Nordea

Annual Report 2011
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. Nordea has around 11 million customers, approx. 1,400 branch offices and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Contents

5 year overview

Income statement

SEKm	2011	2010	2009	2008	2007
Net interest income	3,210	2,688	3,043	2,325	1,911
Net fee and commission income	-84	–18	–3	47	52
Net result from items at fair value	56	171	282	–110	–6
Other income	0	–	–	0	0
Total operating income	**3,182**	**2,841**	**3,322**	**2,262**	**1,957**
General administrative expenses:					
Staff costs	–7	–5	–6	–2	–3
Other expenses	–479	–550	–549	–504	–503
Depreciation, amortisation and impairment charges of tangible assets	–	0	0	0	0
Total operating expenses	**–486**	**–555**	**–555**	**–506**	**–506**
Profit before loan losses	**2,696**	**2,286**	**2,767**	**1,756**	**1,451**
Net loan losses	–5	11	–61	–1	7
Operating profit	**2,691**	**2,297**	**2,706**	**1,755**	**1,458**
Appropriations	–	–	–	–2	–2
Income tax expense	–708	–604	–712	–491	–408
Net profit for the year	**1,983**	**1,693**	**1,994**	**1,262**	**1,048**

Year 2008–2007 are not restated for reclassifications.

Balance sheet

SEKm	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Assets					
Loans to credit institutions	6,385	11,762	208	609	429
Loans to the public	421,485	410,160	374,243	340,491	316,689
Derivatives	12,056	5,993	13,952	17,190	1,940
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,221	1,533	2,404	1,775	–561
Tangible assets	–	0	0	0	0
Tax assets	1	1	0	1	0
Other assets	0	–	1,911	809	165
Prepaid expenses and accrued income	896	761	562	990	996
Total assets	**442,044**	**430,210**	**393,280**	**361,865**	**319,658**
Liabilities					
Deposits by credit institutions	86,348	86,360	86,592	60,493	72,933
Debt securities in issue	315,832	308,662	272,870	272,386	226,614
Derivatives	3,192	6,642	2,320	1,916	1,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	7,382	2,183	5,804	5,014	–1,528
Other liabilities	2,692	2,473	2,573	1,753	1,457
Accrued expenses and prepaid income	7,050	6,722	5,786	5,087	3,857
Deferred tax liabilities	452	–	46	–	–
Provisions	119	57	50	–	–
Subordinated liabilities	4,400	3,800	3,800	3,800	3,800
Equity	14,577	13,311	13,439	11,416	11,416
Total liabilities and equity	**442,044**	**430,210**	**393,280**	**361,865**	**319,658**

Year 2008–2007 are not restated for reclassifications.

Ratios and key figures

	2011	2010	2009	2008	2007
Return on average shareholders' equity, %[1]	14.1	12.2	16.0	10.7	8.9
Return on total capital, %[1]	0.6	0.5	0.7	0.5	0.5
Investment margin, %[1]	0.74	0.64	0.81	0.69	0.63
C/I ratio, %[1]	15.4	19.1	18.5	22.4	25.5
Risk-weighted amount, before transition rules, SEKm	48,927	53,214	49,707	47,418	108,634
Risk-weighted amount, SEKm[2]	194,707	186,515	166,050	166,585	161,373
Capital base, SEKm[2]	17,516	16,884	16,900	14,976	15,088
Total capital ratio, before transition rules, %	35.8	31.7	34.0	31.6	13.9
Tier 1 capital ratio, before transition rules, %	27.0	24.8	26.6	23.8	10.4
Total capital ratio, %[2]	9.0	9.1	10.2	9.0	9.3
Tier 1 capital ratio, %[2]	6.8	7.1	8.0	6.8	7.0
Average number of employees	3	2	2	2	2

1) Key ratios as per 2008–2007 are not restated for reclassifications.

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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 present the Annual Report for 2011. 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 distribution network. 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 2011
- Nordea Hypotek maintained its share of the mortgage market and market share amounted to 15.1 per cent at year-end (15.1).
- The company has continued to increase the proportion of long-term borrowing, resulting in a fine balance of maturities between assets and liabilities.

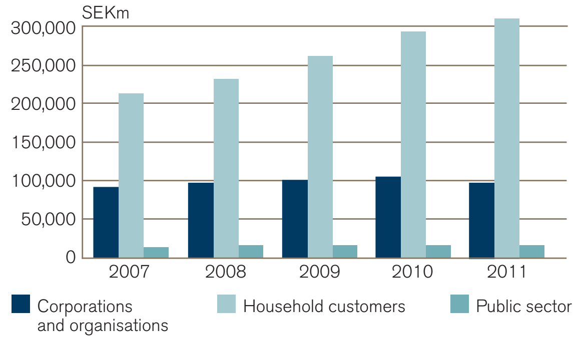
Result
Operating profit amounted to SEK 2,691m (2,297), an increase of 17.2 per cent compared to the previous year. When comparing to operating profit in the previous year, the following major items effecting comparability should be taken into consideration:
- Net interest income amounted to SEK 3,210m (2,688), an increase of 19.4 per cent.
- Net result from items at fair value reduced by SEK 115m, mainly related to reduced received interest compensation and buy-backs of issued bonds at amortised costs which has affected the item negatively by SEK 76m.
- Net commission income has been charged with SEK 119m (57) in respect of the estimated state stability fee. The increase compared to last year is mainly explained by the fact that the fee was reduced for the financial year 2010.
- Credit losses amounted to SEK –5m (11) and are wholly related to lending to household customers.
- Return on equity after standard taxes was 14.1 per cent (12.2).
- Compensation to Nordea Bank AB (publ) has decreased by SEK 72m. This is mainly related to the exchange rate between SEK and EUR.

Lending
Lending to the public during the year increased by 2.8 per cent (9.6) to SEK 421,485m (410,160) at year-end.

Lending to corporations, organisations and municipalities
Lending to legal entities decreased by SEK 6,334m (5.4 per cent) to SEK 110,879m (117,213m) at the end of the financial year.

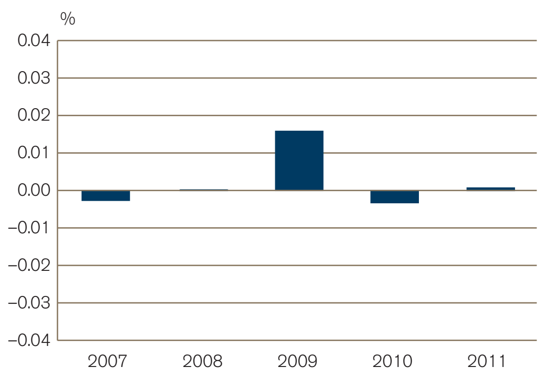
Lending to household customers
Lending to households increased by SEK 17,660m (6.0 per cent) to SEK 310,606m (292,946) at year-end.

Distribution of the loan portfolio

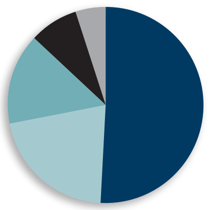


Net loan losses
Realised and expected losses exceeded recoveries of claims that were written off and reversals of provisions in previous years in the net amount of –5 million kronor (11).

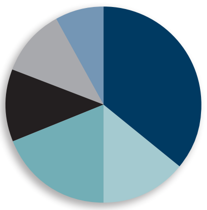
Loan losses in relation to lending



Lending distribution in collateral



Geographic distribution of loans in covered pool



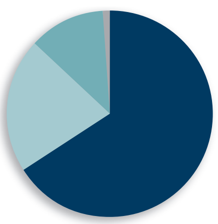
Currency policy

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 2011 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 high quality assets. The covered bond issuance and assigned ratings will allow Nordea Hypotek to expand its funding into a broader base of funding sources.

Nordea Hypotek funding structure



In the Swedish market the company issued in 2011 fixed-rate bonds with maturities of more than one year for SEK 70.1bn (77.2). The issues take place repeatedly in existing and new series of which the majority are so-called benchmark bonds. The company has an agreement with six banks concerning the distribution of bonds in the benchmark series. During the year the company also issued a subordinated debenture loan of SEK 1.4bn (–), which in its entirety was endorsed by the Parent Company.

The company also has a EUR 15bn EMTN programme for international funding. No benchmark issuances were effected under this programme during 2011.

Total outstanding covered bonds at year-end amounted to SEK 313.4bn (307.3). In addition to that the company had outstanding subordinated debenture loans of SEK 4.4bn (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 86.3bn (85.5).

International rating

The company is 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.

Commitments

Nordea Hypotek's business operations comprise several commitments. Such items include commercial products such as credit commitments etc.

In total the risk-weighted assets for counterparty credit risk amounted to SEK 39m (6). The risk-weighted assets for other off-balance-sheet exposures amounted to SEK 500m (535) and are mainly related to credit commitments.

Derivatives

Derivative instruments particularly concern agreements to exchange currencies (currency swaps) and agreements about exchanges of interest payments (interest rate swaps). The balance sheet items "Derivatives" reflects the fair value of derivatives contracts, as well as the nominal value of derivatives contracts are disclosed in Note 12.

Capital adequacy

The application of the rules and regulations applicable with effect 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 and social responsibility

In accordance with Nordea Group's Corporate Social Responsibility (CSR) Nordea Hypotek is committed to sustainable development by combining financial activity with responsibility for the environment and society. Further information about how Nordea Group works with CSR is available at nordea.com/csr.

Legal proceedings

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

Outlook for 2012

In line with market practice, Nordea has decided not to publish an outlook for 2012.

Changes in the Board of Directors

At the ordinary general meeting of shareholders on 14 March 2011 Tina Sandvik, Head of Corporate Sweden, Segments Retail Banking, Erik Gref, Head of Segment Household & Group Marketing Sweden, Segments Retail Banking, and Michael Skytt, Head of Deposit and Loan Products Sweden, Products, Retail Banking were elected as ordinary board members on Nordea Hypotek's board of directors. The current board member Kurt Gustafsson, Head of Products, Retail Banking, was appointed as the new chairman of the board. At the same time Björn Hökby and the former President Karin Markstedt resigned as board members.

Michael Skytt was appointed as the new President 1 March 2011.

Sten Roghe, Vice President and Head of Credits, retired 30 September 2011. He was succeeded by Lars Andersson as Head of Credits at the same time.

For further information concerning staff-related questions, see Note 6 ”Staff costs” and Note 31 ” Related-party transactions”.

Important changes after the end of the financial year

No major events have occurred after 31 December 2011.

Distribution of earnings

After the company paid group contribution of SEK 2,691,433,000 the net profit of the year amounted to SEK 1,983,578,000 and retained profit of SEK 11,217,412,000 and also other reserves of 1,266,133,000 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

Management principles and Control

The information in this section refers to Nordea Hypotek AB (publ) with corporate registration number 556091-5448. Financial reports for Nordea Hypotek are published half-yearly. Nordea Hypotek is fully integrated in the Nordea group's risk and capital management in its applicable parts, which is why the below description refers to how the area is dealt with in Nordea.

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 include credit, market, liquidity and operational risk. Foremost among these is credit risk in connection with lending to the public. None of these exposures and risks is considered to have any significant adverse effect on the group or its financial position during 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 fully integrated in the Nordea group's risk management system.

Roles and allocation of responsibility within the Nordea group

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit, market, liquidity, business, life, operational risk management and the ICAAP. All policies are reviewed at least annually.

In the credit instructions, the Board of Directors decides on powers-to-act for credit committees at different levels within the customer areas. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Board of Directors also decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the Group's operations.

CEO and GEM

The Chief Executive Officer (CEO) has overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control.

The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR), as well as, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits and liquidity risk limits to the risk-taking units Group Treasury and Markets. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), pre-pares issues of major importance concerning the Group's financial operations and financial risks as well as capital management for decision by the CEO in GEM.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. The Risk Committee has established two sub-committees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.
- The two committees are the Group Valuation Committee (GVC) and the Credit Risk Model Validation Committee (CRMVC). GVC's prime responsibility is the valuation of traded financial instruments and GRMVC to review and approve the validation of credit risk models and parameter estimation (PD, LGD and EAD).
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO and the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) by the Chief Credit Officer (CCO). These credit committees decide on major credit risk limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

CRO and CFO

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes as well as the capital adequacy framework. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base and for management of liquidity risk and structured interest income risk.

Each customer area and product area is primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

Credit risk definition and identification
Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. Risks in specific industries are followed by industry monitoring groups and managed through industry policies, which establish requirements and limits on the overall industry exposure.

Credit risk appetite
Nordea has defined its credit risk appetite as an expected loan loss level of 25 basis points over the cycle. Net loan losses over the past years show an average not exceeding this level.

Individual and collective assessment of impairment
Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognized if there is objective evidence based on loss events or observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are automatically regarded as non-performing, and reported as impaired or not depending on the deemed loss potential. In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Also customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

The Pillar 3 disclosure – Capital and risk management report
More detailed information on risk and capital in accordance with the Pillar 3 requirements in the Basel II framework is available at www.nordea.com.

Credit portfolio
Loans to the public
In 2011, Nordea Hypotek's lending to the public increased by 2.8% (9.6%) to SEK 421,485m (SEK 410,160m). Lending to the corporate sector accounted for 26% (29%) of the exposure, of which the public sector (state and municipal) accounted for 13% (12%). The household sector's share of exposure was 74% (71%). The distribution of the lending on types of collateral and maturities is shown in note 11 and note 30.

The company only grants mortgages for properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 270m (SEK 523m).

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 3,192m (SEK 6,642m).

Loans to credit institutions
At the end of the year, lending to credit institutions amounted to SEK 6,385m (SEK 11,762m), all of which was placed in group companies with maturities of less than one year.

Rating and scoring distribution
Rating and scoring are the main components in the risk management system for credit risk. The common denominator for the rating/scoring models is the ability to rank the customers and to foresee insolvency. While the rating models are used for corporate customers and counterpart banks, scoring models are used for household customers and smaller companies.

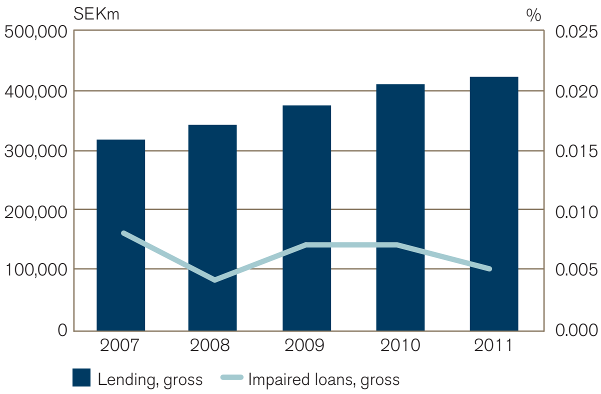
Ratings are normally assigned in connection with limit/credit proposals or annual reviews and are approved by the credit committees.

Scoring models are purely a statistical method used to predict the probability of insolvency 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 household segment, and also for small-sized companies.

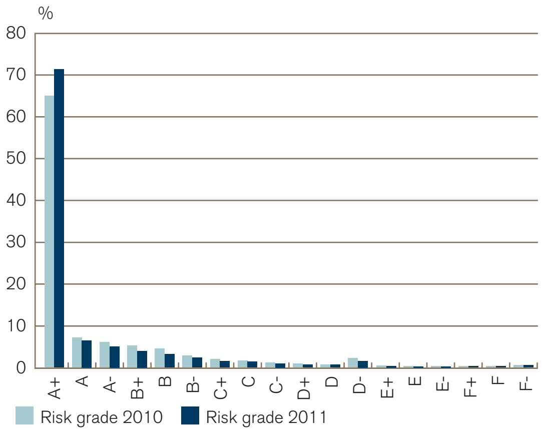
Impaired loans
Gross impaired loans amounted to SEK 20m (SEK 27m), of which SEK 18m (SEK 10m) were loans to households. The net amount, after a SEK 9m (SEK 8m) deduction for provisions for impaired loans, was SEK 11m (SEK 19m), corresponding to 0.002% (0.005%) of the total volume of loans outstanding.

For additional information, see note 11 "Loans and impairment".

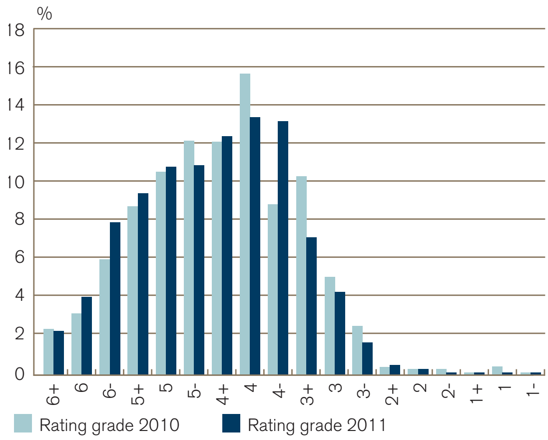
Lending to the public and impaired loans



Risk grade distribution for the Retail portfolio



Rating distribution for the Corporate portfolio



Market risk

Market risk is the risk of loss in market value of financial instruments as a result of movements in financial market variables. The liquidity buffer and funding activities in Group Treasury are key contributors to market risk in Nordea Hypotek.

Operational risk

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

Liquidity management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea Hypotek's liquidity risk management is an integral part of the group's liquidity risk management. The policy statement stipulates that Nordea`s liquidity management reflects a conservative attitude to liquidity risk. 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.

Nordea's liquidity risk management includes stress tests and a business continuity plan 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.

The liquidity 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. To ensure funding in situations where normal funding sources do not suffice, Nordea holds a liquidity buffer. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. During 2011 Survival Horizon Metrics was introduced, which in alignment with Basel, sets a limit for a minimum survival of 30 days. A target is set for the net balance of stable funding that it should be positive, which means that stable assets must be funded by stable liabilities. Stable liabilities in Nordea Hypotek primarily comprise bank deposits, bonds and shareholders equity, while stable assets primarily compromise loans and committed facilities.

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 93 per cent of the exposure covered by IRB approaches by the end of 2011. Nordea Hypotek will continue to implement the internal ratings-based approach for some remaining portfolios.

Pillar 2

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on pillar 1 and pillar 2 risks, Nordea's Economic Capital framework and buffers for periods of economic stress. The ICAAP 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. EC is based on quantitative models used to estimate the unexpected losses for each of the following major risk types in Nordea Hypotek: credit risk, market risk, operational risk and business 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 of value from a shareholder perspective.

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.

Capital base
Capital base 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 per cent 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, i.e. investment in insurance and other financial companies.

Capital base

SEKm	31 Dec 2011	31 Dec 2010
Equity	**13,311**	**13,310**
IRB provisions excess (+)/shortfall (–)	–97	–113
Tier 1 capital (net after deduction)	**13,214**	**13,197**
Tier 2 capital	**4,400**	**3,800**
IRB provisions excess (+)/shortfall (–)	–97	–113
Total capital base	**17,516**	**16,884**

Further information – Note 25 Capital adequacy and Pillar 3 report
Further information on capital management and capital adequacy is presented in Note 25 Capital adequacy and in the disclosure in accordance with Pillar 3 requirements according to the CRD in the Basel II framework is presented on nordea.com.

The Nordea Group is able to transfer capital within its legal entities without material restrictions.

Capital requirements and RWA

SEKm	31 Dec 2011 Capital requirement	31 Dec 2011 RWA	31 Dec 2010 Capital requirement	31 Dec 2010 RWA
Credit risk	**3,576.2**	**44,695.5**	**3,960.9**	**49,510.9**
IRB foundation	3,576.2	44,690.5	3,960.7	49,508.5
– of which corporate	2,219.2	27,728.3	2,505.5	31,318.8
– of which institutions	2.8	34.4	0.3	3.3
– of which retail	1,348.0	16,849.8	1,450.5	18,131.8
– of which other	6.2	78.0	4.4	54.6
Standardised	0.0	5.0	0.2	2.4
– of which retail	–	–	–	–
– of which sovereign	0.0	0.0	0.0	0.0
– of which other	0.0	5.0	0.2	2.4
Market risk	**–**	**–**	**–**	**–**
Operational risk	**339.0**	**4,232.0**	**296.3**	**3,703.3**
Standardised	339.0	4,232.0	296.3	3,703.3
Sub total	**3,915.2**	**48,927.5**	**4,257.2**	**53,214.2**
Adjustment for transition rules				
Additional capital requirement according to transition rules	11,662.0	145,780.0	10,664.0	133,300.4
Total	**15,577.2**	**194,707.5**	**14,921.2**	**186,514.6**

International transfers of capital between Nordea's legal entities are possible with the acceptance of the local regulatory authorities.

As of end year 2011 Nordea Hypotek held SEK 4.4bn in outstanding dated subordinated debenture loans. The company had at this time no hybrid capital or perpetual debenture loans.

New regulations

The Basel Committee presented the final standards for the future regulatory framework for financial institutions in December 2010. Furthermore the EU Commission issued a proposal of the Capital Requirement Directive IV for the European financial market in July 2011. A final version is expected to be presented early autumn 2012 and thereafter locally implemented within all member states as per January 2013

Forthcoming regulatory framework

The changes for financial institutions in the regulatory area related to capital and risk are extensive and will be implemented in the years 2013 – 2018. In addition to the Capital requirement Directive (CRD IV), other closely related regulations are emerging such as the additional capital surcharge of so called systemically important banks (SIB's) both on global (GSIB's) and on national level (D-SIBs), a new policy for dealing with bank failure (crisis management) and changes to the accounting regulation that will have an effect on capital and risk. New regulation is also approaching the insurance business - Solvency II. During 2011 Nordea has put much effort into preparing for the new regulatory requirements and is moving into implementation phase in 2012. Nordea is well prepared to meet the new requirements both in form of liquidity, capital and processes.

In Europe, the Capital requirement Directive (CRD IV), is expected to come into force from 1 January 2013 and will be implemented through a Regulation and a Directive. The Regulation is intended to set a single rule book for banks in all EU Member States, i.e. directly applicable to avoid divergent national rules. In Europe, the European banking Authority (EBA) was established in January 2011, replacing the tasks and responsibilities from the Committee of European Banking Supervisors. EBA is an authority which main focus is to set European regulatory technical standards and guidelines for banks.

The EU Commissions proposal to a CRD IV has adopted the Basel III timetable, although according to the current proposal from July 2011, national regulators will be allowed to impose faster implementation than the time frame set forth in Basel III.

The Basel III and the CRD IV framework include several key initiatives, which change the current framework that has been in effect since 2007. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards.

In line with the Basel III framework, the CRD IV proposal requires banks' to comply with the following minimum capital ratios.

- Common equity tier 1 (CET1) capital ratio of 4.5%
- Tier 1 capital ratio of 6.0%
- Total capital ratio of 8.0%

Besides the changed composition of the capital base, a capital conservation buffer of 2.5% will be established above regulatory minimum requirements. Further, a countercyclical buffer is implemented as an extension of the capital conservation buffer, which will be developed by national jurisdictions when excess credit growth is judged to be associated with a build-up of system wide risk. Both the capital conservation buffer and the countercyclical buffer should be covered by CET 1 capital. The Basel Committee has on top of this proposed that global systemically important banks (G-SIB's) should have an additional loss absorbency requirement ranging from 1.0% to 2.5% of RWA. This additional requirement should also be met by CET 1 capital.

Risk weighted amounts will mainly be affected by additional requirements for counterparty credit risk and an introduction of an asset correlation factor for exposures towards financial institutions.

In addition to capital requirements the regulation will be supplemented with a non-risk based measure, leverage ratio. The ratio will be calculated as the Tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with some adjustments for certain items such as derivatives). A minimum leverage ratio of 3% will be evaluated during the parallel run period from 1 January 2013 to 1 January 2017.

The Basel Committee has developed two new quantitative liquidity standards, as part of the new Basel III framework i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The standards aim to set the minimum levels of liquidity for internationally active banks.

During 2011 FSB published the Consultative Document of "Effective resolution of Systemically Important Financial institutions" and "Key Attributes of Effective Resolution Regimes for Financial Institutions". Also the EU Commission published the Consultative documents "Crisis Management Directive", which is planned to be adopted by 2014. The objective of the new regulations is to reduce the risk of a bank failure through better planning for financial disasters (recovery). The impact of failure could be reduced if a plan (resolution) could be prepared to enable an institution to be taken through bankruptcy in an orderly fashion without costs for tax payers.

Income statement

SEK (000s)	Note	2011	2010
Operating income			
Interest income		15,531,695	10,089,026
Interest expense		–12,321,714	–7,401,125
Net interest income	3	**3,209,981**	**2,687,901**
Fee and commission income		50,440	56,040
Fee and commission expense		–134,934	–73,680
Net fee and commission income	4	**–84,494**	**–17,640**
Net result from items at fair value	5	55,945	171,095
Other operating income		72	–
Total operating income		**3,181,504**	**2,841,356**
Operating expenses			
General administrative expenses:			
Staff costs	6	–6,712	–5,444
Other expenses	7	–478,846	–549,815
Depreciation, amortisation and impairment charges of tangible assets	8, 14	–	–1
Total operating expenses		**–485,558**	**–555,260**
Profit before loan losses		**2,695,946**	**2,286,096**
Net loan losses	9	–4,521	11,222
Operating profit		**2,691,425**	**2,297,318**
Income tax expense	10	–707,847	–604,214
Net profit for the year		**1,983,578**	**1,693,104**

Statement of comprehensive income

SEK (000s)	2011	2010
Net profit for the year	**1,983,578**	**1,693,104**
Cash flow hedges:		
Valuation gains/losses during the year	1,717,955	–
Tax on valuation gains/losses during the year	–451,822	–
Other comprehensive income, net of tax	**1,266,133**	**–**
Total comprehensive income	**3,249,710**	**1,693,104**

Balance sheet

SEK (000s)	Note	31 Dec 2011	31 Dec 2010
Assets			
Loans to credit institutions	11	6,385,333	11,761,914
Loans to the public	11	421,484,931	410,159,675
Derivatives	12	12,056,082	5,993,341
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	1,220,436	1,533,192
Tangible assets	14	–	0
Current tax assets	10	682	498
Other assets	15	189	–
Prepaid expenses and accrued income	16	895,867	761,148
Total assets		**442,043,520**	**430,209,768**
Liabilities			
Deposits by credit institutions	17	86,348,375	86,360,357
Debt securities in issue	18	315,831,854	308,662,185
Derivatives	12	3,192,234	6,642,053
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	7,381,539	2,183,341
Other liabilities	19	2,692,153	2,472,260
Accrued expenses and prepaid income	20	7,049,789	6,721,574
Deferred tax liabilities	10	451,822	–
Provisions	21	118,631	57,000
Subordinated liabilities	22	4,400,000	3,800,000
Total liabilities		**427,466,397**	**416,898,770**
Equity			
Share capital		110,000	110,000
Other reserves		1,266,133	–
Retained earnings		11,217,412	11,507,894
Net profit for the year		1,983,578	1,693,104
Total equity		**14,577,123**	**13,310,998**
Total liabilities and equity		**442,043,520**	**430,209,768**
Assets pledged as security for own liabilities	23	406,510,321	397,789,394
Contingent liabilities		None	None
Commitments	24	270,000	522,800

Other Notes

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Statement of changes in equity

Equity

SEK (000s)	Share capital[1]	Cash flow hedges	Retained earnings	Total
Balance at 1 January 2011	**110,000**	–	**13,200,998**	**13,310,998**
Net profit for the year	–	–	1,983,578	1,983,578
Cash flow hedges:				
Valuation gains/losses during the year	–	1,717,955	–	1,717,955
Tax on valuation gains/losses during the year	–	–451,822	–	–451,822
Other comprehensive income, net of tax	–	1,266,133	–	1,266,133
Total comprehensive income	**–**	**1,266,133**	**15,184,576**	**16,560,709**
Group contribution paid	–	–	–2,691,433	–2,691,433
Tax effect of group contribution	–	–	707,847	707,847
Balance at 31 December 2011	**110,000**	**1,266,133**	**13,200,990**	**14,577,123**

SEK (000s)	Share capital[1]		Unrestricted	Total
Balance at 1 January 2010	**110,000**	–	**13,329,261**	**13,439,261**
Net profit for the year	–	–	1,693,104	1,693,104
Group contribution paid	–	–	–2,471,326	–2,471,326
Tax effect of group contribution	–	–	649,959	649,959
Balance at 31 December 2010	**110,000**	**–**	**13,200,998**	**13,310,998**

1) 100,000 shares.

Cash flow statement

SEK (000s)	2011	2010
Operating activities		
Operating profit	2,691,425	2,297,318
Adjustment for items not included in cash flow	1,932,007	–77,372
Income taxes paid	–184	–
Cash flow from operating activities before changes in operating assets and liabilities	**4,623,248**	**2,219,946**
Changes in operating assets		
Change in loans to credit institutions	5,856,847	–11,761,222
Change in loans to the public	–11,339,690	–35,916,200
Change in derivatives, net	–3,946,098	10,350,426
Change in other assets	–189	1,910,680
Changes in operating liabilities		
Change in deposits by credit institutions	–11,982	–231,643
Change in debt securities in issue	7,169,669	35,792,149
Change in other liabilities	–2,471,539	–2,571,882
Cash flow from operating activities	**–119,734**	**–207,746**
Financing activities		
Issued subordinated liabilities	1,600,000	–
Amortised subordinated liabilities	–1,000,000	–
Cash flow from financing activities	**600,000**	**–**
Cash flow for the year	**480,266**	**–207,746**
Cash and cash equivalents at the beginning of year	692	208,438
Cash and cash equivalents at the end of year	480,958	692
Change	**480,266**	**–207,746**

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 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)	2011	2010
Depreciation	–	1
Loan losses	14,433	–726
Unrealised gains/losses	–3,848,508	1,929,611
Change in accruals and provisions	706,950	743,366
Change in fair value of the hedged items assets/liabilities ,net	5,510,954	–2 749,624
Other	–451,822	–
Total	**1,932,007**	**–77,372**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans 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)	2011	2010
Interest payments received	15,420,199	10,089,895
Interest expenses paid	–11,987,058	–6,434,625

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

The following items are included in Cash and cash equivalents assets:

SEK (000s)	2011	2010
Loans to credit institutions, payable on demand	480,958	692

Loans 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 (1195:1559) (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 with addition of FFFS 2009:11 and 2011:54) and the recommendation RFR 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 and FFFS 2008:25 (with addition of FFFS 2009:11 and 2011:54). 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 24 February 2012 the Board of Directors approved the annual report, subject to final approval of the Annual General Meeting on 14 March 2012.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report.

Changes in IFRSs implemented 2011

The IASB has amended IAS 24 " Related Party Disclosures" (Relationships with the state), IAS 32 "Financial Instruments: Presentation" (Rights issues) as well as published "Improvements to IFRSs 2010" and IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". These amended and published standards and improvements are effective for Nordea Hypotek as from 1 January 2011, but have not had any significant impact on 2011. The amendment of IAS 32 may affect possible future rights issues involving different currencies, whilst the amendments to IAS 24 as well as the published "Improvements to IFRSs 2010" and IFRIC 19 are not expected to have a significant impact on subsequent periods.

Changes in IFRSs not yet effective for Nordea Hypotek

IFRS 9 "Financial instrument" (Phase 1)

In 2009 IASB published a new standard on financial instruments. The standard is the first step in the replacement of IAS 39 "Financial instruments: Recognition and Measurements" and this first phase covers the classification and measurements of financial assets and liabilities. The effective date for Nordea Hypotek is as from 1 January 2015, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurements categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea Hypotek's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments in Nordea Hypotek's balance sheet at transition.

Nordea Hypotek has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 "Fair Value Measurement"
IASB has published IFRS 13. The effective date for Nordea Hypotek is as from 1 January 2013, but earlier applications are permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that the new standard will not have a significant impact on Nordea Hypotek's financial statements nor on its capital adequacy.

Nordea Hypotek has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in the subsequent periods.

Other forthcoming changes in IFRSs
IAS 1 "Presentation of Financial Statements" has been amended. The amended standard changes the presentation of other comprehensive income. The effective date for Nordea Hypotek is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

IFRS 7 "Financial Instruments: Disclosures" has been amended and will lead to additional disclosures around transferred assets. The effective date for Nordea Hypotek is as from 1 January 2012, but earlier application is permitted. The EU commission has endorsed this standard for implementation in 2011.

IAS 32 "Financial Instruments: Presentation" has been amended. The change relates to offsetting of financial assets and financial liabilities. The amendment, is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria. IFRS 7 "Financial Instruments: Disclosures" has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities. The effective date for Nordea Hypotek is as from 1 January 2014 for amendments to IAS 32 and from 1 January 2013 for amendments to IFRS 7, but earlier application is permitted. The EU commission has not endorsed these amendments for implementation in 2011.

The above mentioned amended standards and interpretation not yet adopted within the section "Other forthcoming changes in IFRSs" are not, in the period of initial application or in subsequent periods, expected to have any significant impact on the financial statements, apart from on disclosures, nor 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 Hypotek's accounting and valuation policies. In order to ensure proper governance, Nordea Hypotek 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 27 "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 involves 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 11 "Loans and 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.

Interest on derivatives used for hedging is also recognised in ”Net interest income”, as well as fees that are considered to be an integral part of the effective interest rate of a financial instrument.

Net fee and commission income

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

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised in the item “Net result from items at fair value”.

Realised and unrealised gains and losses derive from:

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 9 “Financial instruments”), in the items “Loans to credit institutions” and “Loans to the public” in the balance sheet, are reported as “Net 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”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, are reported under “Net result from 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.

In some cases, Nordea Hypotek enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or portion of risks and rewards from the transferred assets. Transfers of assets with retention of all or substantially all risks and rewards include reversed repurchase agreements.

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 Hypotek performs, for example when Nordea Hypotek repays a deposit to the counterpart, i.e. on settlement date.

For further information, see section 9 “Financial instruments” (Reversed repurchase agreements), as well as Note 29 ”Obtained collaterals which are permitted to be sold or repledged”.

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 result from 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. Nordea Hypotek applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging accounting relating to hedging core deposit and under-hedging strategies.

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.

Hedges of net investments do not exist in Nordea Hypotek.

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 result from 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 the balance sheet.

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 result from items at fair value".

Hedged items
A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea Hypotek consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments
The hedging instruments used in Nordea Hypotek are interest rate swaps and currency interest rate swaps (CIRS), which are always held at fair value.

Cash flow hedge accounting
Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised directly in other comprehensive income and accumulated in the fair value reserve (related to cash flow hedges) in equity. The ineffective portion of the gain or loss on the hedging instrument is reclassified to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the fair value reserve (related to cash flow hedges) in equity through other comprehensive income are reclassified and recognised in the income statement in the same period as the cash flow, normally the interest income or interest expense from the hedged asset or liability.

Hedged items
A hedged item in a cash flow hedge can be a recognised asset or liability or a highly probable forecast transaction. Nordea Hypotek uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments
The hedging instruments used in Nordea Hypotek are predominantly currency interest rate swaps (CIRS), which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

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 as regards the hedged risk 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 Hypotek 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.

In cash flow hedges, the cumulative gain or loss on the hedging instrument that has been recognised in the fair value reserve (related to cash flow hedges) in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the hedged item is derecognised, cancelled or the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but it is still expected to occur, the cumulative gain or loss in the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

8. Determination of fair value of financial instruments
Financial assets and liabilities classified into the category Financial assets/liabilities at fair value through profit or loss (including 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 result from items at fair value".

Fair value is defined 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).

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Hypotek considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices.

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 27 "Assets and liabilities at fair value".

The valuation models applied by Nordea Hypotek are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by Group Risk Management and all models are reviewed on a regular basis.

For further information, see Note 27 "Assets and liabilities at fair value".

9. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss.
- Loans and receivables.

Financial liabilities

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities.

All financial assets and liabilities are initially measured at fair value. 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 26 "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 result from 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 into the category 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.

Reverse repurchase agreements

Securities delivered under reverse repurchase agreements are not recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are recognised on the balance sheet as "Financial instruments pledged as collateral".

Cash delivered under reversed repurchase agreement is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public".

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 result from items at fair value".

10. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" in the balance sheet and into the category 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 26 ”Classification of financial instruments").

Nordea Hypotek 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 individually assessed loans

Nordea Hypotek 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 collectively assessed loans
All loans not impaired on an individual basis are collectively assessed for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. 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. 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, which has not yet been identified on an individual basis. 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 Hypotek uses the existing rating system as a basis when assessing the credit risk. Nordea Hypotek 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. Household 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.

The collective assessment is performed through a netting principle, i.e. when rated engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

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 "Net 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 "Net 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 forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

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 Hypotek 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 in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

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 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. Employee benefits

All forms of consideration given by Nordea Hypotek to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea Hypotek consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Hypotek.

Post-employment benefits

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 reported in item Staff cost. As well as Staff cost, contribution from the pension foundation is recognised as the changes in the pension provisions. Special payroll tax and return tax applicable to the Swedish pension system are also recognised in the Staff cost.

For further information on compensation, see Note 6 ”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 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 its 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 6 “Staff costs”. Information around other transactions between Nordea Hypotek and key management personnel is found in Note 31 “Related-party transactions”.

Note 2
Segment reporting

Change concerning identification of business segment

A new organisation has been established, developed around two main business areas, Retail Banking and Wholesale Banking. Segment reporting was changed with effect from the fourth quarter of 2011 as a consequence of these organisational changes. The change compared with previous segment reporting is that Nordic Banking has been renamed Retail Banking. Retail Banking comprises the segment Banking Sweden and the support function Products. The support function Products within the main area Retail Banking is now part of the other business segment. A new business segment called Corporate & Institutional Banking has been established. This segment includes the former unit Corporate Merchant Banking, previously included in Nordic Banking, as well as the former business segment Financial Institutions. Corporate & Institutional Banking is included in other business segments, like the business segment Wholesale Banking. The comparison figures have been adjusted correspondingly.

Operating segments

	Banking Sweden		Group Treasury		Other operating segments		Total operating segments		Reconciliation		Total	
Income statement, SEKm	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	3,962	3,424	–1,297	–1,091	293	136	2,958	2,469	252	219	3,210	2,688
Net fee and commission income	–39	27	–16	–17	–4	0	–59	10	–25	–28	–84	–18
Net result from items at fair value	–	–	56	171	0	–	56	171	0	0	56	171
Total operating income	**3,923**	**3,451**	**–1,257**	**–937**	**289**	**136**	**2,955**	**2,650**	**227**	**191**	**3,182**	**2,841**
Other expenses	0	0	0	0	–21	–18	–21	–18	–465	–537	–486	–555
Total operating expenses	**0**	**0**	**0**	**0**	**–21**	**–18**	**–21**	**–18**	**–465**	**–537**	**–486**	**–555**
Net loan losses	–5	11	0	–	–	0	–5	11	0	0	–5	11
Operating profit	**3,918**	**3,462**	**–1,257**	**–937**	**268**	**118**	**2,929**	**2,643**	**–238**	**–346**	**2,691**	**2,297**
Balance sheet, SEKm												
Loans to the public	416,419	402,150	–	–	5,066	8,010	421,485	410,160	–	–	421,485	410,160

Reconciliation between total operating segments and financial statements

	2011		2010	
SEKm	Operating profit	Loans to the public	Operating profit	Loans to the public
Total operating segments	2,929	421,485	2,643	410,160
Group functions and unallocated items	–238	–	–346	–
Total	**2,691**	**421,485**	**2,297**	**410,160**

Banking Sweden provides full-service banking operations for private individuals and corporate customers and comprises Nordea Hypotek's biggest customer area. Other business segments pertains to Wholesale Banking and the support function Products within banking operations. Nordea Hypotek operates in the Swedish market and grants loans to private individuals, individual businessmen , municipalities and other legal entities through the parent bank's network of bank branches. The negative net interest income which has increased during the year within the segment Group Treasury is attributable to higher costs for refinancing lending with short fixed interest rate period with long-term borrowing (covered bonds).

Note 3

Net interest income

SEK (000s)	2011	2010
Interest income		
Loans to credit institutions	163,968	102,061
Loans to the public	15,364,478	9,983,087
Other interest income	3,249	3,878
Interest income	**15,531,695**	**10,089,026**
Interest expense		
Deposits by credit institutions	–2,111,898	–577,767
Debt securities in issue	–11,110,621	–11,604,940
Subordinated liabilities	–122,855	–60,939
Other interest expenses[1]	1,023,660	4,842,521
Interest expense	**–12,321,714**	**–7,401,125**
Net interest income	**3,209,981**	**2,687,901**

[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	416,205	393,177
Average interest, %	3.69	2.54

Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 15,532m (10,089). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to SEK 13,345m (12,244).

Note 4

Net fee and commission income

SEK (000s)	2011	2010
Loan commissions	26,156	28,376
Other commission income	24,284	27,664
Fee and commission income	**50,440**	**56,040**
Security commissions	–16,186	–16,572
State guarantee fees	–118,600	–56,981
Other commission expenses	–148	–127
Fee and commission expenses	**–134,934**	**–73,680**
Net fee and commission income	**–84,494**	**–17,640**

Note 5

Net result from items at fair value

SEK (000s)	2011	2010
Interest-bearing securities and other interest-related instruments[1]	55,945	171,095
Total	**55,945**	**171,095**

[1] Of which SEK 66m (SEK 134m) related to financial assets held at amortised cost.

Net result from categories of financial instruments

SEK (000s)	2011	2010
Loans and receivables	66,233	134,500
Financial liabilities measured at amortised cost	–75,755	–
Financial instruments under hedge accounting	65,467	36,595
– of which net result on hedging instruments	7,294,376	–2,713,029
– of which net result on hedged items	–7,228,909	2,749,624
Total	**55,945**	**171,095**

Note 6

Staff costs

SEK (000s)	2011	2010
Salaries and remuneration (specification below)	–2,821	–1,739
Pension costs (specification below)	–2,507	–2,620
Social insurance contributions	–1,403	–1,092
Other staff costs	19	7
Total	**–6,712**	**–5,444**

Allocation to profit-sharing foundation 2011 SEK -28t consists of a new allocation of SEK -34t and a release related to prior years of SEK 6t.

SEK (000s)	2011	2010
Salaries and remuneration:		
President		
– Fixed compensation and benefits	–873	–988
– Performance-related compensa tion	–	–20
– Allocation to profit sharing	–7	–6
Vice President		
– Fixed compensation and benefits	–597	–644
– Allocation to profit sharing	–7	–6
To other employees	–1,212	–
Board of Director	–125	–75
Total	**–2,821**	**–1,739**

SEK (000s)	2011	2010
Pension costs:		
Actuarial pensions costs	–2,185	–2,102
Pension premiums	–322	–518
Total	**–2,507**	**–2,620**

To the Group Board Directors' no directors´fee was paid.

For 2011 Nordea Hypotek had no incentive system.

On 11 December 2009 the Swedish Financial Supervisory Authority decided on regulations and general recommendations on remuneration policies. Nordea has a common remuneration policy for the group, this annual report makes reference to quantitative information published in the annual report for Nordea Bank AB (publ) (nordea.com).

The relevant quantitative information will be published in a separate report on Nordea`s website (nordea.com).

The President's contract of employment may be terminated by either the President with three (3) months' notice or the company with six (6) months' notice. In accordance with his employment contract the President is 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 21,196,816 (17,956,682). Interest income on these loans amounts to SEK 518,206 (303,386).

Note 6 Cont.

For key management personnel who are employed by Nordea Hypotek the same credit terms apply as for employees in Nordea. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 150 basis points for both variable interest rate loans and fixed interest rate loans). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps are set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Pension commitments to the President and executives

SEK	2011	2010
Pension costs for previous Presidents	1,451,602	1,093,771
Pension commitments for previous Presidents	12,321,337	11,868,898
Pension costs for President	153,449	518,467
Pension commitments for President	2,112,479	823,779
Pension costs for Vice President	303,480	126,340
Pension commitments for Vice President	3,820,360	3,964,198

The pension age for the President is 65 years. The Vice President has retired from his position in 2011. 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 commitments are guaranteed by a pension foundation or recognised as a liability. The pension cost is classified as "Staff cost" in the income statement, consists of pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

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

Average number of employees

	2011	2010
Full-time equivalents		
Men	3	1
Women	0	1
Total average	**3**	**2**

At year-end the total number of employees was 3 (2).

Note 7

Other expenses

SEK (000s)	2011	2010
Postage, transportation, telephone and office expenses	–1,239	–1,407
Rents, premises and real estate	–151	–173
Marketing	–375	–328
Compensation to Nordea	–464,880	–536,760
Other[1]	–12,201	–11,147
Total	**–478,846**	**–549,815**

[1] Including fees and remuneration to auditors distributed as follows.

Auditors' fees

SEK (000s)	2011	2010
KPMG		
Auditing assignments	–367	–566
Audit-related services	–533	–341
Other assignments	–119	–381
Total	**–1,019**	**–1,288**

Note 8

Depreciation and amortisation charges of tangible assets

SEK (000s)	2011	2010
Depreciation/amortisation		
Equipment	–	–1
Total	**–**	**–1**

Note 9

Net loan losses

SEK (000s)	2011	2010
Divided by class		
Loans to the public	–4,521	11,222
– of which provisions	–7,700	–23,000
– of which write-offs	–12,965	–14,301
– of which allowances used for covering write-offs	–	2,503
– of which reversals	6,232	35,524
– of which recoveries	9,912	10,496
Total	**–4,521**	**11,222**
Specification		
Changes of allowance accounts in the balance sheet	–1,468	12,525
– of which Loans, individually assessed[1]	–1,468	–2,475
– of which Loans, collectively assessed[1]	–	15,000
Changes directly recognised in the income statement	–3,053	–1,303
– of which realised loan losses, individually assessed	–12,965	–11,799
– of which realised recoveries, individually assessed	9,912	10,496
Total	**–4,521**	**11,222**

[1] Included in Note 11 Loans and impairment.

Note 10
Taxes

SEK (000s)	2011	2010
Current tax[1]	–707,847	–649,959
Deferred tax	–	45,745
Total	**–707,847**	**–604,214**

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

SEK (000s)	2011	2010
Profit before tax	2,691,424	2,297,318
Tax calculated at a tax rate 26.3 per cent	–707,845	–604,195
Tax-exempt income	0	2
Non-deductible expenses	–2	–21
Tax charge	**–707,847**	**–604,214**
Average effective tax rate %	26.3	26.3

Deferred tax

SEK (000s)	2011	2010
Deferred tax expense (–)/income (+)		
Deferred tax due to temporary differences	–	45,745
Income tax expense, net	**–**	**45,745**

SEK (000s)	31 Dec 2011	31 Dec 2010
Deferred tax liabilities		
Deferred tax relating to cash flow hedges	451,822	–
Total	**451,822**	**–**
– of which expected to be settled after more than 1 year	451,822	–
Current tax assets	**682**	**498**
– of which expected to be settled after more than 1 year	–	–

Note 11
Loans and impairment

SEK (000s)	Credit institutions 31 Dec 2011	Credit institutions 31 Dec 2010	The public 31 Dec 2011	The public 31 Dec 2010	Total 31 Dec 2011	Total 31 Dec 2010
Loans, not impaired[1]	6,385,333	11,761,914	421,538,271	410,204,562	427,923,604	421,966,476
Impaired loans	–	–	19,976	26,961	19,976	26,961
– of which performing	–	–	7,885	26,961	7,885	26,961
– of which non-performing	–	–	12,091	–	12,091	–
Loans before allowances	**6,385,333**	**11,761,914**	**421,558,247**	**410,231,523**	**427,943,580**	**421,993,437**
Allowances for individually assessed impaired loans	–	–	–9,316	–7,848	–9,316	–7,848
– of which performing	–	–	–1,700	–7,848	–1,700	–7,848
– of which non-performing	–	–	–7,616	–	–7,616	–
Allowances for collectively assessed impaired loans	–	–	–64,000	–64,000	–64,000	–64,000
Allowances	**–**	**–**	**–73,316**	**–71,848**	**–73,316**	**–71,848**
Loans, carrying amount	**6,385,333**	**11,761,914**	**421,484,931**	**410,159,675**	**427,870,264**	**421,921,589**

[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[1]

Loans, SEK (000s)	The public: Individually assessed	The public: Collectively assessed	Total
Opening balance at 1 January 2011	**–7,848**	**–64,000**	**–71,848**
Provisions	–7,700	–	–7,700
Reversals	6,232	–	6,232
Changes through the income statement	**–1,468**	**–**	**–1,468**
Allowances used to cover write-offs	–	–	–
Closing balance at 31 December 2011	**–9,316**	**–64,000**	**–73,316**
Opening balance at 1 January 2010	**–7,876**	**–79,000**	**–86,876**
Provisions	–5,000	–18,000	–23,000
Reversals	2,525	33,000	35,525
Changes through the income statement	**–2,475**	**15,000**	**12,525**
Allowances used to cover write-offs	2,503	–	2,503
Closing balance at 31 December 2010	**–7,848**	**–64,000**	**–71,848**

1) See Note 9 Net loan losses

Note 11 Cont.

Key ratios

	31 Dec 2011	31 Dec 2010
Impairment rate, gross[1], basis points	0.5	0.6
Impairment rate, net[2], basis points	0.2	0.5
Total allowance rate[3], basis points	1.7	1.7
Allowance rate, impaired loans[4], %	46	29

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 2011	31 Dec 2010
Single and two-family properties	216,642,916	205,313,000
Tenant-owner apartments	87,225,729	81,197,923
Multi-housing property	62,789,907	65,538,897
Public sector incl. surety/guarantee	35,334,520	38,549,156
Other collateral	19,565,175	19,632,547
Total	**421,558,247**	**410,231,523**

Note 12

Derivatives and Hedge accounting

	Fair value		
31 Dec 2011, SEKm	Positive	Negative	Total nom. amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	10,745	2,010	345,961
Options	10	10	17,006
Total	**10,755**	**2,021**	**362,967**
Foreign exchange derivatives			
Currency and interest rate swaps	1,301	1,172	60,064
Total	**1,301**	**1,172**	**60,064**
Total derivatives used for hedge accounting	**12,056**	**3,192**	**423,031**
– of which fair value hedges	12,056	3,192	423,031

	Fair value		
31 Dec 2010, SEKm	Positive	Negative	Total nom. amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	5,137	1,712	289,279
Options	45	45	11,507
Total	**5,182**	**1,757**	**300,786**
Foreign exchange derivatives			
Currency and interest rate swaps	811	4,885	77,049
Total	**811**	**4,885**	**77,049**
Total derivatives used for hedge accounting	**5,993**	**6,642**	**377,835**
– of which fair value hedges	5,993	6,642	377,835

Note 13

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

Assets

SEK (000s)	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	1,533,192	2,404,303
Changes during the year		
Revaluation of hedged items	–312,756	–871,111
Carrying amount at end of year	**1,220,436**	**1,533,192**
– of which expected to be settled after more than 1 year	1,124,042	1,514,481

Liabilities

SEK (000s)	31 Dec 2011	31 Dec 2010
Carrying amount at beginning of year	2,183,341	5,804,077
Changes during the year		
Revaluation of hedged items	5,198,198	–3,620,736
Carrying amount at end of year	**7,381,539**	**2,183,341**
– Of which expected to be settled after more than 1 year	11,292,944	1,716,878

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

Note 14

Tangible assets

SEK (000s)	31 Dec 2011	31 Dec 2010
Equipment		
Acquisition value at beginning of year	32	32
Acquisition during the year	–32	–
Acquisition value at end of year	**–**	**32**
Accumulated depreciation at beginning of year	–32	–31
Accumulated depreciation on sales/ disposals during the year	32	–
Depreciations according to plan for the year	–	–1
Accumulated depreciation at end of year	**–**	**–32**
Total	**–**	**0**

Note 15

Other assets

SEK (000s)	31 Dec 2011	31 Dec 2010
Other	189	–
Total	**189**	**–**
– of which expected to be settled after more than 1 year	–	–

Note 16

Prepaid expenses and accrued income

SEK (000s)	31 Dec 2011	31 Dec 2010
Accrued interest income	817,873	706,536
Prepaid expenses	77,994	54,612
Total	**895,867**	**761,148**
– of which expected to be settled after more than 1 year	49,467	38,415

Note 17

Deposits by credit institutions

SEK (000s)	31 Dec 2011	31 Dec 2010
Swedish banks	86,348,375	86,360,357
Total	**86,348,375**	**86,360,357**

Note 18

Debt securities in issue[1]

SEK (000s)	31 Dec 2011	31 Dec 2010
Swedish bonds	267,834,291	226,865,137
Foreign securities	47,997,563	81,797,048
Total	**315,831,854**	**308,662,185**

[1] See Specification to Notes, page 36.

Note 19

Other liabilities

SEK (000s)	31 Dec 2011	31 Dec 2010
Accounts payable	521	691
Liabilities, group contributions	2,691,432	2,471,326
Other	200	243
Total	**2,692,153**	**2,472,260**
– of which expected to be settled after more than 1 year	–	–

Note 20
Accrued expenses and prepaid income

SEK (000s)	31 Dec 2011	31 Dec 2010
Accrued interest	6,959,072	6,624,417
Other accrued expenses	5,999	6,107
Prepaid income	84,718	91,050
Total	**7,049,789**	**6,721,574**
– Of which expected to be settled after more than 1 year	71,317	55,630

Note 21
Provisions

SEK (000s)	31 Dec 2011	31 Dec 2010
Expenses for the Swedish Stability fund	118,631	57,000
Total	**118,631**	**57,000**

Movement in the balance sheet

SEK (000s)	Expenses Swedish Stability fund	
At the beginning of year	57,000	49,700
New provisions made	118,631	57,000
Provisions utilised	–56,969	–49,681
Reversals	–31	–19
At end of year	**118,631**	**57,000**
– of which expected to be settled after more than 1 year	–	–

Note 22
Subordinated liabilities[1)]

SEK (000s)	31 Dec 2011	31 Dec 2010
Dated subordinated debenture loans	4,400,000	3,800,000
Total	**4,400,000**	**3,800,000**

1) See Specification to Notes, page 36.

These debenture loans are subordinated to other liabilities.

Note 23
Asset pledged as security for own liabilities

SEK (000s)	31 Dec 2011	31 Dec 2010
Assets pledge for own liabilities		
Loans to credit institutions	5,904,375	11,761,222
Loans to the public	400,605,946	386,028,172
Total	**406,510,321**	**397,789,394**

The above pledges pertain to the following liability and commitment items

Debt securities in issues	315,831,854	308,662,185
Total	**315,831,854**	**308,662,185**

Assets pledge for own liabilities contain loans to credit institutions and 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 priority to the assets registered as collateral.

Note 24
Commitments

SEK (000s) (nom. amount)	31 Dec 2011	31 Dec 2010
Credit commitments	270,000	522,800
Total	**270,000**	**522,800**

For information about derivatives see Note 12

Note 25
Capital adequacy

SEKm	31 Dec 2011	31 Dec 2010
Tier capital	13,214	13,197
Capital base	17,516	16,884
Risk-weighted amount excluding transition rules	48,927	53,214
Tier capital ratio excluding transition rules, per cent	27.0	24.8
Total capital ratio excluding transition rules, per cent	35.8	31.7
Risk-weighted amount including transition rules	194,707	186,515
Tier capital ratio including transition rules, per cent	6.8	7.1
Total capital ratio including transition rules, per cent	9.0	9.1

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

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

Note 26

Classification of financial instruments

SEKm, 31 Dec 2011	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	6,385	–	–	6,385
Loans to the public	421,485	–	–	421,485
Derivatives	–	12,056	–	12,056
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,221	–	–	1,221
Other assets	0	–	1	1
Prepaid expenses and accrued income	896	–	–	896
Total	**429,987**	**12,056**	1	**442,044**

SEKm, 31 Dec 2011	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
Deposits by credit institutions	–	86,348	–	86,348
Debt securities in issue	–	315,832	–	315,832
Derivatives	3,192	–	–	3,192
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	7,382	–	7,382
Other liabilities	–	2,692	0	2,692
Accrued expenses and prepaid income	–	7,044	6	7,050
Deferred tax liabilities	–	–	452	452
Provisions	–	–	119	119
Subordinated liabilities	–	4,400	–	4,400
Total	**3,192**	**423,698**	**577**	**427,467**

SEKm, 31 Dec 2010	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	11,762	–	–	11,762
Loans to the public	410,160	–	–	410,160
Derivatives	–	5,993	–	5,993
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,533	–	–	1,533
Other assets	–	–	1	1
Prepaid expenses and accrued income	761	–	–	761
Total	**424,216**	**5,993**	1	**430,210**

SEKm, 31 Dec 2010	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
Deposits by credit institutions	–	86,360	–	86,360
Debt securities in issue	–	308,662	–	308,662
Derivatives	6,642	–	–	6,642
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	2,183	–	2,183
Other liabilities	–	2,473	0	2,473
Accrued expenses and prepaid income	–	6,716	6	6,722
Provisions	–	–	57	57
Subordinated liabilities	–	3,800	–	3,800
Total	**6,642**	**410,194**	**63**	**416,899**

Note 27
Assets and liabilities at fair value

	31 Dec 2011		31 Dec 2010	
SEKm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans to credit institutions	6,385	6,377	11,762	11,757
Loans to the public	421,485	423,448	410,160	411,318
Derivatives [1)]	12,056	12,056	5,993	5,993
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,221	1,221	1,533	1,533
Tangible assets	–	–	0	0
Current tax assets	1	1	1	1
Other assets	0	0	–	–
Prepaid expenses and accrued income	896	896	761	761
Total assets	**442,044**	**443,998**	**430,210**	**431,363**
Liabilities				
Deposits by credit institutions	86,348	86,354	86,360	86,339
Debt securities in issue	315,832	319,758	308,662	310,886
Derivatives [1)]	3,192	3,192	6,642	6,642
Fair value changes of the hedged items in portfolio hedge of interest rate risk	7,382	7,382	2,183	2,183
Other liabilities	2,692	2,692	2,473	2,473
Accrued expenses and prepaid income	7,050	7,050	6,722	6,722
Deferred tax liabilities	452	452	–	–
Provisions	119	119	57	57
Subordinated liabilities	4,400	4,400	3,800	3,800
Total liabilities	**427,467**	**431,399**	**416,899**	**419,102**

1) Valuation techniques using observable data (level 2) have been used for determination of fair value regarding derivatives.

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, deposits and borrowings and issued securities.

The carrying amount on loans, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term, unless the interest rate risk is hedged, 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. The fair value of the hedged interest rate risk is included in the balance sheet item "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

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 provisions.

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

Determination of fair value from quoted market price or valuation techniques
Fair value measurements are classified using a fair value hierarchy.

Level 1 consists of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. For Nordea Hypotek this category includes mainly most liquid mortgage bonds where direct tradable price quotes exist.

Level 2 consists of financial assets and financial liabilities which do not have directly quoted market prices available from an active market. The fair values are estimated using a valuation technique or valuation model based on market prices or rates prevailing at the balance sheet date and any unobservable inputs are insignificant in the fair values. For Nordea Hypotek this category includes mainly derivatives (OTC-derivatives) and reversed repurchase agreement where an active markets supply the input to the valuation technique.

Note 28

Assets and liabilities in foreign currencies

SEKm, 31 Dec 2011	EUR	NOK	Other	Total
Assets				
Other assets	4,832	358	652	5,841
Total assets	**4,832**	**358**	**652**	**5,841**
Liabilities				
Debt securities in issue	34,226	3,161	4,761	42,148
Other liabilities	3,928	287	559	4,774
Total liabilities	**38,154**	**3,447**	**5,320**	**46,922**

SEKm, 31 Dec 2010	EUR	NOK	Other	Total
Assets				
Other assets	2,711	167	288	3,166
Total assets	**2,711**	**167**	**288**	**3,166**
Liabilities				
Debt securities in issue	61,299	4,023	4,645	69,967
Other liabilities	2,776	169	303	3,248
Total liabilities	**64,075**	**4,192**	**4,948**	**73,215**

Currency exposure in other currency is driven by issuance in foreign currency, fully hedged by derivatives

Note 29

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

SEKm	31 Dec 2011	31 Dec 2010
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	5,904	11,761
– of which repledged or sold	–	–
Total	**5,904**	**11,761**

Note 30

Maturity analyses for assets and liabilities

Remaining maturity 31 Dec 2011, SEKm	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	11	481	5,904	–	–	–	–	6,385
Loans to public	11	–	280,497	43,139	96,505	1,344	–	421,485
Derivatives	12	–	41	461	8,855	2,700	–	12,056
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	–	3	93	1,023	102	–	1,221
Total assets with fixed maturities		**481**	**286,445**	**43,693**	**106,382**	**4,146**	**–**	**441,147**
Other assets		–	–	–	–	–	897	897
Total assets		**481**	**286,445**	**43,693**	**106,382**	**4,146**	**897**	**442,044**
Deposits by credit institutions	17	–	82,948	3,400	–	–	–	86,348
Debt securities in issue	18	–	4,136	37,100	241,555	33,041	–	315,832
Derivatives	12	–	34	543	1,891	724	–	3,192
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	–	–3,955	44	4,355	6,938	–	7,382
Subordinated liabilities	22	–	–	–	–	4,400	–	4,400
Total liabilities with fixed maturities		**–**	**83,163**	**41,087**	**247,801**	**45,103**	**–**	**417,154**
Other liabilities		–	–	–	–	–	10,313	10,313
Equity		–	–	–	–	–	14,577	14,577
Total liabilities and equity		**–**	**83,163**	**41,087**	**247,801**	**45,103**	**24,890**	**442,044**

Remaining maturity 31 Dec 2010, SEKm	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	11	1	11,761	–	–	–	–	11,762
Loans to the public	11	–	287,610	33,446	87,330	1,774	–	410,160
Derivatives	12	–	16	537	4,119	1,321	–	5,993
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	–	32	–14	174	1,341	–	1,533
Total assets with fixed maturities		**1**	**299,419**	**33,969**	**91,623**	**4,436**	**–**	**429,448**
Other assets		–	–	–	–	–	762	762
Total assets		**1**	**299,419**	**33,969**	**91,623**	**4,436**	**762**	**430,210**
Deposits by credit institutions	17	902	82,458	3,000	–	–	–	86,360
Debt securities in issue	18	–	8,074	46,418	223,756	30,414	–	308,662
Derivatives	12	–	1,881	606	2,240	1,916	–	6,643
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	–	39	427	75	1,642	–	2,183
Subordinated liabilities	22	–	–	–	–	3,800	–	3,800
Total liabilities with fixed maturities		**902**	**92,452**	**50,451**	**226,071**	**37,772**	**–**	**407,648**
Other liabilities		–	–	–	–	–	9,251	9,251
Equity		–	–	–	–	–	13,311	13,311
Total liabilities and equity		**902**	**92,452**	**50,451**	**226,071**	**37,772**	**22,562**	**430,210**

Note 31

Related-party transactions

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

Balance sheet	Key management personnel		Nordea Group companies	
SEK (000s)	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Assets				
Loans to credit institutions	–	–	6,385,333	11,761,914
Loans to the public	21,197[1]	17,957	–	–
Derivatives	–	–	12,056,082	5,993,341
Other assets	–	–	189	–
Prepaid expenses and accrued income	–	–	20,993	19,009
Total assets	**21,197**	**17,957**	**18,462,597**	**17,774,264**
Liabilities				
Deposits by credit institutions	–	–	86,348,375	86,360,357
Debt securities in issue	–	–	22,742,568	7,265,209
Derivatives	–	–	3,181,266	6,597,135
Other liabilities	–	–	2,691,971	2,471,902
Accrued expenses and prepaid income	–	–	660,258	116,027
Subordinated liabilities	–	–	4,400,000	3,800,000
Total liabilities	**–**	**–**	**120,024,438**	**106,610,630**
Off balance[2]			414,528,202	372,080,993

[2] Including nominal values on derivatives.

Income statement	Key management personnel		Nordea Group companies	
SEK (000s)	2011	2010	2011	2010
Interest income	518	303	408,164	322,188
Interest expense	–	–	–1,713,963	3,458,115
Net fee and commission income	–	–	–2,731	–2,567
Net result from items at fair value	–	–	7,763,887	–1,903,532
General administrative expenses:				
Staff costs	–	–	–	–
Other expenses	–	–	–474,219	–544,675
Total	**518**	**303**	**5,981,138**	**1,329,529**

Compensations to key management personnel

Compensations to key management personnel are specified in Note 6.

[1] Lending divided by collateral type:

Single family properties	SEK	6,837,866
Tenant-owner apartments	SEK	14,358,950

Note 32
Credit risk disclosures

Loans and receivables to corporate customers, by size of loan

SEKm	31 Dec 2011	%	31 Dec 2010	%
0–10	9,674	10	9,915	10
10–50	28,551	30	30,233	29
50–100	14,287	15	14,911	15
100–250	13,928	14	16,212	16
250–500	11,538	12	11,672	11
500–	18,170	19	19,987	19
Total	**96,148**	**100**	**102,930**	**100**

Past due loans, excl. impaired loans

	31 Dec 2011		31 Dec 2010	
SEKm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	266	41	105	28
31–60 days	–	308	18	222
61–90 days	–	81	–	43
>90 days	–	398	1	294
Total	**266**	**828**	**124**	**587**
Past due not impaired/loans and receivables in %	0.24	0.27	0.11	0.20

Specifications to the Notes

Specification to Note 18:
Swedish bonds, SEK (000s) **2011**

Number	ISIN code	First sales day	Interest rate in %	Due dates for interest	Final payment day	Currency	Outstanding nominal amount
5520[1]	SE0001542333	2005-10-19	3.25	17 June	2015-06-17	SEK	48,393,400
5521[1]	SE0001542341	2005-10-19	3.25	17 June	2020-06-17	SEK	7,254,000
5524[1]	SE0001957341	2007-02-22	4.00	20 June	2012-06-20	SEK	37,016,000
5525[1]	SE0002331975	2008-02-05	4.25	19 June	2013-06-19	SEK	63,870,000
5526[1]	SE0002832667	2009-04-21	4.00	18 June	2014-06-18	SEK	64,038,000
5527[1]	SE0003949874	2011-05-04	4.50	15 June	2016-06-15	SEK	38,447,000
5702[2]	SE0004199321	2011-09-09	3 months' stibor +0.45	[2]	2014-09-09	SEK	1,325,000
5703	SE0004269363	2011-10-19	3.46	19 Oct	2026-10-19	SEK	3,000,000
5704	SE0004297125	2011-11-09	3.535	9 Nov	2021-11-09	SEK	1,000,000
5705	SE0004329506	2011-12-02	3.125	2 Dec	2026-12-02	SEK	1,000,000

1) Tap issues.
2) Loan 5702: Quarterly payment of interest, with starting date 9th December 2011.

Loan 5520-5527, 5703-5705: No interest rate adjustment

Repurchase agreements

5521 – nom. 648,000 with due date 2012-01-04
5521 – nom. 1,830,000 with due date 2012-01-05
5521 – nom. 39,000 with due date 2012-01-09
5527 – nom. 755,000 with due date 2012-01-03
5527 – nom. 201,000 with due date 2012-01-04
5527 – nom. 491,000 with due date 2012-01-09

EMTN (bonds issued in foreign currency) **2011**

ISIN code	Issue day	Final payment day	Interest rate, %[1]	Currency	Outstanding nominal amount in currency, (000s)[1]
XS0285686738	2007-02-06	2014-02-06	4.25	EUR	1,230,000
CH0039681017	2008-05-22	2015-05-22	3.375	CHF	200,000
CH0111216427	2010-04-07	2016-06-07	1.875	CHF	250,000
XS0478492415	2010-01-18	2017-01-18	3.50	EUR	1,500,000
Total other bonds issued under the EMTN programme (converted into SEK):					10,788,883

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) **2011**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
Total other bonds issued (converted into SEK):				9,643,675

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

Specification to Note 22:
Subordinated liabilities, SEK (000s) **2011**

Number	Currency	Interest rate, %	Call date	Due date	Outstanding nominal amount
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
Loan 8	SEK	3 months' stibor +4.50	2016-12-29	2021-12-29	1,600,000

1) Issued under the EMTN programme

Proposed distribution of earnings

After the company paid group contributions amounting to SEK 2,691,433,000 the following amount is available for distribution by the Annual General Meeting of Shareholders:

Other reserves	1,266,133,000 SEK
Retained Profit	11,217,412,000 SEK
Net profit for the year	1,983,578,000 SEK
Total	**14,467,123,000SEK**

The Board of Directors and the President propose that

To be carried forward	14,467,123,000 SEK

It is the assessment of the Board of Directors that the proposed group contribution is justifiable considering the demands with respect to the size of the Company's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's need for consolidation, liquidity and financial position in general.

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 24 February 2012

Kurt Gustafsson
Chairman

Torsten Allqvie Ulla Hermann Erik Gref Nils Lindberg Tina Sandvik

Michael Skytt
President

Our audit report was submitted on 24 February 2012

KPMG AB

Hans Åkervall
Authorised Public Accountant

Auditor's Report

This document is a translated version of the Swedish Auditor's Report

To the annual meeting of the shareholders of Nordea Hypotek AB (publ)
Corporate identity number 556091-5448

Report on the annual accounts
We have audited the annual accounts of Nordea Hypotek AB (publ) for the year 2011. The annual accounts of the company are included in the printed version of this document on pages 1–37.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The Board of Director's report is consistent with the other parts of the annual accounts. We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Hypotek AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 24 February 2012

KPMG AB

Hans Åkervall
Authorised Public Accountant

Board of Directors, Auditor and Management

Board of Directors

Chairman

Kurt Gustafsson, born 1954
Nordea Bank AB (publ)
Head of Products, Retail Banking

Members

Torsten Allqvie, born 1959
Nordea Bank AB (publ)
Deputy Head Banking Sweden,
Retail Banking

Erik Gref, born 1967
Nordea Bank AB (publ)
Head of Segment Household &
Group Marketing Sweden,
Segments Retail Banking

Ulla Hermann, born 1952
Nordea Bank AB (publ)
Head of Group Credit Retail
Banking Sweden, Group Credit

Tina Sandvik born 1967
Nordea Bank AB (publ)
Head of Corporate Sweden,
Segments Retail Banking

Nils Lindberg, born 1947
Pandox AB
Senior Adviser

Michael Skytt, born 1959
President of
Nordea Hypotek AB (publ)
Head of Deposit & Loan Products
Sweden, Products, Retail Banking

Auditor

KPMG AB
Hans Åkervall
Authorised Public Accountant

Management

Michael Skytt, born 1959
President

Lars Andersson, born 1959
Head of Credits

Peter Paulsson, born 1954
Head of Administration

Addresses

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