of uncertainty. The macroeconomic development in the Nordic countries has during the latter part of the autumn shown a sharp slowdown and GDP growth is in 2009 expected to be negative. Market lending growth is expected to be lower in 2009, compared to 2008, however Nordea sees potential for growth somewhat more than the market. Nordea Hypotek is expected to contribute to this growth.

There is some uncertainty as to how the economic trend will affect future credit losses. Nordea Hypotek's credit portfolio is however of very high quality and there are no signs of failing repayment capacity among the bank's customers.

The price trend in housing is difficult to judge and the regional differences are substantial. The Riksbank's reduction in the interest rate has curbed the fall in prices while the worsened labour market may have an impact on housing prices towards the end of 2009.

Moreover, the company's borrowing requirements will henceforth be met on competitive conditions despite turbulence in the financial market.

Change in the Board of Directors

The board of directors has appointed Karin Markstedt as a new president starting from 1 May 2008 when the current president retires. For further information concerning staff related questions, see note 7 "Staff costs" and note 31 "Related-party transactions".

Important changes after the end of the financial year

No major events have occurred after 31 December 2008.

Distribution of earnings

After the company paid group contributions of SEK 1,752,312,000 the net profit of the year amounted to SEK 1,261,670,000 and retained profit of SEK 10,044,038,000 is available for distribution by the Annual General Meeting of Shareholders. The proposed distribution of earnings is provided on page 36.

Income statement

SEK (000s)	Note	2008	2007
Operating income			
Interest income		16,135,273	12,572,587
Interest expense		–13,809,911	–10,661,641
Net interest income	3	**2,325,362**	**1,910,946**
Fee and commission income		64,154	67,007
Fee and commission expense		–16,777	–14,990
Net fee and commission income	4	**47,377**	**52,017**
Net gains/losses on items at fair value	5	–110,464	–5,555
Other operating income	6	12	1
Total operating income		**2,262,287**	**1,957,409**
Operating expenses			
General administrative expenses:			
Staff costs	7	–2,122	–2,792
Other expenses	8	–503,775	–503,459
Depreciation, amortisation and impairment charges of tangible assets	9, 16	–30	–82
Total operating expenses		**–505,927**	**–506,333**
Loan losses	10	–1,580	7,071
Disposals of tangible assets		–78	10
Operating profit		**1,754,702**	**1,458,157**
Appropriations	11	–2,385	–1,719
Income tax expense	12	–490,647	–407,806
Net profit for the year		**1,261,670**	**1,048,632**

Balance sheet

SEK (000s)	Note	2008	2007
Assets			
Loans to credit institutions	13	608,771	428,825
Lending to the public	13	340,490,539	316,688,931
Derivatives	14	17,189,914	1,939,916
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	1,775,529	–561,051
Tangible assets	16	12	292
Tax assets		563	521
Other assets	17	809,720	164,560
Prepaid expenses and accrued income	18	990,231	995,895
Total assets		**361,865,279**	**319,657,889**
Liabilities			
Deposits by credit institutions	19	60,493,000	72,932,605
Debt securities in issue	20	272,386,323	226,613,674
Derivatives	14	1,915,796	1,109,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	5,013,932	–1,528,151
Other liabilities	21	1,753,211	1,457,324
Accrued expenses and prepaid income	22	5,087,309	3,857,344
Subordinated liabilities	23	3,800,000	3,800,000
Total liabilities		**350,449,571**	**308,242,186**
Equity			
Share capital		110,000	110,000
Retained earnings		10,044,038	10,257,071
Net profit for the year		1,261,670	1,048,632
Total equity		**11,415,708**	**11,415,703**
Total liabilities and equity		**361,865,279**	**319,657,889**
Assets pledged as security for own liabilities	24	322,660,227	299,563,322
Contingent liabilities		None	None
Commitments	25	265,056,598	178,135,446
Other Notes			
Accounting policies	1		
Segment reporting	2		
Capital adequacy	26		
Maturity analysis for assets and liabilities	27		
Classification of financial instruments	28		
Assets and liabilities at fair value	29		
Assets and liabilities in foreign currencies	30		
Related-party transactions	31		

Movements in equity

Equity

SEK (000s)	Share capital[1]	Unrestricted	Total
Balance at 1 January 2008	**110,000**	**11,305,703**	**11,415,703**
Net profit for the year	–	1,261,670	1,261,670
Group contribution paid	–	–1,752,312	–1,752,312
Tax effect of group contribution	–	490,647	490,647
Balance at 31 December 2008	**110,000**	**11,305,708**	**11,415,708**

SEK (000s)	Share capital[1]	Unrestricted	Total
Balance at 1 January 2007	**110,000**	**11,305,714**	**11,415,714**
Net profit for the year	–	1,048,632	1,048,632
Group contribution paid	–	–1,456,448	–1,456,448
Tax effect of group contribution	–	407,805	407,805
Balance at 31 December 2007	**110,000**	**11,305,703**	**11,415,703**

[1] 100,000 shares.

Cash flow statement

SEK (000s)	2008	2007
Operating activities		
Operating profit	1,754,702	1,458,157
Pension adjustments	–2,385	–1,719
Adjustment for items not included in cash flow	2,602,585	459,021
Income taxes paid	–490,689	–407,336
Cash flow from operating activities before changes in operating assets and liabilities	**3,864,213**	**1,508,123**
Changes in operating assets		
Change in lending to the public	–23,813,703	–33,056,910
Change in derivatives, net	–11,592,842	–1,819,663
Change in other assets	–645,160	200,990
Changes in operating liabilities		
Change in deposits by credit institutions	–12,439,606	–11,097,395
Change in debt securities in issue	45,772,649	44,340,138
Change in other liabilities	295,887	–97,398
Cash flow from operating activities	**1,441,438**	**–22,115**
Investing activities		
Acquisition of equipment	–	–316
Sale of equipment	172	131
Cash flow from investing activities	**172**	**–185**
Financing activities		
Issued subordinated liabilities	0	1,400,000
Group contribution paid	–1,261,664	–1,048,643
Cash flow from financing activities	**–1,261,664**	**351,357**
Cash flow for the year	**179,946**	**329,057**
Cash and cash equivalents at the beginning of year	428,825	99,768
Cash and cash equivalents at the end of year	608,771	428,825
Change	**179,946**	**329,057**

Comments on the cash flow statement
The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Hypotek's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

SEK (000s)	2008	2007
Depreciation	30	82
Loan losses	12,096	5,162
Unrealised gains/losses	–2,850,750	97,965
Capital gains/losses (net)	78	–10
Change in accruals and provisions	1,235,628	541,491
Other	4,205,503	–185,669
Total	**2,602,585**	**459,021**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as lending and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

SEK (000s)	2008	2007
Interest payments received	16,134,059	12,436,163
Interest expenses paid	–12,603,757	–9,803,596

Investing activities
Investing activities include acquisitions and disposals of tangible assets.

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as issued/amortised subordinated liabilities.

Cash and cash equivalents

SEK (000s)	2008	2007
Lending to credit institutions, payable on demand	608,771	428,825

Lending to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1

Accounting policies

Table of contents

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.

Nordea Hypotek AB (publ)
Visiting address: Malmskillnadsgatan 23, Stockholm
Postal address: 105 71 Stockholm
Telephone: 08-463 70 00
Telefax: 08-463 71 85
Internet: www.nordea.se
E-mail: nordea.hypotek@nordea.se

1. 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 2008:25) and the recommendation RFR 2.1 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board. 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 RFR 2.1 and FFFS 2008:25. 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 disclosures, required in the standards and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 26 March 2009 the Board of Directors approved the annual report, subject to final approval of the Annual General Meeting on 27 March 2009.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2007 Annual Report.

Forthcoming changes in IFRSs

IASB has revised IFRS 3 "Business Combinations", IAS 1 "Presentation of Financial Statements", IAS 23 "Borrowing Costs", amended IAS 27 "Consolidated and Separate Financial Statements" as well as IAS 32 "Financial Instruments: Presentation" and published the new standard IFRS 8 "Operating segments". These new or updated standards will come into force on 1 January 2009, except for IFRS 3 and IAS 27, which will come into force on 1 July 2009. It is voluntarily to adopt these new standards already in 2008, but Nordea Hypotek has chosen not to implement in advance.

If implemented in advance, IAS 23 would have had no impact on the valuation of developed intangible and tangible assets, and IFRS 8 would have had an impact on the presentation of operating segments.

In addition to changes in these standards, new interpretations not mandatory for Nordea in 2008, but allowed to implement in advance, that are relevant for Nordea have been published (IFRIC 13, 14, 16). The assessment is that these interpretations would have had no or insignificant impact on Nordea Hypotek if implemented in advance.

The abovementioned new, revised and amended standards and interpretations not yet implemented would, if implemented in 2008, have had only an insignificant impact on Nordea Hypotek's capital adequacy.

3. Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in same cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that the management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of 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 are considered to be particularly important to the financial position of Nordea Hypotek, since they require management to make difficult, complex or subjective judgements and estimates, the majority of which relate to matters that are inherently uncertain. These critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments.
- impairment testing of loans and receivables.

Fair value measurement

Financial instruments

Critical judgement is exercised when determining fair value of financial instruments in the following areas:

- The choice of valuation techniques.
- The construction of fair value adjustment in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

In all of these instances the decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies.

Impairment testing

Loans and receivables

When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, related 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 of operating income and expense

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 the effective interest rate method as basis for the calculation.

Net fee and commission income

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

Net gains/losses on items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised in the item "Net gains/losses on items at fair value".

Realised and unrealised gains and losses derive from:

- Interest-bearing securities and other interest-related instruments.
- Foreign exchange gains/losses.

4. Recognition and derecognition of financial instruments in the balance sheet

Derivative instruments are recognised on and derecognised from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

Financial liabilities, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date.

5. Translation of assets and liabilities denominated in foreign currencies

The accounts are in Swedish kronor (SEK), the reporting currency for the company.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net gains/losses on items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in equity, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting equity when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net gains/losses on items at fair value".

6. Hedge accounting

IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so-called hedge accounting. All derivatives are measured at fair value. Nordea Hypotek applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities.

The hedge accounting policy within Nordea Hypotek has been developed to fulfil the requirements set out in IAS 39. Nordea Hypotek uses hedge accounting in the financial statement in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments. The overall purpose is to have a true and fair presentation of Nordea Hypotek's economical hedges in the financial statements. The overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury.

According to IAS 39 there are in general mainly three types of hedge accounting:

- Fair value hedge accounting.
- Cash flow hedge accounting.
- Hedges of net investments.

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea Hypotek's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net gains/losses on items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in accordance with IAS 39.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. The effectiveness of the hedging relationships is consequently measured and evaluated so that any ineffectiveness is affecting the income statement under the item "Net gains/losses on items at fair value".

Hedges of net investments
See separate section "Translation of assets and liabilities denominated in foreign currency".

Hedging instruments
The hedging instruments used in Nordea Hypotek are predominantly interest rate swaps. Currency interest rate swaps 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.

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout the life of the hedge it can be expected that changes in fair value of the hedged item can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement at fair value through profit or loss. For fair value hedges the change in the fair value on the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item

7. Determination of fair value of financial instruments

Financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and derivative instruments are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net gains/losses on items at fair value".

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 existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. Valuation techniques can range from a simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. Nordea Hypotek is predominantly using valuation techniques to establish the fair value for Derivatives (OTC-derivatives).

8. Financial instruments

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 upon initial recognition designated at fair value through profit or loss (Fair Value Option).
- Loans and receivables.

Financial liabilities
- Financial liabilities at fair value through profit or loss.
  - Financial liabilities upon initial recognition designated at fair value through profit or loss (Fair Value Option).
- Other financial liabilities.

The classification of financial instrument into different categories forms the basis for how each instrument is measured in the balance sheet and how changes in its value are recognised. In Note 28 "Classification of financial instruments" the classification of the financial instruments in Nordea Hypotek's balance sheet is presented.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net gains/losses on items at fair value".

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section "Loans and receivables".

Other financial liabilities
Financial liabilities, other than those classified as financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest from Other financial liabilities is recognised in the item "Interest expense" in the income statement.

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

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net gains/losses on items at fair value".

9. Loans and receivables

Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section "Recognition and derecognition of financial instruments in the balance sheet" as well as Note 28 "Classification of financial instruments").

Nordea monitors loans and receivables as described in the separate section on "Risk, Liquidity and Capital management". Loans attached to individual customers or groups of customers are identified as impaired if the impairment test indicates objective evidence of impairment

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 become impaired. As a first step in the identifi-

cation process for impaired loans, Nordea monitors whether there are indicators for impairment (loss event) and whether these represent objective evidence of impairment. More information on the identification of loss events can be found in the "Risk, Liquidity and Capital Management" section.

In the process to conclude whether there is objective evidence of impairment, an assessment is performed 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 carrying amount 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 collectively assessed for impairment. These groups contain loans that are:
- individually significant but not impaired, and
- not significant loans, which have not been tested for impairment on an individual basis.

Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. Common for the customers in a group is that they have similar risk characteristics, i.e. exposed to similar loss events.

Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, but not yet affected the cash flow from the group of loans. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification is made through a default of the engagement or by other indicators.

The methods used to perform the impairment tests differ somewhat depending on if the loans are significant or not. For groups of loans where the loans are significant, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class.

For groups of loans where the loans are not significant the methods used are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management.

Impairment loss
If the carrying amount 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. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item "Loan losses" in the income statement. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forfeits 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 if it performs according to the new conditions. Concessions made in reconstructions are regarded as final losses unless Nordea retains the possibility to regain the realised loan losses incurred. This is, in the event of a recovery, reported as recoveries of realised loan losses.

Evaluation of minor loans and advances 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.

10. 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	3–5 years

11. Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement, except to the extent that the tax effect relates to items recognised directly in equity, in which case the tax effect is recognised in equity.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associated companies to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

12. Pensions to employees

Pension costs

In 2008, pension 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. For further information on compensation, see note 7 ”Staff costs”.

13. Equity

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

Unrestricted

The principal purpose of the company’s unrestricted reserves is to retain sufficient shareholders’ 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.

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 UFR 2 “Group contributions and shareholders” issued by the Swedish Financial Reporting Board as a decrease/increase of unrestricted equity, after adjustment for tax.

14. Related party transactions

Nordea Hypotek defines related parties as:

- Nordea Group Companies
- Key management personnel

Nordea Group Companies

Nordea Group Companies means the parent company and it’s subsidiaries. The parent company means Nordea Bank AB (publ) (Corp.reg.no.516406-0120).

Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The President of Nordea Hypotek
- The Management

For information concerning compensation and pensions as well as loans to key management personnel, see Note 7 “Staff costs”. Information around other transactions between Nordea Hypotek and key management personnel is found in Note 31 “Related-party transactions”.

15. Segment reporting

Segment reporting structure

Financial results are presented for the two main Customer areas, Nordic Banking and Institutional and International Banking.

Group Corporate Centre, which is reported separately, is responsible for the finance, accounting, planning and control activities. It is furthermore responsible for the capital management and treasury operations. The latter includes funding, asset and liability management as well as the Group’s own centralised market risk-taking in financial instruments.

Within Nordea, customer responsibility is fundamental. Nordea’s total business relations with customers are reported in the customer responsible unit’s income statement and balance sheet.

Allocation principles

Costs are allocated from Group Functions and Products areas to Customer areas based on internal agreements. Income is allocated with the underlying business transactions as driver combined with the identification of the customer responsible unit.

Assets, liabilities and economic capital are allocated to the Customer areas. Group Functions and Eliminations consist of income statement and balance sheet items that are related to the unallocated items/units.

Transfer pricing

Funds transfer pricing is based on current market interest rate and applied to all assets and liabilities allocated to or booked in the Customer areas or Group Functions.

Group internal transactions between legal entities are performed according to arm’s length principles in conformity with OECD requirements on transfer pricing. The financial result of such transactions is reported in the relevant Customer area based on assigned product and customer responsibilities.

Group Functions and Eliminations

Group Functions and Eliminations include the unallocated results of the four Group Functions: Group Operations, Group Credit and Risk Control, People and Identity and Group Legal.

Expenses in Group Functions, not defined as services to Customer areas, and profits from associated undertakings that are not included in the customer-responsible units are reported under this heading.

Note 2

Segment reporting

Business segments **Income statement, SEKm**	Nordic Banking		Inst. & International Banking		Group Corporate Centre		Group Functions and Eliminations		Total	
Customer responsible units	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	1,647	1,368	0	0	–76	–63	754	606	2,325	1,911
Net fee and commission income	99	104	0	0	–16	–15	–36	–37	47	52
Net gains/losses on items at fair value	–	–	–	–	–110	–6	–	–	–110	–6
Other income	–	–	–	–	–	–	0	0	0	0
Total operating income	**1,746**	**1,472**	**0**	**0**	**–202**	**–84**	**718**	**569**	**2,262**	**1,957**
Other expenses	0	0	–	–	0	0	–506	–506	–506	–506
Total operating expenses	**0**	**0**	**–**	**–**	**0**	**0**	**–506**	**–506**	**–506**	**–506**
Loan losses	–1	2	–	–	–	–	–	5	–1	7
Operating profit	**1,745**	**1,474**	**0**	**0**	**–202**	**–84**	**212**	**–68**	**1,755**	**1,458**
Balance sheet, SEKm										
Loans and receivables to the public	340,469	316,639	22	61	–	–	–	–11	340,491	316,689
Other assets	1,771	1,482	0	0	22,999	7,177	–3,396	–5,690	21,374	2,969
Total assets	**342,240**	**318,121**	**22**	**61**	**22,999**	**7,177**	**–3,396**	**–5,701**	**361,865**	**319,658**
Deposits by credit institutions	–	–	–	–	60,493	72,933	–	–	60,493	72,933
Other liabilities	340,495	316,646	22	61	–37,291	–65,672	–13,270	–15,726	289,956	235,309
Total liabilities	**340,495**	**316,646**	**22**	**61**	**23,202**	**7,261**	**–13,270**	**–15,726**	**350,449**	**308,242**
Equity	1,745	1,475	0	0	–203	–84	9,874	10,025	11,416	11,416
Total liabilities and equity	**342,240**	**318,121**	**22**	**61**	**22,999**	**7,177**	**–3,396**	**–5,701**	**361,865**	**319,658**

Note 3

Net interest income

SEK (000s)	2008	2007
Interest income		
Loans to credit institutions	5,042	2,153
Lending to the public	16,130,229	12,570,435
Other interest income	2	–1
Interest income	**16,135,273**	**12,572,587**
Interest expense		
Deposits by credit institutions	–2,477,805	–2,363,781
Debt securities in issue	–10,690,121	–7,987,595
Subordinated liabilities	–212,183	–100,653
Other interest expenses	–429,802	–209,612
Interest expense	**–13,809,911**	**–10,661,641**
Net interest income	**2,325,362**	**1,910,946**
Average interest rate, lending		
Lending to the public		
Average volume, SEK 000s	330,541	298,876
Average interest, %	4.88	4.21

Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 16,135m (12,573).

Interest expenses from financial instruments not measured at fair value through profit and loss amounts to SEK 13,380m (10,452).

The net interest income from derivatives, measured at fair value and related to Nordea Hypotek's funding, decreases the total interest expense. For further information see also Note 1.

Note 4

Net fee and commission income

SEK (000s)	2008	2007
Loan commissions	39,833	39,300
Other commission income	24,321	27,707
Fee and commission income	**64,154**	**67,007**
Security commissions	–16,436	–14,718
Other commission expenses	–341	–272
Fee and commission expenses	**–16,777**	**–14,990**
Net fee and commission income	**47,377**	**52,017**

Note 5

Net gains/losses on items at fair value

SEK (000s)	2008	2007
Interest-bearing securities and other interest-related instruments	–1,353,326	87,730
Foreign exchange gains/losses	1,242,862	–93,285
Total	**–110,464**	**–5,555**

Net gains/losses for categories of financial instruments

SEK (000s)	2008	2007
Financial instruments under hedge accounting	–110,464	–5,555
– of which net gain/losses on hedging instruments	4,094,741	–191,250
– of which net gains/losses on hedged items	–4,205,205	185,695

Note 6

Other operating income

SEK (000s)	2008	2007
Other	12	1
Total	**12**	**1**

Note 7

Staff costs

SEK (000s)	2008	2007
Salaries and remuneration (specification below)	–1,319	–1,444
Pension costs (specification below)	–213	–731
Social insurance contributions	–533	–506
Allocation to profit-sharing foundation	–14	–46
Other staff costs	–43	–65
Total	**–2,122**	**–2,792**

SEK (000s)	2008	2007
Salaries and remuneration:		
President		
– Fixed salary	–285	–
– Variable salary	–35	–
– Benefits	–	–
Previous president		
– Fixed salary	–345	–696
– Variable salary	–55	–140
– Benefits	–23	–80
Vice President		
– Fixed salary	–599	–608
Total	**–1,342**	**–1,524**

SEK (000s)	2008	2007
Pension costs:		
Actuarial pension costs	–186	–693
Pension premiums	–27	–38
Total	**–213**	**–731**

No directors' fee was paid to board members.

The President's total salary is dependent on the attainment of goals set by the chairman of the Board of Directors and the performance based salary can be a maximum of 25 per cent of the fixed salary. Provisions for performance-based salary each year is preliminary. Any performance-based salary for 2008 is determined in March 2009, and is paid subsequently. Deviations against allocations made are charged to the result for 2009. Nordea Hypotek has no share-based incentive system. The previous president had a car and fuel benefits until pension. Throughout 2008 the current President was employed in the company on a half-time (50%) basis.

The President's contract of employment may be terminated by either the President or the company with six (6) months' notice. 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 and receivables to key management personnel

Loans and receivables to key management personnel amounts to SEK 14,153,243 (12,134,282). Interest income on these loans amounts to SEK 370,707 (367,526).

Pension commitments to the President and executives

SEK	2008	2007
Pension costs for previous President	977,070	359,636
Pension commitments for previous President	11,622,011	3,885,925
Pension costs for President	128,602	501,650
Pension commitments for President	764,172	6,633,946
Pension costs for Vice President	39,387	229,618
Pension commitments for Vice President	3,625,210	3,557,219

The pension age for the President and Vice President is 65 years. The Vice President has opted to utilise the legal possibility of working until the age of 67. 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 former President had and the Vice President have a partial pension of 20 per cent 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	2008	2007
Men	1	2
Women	1	–
Total	**2**	**2**

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

Note 8

Other expenses

SEK (000s)	2008	2007
Information technology[1]	–71	–98
Postage, telephone and office expenses	–1,189	–955
Rents, premises and real estate	–381	–633
Compensation to Nordea	–491,400	–491,400
Other[2]	–10,734	–10,373
Total	**–503,775**	**–503,459**

[1] Refers to IT operations, service expenses and consultant fees.
[2] Including fees and remuneration to auditors distributed as follows.

Auditors' fees

SEK (000s)	2008	2007
KPMG		
Auditing assignments	–437	–331
Other assignments incl. audit-related services	–530	–633
Deloitte		
Auditing assignments	–	–69
Total	**–967**	**–1,033**

Note 9

Depreciation, amortisation and impairment charges of tangible assets

SEK (000s)	2008	2007
Depreciation/amortisation		
Equipment	–30	–82
Total	**–30**	**–82**

Note 10

Loan losses

SEK (000s)	2008	2007
Loan losses divided by class, net		
Lending to the public	–1,580	7,071
– of which write-offs and provisions	–14,017	–6,868
– of which reversals and recoveries	12,437	13,939
Total	**–1,580**	**7,071**
Specification of Loan losses		
Changes of allowance accounts in the balance sheet	–7,661	–1,507
– of which Loans[1]	–7,661	–1,507
Changes directly recognised in the income statement	6,081	8,578
– of which realised loan losses	–4,435	–3,655
– of which realised recoveries	10,516	12,233
Total	**–1,580**	**7,071**

[1] Included in Note 13 Loans and receivables and their impairment.

Not 11

Appropriations

SEK (000s)	2008	2007
Pension adjustments		
Reversed actuarial pension costs	231	693
Pension benefits paid	–2,105	–1,941
Special wage tax/return tax	–511	–471
Total	**–2,385**	**–1,719**

Note 12

Taxes

SEK (000s)	2008	2007
Income tax expense		
Current tax[1]	–490,647	–407,806
Total	**–490,647**	**–407,806**

[1] Related to tax on group contributions and booked directly to equity.

SEK (000s)	2008	2007
Profit before tax	1,752,318	1,456,438
Group contribution	–1,752,312	–1,456,448
Tax-exempt income	–14	0
Non-deductible expenses	8	10
Taxable income	**0**	**0**
Average effective tax rate	0.00	0.00

Note 13

Loans and receivables and their impairment

SEKm	Credit institutions 31 Dec 2008	Credit institutions 31 Dec 2007	The public 31 Dec 2008	The public 31 Dec 2007	Total 31 Dec 2008	Total 31 Dec 2007
Loans and receivables, not impaired[1]	609	429	340,502	316,683	341,111	317,112
Impaired loans and receivables:	–	–	14	26	14	26
– Performing	–	–	10	18	10	18
– Non-performing	–	–	4	8	4	8
Loans and receivables before allowances	**609**	**429**	**340,516**	**316,709**	**341,125**	**317,138**
Allowances for individually assessed impaired loans	–	–	–7	–9	–7	–9
– Performing	–	–	–5	–6	–5	–6
– Non-performing	–	–	–2	–3	–2	–3
Allowances for collectively assessed impaired loans	–	–	–18	–11	–18	–11
Allowances	**–**	**–**	**–25**	**–20**	**–25**	**–20**
Loans and receivables, carrying amount	**609**	**429**	**340,491**	**316,689**	**341,100**	**317,118**
Maturity information, SEKm						
Remaining maturity (carrying amount)						
Payable on demand	609	429	–	–	609	429
Maximum 3 months	–	–	204,299	172,221	204,299	172,221
3–12 months	–	–	31,688	30,941	31,688	30,941
1–5 years	–	–	97,344	103,853	97,344	103,853
More than 5 years	–	–	7,160	9,674	7,160	9,674
Total	**609**	**429**	**340,491**	**316,689**	**341,100**	**317,118**

1) Impaired loans due that are not written-down are considered to be immaterial in relation to the loan stock.

Reconciliation of allowance accounts for impaired loans

Loans and receivables, SEK (000s)	The public: Individually assessed	The public: Collectively assessed	The public: Total
Opening balance at 1 January 2008	**–9,505**	**–10,791**	**–20,296**
Provisions	–2,054	–7,528	–9,582
Reversals	1,921	–	1,921
Changes through the income statement	**–133**	**–7,528**	**–7,661**
Allowances used to cover write-offs	3,185	–	3,185
Closing balance at 31 December 2008	**–6,453**	**–18,319**	**–24,772**
Opening balance at 1 January 2007	**–10,453**	**–9,200**	**–19,653**
Provisions	–1,622	–1,591	–3,213
Reversals	1,706	–	1,706
Changes through the income statement	**84**	**–1,591**	**–1,507**
Allowances used to cover write-offs	864	–	864
Closing balance at 31 December 2007	**–9,505**	**–10,791**	**–20,296**

Key ratios

	31 Dec 2008	31 Dec 2007
Impairment rate, gross[1], %	0.00	0.01
Impairment rate, net[2], %	0.00	0.01
Total allowance rate[3], %	0.01	0.01
Allowance rate, impaired loans[4], %	47	37

1) Individually assessed impaired loans and receivables before allowances divided by total loans and receivables before allowances, %.
2) Individually assessed impaired loans and receivables after allowances divided by total loans and receivables before allowances, %.
3) Total allowances divided by total loans and receivables before allowances, %.
4) Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %.

Lending, gross, divided by collateral type

SEK (000s)	2008	2007
Single and two-family properties	169,153,396	158,192,583
Tenant-owner apartments	56,461,624	49,018,247
Multi-housing property	59,499,062	54,664,539
Public sector incl. surety/guarantee	38,783,548	39,261,953
Other collateral	16,617,681	15,571,905

Note 14

Derivatives and hedge accounting

31 Dec 2008, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	4,945	1,743	168,337
Other	–	–	491
Total	**4,945**	**1,743**	**168,828**
Foreign exchange derivatives			
Currency and interest rate swaps	12,245	173	64,229
Total	**12,245**	**173**	**64,229**
Total derivatives used for hedge accounting	**17,190**	**1,916**	**233,057**
– of which fair value hedges	17,190	1,916	233,057

31 Dec 2007, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	664	1,013	113,457
Other	–	–	482
Total	**664**	**1,013**	**113,939**
Foreign exchange derivatives			
Currency and interest rate swaps	1,276	96	43,294
Total	**1,276**	**96**	**43,294**
Total derivatives used for hedge accounting	**1,940**	**1,109**	**157,233**
– of which fair value hedges	1,940	1,109	157,233

31 Dec 2008, SEKm	Positive	Negative
Maturity information		
Remaining maturity (carrying amount)		
Maximum 3 months	1,069	50
3–12 months	892	255
1–5 years	11,407	1,141
More than 5 years	3,822	470
Total	**17,190**	**1,916**

31 Dec 2007, SEKm	Positive	Negative
Maturity information		
Remaining maturity (carrying amount)		
Maximum 3 months	658	–
3–12 months	24	171
1–5 years	1,009	852
More than 5 years	249	86
Total	**1,940**	**1,109**

Note 15

Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

SEK (000s)	31 Dec 2008	31 Dec 2007
Carrying amount at beginning of year	–561,051	–322,654
Changes during the year		
Revaluation of hedged items	2,336,580	–238,397
Carrying amount at end of year	**1,775,529**	**–561,051**

– Of which expected to be settled after more than 1 year 1,306,710

The book value at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset.

Liabilities

SEK (000s)	31 Dec 2008	31 Dec 2007
Carrying amount at beginning of year	–1,528,151	–1,104,084
Changes during the year		
Revaluation of hedged items	6,542,083	–424,067
Carrying amount at end of year	**5,013,932**	**–1,528,151**

– Of which expected to be settled after more than 1 year 4,563,264

Carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is a liability.

Note 16

Tangible assets

SEK (000s)	2008	2007
Equipment		
Acquisition value at beginning of year	316	316
Acquisitions during the year	–	316
Sales/disposals during the year	–284	–316
Acquisition value at end of year	**32**	**316**
Accumulated depreciation at beginning of year	–24	–137
Accumulated depreciation on sales/disposals during the year	34	195
Depreciations according to plan for the year	–30	–82
Accumulated depreciation at end of year	**–20**	**–24**
Total	**12**	**292**

The total amount is expected to be settled after more than 1 year.

Note 17

Other assets

SEK (000s)	2008	2007
Claims on securities settlement proceeds	789,506	148,177
Other	20,214	16,383
Total	**809,720**	**164,560**

– Of which expected to be settled after more than 1 year –

Note 18

Prepaid expenses and accrued income

SEK (000s)	2008	2007
Accrued interest income	983,143	987,888
Prepaid expenses	7,088	8,007
Total	**990,231**	**995,895**

– Of which expected to be settled after more than 1 year 1,452

Note 19

Deposits by credit institutions

SEK (000s)	2008	2007
Swedish banks	60,493,000	72,932,605
Total	**60,493,000**	**72,932,605**

Maturity information

Remaining maturity (carrying amount)

Payable on demand	–	329,605
Maximum 3 months	60,493,000	72,138,000
3–12 months	–	465,000
Total	**60,493,000**	**72,932,605**

Note 20

Debt securities in issue[1)]

SEK (000s)	2008	2007
Swedish bonds	199,374,160	183,498,487
Foreign securities	73,012,163	43,115,187
Total	**272,386,323**	**226,613,674**

1) See Specification to Notes.

Maturity information, SEK (000s)

Remaining maturity (carrying amount)		
Maximum 1 year	78,874,692	62,547,952
1–5 years	169,517,741	146,081,391
5–10 years	21,446,232	16,864,677
More than 10 years	2,547,658	1,119,654
Total	**272,386,323**	**226,613,674**
Average remaining maturity, years	2.2	2.3

Note 21

Other liabilities

SEK (000s)	2008	2007
Accounts payable	118	154
Liabilities, group contributions	1,752,312	1,456,448
Other	781	722
Total	**1,753,211**	**1,457,324**
– Of which expected to be settled after more than 1 year	–	

Note 22

Accrued expenses and prepaid income

SEK (000s)	2008	2007
Accrued interest	4,910,218	3,704,307
Other accrued expenses	5,497	5,434
Prepaid income	171,594	147,603
Total	**5,087,309**	**3,857,344**
– Of which expected to be settled after more than 1 year	77,691	

Note 23

Subordinated liabilities[1)]

SEK (000s)	2008	2007
Dated subordinated debenture loans	3,800,000	3,800,000
Total	**3,800,000**	**3,800,000**

1) See Specification to Notes.

These debenture loans are subordinated to other liabilities.

Note 24

Assets pledged as security for own liabilities

SEK (000s)	2008	2007
Assets pledged for own liabilities		
Loans to the public	322,660,227	299,563,322
Total	**322,660,227**	**299,563,322**
The above pledges pertain to the following liability and commitment items		
Debt securities in issue	272,222,281	226,471,817
Total	**272,222,281**	**226,471,817**

Assets pledged for own liabilities contain loans to the public that have been registered as collateral for issued covered bonds. In the event of the company's insolvency, the holders of these bonds have prior rights to the assets registered as collateral.

Note 25

Commitments

SEK (000s) (nom. amount)	2008	2007
Future payment obligations	30,157,000	18,596,000
Derivatives	233,057,168	157,233,169
Credit commitments	1,842,430	2,306,277
Total	**265,056,598**	**178,135,446**

Note 26

Capital adequacy

SEKm	31 Dec 2008	31 Dec 2007
Tier capital	11,296	11,352
Capital base	14,976	15,088
Risk-weighted amount excluding transition rules	47,418	108,634
Tier capital ratio, per cent	23.8	10.4
Total capital ratio, per cent	31.6	13.9
Risk-weighted amount	166,585	161,373
Tier capital ratio, per cent	6.8	7.0
Total capital, per cent	9.0	9.3

Key ratios are calculated on the basis of the floor rules that are to be applicable according to the new capital cover regulations (Basel II).

More information can be found in the section Risk, Liquidity and Capital management.

Note 27

Maturity analysis for assets and liabilities

Remaining maturity SEKm, 31 Dec 2008	Note	On demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
Loans and receivables to credit institutions	13	609	–	–	–	–	–	609
Loans and receivables to the public	13	–	204,299	31,688	97,344	7,160	–	340,491
Derivatives	14	–	1,069	892	11,407	3,822	–	17,190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	239	229	1,005	302	–	1,775
Total assets with fixed maturities		**609**	**205,607**	**32,809**	**109,756**	**11,284**	**–**	**360,065**
Other assets		–	–	–	–	–	1,800	1,800
Total assets		**609**	**205,607**	**32,809**	**107,756**	**11,284**	**1,800**	**361,865**
Deposits by credit institutions	19	–	60,493	–	–	–	–	60,493
Debt securities in issue	20	–	36,840	42,034	169,518	23,994	–	272,386
Derivatives	14	–	50	255	1,141	470	–	1,916
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	77	374	3,447	1,116	–	5,014
Subordinated liabilities	23	–	–	–	–	3,800	–	3,800
Total liabilities with fixed maturities		**–**	**97,460**	**42,663**	**174,106**	**29,380**	**–**	**343,609**
Other liabilities		–	–	–	–	–	6,840	6,840
Equity		–	–	–	–	–	11,416	11,416
Total liabilities and equity		**–**	**97,460**	**42,663**	**174,106**	**29,380**	**18,256**	**361,865**

Remaining maturity SEKm, 31 Dec 2007	Note	On demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
Loans and receivables to credit institutions	13	429	–	–	–	–	–	429
Loans and receivables to the public	13	–	172,221	30,941	103,853	9,674	–	316,689
Derivatives	14	–	658	24	1,009	249	–	1,940
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	–22	–28	–294	–217	–	–561
Total assets with fixed maturities		**429**	**172,857**	**30,937**	**104,568**	**9,706**	**–**	**318,497**
Other assets		–	–	–	–	–	1,161	1,161
Total assets		**429**	**172,857**	**30,937**	**104,568**	**9,706**	**1,161**	**319,658**
Deposits by credit institutions	19	330	72,138	465	–	–	–	72,933
Debt securities in issue	20	–	18,269	44,279	146,081	17,985	–	226,614
Derivatives	14	–	–	171	852	86	–	1,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	–8	–189	–1,027	–304	–	–1,528
Subordinated liabilities	23	–	–	–	–	3,800	–	3,800
Total liabilities with fixed maturities		**330**	**90,399**	**44,726**	**145,906**	**21,567**	**–**	**302,928**
Other liabilities		–	–	–	–	–	5,314	5,314
Equity		–	–	–	–	–	11,416	11,416
Total liabilities and equity		**330**	**90,399**	**44,726**	**145,906**	**21,567**	**16,730**	**319,658**

Note 28

Classification of financial instruments

SEKm, 31 Dec 2008 **Assets**	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Loans and receivables to credit institutions	609	–	–	609
Loans and receivables to the public	340,491	–	–	340,491
Derivatives	–	17,190	–	17,190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,775	–	–	1,775
Other assets	809	–	1	810
Prepaid expenses and accrued income	990	–	–	990
Total	**344,674**	**17,190**	**1**	**361,865**

SEKm, 31 Dec 2008 **Liabilities**	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	–	60,493	–	60,493
Debt securities in issue	–	272,386	–	272,386
Derivatives	1,916	–	–	1,916
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	5,014	–	5,014
Other liabilities	–	1,753	–	1,753
Accrued expenses and prepaid income	–	5,082	5	5,087
Subordinated liabilities	–	3,800	–	3,800
Total	**1,916**	**348,528**	**5**	**350,449**

SEKm, 31 Dec 2007 **Assets**	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Loans and receivables to credit institutions	429	–	–	429
Loans and receivables to the public	316,689	–	–	316,689
Derivatives	–	1,940	–	1,940
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–561	–	–	–561
Other assets	164	–	1	165
Prepaid expenses and accrued income	996	–	–	996
Total	**317,717**	**1,940**	**1**	**319,658**

SEKm, 31 Dec 2007 **Liabilities**	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	–	72,933	–	72,933
Debt securities in issue	–	226,614	–	226,614
Derivatives	1,109	–	–	1,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–1,528	–	–1,528
Other liabilities	–	1,457	–	1,457
Accrued expenses and prepaid income	–	3,852	5	3,857
Subordinated liabilities	–	3,800	–	3,800
Total	**1,109**	**307,128**	**5**	**308,242**

Note 29

Assets and liabilities at fair value

	31 Dec 2008		31 Dec 2007	
SEKm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans to credit institutions	609	609	429	429
Lending to the public	340,491	344,327	316,689	315,249
Derivatives	17,190	17,190	1,940	1,940
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,775	1,775	–561	–561
Tangible assets	0	0	0	0
Tax assets	1	1	0	0
Other assets	809	809	165	165
Prepaid expenses and accrued income	990	990	996	996
Total assets	**361,865**	**365,701**	**319,658**	**318,218**
Liabilities				
Deposits by credit institutions	60,493	60,490	72,933	72,927
Debt securities in issue	272,386	276,803	226,614	225,007
Derivatives	1,916	1,916	1,109	1,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	5,014	5,014	–1,528	–1,528
Other liabilities	1,753	1,753	1,457	1,457
Accrued expenses and prepaid income	5,087	5,087	3,857	3,857
Subordinated liabilities	3,800	3,804	3,800	3,801
Total liabilities	**350,449**	**354,867**	**308,242**	**306,630**

Estimation of fair value for assets and liabilities
Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans and receivables, deposits and borrowings and issued securities.

The carrying amount on loans and receivables, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Fair value is set to carrying amount, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items investments in tangible assets and equipment.

For further information about valuation of items normally measured at fair value, see Note 1.

Note 30

Assets and liabilities in foreign currencies

SEKm, 31 Dec 2008	Euro	USD	NOK	Other	Total
Assets					
Other assets	3,996	43	78	163	4,280
Total assets	**3,996**	**43**	**78**	**163**	**4,280**
Liabilities					
Debt securities in issue	68,709	772	1,943	1,588	73,012
Other liabilities	4,102	43	78	172	4,395
Total liabilities	**72,811**	**815**	**2,021**	**1,760**	**77,407**
Position not reported in the balance sheet	68,832	772	1,943	1,597	73,144
Net position, currencies	17	0	0	0	17

SEKm, 31 Dec 2007	Euro	USD	NOK	Other	Total
Assets					
Loans to credit institutions	0	–	–	0	0
Other assets	445	15	27	5	492
Total assets	**445**	**15**	**27**	**5**	**492**
Liabilities					
Debt securities in issue	41,074	642	1,186	113	43,015
Other liabilities	523	14	27	5	569
Total liabilities	**41,597**	**656**	**1,213**	**118**	**43,584**
Position not reported in the balance sheet	41,186	642	1,186	113	43,127
Net position, currencies	34	1	0	0	35

Note 31
Related-party transactions

The information below is presented from a Nordea Hypotek perspective, meaning that the information show the effect from related party transactions on the Nordea Hypotek figures.

Balance sheet	Key management personnel		Nordea Group companies	
SEK (000s)	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Assets				
Loans to credit institutions	–	–	608,771	428,825
Lending to the public	14,153[1)]	12,134	–	–
Derivatives	–	–	17,189,914	1,939,916
Other assets	–	–	20,214	16,382
Prepaid expenses and accrued income	–	–	125	–
Total assets	**14,153**	**12,134**	**17,819,024**	**2,385,123**
Liabilities				
Deposits by credit institutions	–	–	60,493,000	72,932,605
Debt securities in issue	–	–	34,593,955	9,497,230
Derivatives	–	–	1,915,796	1,109,390
Other liabilities	–	–	1,752,873	1,457,094
Accrued expenses and prepaid income	–	–	28,369	58,889
Subordinated liabilities	–	–	3,800,000	3,800,000
Total liabilities	**–**	**–**	**102,583,993**	**88,855,208**

Income statement	Key management personnel		Nordea Group companies	
SEK (000s)	2008	2007	2008	2007
Interest income	371	368	261,119	220,455
Interest expense	–	–	–3,710,806	–2,596,949
Net fee and commission income	–	–	–1,699	–2,254
Net gains/losses on items at fair value	–	–	4,047,738	–316,173
General administrative expenses:				
Staff costs	–	–	–30	–27
Other expenses	–	–	–498,440	–498,600
Total	**371**	**368**	**97,882**	**–3,193,548**

Compensations to Key management personnel
Compensations to Key management personnel are specified in Note 7.

1) Lending divided by collateral type:
Single family properties SEK 10,810,819
Tenant-owner apartments SEK 3,342,424

Specifications to the Notes

Specification to Note 20:

Swedish bonds, SEK (000s) **2008**

Number	Currency	First sales day	Interest rate in %	Due dates for interest	Final payment day	Outstanding nominal amount
5513[1]	SEK	98-09-01	5.00	20 Apr	09-04-20	577,000
5519[1]	SEK	05-05-26	3.25	16 June	10-06-16	42,576,800
5520[1]	SEK	05-10-19	3.25	17 June	15-06-17	4,342,000
5521[1]	SEK	05-10-19	3.25	17 June	20-06-17	1,931,000
5522[1]	SEK	05-11-22	3.00	17 June	09-06-17	40,896,800
5523[1]	SEK	06-05-29	3.75	15 June	11-06-15	43,211,000
5524[1]	SEK	07-02-22	4.00	20 June	12-06-20	43,387,000
5525[1]	SEK	08-02-05	4.25	19 June	13-06-19	22,750,000

Loan 5513-5525: No interest rate adjustment

[1] Tap issues.

Repurchase agreements

5521 – nom. 425,000 with due date 090105

5523 – nom. 526,000 with due date 090105, nom. 5,035,000 with due date 090112

5524 – nom. 4,171,000 with due date 090102, nom. 20,000,000 with due date 090218

EMTN (bonds issued in foreign currency) **2008**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, thousands[1]
HKD	02-07-11	09-08-28	5.34	137,000
EUR	06-10-25	11-10-25	3.75	1,250,000
EUR	07-01-19	09-01-19	4.00	500,000
EUR	07-02-06	14-02-06	4.25	1,250,000
EUR	07-03-13	10-12-13	4.00	20,000
USD	07-05-18	10-05-18	4.91	100,000
EUR	07-09-14	09-09-14	6 months' Euribor -7bps	50,000
NOK	07-10-03	17-10-03	5.69	1,000,000
EUR	07-11-23	10-11-23	4.25	1,250,000
EUR	08-01-18	11-01-18	4.3025	250,000
NOK	08-02-07	11-02-07	5.15	750,000
EUR	08-04-22	11-04-20	4.25	1,500,000
CHF	08-05-22	15-05-22	3.385	200,000

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

Registered Covered Bond (Loans issued in foreign currency) **2008**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
EUR	07-10-23	19-10-23	4.800	20,000
EUR	08-02-26	18-02-26	4.425	25,000
EUR	08-02-27	24-02-27	4.665	10,000
EUR	08-04-07	18-04-09	4.530	10,000
EUR	08-04-07	25-04-07	4.770	20,000
EUR	08-04-14	16-04-04	4.440	40,000
EUR	08-07-04	18-07-04	5.160	10,000
EUR	08-07-07	21-07-07	5.100	14,000
EUR	08-07-18	18-07-18	4.995	20,000
EUR	08-07-18	19-07-18	5.020	20,000
EUR	08-08-20	19-12-18	4.810	10,000
EUR	08-10-08	21-10-08	5.150	10,000

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

Loans in foreign currency **2008**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
EUR	99-05-04	09-05-04	3 months' Euribor + 0.125 Schuldschein[2]	15,000

[1] Refers to original issue. The currency exposure and interest rate have been changed by using currency and interest rate swaps.
[2] Not secured.

Specification to Note 23:

Subordinated liabilities, SEK (000s) **2008**

Number	Currency	Interest rate, %	Call date	Due date	Outstanding nominal amount
Loan 3	SEK	3 months' stibor +0.33	09-12-30	14-12-30	500,000
Loan 4	SEK	3 months' stibor +0.19	11-12-29	16-12-29	1,000,000
Loan 5	SEK	3 months' stibor +0.50	12-12-18	17-12-18	1,400,000
Loan 6	SEK	3 months´ stibor +1.75	13-06-30	18-06-30	900,000

Risk, Liquidity and Capital management

Principles for management and control of risk and capital

The information in this section refers to Nordea Hypotek AB (publ) with corp. reg. no 556091-5448. Financial reports for Nordea Hypotek are published half-yearly. Nordea Hypotek is wholly integrated in the Nordea group's risk and capital management in its applicable parts, which is why it is here described how the area is dealt with in Nordea.

Nordea's board of directors has ultimate responsibility for decisions regarding limits and for follow-up of the group's risk exposure. The board of directors is also ultimately responsible for setting goals for capital deployment. Risk in Nordea is reported in accordance with common principles and guidelines that are approved by the board of directors. The board of directors decides guidelines for the management of credit, market and liquidity risk as well as operative risk including the internal processes for assessment of capital adequacy. All guidelines are revised at least once a year. In Nordea Hypotek the board of directors is ultimately responsible for limiting and monitoring the company's risk exposure, and regularly reviews reports on risk exposure.

Roles and allocation of responsibility within the Nordea group

The group's chief risk officer (CRO) is responsible for the group's credit risk, market risk and operational risk. This includes development, validation and supervision of rating and scoring systems, the group's credit guidelines and credit strategy, credit instructions and directions to these as well as the group's processes for granting of credit and credit control.

Nordea's chief financial officer (CFO) is responsible for planning of capital deployment, which includes reporting of capital adequacy, Economic Capital and determination of parameters for calculation of risk-weighted amounts, and for liquidity management and management of the group's balance sheet.

The group chief executive officer (CEO) and group management regularly examine reports concerning risk exposure and have also established the following committees for risk, liquidity and capital management:

- Asset and Liability Committee (ALCO), with the CFO as chairman, prepares matters of great importance to the Group's financial operations and risk including capital management for decisions by the group chief executive officer in group management.
- Capital Planning Forum, under the chairmanship of the CFO, monitors how the internal and external capital requirements and also the capital base are developing, and makes decisions concerning the group's capital planning.
- Risk committee, in which CRO is chairman, monitors risk development on an aggregated level. The CRO is also head of Group Credit and Risk Control.
- The Executive Credit Committee (ECC) and the Group Credit Committee (GCC), with the CRO as chairman, decides on larger credit risk limits and branch guidelines for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups as well as limits for selected sectors.

Credit risk limits, which are not decided by ECC or GCC, are decided by other decision-making bodies at different levels in the organisation. Nordea Hypotek has delegated the main part of its credit decisions to the parent company. The primary responsibility for credit risks affecting Nordea Hypotek lies with the customer-responsible units in the parent bank, which continuously assess customers' ability to fulfil obligations and identify deviations from the agreed terms and shortcomings 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.

Within the Group there are two units, Group Credit and Risk Control as well as Group Corporate Centre, that are responsible for the management of risk and capital. Group Credit and Risk Control is responsible for the group's framework for risk management, consisting of guidelines, instructions and directions for the entire group, while Group Corporate Centre bears responsibility for all capital management issues including capital requirements and capital base.

Different types of risk

There are different types of risk, which are described in more detail below according to how they are dealt with within the regulations for capital adequacy.

Risks in pillar 1

In the pillar 1, which forms the base for the capital requirement, there are three risk types included: credit risk, market risk and operational risk.

- Credit risk is the risk of loss if counterparts of the company fail to fulfil their agreed obligations and that the pledged collateral does not cover the company's claims. The credit risk in Nordea Hypotek arises chiefly through different forms of lending. Furthermore, credit risk includes counterparty risk which is the risk that the company's counterpart in an FX or interest derivate contract defaults prior to maturity of the contract and that the company at that time has a claim on the counterpart. Quantification of credit risk was originally developed within Nordea as a part of the framework for economic capital. The measurement of credit risk is based on the parameters: probability of default, loss given default and credit conversion factors.

- Market risk is the risk of loss due to reduced market value on portfolios and financial instruments in connection with fluctuations in financial market variables

- Operational risk is defined as the risk of direct or indirect loss, or damage to reputation resulting from inadequate or failed internal processes, from people and systems, or from external events. Legal risks and compliance risks like crime risk and process risk, including IT risk, constitute sub-categories to operative risk.

Risks in pillar 2

In the pillar 2 other risk types are measured and assessed. Nordea manages and measures these risks although they are not included in the calculation of the capital requirements. Nordea's Economic Capital includes most of the risks in pillar 2. In Nordea Hypotek risk types consist mainly of liquidity risk and interest rate risk.

- Liquidity risk refers to the risk of only being able to fulfil liquidity commitments at increased cost or, ultimately, not being able to fulfil the commitment in connection on maturity. Nordea Hypotek's liquidity risk management is integrated in the group's liquidity risk management. Risk management focuses both on short-term and long-term structural liquidity risk. The management of Nordea's liquidity risk includes a preparedness plan and stress test for liquidity management. A number of measures of liquidity risk have been developed to measure the exposure. 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 structural liquidity risk of Nordea is measured and limited by the net balance of stable funding, i.e. the difference between long-term liabilities and long-term assets. Group Treasury is responsible for liquidity management in Nordea and for the observance of the group's overall limits which are established by the board of directors, group chief executive officer in group management and ALCO.

Table 1
Capital requirements and RWA

SEKm	31 Dec 08 Capital requirement	31 Dec 08 Basel II RWA	31 Dec 07 Basel II RWA
Credit risk	**3,547**	**44,327**	**105,414**
IRB foundation	3,529	44,097	29,011
– of which corporate	2,369	29,606	28,978
– of which institutions	15	183	25
– of which retail	1,144	14,301	–
– of which other	1	7	8
Standardised	18	230	76,403
– of which retail	–	–	74,939
– of which sovereign	0	0	0
– of which other	18	230	1,464
Market risk	**0**	**0**	**0**
Operational risk	**247**	**3,091**	**3,220**
Standardised	247	3,091	3,220
Sub total	**3,794**	**47,418**	**108,634**
Adjustment for transition rules			
Additional capital requirement according to transition rules	9,533	119,167	52,739
Total	**13,327**	**166,585**	**161,373**

- 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. Nordea Hypotek 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 44.5m (173.4) for interest rate increase.

For further information, see note 27 “Maturity analysis for assets and liabilities”.

Capital management

In table 1 overall capital requirements and risk-weighted assets (RWA) are shown as per 31 December 2008, divided into different risk types. Credit risk comprises more than 97 per cent of the risk in Nordea Hypotek and operative risks account for 3 per cent.

Table 1 also contains information concerning the methods used for calculating capital requirements. Of the total capital requirements for credit risk 27.5 per cent is calculated in accordance with the internal rating method, IRB, and 72.5 per cent according to the reference standards method.

In table 1 the capital requirement for credit risk and operative risk is adjusted by SEK 446.1m in accordance with the transitional provisions (designated as the floor for capital requirements). During 2008 the capital requirement may not fall below 90 per cent of the capital requirements calculated according to rules and regulations for Basel I. For 2009 capital requirement may not fall below 80 per cent of the capital requirement calculated according to rules and regulations for Basel I.

Capital requirement for credit risk

Nordea has received approval to use of the basic IRB method (internal risk classification) from the second quarter of 2007 to calculate the credit risk in the exposure categories companies and institutions. In December 2008 approval was received to use of the basic IRB method for the exposure category household. Other exposure categories, e.g. the state, are classified until further notice according to the reference standards method.

Capital requirements per exposure class

In IRB and the reference standards method the legal capital requirement for credit risk is calculated according to the following formula:

Minimum capital requirement = RWA * 8 %,
where
RWA = risk weight * EAD (exposure in connection with bankruptcy)

In table 2 the exposure, EAD, is shown as an average risk weight (RW%), RWA and capital requirements distributed into exposure classes, which constitutes the foundations for the reporting of capital requirements. There are seven exposure classes for the IRB approach and fifteen classes for the standardised approach. Nordea Hypotek has chosen to combine certain classes in this summary with consideration to low exposure in these

Table 2
Capital requirements for credit risk 31 December 2008

SEKm	Exposure	EAD	Average risk weight, %	RWA	Capital requirement
IRB approach					
Institutions	1,680	1,680	11	183	15
Corporate	94,814	73,965	40	29,606	2,369
Retail	232,688	231,113	6	14,301	1,144
– of which mortgage	230,885	229,330	6	13,899	1,112
– of which other retail	1,803	1,783	23	402	32
– of which SME	8,149	8,131	8	632	51
Other non–credit obligation assets	7	7	100	7	1
Total IRB approach	**329,189**	**306,765**	**14**	**44,097**	**3,529**
Standardised approach					
Central governments or central banks	3,980	4,022	0	0	0
Regional governments and local authorities	15,008	34,476	0	0	0
Institutions	25,935	25,964	1	230	18
Total Standardised approach	**44,923**	**64,462**	**1**	**230**	**18**
Total	**374,112**	**371,227**	**12**	**44,327**	**3,547**

classes and to facilitate the reading of this information.

The definitions of exposure classes in the standardised approach differ from the classification in accordance with the IRB approach. Some exposure classes are based on the type of counterparty while others are based on the type of asset, type of product, type of collateral or exposure size. The exposure value of an on-balance-sheet exposure in the IRB approach is measured gross of value adjustments such as provisioning. The exposure at default (EAD) for the on-balance-sheet items, derivative contracts and securities financing transactions and long settlement transactions is 100 per cent of the original exposure. Off-balance-sheet exposures are converted into EAD using credit conversion factors.

The RW% is calculated as RWA divided by EAD for IRB exposures. For exposures in the standardised approach, the RW% is given by the Financial Supervisory Authority.

Capital management

Nordea's ability to achieve goals and fulfil the minimum requirement for capital adequacy are regularly examined within ALCO and Nordea's forum for capital planning (Capital Planning Forum, CPF). CPF, under the chairmanship of the CFO, is responsible for coordinating capital planning in the group, including external, internal and accessible capital. In addition to this CPF and its members judge future capital requirements with consideration to annual dividend, repurchase of shares, external and internal liabilities as well as decisions on injections of capital. The CPF considers information on key regulatory developments, market trends for subordinated debt and hybrid instruments and reviews the capital situation in the Nordea Group and in key companies. In the CPF the CFO decides, within the mandate given by the board of directors, on issuance of subordinated debt and hybrid capital instruments. Such decisions which affect Nordea Hypotek shall also be approved by its board of directors. Meetings are held at least quarterly and on request by the CFO.

Capital policy and IKU

Pillar II in the CRD, or the Supervisory Review Process (SRP), covers two main processes: the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP). The purpose of the ICAAP is for each institution to review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and to determine an internal capital requirement reflecting the risk appetite of the institution. The purpose of the SREP is to ensure that institutions have adequate capital to support all the risks in their businesses and to encourage institutions to develop and use better risk management techniques in monitoring and measuring risks.

In 2008, the Nordea group's and Nordea Hypotek's tier 1 capital and capital base exceeded the regulatory minimum requirements outlined in the CRD. Considering the results of capital adequacy stress testing and capital forecasting, Nordea assesses that the buffers held for regulatory capital purposes are sufficient and that Nordea's internal capital targets – which are also applicable to Nordea Hypotek – of 9.0 per cent for tier 1 capital and 11.5 per cent for total capital are adequate given its current risk profile and capital position relative to Nordea's timetable for implementation of the IRB method.

Nordea uses its internal capital model, Economic Capital (EC), when considering internal capital requirements with and without market stress. As a number of Pillar II risks exist within Nordea's current Economic Capital framework – interest rate risk in the balance sheet, market risk in investment portfolios, counterparty risk and business risk, – Nordea uses its existing internal capital measurements as the basis for any additional capital buffers. Nordea considers the results of its capital adequacy stress testing, along with EC and RWA forecasts, to determine its internal capital requirement and to ensure that the bank is adequately capitalised in different stress scenarios reflecting Nordea's risk appetite. The impact of stress testing on Nordea's capital policy increases as additional parts of the assets portfolio begin to use IRB models and, thus, become more sensitive to customer credit ratings, collateral valuations and other capital parameters during changes in the economic cycle or periods of economic unrest.

Nordea's policy is to ensure that the capital base exceeds both the internal capital requirement. Remaining buffers are expected to be reduced via dividends and/or share buy-backs as the regulatory requirement is reduced with the implementation IRB models for Household exposures, corporate and banks.

Capital base and conditions for items to be included in the capital base

A summary of items included in the capital base is available in table 3. Capital base is the sum of tier 1 capital and tier 2 capital after deductions. Tier 1 capital is defined as the capital which most closely corresponds to paid-up capital and certain reserves. Included in tier 1 capital is a limited share of hybrid capital loans (a maximum of 30 per cent of tier 1 capital). The result may only be included after deduction for the proposed dividend. Goodwill and deferred tax claims will reduce the tier 1capital. Tier 2 is divided in two different types, perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1 capital. Dated tier 2 loans may not exceed half the amount of tier 1. These limits are set after deductions in both tier 2 and tier 1 capital. Such deductions are for instance investment in insurance and other financial companies. Half the amount should be deducted from tier 1 capital and the remaining half from the sum of tier 1 and tier 2.

Nordea's calculation of capital base is in accordance with the EU directive (2006/48 and 49) and the Swedish legislation. The difference between expected loss according to the capital adequacy estimate and in the provisions made in the accounts for the related exposures are adjusted for in the capital base. The negative difference (expected losses exceed provisions) is referred to as a deficit. According to the rules in Capital Requirement Directive the amount shall be deducted from the capital base, of which half from tier 1. According to the CRD transitional rules calculations the deficit must be deducted from the RWA to be neutralised in a Basel I perspective. A positive difference (provisions exceed expected losses) can be included in tier 2 capital with some limitations.

The Nordea Group is able to transfer capital within its legal entities without material restrictions. International transfers of capital between Nordea's legal entities are possible with the acceptance of the local regulatory authorities.

As of end year 2008, Nordea Hypotek held SEK 3.8m in outstanding dated subordinated debenture loans. The company had at this time no hybrid capital or perpetual debenture loans.

Table 3

SEKm	31 Dec 2008	31 Dec 2007
Capital base		
Equity	**11,416**	**11,416**
IRB provisions excess (+)/shortfall (–)	–120	–64
Tier 1 capital (net after deduction)	**11,296**	**11,352**
Tier 2 capital	**3,800**	**3,800**
IRB provisions excess (+)/shortfall (–)	–120	–64
Total capital base	**14,976**	**15,088**

Proposed distribution of earnings

After the company paid group contributions amounting to SEK 1,752,312,000 the following amount is available for distribution by the Annual General Meeting of Shareholders:

	SEK
Retained profit	10,044,038,000
Net profit for the year	1,261,670,000
Total	**11,305,708,000**

The Board of Directors and the President propose that

	SEK
To be carried forward	11,305,708,000

It is hereby certified that, to the best of our knowledge, the annual report has been prepared in accordance with sound accounting principles. The information provided gives a true and fair account of the development of the operations, financial position and result, and nothing of material significance has been omitted that would affect the presentation of the company created by the annual report.

Stockholm 26 March 2009

Torsten Allqvie
Chairman

Ulla Hermann

Björn Hökby

Kurt Gustafsson

Karin Markstedt
President

Our audit report was submitted on 26 March 2009

KPMG AB

Hans Åkervall
Authorised Public Accountant

Audit report

To the Annual General 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 2008. 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 general 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 26 March 2009

KPMG AB

Hans Åkervall
Authorised Public Accountant

Board of Directors, Auditor and Management

Board of Directors

Chairman

Torsten Allqvie, born 1959
Nordea Bank AB (publ)
Deputy, Banking Sweden
Executive Vice President

Members

Kurt Gustafsson, born 1954
Nordea Bank AB (publ)
Banking Products and
Group Operations
Head of Account Products

Ulla Hermann, born 1952
Nordea Bank AB (publ)
Group Credit and Risk Control
Head of Group Credit, Nordic Banking
Sweden

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

Karin Markstedt, born 1955
President of
Nordea Hypotek AB (publ)

Auditor

KPMG AB
Hans Åkervall
Authorised Public Accountant

Management

Karin Markstedt, born 1955
President

Sten Roghe, born 1943
Head of Credits and Deputy President

Addresses

Nordea Hypotek AB (publ)

Visiting address:	Malmskillnadsgatan 23, Stockholm
Postal address:	105 71 Stockholm
Telephone:	+46 8 463 70 00
Telefax:	+46 8 463 71 85
Internet:	www.nordea.se
E-mail:	nordea.hypotek@nordea.se

Production: n3 Kommunikation
Printing: tbk.