

## Interim report January – June 2016 for Nordea Hypotek AB (publ)

### Result

Operating profit amounted to SEK 3,362m (2,774), an increase of 21.2% compared with the same period the previous year.

The result compared to the previous period was mainly affected by the following factors:

- Net interest income rose SEK 628m, an increase of 20.5% compared to the same period last year.
- Net result from financial items at fair value declined by SEK 30m. This is chiefly attributable to financial instruments under hedge accounting and reduced interest rate differential compensation, which negatively affected the item by SEK 62m, and reduced repurchasing of issued bonds entered at amortised cost, which had a positive effect of SEK 32m on the item.
- Credit losses amounted to SEK -5.6m (-8.2) net, and are entirely attributable to household lending.

### Income

Net interest income for the period amounted to SEK 3,690m (3,062). Net fee and commission income amounted to SEK 10m (19). In the first quarter of 2016, the resolution fee (former stability fee) was re-classified from being a commission expense to an interest expense, which had a positive effect on net fee and commission income in the amount of SEK 68m, and a negative effect on net interest income in the amount of SEK 68m during the period, see Note 1 in the section Changed accounting policies. The resolution fee for the 2016 full year is estimated at approx. SEK 136.5m.

### Expenses

Operating expenses amounted to SEK 263m (260), an increase of SEK 3m or 1.1% compared to the same period last year. This is mainly because, in 2016, a review has been performed of selling and administrative expenses paid by Nordea Hypotek to the parent company.

### Loans

At the end of the report period, lending to the public was at SEK 517,738m (486,250), exceeding last year's volume by 6.5% (4.7).

Lending to household customers rose 8.0% (7.5), amounting at the close of the period to SEK 425,820m (394,103). Lending to legal entities decreased by 0.2% (-5.7), amounting at the close of the period to SEK 91,917m (92,147).

### Impaired loans and loan losses

Impaired loans, gross, amounted to SEK 594m (453). The net amount from recoveries and new loan losses

gave a loss of SEK -5.6m (loss of -8.2).

### Funding

Long-term funding is mainly secured by means of the issuance of covered bonds on the Swedish market, with maturities from two to ten years. During the period, bonds equalling SEK 58,900m were issued in Swedish kronor (52,700). The remaining bond volume at 30 June 2016 was SEK 307,396m (289,006), of which SEK 24,930m (28,967) was issued in currencies other than SEK.

At 30 June 2016, Nordea Hypotek had outstanding dated debenture loans from the parent company totalling SEK 4.7bn (4.7).

In June 2016 Nordea Hypotek received an unconditional shareholders' contribution of SEK 4.7bn from the parent company.

Covered bonds are funding instruments, regulated by a separate Swedish Act, which grant the investor priority in the event of the borrower's bankruptcy.

Covered bonds may only be issued following special permission from the Financial Supervisory Authority and on the basis of high-quality assets. Covered bonds and assigned ratings provide the company with a broader base of funding sources.

In addition to the aforementioned long-term borrowing, during the period the company regularly secured funding through short-term borrowing with the parent company.

### Rating

Since June 2006, the company has been rated Aaa by Moody's Investor Service and AAA by Standard & Poor's for the covered bonds which account for the company's main long-term funding.

### Capital adequacy

Nordea uses the Internal Ratings-based (IRB) approach (internal risk classification) for calculating credit risk in the exposure classes corporate, institution and household. Other exposure classes, e.g. sovereigns, are calculated according to the standardised approach until further notice.

At the end of June, Nordea Hypotek's RWA amounted to SEK 268,268m, applying the floor rule. The tier 1 capital ratio was 9.1% and the capital ratio was 10.9% including profit for the period. Excluding the premium for the transition rules, the company's risk-weighted assets amounted to SEK 36,482m with a tier 1 capital

of 66.9 % and a capital ratio of 79.8% including profit for the period.

### **Regulatory developments**

On 24 May the Swedish Financial Supervisory Authority published its formally adopted supervisory methods and maturity floor which will entail higher capital requirements, primarily for the corporate exposures of banks using the IRB approach. It is a more cautious calculation of the probability of default and the maturity floor, which entails higher capital requirements. The maturity floor is introduced in the 2016 supervisory review and evaluation process and the new basis for calculation the probability of default will probably be introduced in 2016.

### **Change in the Board of Directors**

Ulla Hermann and Manuella Hansson have left the board in 2016. Cathrine Bognäs, Head of local Group Credit Risk in Retail Banking Sweden, and Elisabet Olin, Business Risk Manager Banking Sweden, were elected ordinary Board members of the company at the AGM on 14 March 2016.

### **Material events after the balance sheet date**

No major events have occurred since 30 June 2016.

### **Assurance of the Board of Directors**

The January–June interim report provides a fair overview of the company's operations, financial position and result, and describes material risks and uncertainties faced by the company.

Stockholm, 24 August 2016

Torsten Allqvist  
*Chairman of the Board*

Elisabet Olin

Cathrine Bognäs

Nils Lindberg

Peter Dalmalm

Michael Skytt  
*Managing Director*

Nordea Hypotek AB (publ), corporate registration number 556091-5448, is part of the Nordea Group, and is a wholly owned subsidiary of Nordea Bank AB (publ). This Interim report has not been subject to review by the company's auditors.
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**Income statement**

SEK (000s)	Note	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
<b>Operating income</b>				
Interest income		4,340,961	4,940,059	9,465,968
Interest expense		-651,437	-1,877,721	-2,778,638
<b>Net interest income</b>		<b>3,689,524</b>	<b>3,062,338</b>	<b>6,687,330</b>
Fee and commission income	3	25,644	26,421	53,855
Fee and commission expense	3	-16,050	-7,768	-30,771
<b>Net fee and commission income</b>		<b>9,594</b>	<b>18,653</b>	<b>23,084</b>
Net result from items at fair value	4	-69,023	-39,106	-140,069
<b>Total operating income</b>		<b>3,630,095</b>	<b>3,041,885</b>	<b>6,570,345</b>
<b>Operating expenses</b>				
General administrative expenses:				
Staff costs		-3,844	-3,678	-7,347
Other expenses		-258,598	-256,114	-510,284
<b>Total operating expenses</b>		<b>-262,442</b>	<b>-259,792</b>	<b>-517,631</b>
<b>Profit before loan losses</b>		<b>3,367,653</b>	<b>2,782,093</b>	<b>6,052,714</b>
Net loan losses	5	-5,556	-8,196	-22,413
<b>Operating profit</b>		<b>3,362,097</b>	<b>2,773,897</b>	<b>6,030,301</b>
Income tax expense		-739,662	-610,756	-1,326,513
<b>Net profit for the period</b>		<b>2,622,435</b>	<b>2,163,141</b>	<b>4,703,788</b>

**Statement of comprehensive income**

SEK (000s)	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
<b>Net profit for the year</b>	<b>2,622,435</b>	<b>2,163,141</b>	<b>4,703,788</b>
<b>Items that may be reclassified subsequently to income statement</b>			
Cash flow hedges			
Valuation gains/losses during the year	84,036	136,644	226,429
Tax on valuation gains/losses during the year	-18,488	-30,062	-49,815
<b>Other comprehensive income, net of tax</b>	<b>65,548</b>	<b>106,582</b>	<b>176,614</b>
<b>Total comprehensive income</b>	<b>2,687,983</b>	<b>2,269,723</b>	<b>4,880,402</b>

**Balance sheet**

SEK (000s)	Note	30 Jun 2016	31 Dec 2015	30 Jun 2015
<b>Assets</b>				
Loans to credit institutions	6	3,264,440	2,601,665	232,305
Loans to the public	6	517,737,757	500,852,335	486,249,903
Derivatives	7	10,653,833	9,791,505	9,381,994
Fair value changes of the hedged items in portfolio hedge of interest rate risk		95,070	57,115	230,220
Current tax assets		1	152,614	0
Other assets		2,830,247	2,485,275	1,840,321
Prepaid expenses and accrued income		645,750	550,079	447,401
<b>Total assets</b>		<b>535,227,098</b>	<b>516,490,588</b>	<b>498,382,144</b>
<b>Liabilities</b>				
Deposits by credit institutions		177,539,193	157,977,265	168,485,834
Debt securities in issue		315,536,204	320,934,176	295,484,311
Derivatives	7	621,878	1,715,465	2,226,600
Fair value changes of the hedged items in portfolio hedge of interest rate risk		9,877,144	6,449,509	7,360,486
Current tax liabilities		327,495	-	3,791
Other liabilities		1,266,766	6,746,926	1,217,627
Accrued expenses and prepaid income		155,936	170,659	210,307
Deferred tax liabilities		157,642	139,154	119,401
Subordinated liabilities		4,701,469	4,702,046	4,701,757
<b>Total liabilities</b>		<b>510,183,727</b>	<b>498,835,200</b>	<b>479,810,114</b>
<b>Equity</b>				
Share capital		110,000	110,000	110,000
Other reserves		558,912	493,364	423,332
Retained earnings		24,374,459	17,052,024	18,038,698
<b>Total equity</b>		<b>25,043,371</b>	<b>17,655,388</b>	<b>18,572,030</b>
<b>Total liabilities and equity</b>		<b>535,227,098</b>	<b>516,490,588</b>	<b>498,382,144</b>
Assets pledged as security for own liabilities		495,785,371	478,807,936	463,954,151
Contingent liabilities		-	-	-
Commitments		-	120,000	145,000
<b>Other notes</b>				
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**Statement of changes in equity**

	<b>Restricted equity</b>	<b>Unrestricted equity</b>	<b>Unrestricted equity</b>	
<b>SEK (000s)</b>	<b>Share capital<sup>1)</sup></b>	<b>Cash flow- hedges</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 Jan 2016</b>	<b>110,000</b>	<b>493,364</b>	<b>17,052,024</b>	<b>17,655,388</b>
Total comprehensive income	-	65,548	2,622,435	2,687,983
Shareholder's contribution received	-	-	4,700,000	4,700,000
<b>Balance at 30 Jun 2016</b>	<b>110,000</b>	<b>558,912</b>	<b>24,374,459</b>	<b>25,043,371</b>

	<b>Share capital<sup>1)</sup></b>	<b>Cash flow- hedges</b>	<b>Retained earnings</b>	<b>Total</b>
<b>SEK (000s)</b>	<b>Share capital<sup>1)</sup></b>	<b>Cash flow- hedges</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 Jan 2015</b>	<b>110,000</b>	<b>316,750</b>	<b>15,875,557</b>	<b>16,302,307</b>
Total comprehensive income	-	176,614	4,703,788	4,880,402
Group contribution paid	-	-	-4,522,206	-4,522,206
Tax effect of group contribution	-	-	994,885	994,885
<b>Balance at 31 Dec 2015</b>	<b>110,000</b>	<b>493,364</b>	<b>17,052,024</b>	<b>17,655,388</b>

	<b>Share capital<sup>1)</sup></b>	<b>Cash flow- hedges</b>	<b>Retained earnings</b>	<b>Total</b>
<b>SEK (000s)</b>	<b>Share capital<sup>1)</sup></b>	<b>Cash flow- hedges</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 Jan 2015</b>	<b>110,000</b>	<b>316,750</b>	<b>15,875,557</b>	<b>16,302,307</b>
Total comprehensive income	-	106,582	2,163,141	2,269,723
<b>Balance at 30 Jun 2015</b>	<b>110,000</b>	<b>423,332</b>	<b>18,038,698</b>	<b>18,572,030</b>

<sup>1)</sup> 100,000 Shares

**Cash flow statement**

SEK (000s)	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
<b>Operating activities</b>			
Operating profit	3,362,097	2,773,897	6,030,301
Adjustments for items not included in cash flow	-3,999,376	-4,109,440	-427,602
Income tax paid	-259,554	-248,986	-126,263
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>-859,833</b>	<b>-1,584,529</b>	<b>5,476,436</b>
<b>Changes in operating assets</b>			
Changes in lending to the public	-16,891,226	-11,357,696	-25,974,844
Changes in derivatives, net	1,451,241	2,497,134	952,341
Changes in other assets	-344,972	-364,162	-1,009,115
<b>Changes in operating liabilities</b>			
Change in deposits by credit institutions	19,621,801	17,896,995	7,420,660
Change in debt securities in issue	-1,497,077	-2,317,061	19,267,469
Change in other liabilities	-5,480,159	-4,629,725	-3,622,631
<b>Cash flow from operating activities</b>	<b>-4,037,225</b>	<b>140,956</b>	<b>2,510,316</b>
<b>Financing activities</b>			
Shareholders' contribution received	4,700,000	-	-
<b>Cash flow from financing activities</b>	<b>4,700,000</b>	<b>-</b>	<b>-</b>
<b>Cash flow for the period</b>	<b>662,775</b>	<b>140,956</b>	<b>2,510,316</b>
Cash and cash equivalents at beginning of period	2,601,665	91,349	91,349
Cash and cash equivalents at end of period	3,264,440	232,305	2,601,665
<b>Change</b>	<b>662,775</b>	<b>140,956</b>	<b>2,510,316</b>

**Cash and cash equivalents**

SEK (000s)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Loans to credit institutions, payable on demand	3,264,440	232,305	2,601,665

## Note 1 Accounting policies

The interim financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation for legal entities (RFR 2) from the Swedish Financial Reporting Board have been applied.

The same accounting policies and calculation methods have been used for the interim report as for the 2015 annual report. Further information is presented in Note 1 of the 2015 annual report. The changes implemented in 2016 are described in the section “Changed accounting policies” below.

### Changed accounting policies

The following amendments published by IASB came into force on 1 January 2016 but have not had any significant impact on the financial statements of Nordea Hypotek:

- IAS 1 “Disclosure Initiative”
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Annual Improvements to IFRSs, 2012-2014

Amendments have also been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), which started to apply on 1 January 2016. These amendments have not had any significant impact on Nordea Hypotek’s financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulations FFFS 2008:25 through the issuance of FFFS 2015:20. Nordea Hypotek implemented these changes on 1 January 2016 but they have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities through “RFR 2 Accounting for Legal Entities – January 2016”. These changes were implemented on 1 January 2016 but have not had any significant impact on the financial statements.

### Changed presentation of stability/resolution fees

In order to follow practice on the local market, Nordea Hypotek has reclassified fees to the government guarantee programme from “Net fee and commission income” to “Net interest income”. The comparative figures have been restated and the impact on the current and prior periods is shown in the table below. The changed presentation has not had any impact on the balance sheet or equity.

	Jan-Jun 2016			Jan-Jun 2015			Full-year 2015		
	Old policy	Restatement	New policy	Old policy	Restatement	New policy	Old policy	Restatement	New policy
<b>SEKm</b>									
Net interest income	3,758	-68	3,690	3,119	-57	3,062	6,805	-118	6,687
Net fee and commission income	-58	68	10	-38	57	19	-95	118	23

### Effect on capital adequacy from new or amended IFRSs not yet applied

#### IFRS 9 “Financial instruments”

IASB has completed the new standard for financial instruments, IFRS 9 “Financial instruments”. IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard may be applied early, but IFRS 9 has not yet been endorsed by the EU Commission. Nordea Hypotek does not currently intend to early adopt the standard.

The changes in classification and measurement rules are not expected to have a significant impact on Nordea Hypotek’s income statement or balance sheet as the mixed measurement model will be maintained, and as there will still be a measurement category similar to the current Available For Sale (AFS) category in IAS 39. No significant reclassifications between fair value and amortised cost or substantial impact on the capital adequacy or large exposures

are expected, but this is naturally dependent on the financial instruments on Nordea Hypotek's balance sheet at transition. The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, the new requirements are expected to increase loan loss provisions, reduce equity and have a negative impact on capital adequacy at transition, but no impact on large exposures in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea Hypotek does not calculate collective measurements for off balance sheet items or the "Financial instruments available for sale" category. The assets to test for impairment will be divided into three groups. Stage 1 includes assets in which there has been no significant deterioration in credit risk, stage 2 includes assets in which there has been a significant deterioration and stage 3 includes assets that have been individually assessed to be impaired. In stage 1 the provisions should equal the expected loss in the next 12 months. In stages 2 and 3, the provisions should equal the lifetime of expected losses. Nordea Hypotek's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea Hypotek does not either hold any provisions for assets in which there has been no deterioration in credit risk. For assets for which there has been a significant increase in credit risk, Nordea Hypotek currently holds provisions equal to the losses expected to emerge during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so-called "emergence period", while IFRS 9 will require provisions equal to the lifetime of the expected credit losses. This means total provisions will increase when IFRS 9 is implemented.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea Hypotek generally uses macro (portfolio) hedge accounting, Nordea Hypotek's assessment is that the new requirements will not have any significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application. Nordea Hypotek has not yet finalised the impact assessment of the implementation of IFRS 9.

#### ***IFRS 15 "Revenue from Contracts with Customers"***

The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The European Commission is expected to endorse the standard in the third quarter of 2016. Nordea Hypotek does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea Hypotek has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application.

#### ***Other amendments to IFRS***

Other amendments to IFRS are not expected to have any impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application.

### **Note 2 Segment reporting**

	Operating segments					
	Banking Sweden		Group Treasury		Other Operating segments	
	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015
SEKm						
Total operating income	4,283	4,819	-716	-1,916	-32	41
Operating profit	4,277	4,811	-724	-1,916	-40	24
Loans to the public	510,920	479,304	-	-	6,818	6,946
	Total Operating segments		Reconciliation		Total	
	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015
SEKm						
Total operating income	3,535	2,944	95	98	3,630	3,042
Operating profit	3,513	2,919	-151	-145	3,362	2,774
Loans to the public	517,738	486,250	-	-	517,738	486,250



**Reconciliation between total operating segments and financial statements**

SEKm	Jan-Jun 2016		Jan-Jun 2015	
	Operating profit	Loans to the public	Operating profit	Loans to the public
Total operating segments	3,513	517,738	2,919	486,250
Group functions and unallocated items	-151	-	-145	-
<b>Total</b>	<b>3,362</b>	<b>517,738</b>	<b>2,774</b>	<b>486,250</b>

**Reportable operating segments**

Compared with the 2015 Annual Report there have been no changes in the basis of segmentation.

Banking Sweden provides full-service banking operations for private individuals and corporate customers and comprises Nordea Hypotek's biggest customer area. Other Operating segments mainly relate to Wholesale Banking and the support function Operations within banking operations. Group functions and result that is not fully allocated to any of the operating segments are shown separately as reconciling items in the above table. Nordea Hypotek has short-term borrowing from Nordea Bank AB. Because Stibor (3m) is negative, Nordea Hypotek gains revenue from each such instance of borrowing, while Nordea Bank AB incurs equivalent expense. This, combined with declining market rates, is the main reason why the interest expenses of Group Treasury, which manages Nordea Hypotek's borrowings, have declined by approx. SEK 1,200m compared with the same period of 2015. The PL effect of the short-term borrowing, which is linked to three-month Stibor, which Nordea Hypotek has with the parent company, was SEK +310m in the first half of 2016.

**Note 3 Net fee and commission income**

Tkr	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Loan commissions	11,830	12,325	24,550
Other commission income	13,814	14,096	29,305
<b>Fee and commission income</b>	<b>25,644</b>	<b>26,421</b>	<b>53,855</b>
Security commissions	-15,995	-7,721	-30,675
Other commission expenses	-55	-47	-96
<b>Fee and commission expenses<sup>1</sup></b>	<b>-16,050</b>	<b>-7,768</b>	<b>-30,771</b>
<b>Net fee and commission income</b>	<b>9,594</b>	<b>18,653</b>	<b>23,084</b>

<sup>1</sup> In Q1 2016 the resolution fee (former stability fee) was reclassified from commission expense to interest expense.

**Note 4 Net result from items at fair value**

SEK (000s)	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Interest-bearing securities and other interest-related instruments	-69,023	-39,106	-140,069
<b>Total</b>	<b>-69,023</b>	<b>-39,106</b>	<b>-140,069</b>

**Note 5 Net loan losses**

SEK (000s)	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
<b>Loan losses divided by class</b>			
<i>Loans and receivables to the public</i>			
Realised loan losses	-9,510	-11,442	-60,710
Allowances to cover realised loan losses	-	-	35,072
Recoveries on previous loan losses	248	3,246	3,744
Provisions	-339	-	-32,962
Reversals of previous provisions	4,045	-	32,443
<b>Total</b>	<b>-5,556</b>	<b>-8,196</b>	<b>-22,413</b>

## Note 6 Loans and impairment

SEKm	Credit institutions			The public		
	30 Jun 2016	31 Dec 2015	30 Jun 2015	30 Jun 2016	31 Dec 2015	30 Jun 2015
Loans, not impaired	3,264	2,602	232	517,209	500,317	485,901
Impaired loans:	-	-	-	594	604	453
- Performing	-	-	-	19	149	198
- Non-performing	-	-	-	575	455	255
<b>Loans before allowances</b>	<b>3,264</b>	<b>2,602</b>	<b>232</b>	<b>517,803</b>	<b>500,921</b>	<b>486,354</b>
Allowances for individually assessed impaired loans	-	-	-	-16	-16	-77
- Performing	-	-	-	-2	-1	-61
- Non-performing	-	-	-	-14	-15	-16
Allowances for collectively assessed impaired loans	-	-	-	-49	-53	-27
<b>Allowances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-65</b>	<b>-69</b>	<b>-104</b>
<b>Loans, carrying amount</b>	<b>3,264</b>	<b>2,602</b>	<b>232</b>	<b>517,738</b>	<b>500,852</b>	<b>486,250</b>

SEKm	Total		
	30 Jun 2016	31 Dec 2015	30 Jun 2015
Loans, not impaired	520,473	502,919	486,133
Impaired loans: <sup>1</sup>	594	604	453
- Performing	19	149	198
- Non-performing	575	455	255
<b>Loans before allowances</b>	<b>521,067</b>	<b>503,523</b>	<b>486,586</b>
Allowances for individually assessed impaired loans	-16	-16	-77
- Performing	-2	-1	-61
- Non-performing	-14	-15	-16
Allowances for collectively assessed impaired loans	-49	-53	-27
<b>Allowances</b>	<b>-65</b>	<b>-69</b>	<b>-104</b>
<b>Loans, carrying amount</b>	<b>521,002</b>	<b>503,454</b>	<b>486,482</b>

<sup>1</sup> As of Q4 2015 a collective provision is now included for defaulting household loans in impaired loans. This is a consequence of the implementation at that time of a new collective provisions model in the Nordea Group.

**Note 6 Continuation****Allowances and provisions**

<b>SEK (000s)</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
Allowances for items in the balance sheet	-64,941	-68,647	-104,000
<b>Total allowances</b>	<b>-64,941</b>	<b>-68,647</b>	<b>-104,000</b>

**Key ratios**

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
Impairment rate, gross <sup>1</sup> , basis points	11.4	12.0	9.3
Impairment rate, net <sup>2</sup> , basis points	11.1	11.7	7.7
Total allowance rate <sup>3</sup> , basis points	1.2	1.4	2.1
Allowances in relation to impaired loans <sup>4</sup> , %	2.7	2.7	17.0
Total allowances in relation to impaired loans <sup>5</sup> , %	10.9	11.4	22.9

<sup>1</sup> Individually assessed impaired loans before allowances divided by total loans before allowances, basis points.

<sup>2</sup> Individually assessed impaired loans after allowances divided by total loans before allowances, basis points.

<sup>3</sup> Total allowances divided by total loans before allowances, basis points.

<sup>4</sup> Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances, %.

<sup>5</sup> Total allowance divided by total impaired loans before allowances, %.

**Note 7 Derivatives**

<b>Fair value, SEKm</b>	<b>30 Jun 2016</b>		<b>31 Dec 2015</b>		<b>30 Jun 2015</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Derivatives used for hedging</b>						
Interest rate derivatives	9,428	315	8,687	1,073	8,090	1,551
Foreign exchange derivatives	1,226	307	1,105	642	1,292	676
<b>Total</b>	<b>10,654</b>	<b>622</b>	<b>9,792</b>	<b>1,715</b>	<b>9,382</b>	<b>2,227</b>

<b>Nominal amount, SEKm</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
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**Derivatives used for hedging**

Interest rate derivatives	316,342	304,975	273,668
Foreign exchange derivatives	27,198	29,211	31,129
<b>Total</b>	<b>343,540</b>	<b>334,186</b>	<b>304,798</b>

**Note 8 Classification of financial instruments**

<b>SEKm</b>	<b>Loans and receivables</b>	<b>Derivatives used for hedging</b>	<b>Non financial assets</b>	<b>Total</b>
<b>Financial assets</b>				
Loans to credit institutions	3,264	-	-	3,264
Loans to the public	517,738	-	-	517,738
Derivatives	-	10,654	-	10,654
Fair value changes of the hedged items in portfolio hedge of interest rate risk	95	-	-	95
Other assets	2,830	-	0	2,830
Prepaid expenses and accrued income	646	-	-	646
<b>Total 30 Jun 2016</b>	<b>524,573</b>	<b>10,654</b>	<b>0</b>	<b>535,227</b>
Total 31 Dec 2015	506,546	9,792	153	516,491

<b>SEKm</b>	<b>Derivatives used for hedging</b>	<b>Other financial liabilities</b>	<b>Non financial liabilities</b>	<b>Total</b>
<b>Financial liabilities</b>				
Deposits by credit institutions	-	117,539	-	177,539
Debt securities in issue	-	315,536	-	315,536
Derivatives	622	-	-	622
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	9,877	-	9,877
Other liabilities	-	1,266	486	1,752
Accrued expenses and prepaid income	-	25	131	156
Subordinated liabilities	-	4,702	-	4,702
<b>Total 30 Jun 2015</b>	<b>622</b>	<b>508,945</b>	<b>617</b>	<b>510,184</b>
Total 31 Dec 2015	1,715	496,840	279	498,835

**Note 9 Fair value of financial assets and liabilities**

SEKm	30 Jun	30 Jun	31 Dec	31 Dec
	2016	2016	2015	2015
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<b>Assets</b>				
Loans	521,097	522,287	503,511	513,074
Derivatives <sup>1</sup>	10,654	10,654	9,792	9,792
Other assets	2,830	2,830	2,485	2,485
Prepaid expenses and accrued income	646	646	550	550
<b>Total assets</b>	<b>535,227</b>	<b>536,417</b>	<b>516,338</b>	<b>525,901</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	507,654	507,753	490,063	489,727
Derivatives <sup>1</sup>	622	622	1,715	1,715
Other liabilities	1,266	1,266	6,747	6,747
Accrued expenses and prepaid income	25	25	31	31
<b>Total liabilities</b>	<b>509,567</b>	<b>509,666</b>	<b>498,556</b>	<b>498,220</b>

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

The determination of fair value is described in the Annual report 2015, Note 23 “Assets and liabilities at fair value”.

**Measurement of offsetting positions**

Financial assets and liabilities with offsetting positions in market risk or credit risk are measured on the basis of the price that would be received to sell the net asset exposed for that particular risk or paid to transfer the net liability exposed for that particular risk. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual report 2015, Note 23 “Assets and liabilities at fair value”.

**Note 10 Capital adequacy****Summary of items included in own funds**

SEKm	30 Jun	31 Dec <sup>2</sup>	30 Jun
	2016	2015	2015
Calculation of own funds			
Equity	22,421	17,655	16,409
Common Equity Tier 1 capital before regulatory adjustments	22,421	17,655	16,409
IRB provisions shortfall (-)	-128	-133	-144
Other items, net	-565	-428	-423
Total regulatory adjustments to common Equity Tier 1 capital	-693	-561	-567
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>21,728</b>	<b>17,094</b>	<b>15,842</b>
<b>Tier 1 capital (net after deduction)</b>	<b>21,728</b>	<b>17,094</b>	<b>15,842</b>
Tier 2 capital before regulatory adjustments	4,700	4,700	4,700
IRB provisions excess (+)	22	-	-
Total regulatory adjustments to Tier 2 capital	22	-	-
Tier 2 Capital	4,722	4,700	4,700
<b>Own funds (net after deduction)<sup>1</sup></b>	<b>26,450</b>	<b>21,794</b>	<b>20,542</b>

<sup>1</sup> Own funds adjusted IRB provisions, i.e., adjusted own funds equal 26,556 by 30 June 2016.

<sup>2</sup> Including profit.

**Own funds including profit**

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>SEKm</b>			
Common Equity Tier 1 capital, including profit	24,399	17,094	18,005
Total Own Funds, including profit	29,122	21,794	22,705

**Minimum capital requirement and REA**

	<b>30 Jun 2016</b>		<b>31 Dec 2015</b>		<b>30 Jun 2015</b>	
<b>SEKm</b>	<b>Min. Capital- requirement</b>	<b>REA</b>	<b>Min. Capital- requirement</b>	<b>REA</b>	<b>Min. Capital- requirement</b>	<b>REA</b>
<b>Credit risk</b>	<b>2,248</b>	<b>28,102</b>	<b>2,208</b>	<b>27,602</b>	<b>2,279</b>	<b>28,481</b>
-of which counterparty credit risk	0	2	1	10	1	13
<b>IRB</b>	<b>2,236</b>	<b>27,954</b>	<b>2,207</b>	<b>27,595</b>	<b>2,274</b>	<b>28,424</b>
- corporate	767	9,581	770	9,621	793	9,919
- <i>advanced</i>	767	9,581	770	9,621	793	9,919
- <i>foundation</i>	-	-	-	-	-	-
- institutions	35	442	2	33	6	81
- retail	1,410	17,624	1,417	17,711	1,464	18,295
- <i>secured by immovable property collateral</i>	1,284	16,047	1,278	15,976	1,310	16,373
- <i>other retail</i>	126	1,577	139	1,735	154	1,922
- other	24	307	18	230	11	129
<b>Standardised</b>	<b>12</b>	<b>148</b>	<b>1</b>	<b>7</b>	<b>5</b>	<b>57</b>
- central governments or central banks	0	0	0	0	0	0
- regional government or local authorities	10	124	-	-	-	-
- institutions	2	24	1	7	5	57
- of which secured by mortgages on immovable properties	0	0	0	0	0	0
<b>Credit Value Adj. Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Market risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operational risk</b>	<b>646</b>	<b>8,075</b>	<b>548</b>	<b>6,854</b>	<b>548</b>	<b>6,854</b>
Standardised	646	8,075	548	6,854	548	6,854
<b>Additional risk exposure</b>						
<b>Amount due to Article 3 CCR</b>	<b>25</b>	<b>305</b>	<b>25</b>	<b>309</b>	<b>-</b>	<b>-</b>
<b>Sub total</b>	<b>2,919</b>	<b>36,482</b>	<b>2,781</b>	<b>34,765</b>	<b>2,827</b>	<b>35,335</b>
<b>Adjustment for Basel 1 floor</b>						
Additional capital requirement	18,542	231,786	17,667	220,838	16,846	210,576
<b>Total</b>	<b>21,461</b>	<b>268,268</b>	<b>20,448</b>	<b>255,603</b>	<b>19,673</b>	<b>245,911</b>

**Minimum Capital Requirement & Buffers**

<b>Percentage</b>	<b>Buffers</b>					<b>Capital Buffers</b>	
	<b>Minimum Capital Requirement</b>	<b>CCOB</b>	<b>CCyB</b>	<b>SII</b>	<b>SRB</b>	<b>Total</b>	<b>Total</b>
Common Equity Tier capital	4.5	2.5	1.5	-	-	4.0	<b>8.5</b>
Tier 1 Capital	6.0	2.5	1.5	-	-	4.0	<b>10.0</b>
Own funds	8.0	2.5	1.5	-	-	4.0	<b>12.0</b>

**SEKm**

Common Equity Tier capital	1,642	912	547	-	-	1,459	<b>3,101</b>
Tier 1 Capital	2,189	912	547	-	-	1,459	<b>3,648</b>
Own funds	2,919	912	547	-	-	1,459	<b>4,378</b>

**Common Equity Tier 1 available to meet Capital Buffers**

	<b>30 Jun 2016</b>	<b>31 Dec<sup>1</sup> 2015</b>	<b>30 Jun 2015</b>
<b>Percentage points of REA</b>			
Common Equity Tier I capital	53.6	43.2	38.8

<sup>1</sup> Including profit of the period.**Capital ratios**

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>Percentage</b>			
Common Equity Tier I capital ratio, including profit	66.9	49.2	51.0
Tier I ratio, including profit	66.9	49.2	51.0
Total capital ratio, including profit	79.8	62.7	64.3
Common Equity Tier I capital ratio, excluding profit	59.6	35.4	44.8
Tier I ratio, excluding profit	59.6	35.4	44.8
Total capital ratio, excluding profit	72.5	49.0	58.1

**Capital ratios including Basel I floor**

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>Percentage</b>			
Common Equity Tier I capital ratio, including profit	9.1	6.7	7.4
Tier I ratio, including profit	9.1	6.7	7.4
Total capital ratio, including profit	10.9	8.6	9.3
Common Equity Tier I capital ratio, excluding profit	8.1	4.9	6.5
Tier I ratio, excluding profit	8.1	4.9	6.5
Total capital ratio, excluding profit	9.9	6.7	8.4

**Leverage ratio**

	<b>30 Jun 2016</b>	<b>31 Dec<sup>1</sup> 2015</b>	<b>30 Jun 2015</b>
Tier 1 capital, transitional definition, SEKm	21,728	17,094	15,842
Leverage ratio exposure, SEKm	555,727	530,675	514,628
Leverage ratio, percentage	3.9	3.2	3.1

<sup>1</sup> Including profit of the period.

**Credit risk exposures for which internal models are used, split by rating grade**

	On balance exposure, SEKm	Off balance exposure, SEKm	Exposure value EAD SEKm <sup>1</sup>	Of Which EAD for off balance, SEKm	Exposure weighted average risk weight:
Corporate, advanced IRB	82,829	-	75,640	-	13
-of which rating grades 6	44,431	-	39,835	-	6
-of which rating grades 5	15,148	-	13,325	-	12
-of which rating grades 4	21,679	-	21,011	-	25
-of which rating grades 3	1,282	-	1,236	-	35
-of which rating grades 2	37	-	37	-	64
-of which rating grades 1	11	-	11	-	76
-of which unrated	238	-	182	-	82
-of which defaulted	3	-	3	-	322
Institutions, foundation IRB	1,600	-	1,600	-	28
-of which rating grades 6	1,600	-	1,600	-	28
-of which rating grades 5	-	-	-	-	-
-of which rating grades 4	-	-	-	-	-
-of which rating grades 3	-	-	-	-	-
-of which rating grades 2	-	-	-	-	-
-of which rating grades 1	-	-	-	-	-
-of which unrated	-	-	-	-	-
-of which defaulted	-	-	-	-	-
Retail, of which secured by real estate	411,628	38,626	450,254	38,626	4
-of which scoring grades A	352,751	34,931	387,683	34,931	2
-of which scoring grades B	37,010	3,695	40,705	3,695	6
-of which scoring grades C	16,193	-	16,193	-	13
-of which scoring grades D	4,232	-	4,232	-	22
-of which scoring grades E	-	-	-	-	-
-of which scoring grades F	559	-	559	-	64
-of which not scored	173	-	172	-	22
-of which defaulted	710	-	710	-	129
Retail, of which other retail	15,122	-	15,103	-	10
-of which scoring grades A	10,587	-	10,587	-	4
-of which scoring grades B	1,420	-	1,414	-	10
-of which scoring grades C	788	-	781	-	19
-of which scoring grades D	418	-	416	-	25
-of which scoring grades E	1,232	-	1,228	-	29
-of which scoring grades F	625	-	625	-	40
-of which not scored	13	-	13	-	25
-of which defaulted	39	-	39	-	268
Other non credit-obligation assets	307	-	307	-	100

<sup>1</sup> Includes EAD for on balance, off balance and derivatives.

Nordea Hypotek does not have the following IRB exposure classes: equity exposure, items representing securitisation position central governments and central banks, qualifying revolving retail.



**Not 11 Risks and uncertainties**

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The company's main risk exposure is credit risk. The company also assumes liquidity risk and operational risk. None of the above exposures and risks is expected to have any significant adverse effect on the company or its financial position in the next six months.

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