Annual Report 2009

Nordea Hypotek AB (publ)

Nordea's vision is to be a Great European 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. The Nordea Group has around 10 million customers, approx. 1,400 branch offices and a leading net banking position with 5.9 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	2009	2008	2007	2006	2005
Net interest income	3,141	2,325	1,911	1,969	1,946
Net fee and commission income	0	47	52	51	44
Net gains/losses on items at fair value	46	–110	–6	22	105
Other income	0	0	0	7	0
Total operating income	**3,187**	**2,262**	**1,957**	**2,049**	**2,095**
General administrative expenses:					
Staff costs	–3	–2	–3	–3	–2
Other expenses	–549	–504	–503	–504	–498
Depreciation, amortisation and impairment charges of tangible assets	0	0	0	0	0
Total operating expenses	**–552**	**–506**	**–506**	**–507**	**–500**
Loan losses	–61	–1	7	14	8
Disposals of tangible assets	–	0	0	–	–
Operating profit	**2,574**	**1,755**	**1,458**	**1,556**	**1,603**
Appropriations	–3	–2	–2	–2	477
Income tax expense	–676	–491	–408	–435	–579
Net profit for the year	**1,895**	**1,262**	**1,048**	**1,119**	**1,501**

Balance sheet at 31 December

SEKm	2009	2008	2007	2006	2005
Assets					
Loans to credit institutions	208	609	429	100	740
Lending to the public	374,243	340,491	316,689	283,637	262,586
Derivatives	13,952	17,190	1,940	396	695
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,404	1,775	–561	–323	569
Tangible assets	0	0	0	0	0
Tax assets	0	1	0	5	–
Other assets	1,911	809	165	366	420
Prepaid expenses and accrued income	562	990	996	753	654
Total assets	**393,280**	**361,865**	**319,658**	**284,934**	**265,664**
Liabilities					
Deposits by credit institutions	86,592	60,493	72,933	84,030	108,609
Debt securities in issue	272,870	272,386	226,614	182,274	138,333
Derivatives	2,320	1,916	1,109	1,287	877
Fair value changes of the hedged items in portfolio hedge of interest rate risk	5,804	5,014	–1,528	–1,104	–
Tax liabilities	–	–	–	4	3
Other liabilities	2,573	1,753	1,457	1,554	2,084
Accrued expenses and prepaid income	5,960	5,087	3,857	3,073	2,942
Provisions	50	–	–	–	–
Subordinated liabilities	3,800	3,800	3,800	2,400	1,400
Total liabilities	**379,969**	**350,449**	**308,242**	**273,518**	**254,248**
Equity	**13,311**	**11,416**	**11,416**	**11,416**	**11,416**
Total liabilities and equity	**393,280**	**361,865**	**319,658**	**284,934**	**265,664**

Ratios and key figures

	2009	2008	2007	2006	2005
Return on average shareholders' equity, %	15.4	10.7	8.9	9.5	10.1
Return on total capital, %	0.7	0.5	0.5	0.6	0.6
Investment margin, %	0.84	0.69	0.63	0.72	0.77
C/I ratio, %	19.2	22.4	25.5	24.1	23.5
Risk-weighted amount, before transition rules, SEKm	49,707	47,418	108,634		
Risk-weighted amount, SEKm[1)]	166,050	166,585	161,373	153,378	139,966
Capital base, SEKm[1)]	16,900	14,976	15,088	13,816	12,816
Total capital ratio, before transition rules, %	34.0	31.6	13.9		
Tier 1 capital ratio, before transition rules, %	26.6	23.8	10.4		
Total capital ratio, %[1)]	10.2	9.0	9.3	9.0	9.2
Tier 1 capital ratio, %[1)]	8.0	6.8	7.0	7.4	8.2
Average number of employees	2	2	2	2	2

1) Key ratios as per 2007–2009 are calculated on the basis of the floor rules that are to be applicable according to the new capital cover regulations (Basel II).

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 supplementary 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, monthly average.

Return on average shareholders' equity
Net profit for the year as a percentage of equity, monthly average.

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

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 2009. The company is a wholly owned subsidiary of Nordea Bank AB (publ) (Corp. reg. no. 516406-0120).

Operations
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 municipal guarantees.

Developments in 2009

- The historically low interest-rate level, incentives in the form of a special tax reduction, in Swedish ROT-avdrag, for housing improvements and pent-up demand in many locations gave momentum to the mortgage market in the spring of 2009, following a marked downturn in the end of 2008. Nordea Hypotek maintained its share of the mortgage market and market share amounted to 14.9 per cent at year-end (14.6).
- House prices recovered during the year. There are several reasons why house prices in Sweden did not fall to the same extent as in many other countries, for instance, the scarcity of possibilities for speculative property acquisition (buy-to-let). Neither is there any occurrence of subprime lending. A third reason is that since the 1990s new construction of houses in Sweden has been a very low and there is considerable excess demand.
- Liquidity in the market for long-term borrowing improved in 2009. Nordea Hypotek has throughout the entire financial crisis, with a strong borrowing position, been able to issue covered bonds, both in the Swedish and international markets. The Swedish market has however grown in significance because of its good functionality.
- The EU Capital Requirement Directive is under review. Among other things the existing floor regulations (transitional floors) will be extended. Capital requirements will continue to be adjusted to 80 per cent of the earlier Basel I set of rules and regulations, at least to the end of the year 2011. Nordea Hypotek currently maintains capital exceeding the floor level and therefore does not anticipate any immediate effect of this regulation.

Result
Operating profit amounted to SEK 2,574m (1,755), which is a increase by 46.7 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 3,141m (2,325), a increase of 35.1 per cent. Net interest income was influenced positively by higher lending volume and increased margins. The company's good position in the financial markets has resulted in competitive borrowing costs.
- Net gains/losses on items at fair value amounted to SEK 46m (–110).
- Net commission income has been charged with nearly 50 million kronor in respect of the estimated stability fee.
- Other administrative expenses have increased by 45 million kronor due to increased expenses for services conducted by Nordea Bank.
- Credit losses increased by 59 million kronor resulting from increased collective provisions within the corporate segment.
- Return on equity after standard taxes was 15.4 per cent (10.7).

Lending
Lending to the public during the year increased by 9.9 per cent (7.5) to SEK 374,243m (340,491) at year-end.

Lending to corporations, organisations and municipalities
Lending to legal entities increased by SEK 3,730m (3.4 per cent) to SEK 112,699m (108,969m) at the end of the financial year.

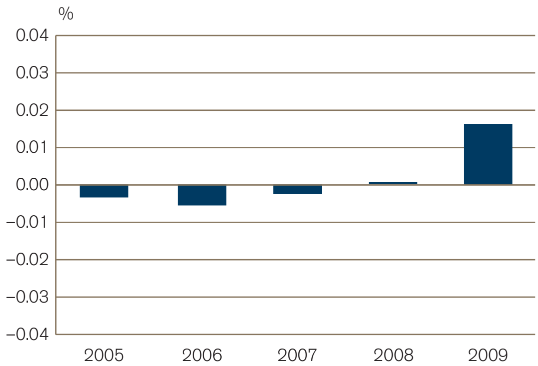
Lending to personal customers
Lending to households increased by SEK 30,023m (13.0 per cent) to SEK 261,544m (231,521) at year-end.

Distribution of the loan portfolio

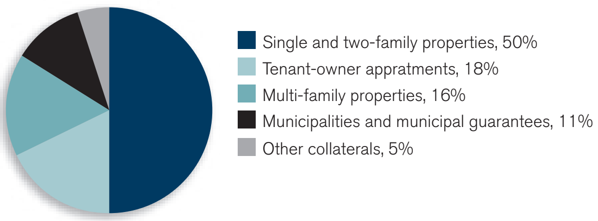
Loan losses

Realised and expected credit losses increased by SEK 59 million to SEK 61 million (2). The greater part of the increase derives from new collective provisions within the corporate segment in the amount of SEK 56 million.

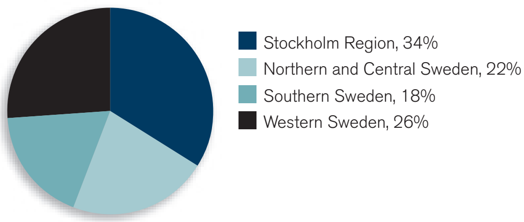
Loan losses in relation to lending



Lending distribution in collateral



Lending by geographical area



Currency policy

The company's policy is to hedge any exposure to currency risk. In all essentials the assets and liabilities are hedged by currency swaps.

Funding

During 2009 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 2009 fixed-rate bonds with maturities of more than one year for SEK 89.0bn (83.2). The issues take place repeatedly in existing and new series of which the majority are so-called benchmark bonds. The company has agreements with five banks that ensure high liquidity in the bonds.

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 19.0bn Swedish kronor (23.5). Issuance of specific docmented "Registered Covered Bond" is also included in this amount. During the year the company also issued a subordinated debenture loan of SEK 0.5bn under the EMTN programme, which in its entirety was endorsed by the Parent Company.

Total outstanding covered bonds at year-end amounted to SEK 272.2 bn (272.7). 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 86.6bn (60.5).

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.

Standard & Poor's in December 2009 changed its criteria for the rating of covered bonds. As a result, Nordea Hypotek's covered bonds together with the majority of other issuers of covered bonds globally, have been identified as "CreditWatch negative". Standard & Poor's intend to provide a final rating decision before the end of April.

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 26.

In total the risk-weighted assets for counterparty credit risk amounted to SEK 11m (286). The risk-weighted assets for other off-balance-sheet exposures amounted to SEK 702m (720).

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 7. 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 2010

Due to the prevailing market conditions, the outlook provided is characterised by some degree of uncertainty. Nordea Hypotek is expected to contribute to growth in the Nordea Group.

The Riksbank’s interest rate cuts halted the decline in prices in the property market. The currently low interest rates result from the deep recession and the crisis in the global financial services sector; the low interest rates will therefore not be long-lasting. In line with the recovery of the economy the Riksbank will start to raise interest rates, not as an austerity measure, but to successively begin to adjust interest rates to a more neutral level. Naturally, there are many parameters that affect house prices. Demography, supply and demand, the labour market situation, local and regional events, changes in taxation and disposable income, stock exchange trends, trends in interest rates, etc. The various parameters counterbalance each other to a certain extent, which means that house prices may remain fairly unchanged in the coming year.

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 company’s customers.

Nordea Hypotek’s position in the funding market is strong and it is assessed that the company’s borrowing requirements will henceforth be met on competitive terms.

Change in the Board of Directors

The has been no changes to the board of directors during 2009. To perform the tasks specified in 49 b § of the Swedish companies act (2005:555) in respect of the audit committee a new external board member will be appointed in connection with the Annual General Meeting in March 2010. For further information concerning staff related questions, see note 7 ”Staff costs” and note 32 ”Related-party transactions”.

Important changes after the end of the financial year

No major events have occurred after 31 December 2009.

Distribution of earnings

After the company paid group contribution of SEK 2,571,889,000 and received shareholders’ contribution of SEK 1,895,482,000 the net profit of the year amounted to SEK 1,895,362,000 and retained profit of SEK 11,305,708,000 is available for distribution by the Annual General Meeting of Shareholders. The proposed distribution of earnings is provided on page 37.

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.

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.

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.

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.

The credit portfolio

Lending to the public

Nordea Hypotek's lending to the public increased by 9.9 per cent in 2009 to SEK 374,243m (340,491). Lending to the corporate sector accounted for 30 per cent (32) of the exposure, thereof the public sector (state and municipal) 13 per cent (13). The household sector's percentage of exposure was 70 per cent (68). The distribution of the lending on maturities and types of collateral is shown in Note 13. The company only provides mortgages in respect of properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 1,656m (1,842).

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 2,320m (1,916).

Lending to credit institutions

Lending to credit institutions amounted at the end of the year to SEK 208m (609), all of which was placed in Group companies for terms of less than one year.

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.

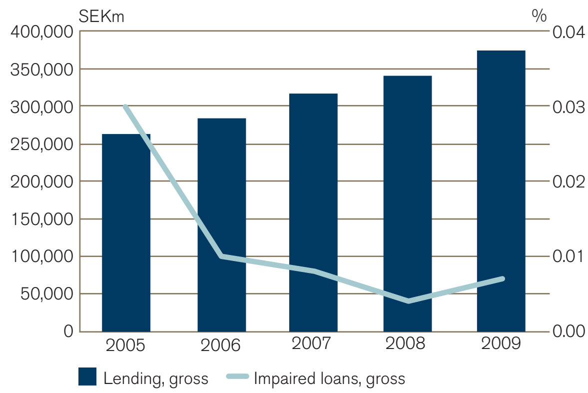
Ratings are normally assigned in connection with limit/credit proposals or annual reviews and are approved by the credit committees.

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.

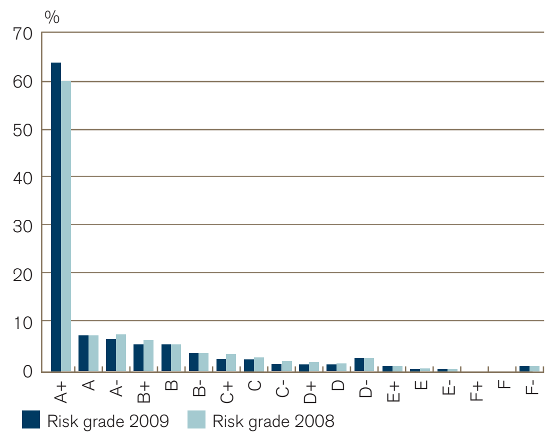
Impaired loans

Impaired loans, gross, amounted to SEK 25m (14), of which SEK 12m (4) were lending and receivables to households. The net amount, after a SEK 8m (7) deduction for provisions for impaired loans, was SEK 17m (7), corresponding to 0.005 per cent (0.002) of the total volume of loans outstanding. For more information see note 13 "Loans and their impairment".

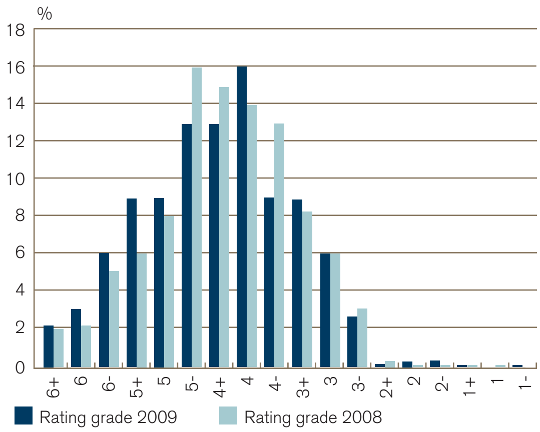
Lending to the public and impaired loans



Risk grade distribution for the Retail portfolio



Rating distribution for the Corporate portfolio



Market risk
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
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.

Liquidity management
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. Nordea's liquidity management is based on policy statements resulting in different liquidity risk measures, limits and organisational procedures. Risks in Nordea are measured and reported according to common principles and policies approved by the Board. The Board of Directors also decides on policies for liquidity risk management. These policies are reviewed at least annually.

The management of Nordea's liquidity risk includes a preparedness plan and stress test for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Risk management focuses both on short-term and long-term structural liquidity risk. 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.

Capital requirements and RWA

SEKm	31 Dec 09 Capital requirement	31 Dec 09 RWA	31 Dec 08 Capital requirement	31 Dec 08 RWA
Credit risk	**3,683.8**	**46,047.3**	**3,546.3**	**44,327.9**
IRB foundation	3,683.4	46,042.7	3,527.9	44,098.1
– of which corporate	2,457.2	30,715.3	2,368.5	29,606.6
– of which institutions	0.5	6.3	14.7	183.2
– of which retail	1,223.4	15,292.3	1,144.1	14,301.2
– of which other	2.3	28.8	0.6	7.1
Standardised	0.4	4.6	18.4	229.8
– of which retail	–	–	–	–
– of which sovereign	0.0	0.0	0.0	0.0
– of which other	0.4	4.6	18.4	229.8
Market risk	**–**	**–**	**–**	**–**
Operational risk	**292.8**	**3,660.1**	**247.2**	**3,090.5**
Standardised	292.8	3,660.1	247.2	3,090.5
Sub total	**3,976.6**	**49,707.4**	**3,793.5**	**47,418.4**
Adjustment for transition rules				
Additional capital requirement according to transition rules	9,307.4	116,342.3	9,533.3	119,166.8
Total	**13,284.0**	**166,049.7**	**13,326.8**	**166,585.2**

Capital management
Nordea Hypotek strives to attain efficient capital through active management of the balance sheet. The goal is to enhance returns while maintaining a prudent risk and return relationship.

Pillar 1
With the approval in December 2008 to use internal ratings based approach for the major part of the retail customers, Nordea Hypotek had 85% of the exposure covered by IRB approaches by the end of 2009. Nordea Hypotek will continue to implement the internal ratings based approach for some remaining portfolios.

Pillar 2
The Internal Capital Adequacy Assessment Process (ICAAP), which describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining an internal capital requirement reflecting the risk appetite of the institution.

Nordea bases the internal capital requirements under the ICAAP on a combination of CRD risk definitions, Nordea's Economic Capital framework and buffers for periods of economic stress. Nordea's internal capital requirement includes capital for the following major risk types: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC models explicitly account for interest rate risk in the banking book, market risk in the investment portfolios, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test process to analyse the effects of a series of global and local shock scenarios. The results of stress testing are considered, along with potential management interventions, in Nordea's internal capital requirement. The internal capital requirement is a key component of Nordea's capital ratio target setting.

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less cost of equity.

Risk-adjusted profit and EP are measures for shareholder value creation.

In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. EC and expected losses are input in the economic profit framework.

Expected losses
Expected losses reflect the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios.

The average Expected Loss (EL) ratio used in the economic capital framework, calculated as EL divided by exposure at default (EAD), was 26 basis points as of end of 2009 (22 basis points as of end of 2008) excluding the sovereign and institution exposure classes. Nordea Hypotek has the ambition to use the same parameters in internal calculations of economic capital and EL as in regulatory capital calculations, although internal estimates will be used for the corporate and institution portfolios awaiting implementation of Advanced IRB. The average EL ratio has been recalibrated as a consequence of the IRB Retail approval to be 22 basis points as of the end of 2008, based on the assumptions above. Going forward, this model change will affect the calculation of risk-adjusted profit for 2009 and 2008.

It should be noted that the Expected Loss ratio is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Capital base
Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion hybrid capital loan (perpetual loans) instruments (maximum 30% of tier 1). Profit may only be included after deduction of proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 is divided into perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, ie, investment in insurance and other financial companies.

Capital base

SEKm	31 Dec 2009	31 Dec 2008
Equity	**13,311**	**11,416**
IRB provisions excess (+)/shortfall (–)	–105	–120
Tier 1 capital (net after deduction)	**13,206**	**11,296**
Tier 2 capital	**3,800**	**3,800**
IRB provisions excess (+)/shortfall (–)	–105	–120
Total capital base	**16,900**	**14,976**

Pillar 3
The Pillar 3 disclosure, Capital adequacy and risk management

The disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework is presented on www.nordea.com.

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 2009 Nordea Hypotek held SEK 3.8bn in outstanding dated subordinated debenture loans. The company had at this time no hybrid capital or perpetual debenture loans.

New Regulations

The past crisis has revealed the devastating effect of financial instability on a global scale. Key regulatory initiatives are within the areas of capital, liquidity and new EU supervisory structure. Nordea Hypotek is well prepared for new regulations. There is a strong focus on risk and capital management and liquidity risk management within the organisation in order to meet new regulatory demands.

New capital regulations

It is a market concern that the quality and quantity of overall capital in the global banking system should be increased, resulting in minimum regulatory requirements significantly above existing levels. It has been a race for capital during the past year and most banks and finance institutions have higher capital levels than before and of better quality (i.e. relatively more core tier 1 and tier 1 capital and less tier 2 capital). It is anticipated that the higher capital levels will be permanent and perhaps even increased, when new capital regulations have come into force within the coming years. It has already been decided that the prolongation of the transitional floors (which limit the Basel II capital requirements to 80% of the requirements according to the old Basel I rules) will continue to the end of 2011. Key capital regulations under implementation under 2010 and 2011 are the revised large exposure framework, securitisation framework and market risk framework.

The Basel Committee has recently published a first proposal to revise the Basel II framework, which contained proposals regarding the introduction of a leverage ratio limit, standardised countercyclical capital buffers and increased quality of the capital base. These proposals can potentially be in effect from 2012. During 2010, a Quantitative Impact Study will be conducted in Europe to assess the aggregate impact of new regulations and the final regulatory proposals are expected at the end of 2010. Nordea Hypotek currently holds a capital buffer well above the pillar 1 regulatory requirements and has a high quality in the capital base. This underlines Nordea Hypotek's strong capital position and indicates that Nordea Hypotek holds a good position when moving into potentially stricter capital requirements. In 2009 the Solvency II Framework Directive was approved by the EU Parliament and subsequently CEIOPS has issued a number of Consultative Papers aiming at providing the FSA's in every country a set of advises for the implementation in local legislation. Implementation in local legislation is expected to take place in 2011, and the new legislation is expected to come into force by end of 2012. Nordea has established a program to monitor the development in legislation and prepare and implement Solvency II by 2012.

New liquidity regulations

In the wake of the recent crisis regulators have focused on improving liquidity risk related standards. However, the regulators in general are still in the process of finalising the contents of regulations and the consequences for finance industry are still pending.

Already during 2008 Basel Committee on Banking Supervision (BCBS) and Committee of European Banking Supervisors (CEBS) published qualitative principles and guidelines on liquidity risk management. The mentioned qualitative guidelines seem to be adapted by finance industry in general, Nordea Hypotek included. The quantitative publications have not yet been able to create clear methodological standards or express the required level of liquidity. Hence, regulators are in a process of first defining the standards and next setting the required levels. This process should be finalised during 2010, after which it will be possible to assess the consequences for the financial service industry.

New European Supervisory structure

During 2009, it has been agreed that a new European Supervisory structure will implemented by establishing two new micro and macro prudential supervisors. Financial stability conditions (”macro-prudential supervision”) will be monitored by European Systemic Risk Board (ESRB). European System of Financial Supervisors (ESFS) is established for the supervision of individual financial institutions (”micro-prudential supervision”). It consists of a network of national financial supervisors working in tandem with new European Supervisory Authorities (ESA), created by the transformation of existing Committees for the banking, securities and insurance and occupational pensions sectors. Nordea Hypotek is supportive of the establishment of this new supervisory structure, but will continue to work closely with the council of supervisors which has been established.

Income statement

SEK (000s)	Note	2009	2008
Operating income			
Interest income		10,845,196	16,135,273
Interest expense		–7,704,646	–13,809,911
Net interest income	3	**3,140,550**	**2,325,362**
Fee and commission income		66,981	64,154
Fee and commission expense		–66,824	–16,777
Net fee and commission income	4	**157**	**47,377**
Net gains/losses on items at fair value	5	46,287	–110,464
Other operating income	6	0	12
Total operating income		**3,186,994**	**2,262,287**
Operating expenses			
General administrative expenses:			
Staff costs	7	–2,793	–2,122
Other expenses	8	–548,934	–503,775
Depreciation, amortisation and impairment charges of tangible assets	9, 16	–11	–30
Total operating expenses		**–551,738**	**–505,927**
Loan losses	10	–60,726	–1,580
Disposals of tangible assets		–	–78
Operating profit		**2,574,530**	**1,754,702**
Appropriations	11	–2,761	–2,385
Income tax expense	12	–676,407	–490,647
Net profit for the year		**1,895,362**	**1,261,670**

Statement of comprehensive income

SEK (000s)	2009	2008
Net profit for the year	1,895,362	1,261,670
Other comprehensive income, net of tax	–	–
Total comprehensive income	**1,895,362**	**1,261,670**

Balance sheet

SEK (000s)	Note	31 Dec 2009	31 Dec 2008
Assets			
Loans to credit institutions	13	208,438	608,771
Lending to the public	13	374,242,749	340,490,539
Derivatives	14	13,951,494	17,189,914
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	2,404,203	1,775,529
Tangible assets	16	1	12
Tax assets		498	563
Other assets	17	1,910,681	809,720
Prepaid expenses and accrued income	18	562,316	990,231
Total assets		**393,280,480**	**361,865,279**
Liabilities			
Deposits by credit institutions	19	86,592,000	60,493,000
Debt securities in issue	20	272,870,036	272,386,323
Derivatives	14	2,320,169	1,915,796
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	5,804,077	5,013,932
Other liabilities	21	2,572,816	1,753,211
Accrued expenses and prepaid income	22	5,960,612	5,087,309
Provisions	23	49,700	–
Subordinated liabilities	24	3,800,000	3,800,000
Total liabilities		**379,969,410**	**350,449,571**
Equity			
Share capital		110,000	110,000
Retained earnings		11,305,708	10,044,038
Net profit for the year		1,895,362	1,261,670
Total equity		**13,311,070**	**11,415,708**
Total liabilities and equity		**393,280,480**	**361,865,279**
Assets pledged as security for own liabilities	25	354,268,045	322,660,227
Contingent liabilities		None	None
Commitments	26	297,242,960	265,056,598

Other Notes

Note 1 Accounting policies
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Movements in equity

Equity

SEK (000s)	Share capital[1]	Unrestricted	Total
Balance at 1 January 2009	**110,000**	**11,305,708**	**11,415,708**
Net profit for the year	–	1,895,362	1,895,362
Shareholders' contribution received	–	1,895,482	1,895,482
Group contribution paid	–	–2,571,889	–2,571,889
Tax effect of group contribution	–	676,407	676,407
Balance at 31 December 2009	**110,000**	**13,201,070**	**13,311,070**

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**

[1] 100,000 shares.

Cash flow statement

SEK (000s)	2009	2008
Operating activities		
Operating profit	2,574,530	1,754,702
Pension adjustments	–2,761	–2,385
Adjustment for items not included in cash flow	1,055,034	2,602,585
Income taxes paid	–676,341	–490,689
Cash flow from operating activities before changes in operating assets and liabilities	**2,950,462**	**3,864,213**
Changes in operating assets		
Change in lending to the public	–33,823,727	–23,813,703
Change in derivatives, net	4,171,574	–11,592,842
Change in other assets	–1,100,962	–645,160
Changes in operating liabilities		
Change in deposits by credit institutions	26,099,000	–12,439,606
Change in debt securities in issue	483 ,713	45,772,649
Change in other liabilities	819,606	295,887
Cash flow from operating activities	**–400,334**	**1,441,438**
Investing activities		
Sale of equipment	–	172
Cash flow from investing activities	**–**	**172**
Financing activities		
Shareholders' contribution received	1,895,482	–
Change in subordinated liabilities	0	0
Group contribution paid	–1,895,482	–1,261,664
Cash flow from financing activities	**0**	**–1,261,664**
Cash flow for the year	**–400,334**	**179,946**
Cash and cash equivalents at the beginning of year	608,771	428,825
Cash and cash equivalents at the end of year	208,438	608,771
Change	**–400,334**	**179,946**

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)	2009	2008
Depreciation	11	30
Loan losses	71,517	12,096
Unrealised gains/losses	–528,781	–2,850,750
Capital gains/losses (net)	–	78
Change in accruals and provisions	1,350,918	1,235,628
Other	161,369	4,205,503
Total	**1,055,034**	**2,602,585**

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)	2009	2008
Interest payments received	11,176,649	16,134,059
Interest expenses paid	–6,956,948	–12,603,757

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)	2009	2008
Lending to credit institutions, payable on demand	208,438	608,771

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

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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.

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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 2.2 "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 2.2 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 February 2010 the Board of Directors approved the annual report, subject to final approval of the Annual General Meeting on 18 March 2010.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2008 Annual Report. The impact on the presentation from the amendment to IAS 1 "Presentation of Financial Statements" is described below, together with the impact on disclosures from the new standard IFRS 8 "Operating Segments" and the amendment to IFRS 7 "Financial instruments: Disclosures".

The implemented revision of IAS 23 "Borrowing Costs" and amendments to IAS 32 "Financial Instruments: Presentation" (Puttable Financial Instruments and Obligations Arising on Liquidation), IAS 39 "Financial Instruments: Recognition and Measurement" (Reassessment of embedded derivatives) and IFRS 2 "Share-based Payment" (Vesting Conditions and Cancellations) as well as "Improvements to IFRSs" and new interpretations (IFRIC 13, 14, 15, 16), have had no significant impact on Nordea Hypotek.

Amendment of IAS 1 "Presentation of Financial Statements"
IASB has amended IAS 1 "Presentation of Financial Statements" with effective date for Nordea as from 1 January 2009. The main impact from this amendment is that "Statement of comprehensive income" has been added immediately after the "Income statement".

New standard IFRS 8 "Operating Segments"
IFRS 8 is mandatory for Nordea as from 1 January 2009. The IFRS requires identification of operating segments on the basis of the information regularly reviewed by the entity's chief operating decision maker (CODM) in order to allocate resources to the segment and assess its performance. The reportable segments in Nordea have, mainly as a consequence of the restrictions in the aggregation criteria, been changed, and information has been changed to comply with the requirements in the new standard. See note 2 "Segment reporting" for more information.

Amendment of IFRS 7 "Financial instruments: Disclosures"
In March 2009 the International Accounting Standards Board (IASB) published the amendment "Improving Disclosures about Financial Instruments", effective as from 1 January 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. See the separate section Risk, Liquidity and Capital management as well as note 33 for more information.

Forthcoming changes in IFRSs
IFRS 9 "Financial instrument" (Phase 1)
IASB has published a new standard on financial instruments. The standard is the first step in the replacement of IAS 39 "Financial instruments: Recognition and Measurement" and this first phase

covers classification and measurement of financial assets. The effective date is for annual periods beginning on or after 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2009.

Nordea has, due to the fact that the standard has been recently published and that it is not yet endorsed by the EU commission, not finalised the investigation of the impact on the period of initial application or on subsequent periods.

Other forthcoming changes in IFRSs

IASB has revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements". Nordea has chosen not to implement these changes in advance and the updated standards will generally be applied prospectively for business combinations effected as from 1 January 2010, meaning that there will generally be no restatement of business combinations with acquisition dates prior to the implementation of this IFRS. The transition rules furthermore state that changes in recognised deferred tax assets, originating from business combinations effected before the application of this IFRS, shall be recognised in the income statement without any equivalent adjustments made to goodwill through the income statement, unless there is an impairment of goodwill. On acquisitions on and after 1 January 2010 the major expected impacts on Nordea Hypotek from the amended IFRS 3 and IAS 27 will include a broader definition of business combinations, the need to expense acquisition costs and continuous fair value adjustments of contingent considerations recognised in the income statement. Implementation of IFRS 3 and IAS 27 would have no impact on the presentation of Nordea Hypotek.

IASB has amended IAS 32 "Financial instruments: Presentation" with respect to classification of rights issues. Nordea has chosen not to implement these changes early and the updated standard will be applied retroactively as from 1 January 2011. There is currently no identified significant impact on the period of initial application, but the amendment may affect future rights issues involving different currencies. Implementation of IAS 32 would not have any inpact on Nordea Hypotek.

IASB has furthermore revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 24 "Related Party Disclosures" (not yet endorsed by the EU commission), amended IFRS 2 "Share-based payment" (Group Cash-settled Share-based Payment Transactions), IAS 39 "Financial Instruments: Recognition and Measurement" (Eligible hedged items) as well as published "Improvements to IFRSs". These revised and amended standards and improvements are effective for Nordea as from 1 January 2010, except for the revision of IAS 24 which is effective as from 1 January 2011, but are not expected to have any significant impact on the period of initial application or on subsequent periods.

In addition, one new interpretation not mandatory for Nordea in 2009, but where early adoption is allowed, has been published (IFRIC 17 "Distributions of Non-cash Assets to Owners"). There is currently no identified significant impact on the period of initial application or on subsequent periods.

The abovementioned revised and amended standards, improvements and new interpretation not yet adopted are not, on the period of initial application or on subsequent periods, expected to have any significant impact on the 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 off-balance-sheet items, 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 to the public/credit institutions.

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. In order to ensure proper governance, Nordea has a Group Valuation Committee that continuously reviews critical judgment that are deemed to have a significant impact on fair value measurements.

See also the separate section 8 "Determination of fair value of financial instruments" and Note 29 "Assets and liabilities at fair value".

Impairment testing

Loans to the public/credit institutions

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 10 "Loans to the public/credit institutions" and Note 13 "Loans and their impairment".

4. Recognition of operating income and loan losses

Net interest income

Interest income and expenses 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.

Loan losses

Impairment losses from financial assets classified as Loans and receivables, Held to maturity and interest bearing securities classified as Available for sale (see section 9 "Financial instruments") are reported as "Loan losses".

Losses are reported net of any collateral and other credit enhancements. Accounting policies for the calculation of impairment losses on loans are found in section 10 "Loans to the public/credit institutions".

Losses relating to Financial assets at fair value through profit or loss, are reported under "Net gains/losses on items at fair value".

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

Derivative instruments, quoted securities and foreign exchange spot transactions 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 Hypotek, 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.

6. 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 other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income 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".

7. 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 Hypotek 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 6 "Translation of assets and liabilities denominated in foreign currency".

Hedging instruments
The hedging instruments used in Nordea Hypotek are interest rate swaps and currency interest rate swaps.

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.

8. 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 predominantly uses valuation techniques to establish the fair value for Derivatives (OTC-derivatives).

A breakdown of fair values of financial instruments measured on the basis of quoted prices in active market for the same instrument (level 1), valuation techniques using observable data (level 2), and valuation techniques using non-observable data (level 3) is provided in Note 29 "Assets and liabilities as fair value".

9. 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 10 “Loans to the public/credit institutions”.

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”.

10. Loans to the public/credit institutions

Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section 5 “Recognition and derecognition of financial instruments in the balance sheet” as well as Note 28 ”Classification of financial instruments”).

Nordea monitors loans 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 identification 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. Collateral 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 collateral, 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. A loss event is an event resulting in a deterioration of the expected future cash flow. 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 commitment or by other indicators.

For corporate customers and bank counterparts, 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. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc. Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

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.

See also section 4 "Recognition of operating income and loan losses".

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.

11. 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

12. 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.

13. Pensions to employees

Pension costs

In 2009, 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. 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”.

14. 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.

15. 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 32 "Related-party transactions".

16. Segment reporting

Segment reporting structure

Financial results are presented for the main Customer areas Nordic Banking. Nordic Banking provides full-service banking operations for private individuals and corporate customers.

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.

Other Operating Segments relates to Financial Institutions and Shipping, Oil Services & International.

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

Customer responsible units	Nordic Banking 2009	Nordic Banking 2008	Group Corporate Centre 2009	Group Corporate Centre 2008	Other operating segments 2009	Other operating segments 2008	Total operating segments 2009	Total operating segments 2008	Reconciliation 2009	Reconciliation 2008	Total 2009	Total 2008
Net interest income	2,954	1,647	–121	–76	0	0	2,833	1,571	308	754	3,141	2,325
Net fee and commission income	49	99	–17	–16	0	0	32	83	–32	–36	0	47
Net gains/losses on items at fair value	–	–	46	–110	–	–	46	–110	–	–	46	–110
Other income	–	–	–	–	–	–	–	–	–	0	–	0
Total operating income	**3,003**	**1,746**	**–92**	**–202**	**0**	**0**	**2,911**	**1,544**	**276**	**718**	**3,187**	**2,262**
Other expenses	0	0	–	0	–	–	0	0	–552	–506	–552	–506
Total operating expenses	**0**	**0**	**–**	**0**	**0**	**0**	**0**	**0**	**–552**	**–506**	**–552**	**–506**
Net loan losses	–61	–1	–	–	–	–	–61	–1	0	–	–61	–1
Operating profit	**2,942**	**1,745**	**–92**	**–202**	**0**	**0**	**2,850**	**1,543**	**–276**	**212**	**2,574**	**1,755**
Balance sheet, SEKm												
Loans to the public	374,217	340,469	0	0	26	22	374,243	340,491	–	–	374,243	340,491
Deposits and borrowing from the public	–	–	–	–	–	–	–	–	–	–	–	–

Nordic Banking provides full-service banking operations for private individuals and corporate customers and comprises Nordea Hypotek`s biggest customer area. Group Corporate Centre above refers to Group Treasury. Other Operating Segments relates to Institutional and International Banking.

Reconciliation between total operating segments and financial statements

SEKm	2009 Operating profit	2009 Total assets	2008 Operating profit	2008 Total assets
Total operating segments	2,850	374,243	1,543	340,491
Group functions and unallocated items	–276	–	212	–
Total	**2,574**	**374,243**	**1,755**	**340,491**

Note 3
Net interest income

SEK (000s)	2009	2008
Interest income		
Loans to credit institutions	461	5,042
Lending to the public	10,844,735	16,130,229
Other interest income	0	2
Interest income	**10,845,196**	**16,135,273**
Interest expense		
Deposits by credit institutions	–552,035	–2,477,805
Debt securities in issue	–10,512,623	–10,690,121
Subordinated liabilities	–74,555	–212,183
Other interest expenses [1]	3,434,567	–429,802
Interest expense	**–7,704,646**	**–13,809,911**
Net interest income	**3,140,550**	**2,325,362**

[1] The net interest income from derivatives, measured at fair value and related to Nordea Hypotek´s funding can have both a positive and negative impact on other interest expense, for further information see Note 1.

Average interest rate, lending		
Lending to the public		
Average volume, SEKm	355,598	330,541
Average interest, %	3.05	4.88

Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 10,845m (16,135).

Interest expenses from financial instruments not measured at fair value through profit and loss amounts to SEK 11,139m (13,380).

Note 4

Net fee and commission income

SEK (000s)	2009	2008
Loan commissions	37,855	39,833
Other commission income	29,126	24,321
Fee and commission income	**66,981**	**64,154**
Security commissions	–16,911	–16,436
State guarantee fees	–49,700	–
Other commission expenses	–213	–341
Fee and commission expenses	**–66,824**	**–16,777**
Net fee and commission income	**157**	**47,377**

Note 5

Net gains/losses on items at fair value

SEK (000s)	2009	2008
Interest-bearing securities and other interest-related instruments	46,287	–110,464
Total	**46,287**	**–110,464**

Net gains/losses for categories of financial instruments

SEK (000s)	2009	2008
Financial instruments under hedge accounting	46,287	–110,464
– of which net gain/losses on hedging instruments	207,657	4,094,741
– of which net gains/losses on hedged items	–161,370	–4,205,205

Note 6

Other operating income

SEK (000s)	2009	2008
Other	0	12
Total	**0**	**12**

Note 7

Staff costs

SEK (000s)	2009	2008
Salaries and remuneration (specification below)	–1,618	–1,319
Pension costs (specification below)	–560	–213
Social insurance contributions	–552	–533
Allocation to profit-sharing foundation	–67	–14
Other staff costs	4	–43
Total	**–2,793**	**–2,122**

SEK (000s)	2009	2008
Salaries and remuneration:		
President		
– Fixed salary	–854	–285
– Variable salary	–113	–35
Previous president		
– Fixed salary	–	–345
– Variable salary	–	–55
– Benefits	–	–23
Vice President		
– Fixed salary	–651	–599
Total	**–1,618**	**–1,342**

SEK (000s)	2009	2008
Pension costs:		
Actuarial pension costs	–1	–186
Pension premiums	–559	–27
Total	**–560**	**–213**

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 2009 is determined in March 2010, and is paid subsequently. Deviations against allocations made are charged to the result for 2010. Nordea Hypotek has no share-based incentive system.

On 11 December 2009 the Swedish Financial Supervisory Authority decided on regulations and general recommendations on remuneration policies. The information and quantitative data which should be published consists of company decision procedures for the remuneration policy, criteria for measuring results and risk adjustment, connection between results and remuneration, result criteria constituting the basis for remuneration, principles for deferred payment as well as risk analysis that constitute the basis for how the remuneration policy is structured.

Since Nordea has a common remuneration policy for the group, this annual report makes reference to the qualitative information published in the annual report for Nordea Bank AB (publ) (www.nordea.com).

The relevant quantitative information will be published in a separate report on Nordea's website (www.nordea.com), well in advance of Nordea Bank AB´s Annual General Meeting.

The previous president had a car and fuel benefits until retirement.

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 to key management personnel

Loans to key management personnel amounts to SEK 15,468,988 (14,153,243). Interest income on these loans amounts to SEK 202,940 (370,707).

Pension commitments to the President and executives

SEK	2009	2008
Pension costs for previous President	1,201,116	977,070
Pension commitments for previous President	11,102,217	11,622,011
Pension costs for President	550,675	128,602
Pension commitments for President	711,624	764,172
Pension costs for Vice President	9,261	39,387
Pension commitments for Vice President	3,628,797	3,625,210

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. All pensions are benefit defined.

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

	2009	2008
Full-time equivalents		
Men	1	1
Women	1	1
Total	**2**	**2**

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

Note 8
Other expenses

SEK (000s)	2009	2008
Information technology[1]	–95	–71
Postage, telephone and office expenses	–1,151	–1,189
Rents, premises and real estate	–163	–381
Compensation to Nordea	–536,760	–491,400
Other[2]	–10,765	–10,734
Total	**–548,934**	**–503,775**

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

Auditors' fees

SEK (000s)	2009	2008
KPMG		
Auditing assignments	–300	–437
Other assignments incl. audit-related services	–630	–530
Total	**–930**	**–967**

Note 9
Depreciation, amortisation and impairment charges of tangible assets

SEK (000s)	2009	2008
Depreciation/amortisation		
Equipment	–11	–30
Total	**–11**	**–30**

Note 10
Loan losses

SEK (000s)	2009	2008
Loan losses divided by class, net		
Lending to the public	–60,726	–1,580
– of which provisions	–63,629	–9,582
– of which write-offs	–9,414	–7,619
– of which allowances used for covering write-offs	628	3,184
– of which reversals	898	1,921
– of which recoveries	10,791	10,516
Total	**–-60,726**	**–1,580**

Specification of Loan losses		
Changes of allowance accounts in the balance sheet	–62,731	–7,661
– of which Loans, individually assessed[1]	–2,050	–133
– of which Loans, collectively assessed[1]	–60,681	–7,528
Changes directly recognised in the income statement	2,005	6,081
– of which realised losses, individually assessed	–702	–1,156
– of which realised losses, collectively assessed	–8,084	–3,278
– of which realised recoveries, collectively assessed	10,791	10,516
Total	**–60,726**	**–1,580**

1) Included in Note 13 Loans and their impairment.

Note 11
Appropriations

SEK (000s)	2009	2008
Pension adjustments		
Reversed actuarial pension costs	1	231
Pension benefits paid	–2,223	–2,105
Special wage tax/return tax	–539	–511
Total	**–2,761**	**–2,385**

Note 12
Taxes

SEK (000s)	2009	2008
Current tax[1]	–676,407	–490,647
Total	**–676,407**	**–490,647**

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

SEK (000s)	2009	2008
Profit before tax	2,571,769	1,752,318
Tax calculated at a tax rate 26,3 (28) per cent	–676,375	–490,649
Tax-exempt income	0	4
Non-deductible expenses	–32	–2
Tax charge	**–676,407**	**–490,647**
Average effective tax rate %	26.3	28.0

Note 13
Loans and their impairment

SEKm	Credit institutions 31 Dec 2009	Credit institutions 31 Dec 2008	The public 31 Dec 2009	The public 31 Dec 2008	Total 31 Dec 2009	Total 31 Dec 2008
Loans, not impaired[1]	208	609	374 ,305	340,502	374,513	341,111
Impaired loans	–	–	25	14	25	14
– Performing	–	–	17	10	17	10
– Non-performing	–	–	8	4	8	4
Loans before allowances	**208**	**609**	**374,330**	**340,516**	**374,538**	**341,125**
Allowances for individually assessed impaired loans	–	–	–8	–7	–8	–7
– Performing	–	–	–5	–5	–5	–5
– Non-performing	–	–	–3	–2	–3	–2
Allowances for collectively assessed impaired loans	–	–	–79	–18	–79	–18
Allowances	**–**	**–**	**–87**	**–25**	**–87**	**–25**
Loans, carrying amount	**208**	**609**	**374,243**	**340,491**	**374,451**	**341,100**
Maturity information, SEKm						
Remaining maturity (carrying amount)						
Payable on demand	208	609	–	–	208	609
Maximum 3 months	–	–	260,792	204,299	260,792	204,299
3–12 months	–	–	40,760	31,688	40,760	31,688
1–5 years	–	–	68,512	97,344	68,512	97,344
More than 5 years	–	–	4,179	7,160	4,179	7,160
Total	**208**	**609**	**374,243**	**340,491**	**374,451**	**341,100**

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, SEK (000s)	The public Individually assessed	The public Collectively assessed	The public Total
Opening balance at 1 January 2009	**–6,453**	**–18,319**	**–24,772**
Provisions	–2,948	–60,681	–63,629
Reversals	898	–	898
Changes through the income statement	**–2,050**	**–60,681**	**–62,731**
Allowances used to cover write-offs	628	–	628
Closing balance at 31 December 2009	**–7,875**	**–79,000**	**–86,875**
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**

Key ratios

	31 Dec 2009	31 Dec 2008
Impairment rate, gross[1], basis points	0.7	0.4
Impairment rate, net[2], basis points	0.5	0.2
Total allowance rate[3], basis points	2.3	0.7
Allowance rate, impaired loans[4], %	32	47

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

Lending, gross, divided by collateral type

SEK (000s)	31 Dec 2009	31 Dec 2008
Single and two-family properties	187,728,222	169,153,396
Tenant-owner apartments	67,592,515	56,461,624
Multi-housing property	61,141,423	59,499,062
Public sector incl. surety/guarantee	39,900,351	38,783,548
Other collateral	17,967,113	16,617,681
Total	**374,329,624**	**340,515,311**

Note 14
Derivatives and hedge accounting

31 Dec 2009, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	6,365	1,759	216,238
Other	20	20	5,175
Total	**6,385**	**1,779**	**221,413**
Foreign exchange derivatives			
Currency and interest rate swaps	7,567	542	73,601
Total	**7,567**	**542**	**73,601**
Total derivatives used for hedge accounting	**13,952**	**2,320**	**295,013**
– of which fair value hedges	13,952	2,320	295,013

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 2009, SEKm	Positive	Negative
Maturity information		
Remaining maturity (carrying amount)		
Maximum 3 months	0	0
3–12 months	2 ,376	334
1–5 years	10,561	1,305
More than 5 years	1,015	681
Total	**13,952**	**2,320**

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**

Note 15
Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

SEK (000s)	31 Dec 2009	31 Dec 2008
Carrying amount at beginning of year	1,775,529	–561,051
Changes during the year		
Revaluation of hedged items	628,774	2,336,580
Carrying amount at end of year	**2,404,303**	**1,775,529**
– Of which expected to be settled after more than 1 year	2,119,797	1,306,710

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

Liabilities

SEK (000s)	31 Dec 2009	31 Dec 2008
Carrying amount at beginning of year	5,013,932	–1,528,151
Changes during the year		
Revaluation of hedged items	790,145	6,542,083
Carrying amount at end of year	**5,804,077**	**5,013,932**
– Of which expected to be settled after more than 1 year	5,134,378	4,563,264

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

Note 16
Tangible assets

SEK (000s)	31 Dec 2009	31 Dec 2008
Equipment		
Acquisition value at beginning of year	32	316
Acquisitions during the year	–	–
Sales/disposals during the year	–	–284
Acquisition value at end of year	**32**	**32**
Accumulated depreciation at beginning of year	–20	–24
Accumulated depreciation on sales/ disposals during the year	–	34
Depreciations according to plan for the year	–11	–30
Accumulated depreciation at end of year	**–31**	**–20**
Total	**1**	**12**

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

Note 17
Other assets

SEK (000s)	31 Dec 2009	31 Dec 2008
Claims on securities settlement proceeds	–	789,506
Assets, shareholders' contribution	1,895,482	–
Other	15,199	20,214
Total	**1,910,681**	**809,720**
– Of which expected to be settled after more than 1 year	–	–

Note 18
Prepaid expenses and accrued income

SEK (000s)	31 Dec 2009	31 Dec 2008
Accrued interest income	533,532	983,143
Prepaid expenses	28,784	7,088
Total	**562,316**	**990,231**
– Of which expected to be settled after more than 1 year	17,786	1,452

Note 19
Deposits by credit institutions

SEK (000s)	31 Dec 2009	31 Dec 2008
Swedish banks	86,592,000	60,493,000
Total	**86,592,000**	**60,493,000**

Maturity information		
Remaining maturity (carrying amount)		
Maximum 3 months	76,592,000	60,493,000
3–12 months	10,000,000	–
Total	**86,592,000**	**60,493,000**

Note 20
Debt securities in issue[1)]

SEK (000s)	31 Dec 2009	31 Dec 2008
Swedish bonds	192,220,820	199,374,160
Foreign securities	80,649,216	73,012,163
Total	**272,870,036**	**272,386,323**

1) See Specification to Notes.

Maturity information, SEK (000s)
Remaining maturity (carrying amount)

Maximum 1 year	29,894,448	78,874,692
1– 5 years	218,634,026	169,517,741
5–10 years	13,411,582	21,446,232
More than 10 years	10,929,980	2,547,658
Total	**272,870,036**	**272,386,323**
Average remaining maturity, years	3.1	2.2

Note 21
Other liabilities

SEK (000s)	31 Dec 2009	31 Dec 2008
Accounts payable	101	118
Liabilities, group contributions	2,571,889	1,752,312
Other	826	781
Total	**2,572,816**	**1,753,211**
– Of which expected to be settled after more than 1 year	–	–

Note 22
Accrued expenses and prepaid income

SEK (000s)	31 Dec 2009	31 Dec 2008
Accrued interest	5,657,917	4,910,218
Other accrued expenses	6,275	5,497
Prepaid income	296,420	171,594
Total	**5,960,612**	**5,087,309**
– Of which expected to be settled after more than 1 year	89,803	77,691

Note 23
Provisions

SEK (000s)	31 Dec 2009	31 Dec 2008
Expenses for the Swedish Stability fund	49,700	–
Total	**49,700**	**–**

SEK (000s)	Expenses Swedish Stability fund
At the beginning of year	–
New provisions made	49,700
At end of year	**49,700**

Note 24
Subordinated liabilities1)

SEK (000s)	31 Dec 2009	31 Dec 2008
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 25
Asset pledged as security for own liabilities

SEK (000s)	31 Dec 2009	31 Dec 2008
Assets pledge for own liabilities		
Loans to the public	354,268,045	322,660,227
Total	**354,268,045**	**322,660,227**

The above pledges pertain to the following liability and commitment items

Debt securities in issues	272,870,036	272,222,281
Summa	**272,870,036**	**272,222,281**

Assets pledge 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 26
Commitments

SEK (000s) (nom. amount)	31 Dec 2009	31 Dec 2008
Future payment obligations	573,000	30,157,000
Derivatives	295,013,470	233,057,168
Credit commitments	1,656,490	1,842,430
Total	**297,242,960**	**265,056,598**

Note 27
Capital adequacy

SEKm	31 Dec 2009	31 Dec 2008
Tier capital	13,206	11,296
Capital base	16,900	14,976
Risk-weighted amount excluding transition rules	49,707	47,418
Tier capital ratio, per cent	26.6	23.8
Total capital ratio, per cent	34.0	31.6
Risk-weighted amount	166,050	166,585
Tier capital ratio, per cent	8.0	6.8
Total capital ratio, per cent	10.2	9.0

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 28
Classification of financial instruments

SEKm, 31 Dec 2009	Loans	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	208	–	–	208
Loans to the public	374,243	–	–	374,243
Derivatives	–	13,952	–	13,952
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,404	–	–	2,404
Other assets	1,911	–	0	1,911
Prepaid expenses and accrued income	562	–	–	562
Total	**379,328**	**13,952**	**0**	**393,280**

SEKm, 31 Dec 2009	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
Deposits by credit institutions	–	86,592	–	86,592
Debt securities in issue	–	272,870	–	272,870
Derivatives	2,320	–	–	2,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	5,804	–	5,804
Other liabilities	–	2,573	0	2,573
Accrued expenses and prepaid income	–	5,954	6	5,960
Provisions	–	–	50	50
Subordinated liabilities	–	3,800	–	3,800
Total	**2,320**	**377,593**	**56**	**379,969**

SEKm, 31 Dec 2008	Loans	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	609	–	–	609
Loans 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	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
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**

Note 29
Assets and liabilities at fair value

SEKm	31 Dec 2009 Carrying amount	31 Dec 2009 Fair value	31 Dec 2008 Carrying amount	31 Dec 2008 Fair value
Assets				
Loans to credit institutions	208	208	609	609
Lending to the public	374,243	377,067	340,491	344,327
Derivatives	13,952	13,952	17,190	17,190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,404	2,404	1,775	1,775
Tangible assets	0	0	0	0
Tax assets	0	0	1	1
Other assets	1,911	1,911	809	809
Prepaid expenses and accrued income	562	562	990	990
Total assets	**393,280**	**396,104**	**361,865**	**365,701**
Liabilities				
Deposits by credit institutions	86,592	86,578	60,493	60,490
Debt securities in issue	272,870	274,689	272,386	276,803
Derivatives	2,320	2,320	1,916	1,916
Fair value changes of the hedged items in portfolio hedge of interest rate risk	5,804	5,804	5,014	5,014
Other liabilities	2,573	2,573	1,753	1,753
Accrued expenses and prepaid income	5,960	5,960	5,087	5,087
Provisions	50	50	–	–
Subordinated liabilities	3,800	3,805	3,800	3,804
Total liabilities	**379,969**	**381,779**	**350,449**	**354,867**

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.

Determination of fair value from quoted market price or valuation techniques
Nordea Hypotek is predominantly using valuation techniques based on observable market data (Level 2) to establish the fair value for Derivatives (OTC-derivatives).

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 2009	Euro	USD	NOK	Other	Total
Assets					
Other assets	3,933	17	195	166	4,311
Total assets	**3,933**	**17**	**195**	**166**	**4,311**
Liabilities					
Debt securities in issue	66,364	718	4,330	2,757	74,169
Other liabilities	4,048	17	197	173	4,435
Total liabilities	**70,412**	**735**	**4,527**	**2,930**	**78,604**
Position not reported in the balance sheet	66,469	718	4,330	2,764	74,281
Net position, currencies	–10	0	–2	0	–12

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

Not 31

Maturity analysis for assets and liabilities

Remaining maturity SEKm, 31 Dec 2009	Note	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without fixed maturity	Total
Loans to credit institutions	13	208	–	–	–	–	–	208
Loans to public	13	–	260,792	40,760	68,512	4,179	–	374,243
Derivatives	14	–	–	2,376	10,561	1,015	–	13,952
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	90	194	1,096	1,024	–	2,404
Total assets with fixed maturities		**208**	**260,882**	**43,330**	**80,169**	**6,218**	**–**	**390,807**
Other assets		–	–	–	–	–	2,473	2,473
Total assets		**208**	**260,882**	**43,330**	**80,169**	**6,218**	**2,473**	**393,280**
Deposits by credit institutions	19	–	76,592	10,000	–	–	–	86,592
Debt securities in issue	20	–	542	29,352	218,634	24,342	–	272,870
Derivatives	14	–	–	334	1,305	681	–	2,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	–	49	621	4,144	990	–	5,804
Subordinated liabilities	24	–	–	–	–	3,800	–	3,800
Total liabilities with fixed maturities		**–**	**77,183**	**40,307**	**224,083**	**29,813**	**–**	**371,386**
Other liabilities		–	–	–	–	–	8,583	8,583
Equity		–	–	–	–	–	13,311	13,311
Total liabilities and equity		**–**	**77,183**	**40,307**	**224,083**	**29,813**	**21,894**	**393,280**

Remaining maturity SEKm, 31 Dec 2008	Note	Payable on demand	Maximum 3 months	3-12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Loans to credit institutions	13	609	–	–	–	–	–	609
Loans 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**	**109,756**	**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	24	–	–	–	–	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**

Note 32

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 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Assets				
Loans to credit institutions	–	–	208,438	608,771
Lending to the public	15,469[1)]	14,153	–	–
Derivatives	–	–	13,951,494	17,189,914
Other assets	–	–	1,910,681	20,214
Prepaid expenses and accrued income	–	–	–	125
Total assets	**15,469**	**14,153**	**16,070,613**	**17,819,024**
Liabilities				
Deposits by credit institutions	–	–	86,592,000	60,493,000
Debt securities in issue	–	–	8,624,696	34,593,955
Derivatives	–	–	2,300,270	1,915,796
Other liabilities	–	–	2,572,493	1,752,873
Accrued expenses and prepaid income	–	–	202,497	28,369
Subordinated liabilities	–	–	3,800,00	3,800,000
Total liabilities	**–**	**–**	**104,091,956**	**102,583,993**
Off balance			292,555,770	259,043,168

Income statement	Key management personnel		Nordea Group companies	
SEK (000s)	2009	2008	2009	2008
Interest income	203	371	221,111	261,119
Interest expense	–	–	2,597,033	–3,710,806
Net fee and commission income	–	–	–2,363	–1,699
Net gains/losses on items at fair value	–	–	555,697	4,047,738
General administrative expenses:				
Staff costs	–	–	–	–30
Other expenses	–	–	–543,732	–498,440
Total	**203**	**371**	**2,827,746**	**97,882**

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 12,141,034
Tenant-owner apartments SEK 3,327,957

Note 33
Credit risk disclosures

Loans and receivables to corporate customers, by size of loan

SEKm	31 Dec 2009	%	31 Dec 2008	%
0–10	9,727	10	9,562	10
10–50	28,473	29	27,862	30
50–100	13,996	14	13,555	14
100–250	16,644	17	15,809	17
250–500	11,267	11	8,734	9
500–	18,335	19	18,775	20
Total	**98,441**	**100**	**94,297**	**100**

Past due loans, excl. impaired loans

	31 Dec 2009		31 Dec 2008	
SEKm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	357	19	278	38
31–60 days	6	206	7	313
61–90 days	–	38	1	86
>90 days	–	280	1	275
Total	**363**	**543**	**286**	**712**
Past due not impaired/loans and receivables in %	0.32	0.21	0.26	0.31

Specifications to the Notes

Specification to Note 20:
Swedish bonds, SEK (000s) **2009**

Number	Currency	First sales day	Interest rate in %	Due dates for interest	Final payment day	Outstanding nominal amount
5519[1]	SEK	2005-05-26	3.25	16 June	2010-06-16	16,350,200
5520[1]	SEK	2005-10-19	3.25	17 June	2015-06-17	7,402,000
5521[1]	SEK	2005-10-19	3.25	17 June	2020-06-17	2,280,000
5523[1]	SEK	2006-05-29	3.75	15 June	2011-06-15	46,150,000
5524[1]	SEK	2007-02-22	4.00	20 June	2012-06-20	31,516,000
5525[1]	SEK	2008-02-05	4.25	19 June	2013-06-19	50,620,000
5526[1]	SEK	2009-04-21	4.00	18 June	2014-06-18	37,088,000

[1] Tap issues.

Loan 5519-5526: No interest rate adjustment

Repurchase agreements
5520 – nom. 130,000 with due date 2010-01-04
5521 – nom. 443,000 with due date 2010-01-07

EMTN (bonds issued in foreign currency) **2009**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
EUR	2006-10-25	2011-10-25	3.75	1,250,000
EUR	2007-02-06	2014-02-06	4.25	1,230,000
EUR	2007-11-23	2010-11-23	4.25	1,140,000
EUR	2008-04-22	2011-04-20	4.25	1,500,000
Total other bonds issued under the EMTN programme (converted into SEK):				17,064,800

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

Registered Covered Bond (Loans issued in foreign currency) **2009**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[2]
Total other bonds issued (converted into SEK):				11,113,279

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

Specification to note 24:
Subordinated liabilities, SEK (000s) **2009**

Number	Currency	Interest rate, %	Call date	Due date	Outstanding nominal amount
Loan 4	SEK	3 months' stibor +0.19	2011-12-29	2016-12-29	1,000,000
Loan 5	SEK	3 months' stibor +0.50	2012-12-18	2017-12-18	1,400,000
Loan 6	SEK	3 months' stibor +1.75	2013-06-30	2018-06-30	900,000
Loan 7[1]	SEK	3 months' stibor +1.40	2014-12-30	2019-12-30	500,000

[1] Issued under the EMTN programme

Proposed distribution of earnings

After the company paid group contributions amounting to SEK 2,571,889,000 and received shareholders' contribution of SEK 1,895,482,000 the following amount is available for distribution by the Annual General Meeting of Shareholders:

Retained profit	11,305,708,000 SEK
Net profit for the year	1,895,362,000 SEK
Total	13,201,070,000 SEK

The Board of Directors and the President propose that

To be carried forward	13,201,070,000 SEK

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 February 2010

Torsten Allqvie
Chairman

Ulla Hermann

Björn Hökby

Kurt Gustafsson

Karin Markstedt
President

Our audit report was submitted on 26 February 2010

KPMG AB

Hans Åkervall
Authorised Public Accountant

Audit report – Translation

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 2009. 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 February 2010

KPMG AB

Hans Åkervall
Authorised Public Accountant

Board of Directors, Auditor and Management

Board of Directors

Chairman

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Nordea Bank AB (publ)
Deputy, Banking Sweden
Executive Vice President

Members

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Segment Manager

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Auditor

KPMG AB
Hans Åkervall
Authorised Public Accountant

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President

Sten Roghe, born 1943
Head of Credits and Deputy President

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Printing: Göteborgstryckeriet