

# Nordea



## **Half-Year Financial Report 2019** Nordea Hypotek AB (publ)

This Half-Year Financial Report has not been subject to review by the Company's auditors.

# Half-Year Financial Report 2019

## January - June 2019

### Profit/loss

Operating profit amounted to SEK 2,586m (3,021), a decrease of -14.4% compared to the same period last year.

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

- Net interest income deteriorated by SEK 858m, a decrease of -20.0% compared to the same period last year. Higher lending volumes had a positive impact on net interest income, but this was offset by lower average lending margins and higher funding costs. The higher funding costs are mainly due to the extension of maturities on intragroup loans in 2018 to fulfil tightened legal liquidity requirements. In addition, interest on intragroup loans increased during the period.
- Net result from financial items at fair value increased by SEK 156m, amounting to SEK -35m at the end of the period. This is chiefly attributable to realised and unrealised value changes for financial instruments under hedge accounting.
- The resolution fee during the period amounted to SEK 349m (483m), a decrease of SEK 134m from the same period last year. The main reason for the decrease was that the resolution fees' share of the total fee base for 2019 is 0.09% compared with 0.125% for 2018. As of Q1 2019, Nordea Hypotek recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The former accounting policy was to amortise these fees over the year, and present the cost as "Interest expense". The change primarily reflects the change in the structure of the resolution fees following the re-domiciliation to Finland. The comparative figures have been restated due to this; for more information see Note 1 Accounting policies.
- Operating expenses amounted to SEK -808m (-1,066), a decrease of SEK 258m or 24.2% compared to the same period last year. The main reason for the lower costs is that that costs paid by Nordea Hypotek to Personal Banking decreased during the year, driven by lower costs for the branch network and the fact that more loan applications are now processed online by the Mortgage Centre. In addition, the resolution fee has been reclassified from interest expenses to other expenses, and compared with the same period of the prior year, the resolution fee has decreased by SEK 134m due to a lower charge, see the comment on the resolution fee above.
- Net loan losses amounted to SEK -5.9m for the period (-11.8). The decrease from the same period in 2018 is largely due to the reversal of part of a loan reserve carried out in the first half of 2019.

### Lending

At the end of the period, lending to the public was at SEK 560,932m (540,888), exceeding last year's volume by 3.7% (0.4%). Lending to the retail market rose by 3.2% (-0.2%) during the period, amounting at the close of the period to SEK 459,385m (445,296). Lending to legal entities rose by 6.2% (+3.1%), amounting at the close of the period to SEK 101,547m (95,592).

### Impaired loans and loan losses

Impaired loans, gross, amounted to SEK 596m (575). The net amount from recoveries and new loan losses gave a loss of SEK 5.9m (loss of 11.8).

### Funding

Long-term funding occurs mainly by way of the issuance of covered bonds on the Swedish market, with maturities from two to ten years. During the period, bonds issued in Swedish kronor equalled SEK 59,250m (64,150) in total. The outstanding bond volume (nominal amount) at 30 June 2019 was SEK 332,158m (312,483), of which SEK 10,028m (10,552) was issued in currencies other than SEK.

At 30 June 2019, Nordea Hypotek had outstanding dated debenture loans from the Parent Company totalling SEK 0.8bn (0.8).

Covered bonds are funding instruments, regulated under the Covered Bonds (Issuance) Act (2003:1223), which give investors priority in the event 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 received credit ratings provide the Company with access to 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 borrowings from 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 that account for the Company's main long-term funding.

### Capital adequacy

Nordea Hypotek uses the Internal Ratings-based (IRB) approach (internal risk classification) for calculating credit risk in the exposure classes corporate, institution and household. At the end of June, the Company's RWA amounted to SEK 163,611m, the calculated common equity tier 1 (CET1) capital ratio was 14.8% and the capital ratio was 15.4%.

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

In 2019 three new members were added to the Board of Directors, Marte Kopperstad, Per Långsved and Magnus Montan.

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

No major events have occurred since 30 June 2019.

### **Assurance of the board of directors**

The half-year financial report provides a fair overview of the Company's activities, its financial position and result, and describes material risks and uncertainties assumed by the Company.

Stockholm, 23 August 2019

Nicklas Ilebrand  
*Chairman of the Board*

Peter Dalmalm                      Maria Härdling

Marte Kopperstad                Nils Lindberg

Per Långsved                      Elisabeth Olin

Michael Skytt                      Magnus Montan  
*Managing Director*

## Income Statement

| SEK (000s)   | Note     | Jan-Jun<br>2019  | Jan-Jun<br>2018   | Full year<br>2018 |
|--|----------|------------------|-------------------|-------------------|
| <b>Operating income</b>  |          |                  |                   |                   |
| Interest income calculated using the effective interest method |          | 4,188,580        | 4,103,572         | 8,022,666         |
| Other interest income  |          | 8,008            | -                 | 3,165             |
| Interest expense   |          | -761,041         | 189,647           | 123,812           |
| <b>Net interest income</b>                                     |          | <b>3,435,547</b> | <b>4,293,219</b>  | <b>8,149,643</b>  |
| Fee and commission income                                      |          | 22,806           | 25,400            | 50,168            |
| Fee and commission expense                                     |          | -23,843          | -28,839           | -60,342           |
| <b>Net fee and commission income</b>                           | <b>3</b> | <b>-1,037</b>    | <b>-3,439</b>     | <b>-10,174</b>    |
| Net result from items at fair value                            | 4        | -34,861          | -190,924          | -159,622          |
| <b>Total operating income</b>                                  |          | <b>3,399,649</b> | <b>4,098,856</b>  | <b>7,979,847</b>  |
| <b>Operating expenses</b>                                      |          |                  |                   |                   |
| <i>General administrative expenses:</i>                        |          |                  |                   |                   |
| Staff costs  |          | -13,310          | -14,190           | -26,615           |
| Other expenses   | 5        | -794,722         | -1,052,104        | -1,622,905        |
| <b>Total operating expenses</b>                                |          | <b>-808,032</b>  | <b>-1,066,294</b> | <b>-1,649,520</b> |
| <b>Profit before loan losses</b>                               |          | <b>2,591,617</b> | <b>3,032,562</b>  | <b>6,330,327</b>  |
| Net loan losses  | 6        | -5,857           | -11,794           | -37,600           |
| <b>Operating profit</b>  |          | <b>2,585,760</b> | <b>3,020,768</b>  | <b>6,292,727</b>  |
| Income tax expense   |          | -552,295         | -667,469          | -1,388,529        |
| <b>Net profit for the period</b>                               |          | <b>2,033,465</b> | <b>2,353,299</b>  | <b>4,904,198</b>  |

## Statement of comprehensive income

| SEK (000s)  | Jan-Jun<br>2019  | Jan-Jun<br>2018  | Full year<br>2018 |
|---|------------------|------------------|-------------------|
| Net profit for the period   | 2,033,465        | 2,353,299        | 4,904,198         |
| Items that may be reclassified subsequently to the income statement |                  |                  |                   |
| <i>Cash flow hedges:</i>  |                  |                  |                   |
| Valuation gains/losses during the year                              | 34,045           | -24,196          | -50,646           |
| Tax on valuation gains/losses during the year                       | -4,232           | 5,323            | 11,142            |
| <b>Other comprehensive income, net of tax</b>                       | <b>29,813</b>    | <b>-18,873</b>   | <b>-39,504</b>    |
| <b>Total comprehensive income</b>                                   | <b>2,063,278</b> | <b>2,334,426</b> | <b>4,864,694</b>  |

# Balance Sheet

| SEK (000s)   | Note | 30 Jun<br>2019     | 30 Jun<br>2018     | 31 Dec<br>2018     |
|--|------|--------------------|--------------------|--------------------|
| <b>Assets</b>  |      |                    |                    |                    |
| Loans to credit institutions   | 7    | 9,532,058          | 10,715,932         | 5,299,092          |
| Loans to the public  | 7    | 560,931,820        | 540,887,671        | 548,759,159        |
| Interest-bearing securities  |      | 21,425,183         | -                  | 21,083,561         |
| Derivatives  |      | 6,772,480          | 5,661,841          | 4,762,400          |
| Fair value changes of the hedged items in portfolio hedge<br>of interest rate risk |      | 443,433            | 70,649             | 20,305             |
| Current tax assets   |      | 4                  | 1                  | 29,106             |
| Other assets   |      | 1,787,765          | 2,754,106          | 2,798,059          |
| Prepaid expenses and accrued income  |      | 695,416            | 911,348            | 690,356            |
| <b>Total assets</b>  |      | <b>601,588,159</b> | <b>561,001,548</b> | <b>583,442,038</b> |
| <b>Liabilities</b>   |      |                    |                    |                    |
| Deposits by credit institutions  |      | 226,454,319        | 206,099,704        | 222,064,980        |
| Debt securities in issue   |      | 338,595,900        | 320,235,123        | 324,984,129        |
| Derivatives  |      | 637,156            | 315,163            | 351,211            |
| Fair value changes of the hedged items in portfolio hedge<br>of interest rate risk |      | 6,125,516          | 5,000,950          | 3,721,108          |
| Current tax liabilities  |      | 318,910            | 132,551            | -                  |
| Other liabilities  |      | 2,098,013          | 2,533,880          | 7,020,512          |
| Accrued expenses and prepaid income  |      | 33,849             | 273,512            | 40,032             |
| Deferred tax liabilities   |      | 7,733              | 9,320              | 5,899              |
| Provisions   |      | 2,927              | -                  | 3,723              |
| Subordinated liabilities   |      | 800,112            | 800,060            | 800,136            |
| <b>Total liabilities</b>   |      | <b>575,074,435</b> | <b>535,400,263</b> | <b>558,991,730</b> |
| <b>Equity</b>  |      |                    |                    |                    |
| Share capital  |      | 110,000            | 110,000            | 110,000            |
| Fair value reserves  |      | 42,225             | 33,043             | 12,412             |
| Retained earnings  |      | 26,361,499         | 25,458,242         | 24,327,896         |
| <b>Total equity</b>  |      | <b>26,513,724</b>  | <b>25,601,285</b>  | <b>24,450,308</b>  |
| <b>Total liabilities and equity</b>  |      | <b>601,588,159</b> | <b>561,001,548</b> | <b>583,442,038</b> |

## Other Notes

- [Note 1](#) Accounting policies
- [Note 2](#) Segment reporting
- [Note 8](#) Classification of financial instruments
- [Note 9](#) Assets and liabilities at fair value
- [Note 10](#) Capital adequacy
- [Note 11](#) Risks and uncertainties

## Statement of changes in equity

| 30 Jun 2019  | Restricted equity          |                  |   | Unrestricted equity |                   |
|--|----------------------------|------------------|---|---------------------|-------------------|
|  | Share capital <sup>1</sup> | Cash flow hedges | Fair value through other comprehensive income | Retained earnings   | Total equity      |
| <b>SEK (000s)</b>  |                            |                  |   |                     |                   |
| <b>Balance at 1 Jan 2019</b>   | <b>110,000</b>             | <b>20,916</b>    | <b>-8,504</b>                                 | <b>24,327,896</b>   | <b>24,450,308</b> |
| Net profit for the period  | -                          | -                | -   | 2,033,465           | 2,033,465         |
| <b>Items that may be reclassified subsequently to the income statement</b> |                            |                  |   |                     |                   |
| <i>Fair value through other comprehensive income:</i>                      |                            |                  |   |                     |                   |
| Valuation gains/losses during the year                                     | -                          | -                | 25,708  | -                   | 25,708            |
| Tax on valuation gains/losses during the year                              | -                          | -                | -2,398  | -                   | -2,398            |
| <i>Cash flow hedges:</i>   |                            |                  |   |                     |                   |
| Valuation gains/losses during the year                                     | -                          | 409,305          | -   | -                   | 409,305           |
| Tax on valuation gains/losses during the year                              | -                          | -90,047          | -   | -                   | -90,047           |
| Transferred to the income statement during the year                        | -                          | -400,968         | -   | -                   | -400,968          |
| Tax on transfers to the income statement during the year                   | -                          | 88,213           | -   | -                   | 88,213            |
| <b>Other comprehensive income, net of tax</b>                              | <b>-</b>                   | <b>6,503</b>     | <b>23,310</b>                                 | <b>-</b>            | <b>29,813</b>     |
| <b>Total comprehensive income</b>  | <b>-</b>                   | <b>6,503</b>     | <b>23,310</b>                                 | <b>2,033,465</b>    | <b>2,063,278</b>  |
| Share-based payments   | -                          | -                | -   | 138                 | 138               |
| <b>Balance at 30 Jun 2019</b>  | <b>110,000</b>             | <b>27,419</b>    | <b>14,806</b>                                 | <b>26,361,499</b>   | <b>26,513,724</b> |

<sup>1</sup>) 100,000 shares.

| 31 Dec 2018  | Restricted equity          |                  |   | Unrestricted equity |                   |
|--|----------------------------|------------------|---|---------------------|-------------------|
|  | Share capital <sup>1</sup> | Cash flow hedges | Fair value through other comprehensive income | Retained earnings   | Total equity      |
| <b>SEK (000s)</b>  |                            |                  |   |                     |                   |
| <b>Balance at 1 Jan 2018</b>   | <b>110,000</b>             | <b>51,916</b>    | <b>-</b>                                      | <b>23,093,420</b>   | <b>23,255,336</b> |
| Effects from changed accounting policy                                     | -                          | -                | -   | 11,523              | 11,523            |
| <b>Restated open balance at 1 Jan 2018</b>                                 | <b>110,000</b>             | <b>51,916</b>    | <b>-</b>                                      | <b>23,104,943</b>   | <b>23,266,859</b> |
| Net profit for the period  | -                          | -                | -   | 4,904,198           | 4,904,198         |
| <b>Items that may be reclassified subsequently to the income statement</b> |                            |                  |   |                     |                   |
| <i>Fair value through other comprehensive income:</i>                      |                            |                  |   |                     |                   |
| Valuation gains/losses during the year                                     | -                          | -                | -10,902                                       | -                   | -10,902           |
| Tax on valuation gains/losses during the year                              | -                          | -                | 2,398   | -                   | 2,398             |
| <i>Cash flow hedges:</i>   |                            |                  |   |                     |                   |
| Valuation gains/losses during the year                                     | -                          | 233,382          | -   | -                   | 233,382           |
| Tax on valuation gains/losses during the year                              | -                          | -51,344          | -   | -                   | -51,344           |
| Transferred to the income statement during the year                        | -                          | -273,126         | -   | -                   | -273,126          |
| Tax on transfers to the income statement during the year                   | -                          | 60,088           | -   | -                   | 60,088            |
| <b>Other comprehensive income, net of tax</b>                              | <b>-</b>                   | <b>-31,000</b>   | <b>-8,504</b>                                 | <b>-</b>            | <b>-39,504</b>    |
| <b>Total comprehensive income</b>  | <b>-</b>                   | <b>-31,000</b>   | <b>-8,504</b>                                 | <b>4,904,198</b>    | <b>4,864,694</b>  |
| Group contribution paid  | -                          | -                | -   | -4,719,545          | -4,719,545        |
| Tax on Group contribution paid   | -                          | -                | -   | 1,038,300           | 1,038,300         |
| <b>Balance at 31 Dec 2018</b>  | <b>110,000</b>             | <b>20,916</b>    | <b>-8,504</b>                                 | <b>24,327,896</b>   | <b>24,450,308</b> |

<sup>1</sup>) 100,000 shares.

## Statement of changes in equity, continued

|   | Restricted equity          |                  | Unrestricted equity |                   |
|---|----------------------------|------------------|---------------------|-------------------|
|   | Share capital <sup>1</sup> | Cash flow hedges | Retained earnings   | Total equity      |
| <b>30 Jun 2018</b>  |                            |                  |                     |                   |
| <b>SEK (000s)</b>   |                            |                  |                     |                   |
| <b>Balance at Jan 2018</b>  | <b>110,000</b>             | <b>51,916</b>    | <b>23,093,420</b>   | <b>23,255,336</b> |
| Restatement due to changed accounting policy, net of tax <sup>2</sup> | -                          | -                | 11,523              | 11,523            |
| <b>Restated opening balance at 1 Jan 2018</b>                         | <b>110,000</b>             | <b>51,916</b>    | <b>23,104,943</b>   | <b>23,266,859</b> |
| Total comprehensive income  | -                          | -18,873          | 2,353,299           | 2,334,426         |
| <b>Balance at 30 Jun 2018</b>   | <b>110,000</b>             | <b>33,043</b>    | <b>25,458,242</b>   | <b>25,601,285</b> |

<sup>1</sup>) 100,000 shares.

<sup>2</sup>) The opening balance has been restated by reason of the implementation of IFRS 9. The net effect on equity after tax was an increase of SEK 11.5m.

## Cash flow statement

|   | Jan-Jun<br>2019  | Jan-Jun<br>2018  | Full year<br>2018 |
|---|------------------|------------------|-------------------|
| <b>SEK (000s)</b>   |                  |                  |                   |
| <b>Operating activities</b>   |                  |                  |                   |
| Operating profit  | 2,585,760        | 3,020,768        | 6,292,727         |
| Adjustment for items not included in cash flow  | 403,831          | -2,567,696       | -1,346,530        |
| Income taxes paid   | -204,283         | -193,176         | -37,593           |
| <b>Cash flow from operating activities before changes in operating assets and liabilities</b> | <b>2,785,308</b> | <b>259,896</b>   | <b>4,908,604</b>  |
| <b>Changes in operating assets</b>  |                  |                  |                   |
| Change in treasury bills  | -1,887,898       | -                | -11,064           |
| Change in loans to the public   | -12,178,979      | -3,967,200       | -11,865,323       |
| Change in interest-bearing securities   | -341,621         | -                | -21,083,828       |
| Change in derivatives, net  | 142,064          | 299,948          | 1,235,780         |
| Change in other assets  | 1,010,293        | -1599,509        | -1,643,458        |
| <b>Change in operating liabilities</b>  |                  |                  |                   |
| Change in deposits by credit institutions   | 4,297,000        | 11,532,000       | 27,513,000        |
| Change in debt securities in issue  | 15,329,160       | 2,969,039        | 5,503,314         |
| Change in other liabilities   | -4,922,499       | -5,063,713       | -5,531,881        |
| <b>Cash flow from operating activities</b>  | <b>1,447,520</b> | <b>4,170,565</b> | <b>-974,856</b>   |
| <b>Financing activities</b>   |                  |                  |                   |
| Amortised subordinated liabilities  | -                | -1,000,000       | -1000,000         |
| Other changes in equity   | 138              | 11,523           | -                 |
| <b>Cash flow from financing activities</b>  | <b>138</b>       | <b>-988,477</b>  | <b>-1000,000</b>  |
| <b>Cash flow for the period</b>   | <b>4,232,966</b> | <b>3,441,984</b> | <b>-1,974,856</b> |
| Cash and cash equivalents at beginning of period  | 5,299,092        | 7,273,948        | 7,273,948         |
| Cash and cash equivalents at end of period  | 9,532,058        | 10,715,932       | 5,299,092         |
| <b>Change</b>   | <b>4,232,966</b> | <b>3,441,984</b> | <b>-1,974,856</b> |



# Notes to the financial statements

## Note 1. Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note 1 in the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information see Note 1 in the Annual Report 2018.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Hypotek 1 January 2019.

#### IFRS 16 "Leases"

IFRS 16 "Leases" will not be applied at Nordea Hypotek. On 1 January 2019, Nordea Hypotek will start

to apply the new rules governing leases in RFR 2. The new rules in RFR 2 have no significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures for the period of initial application, as the company already applies these rules.

#### Changed recognition and presentation of resolution fees

As from 1 January 2019 Nordea Hypotek recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact on the first half-year of 2019 can be found in the below tables.

| SEK (000 s)                         | Jan-June 2019 |          |            | Jan-June 2018 |          |            | Full year 2018 |          |            |
|-------------------------------------|---------------|----------|------------|---------------|----------|------------|----------------|----------|------------|
|                                     | Old policy    | Change   | New policy | Old policy    | Change   | New policy | Old policy     | Change   | New policy |
| Interest expense                    | -935,299      | 174,258  | -761,041   | -57,895       | 247,542  | 189,647    | -358,984       | 482,796  | 123,812    |
| Other expenses                      | -446,207      | -348,515 | -794,722   | -569,308      | -482,796 | -1052,104  | -1,140,109     | -482,796 | -1,622,905 |
| Income tax expense                  | -589,586      | 37,291   | -552,295   | -719,225      | 51,756   | -667,469   | -1,388,529     | -        | -1,388,529 |
| Impact on net profit for the period |               | -136,966 |            |               | -183,498 |            |                | -        |            |

| SEK (000 s)                   | 30 June 2019 |          |            | 31 Dec 2018 |        |            | 30 June 2018 |          |            |
|-------------------------------|--------------|----------|------------|-------------|--------|------------|--------------|----------|------------|
|                               | Old policy   | Change   | New policy | Old policy  | Change | New policy | Old policy   | Change   | New policy |
| Current tax liabilities       | 356,201      | -37,291  | 318,910    | -           | -      | -          | 184,307      | -51,756  | 132,551    |
| Accrued exp. and prepaid inc. | 208,106      | 174,257  | 382,363    | 40,032      | -      | 40,032     | 38,258       | 235,254  | 273,512    |
| Retained earnings             | 26,498,465   | -136,966 | 26,361,499 | 24,327,896  | -      | 24,327,896 | 25,641,740   | -183,498 | 25,458,242 |

**Other amendments**

The following new and amended standards issued by IASB were implemented by Nordea Hypotek 1 January 2019 but have not had any significant impact on the financial statements of Nordea Hypotek:

- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

**Changes in IFRS not yet applied****Other amendments to IFRS**

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

## Note 2. Segment reporting

### Operating segments

|                        | Personal Banking |         | Commercial & Business Banking |         | Group Treasury |      | Other operating segments |        | Total operating segments |         | Reconciliation |      | Total   |         |
|------------------------|------------------|---------|-------------------------------|---------|----------------|------|--------------------------|--------|--------------------------|---------|----------------|------|---------|---------|
|                        | Jan-Jun          |         | Jan-Jun                       |         | Jan-Jun        |      | Jan-Jun                  |        | Jan-Jun                  |         | Jan-Jun        |      | Jan-Jun |         |
|                        | 2019             | 2018    | 2019                          | 2018    | 2019           | 2018 | 2019                     | 2018   | 2019                     | 2018    | 2019           | 2018 | 2019    | 2018    |
| <b>SEKm</b>            |                  |         |                               |         |                |      |                          |        |                          |         |                |      |         |         |
| Total operating income | 3,459            | 3,501   | 644                           | 552     | -881           | -103 | 91                       | 32     | 3,313                    | 3,982   | 86             | 117  | 3,399   | 4,099   |
| Operating profit       | 3,451            | 3,498   | 646                           | 543     | -890           | -112 | -707                     | -510   | 2,499                    | 3,419   | 86             | -398 | 2,585   | 3,021   |
| Loans to the public    | 429,376          | 418,917 | 113,493                       | 107,942 | -              | -    | 18,063                   | 14,029 | 560,932                  | 540,888 | -              | -    | 560,932 | 540,888 |

### Reconciliation between total operating segments and financial statements

|                                       | Jan-Jun 2019     |                     | Jan-Jun 2018     |                     |
|---------------------------------------|------------------|---------------------|------------------|---------------------|
|                                       | Operating profit | Loans to the public | Operating profit | Loans to the public |
| <b>SEKm</b>                           |                  |                     |                  |                     |
| Total operating segments              | 2,499            | 560,932             | 3,419            | 540,888             |
| Group functions and unallocated items | 86               | -                   | -398             | -                   |
| <b>Total</b>                          | <b>2,585</b>     | <b>560,932</b>      | <b>3,021</b>     | <b>540,888</b>      |

## Note 3. Net fee and commission income

|                     | Jan-Jun 2019  | Jan-Jun 2018  | Jan-Dec 2018   |
|---------------------|---------------|---------------|----------------|
| <b>SEK (000s)</b>   |               |               |                |
| Issuer services     | -17,734       | -13,582       | -35,272        |
| - of w hich income  | -             | -             | -              |
| - of w hich expense | -17,734       | -13,582       | -35,272        |
| Lending Products    | 7,670         | 6,776         | 12,731         |
| - of w hich income  | 13,723        | 16,622        | 32,185         |
| - of w hich expense | -6,053        | -9,846        | -19,454        |
| Guarantees          | -             | -             | -3             |
| - of w hich income  | -             | -             | -              |
| - of w hich expense | -             | -             | -3             |
| Other               | 9,027         | 3,367         | 12,370         |
| - of w hich income  | 9,083         | 8,778         | 17,982         |
| - of w hich expense | -56           | -5,411        | -5,612         |
| <b>Total</b>        | <b>-1,037</b> | <b>-3,439</b> | <b>-10,174</b> |

## Note 3. Continued

### Break down by business areas

Jan-Jun 2019

| SEKm             | Personal<br>Banking | Commercial<br>& Business<br>Banking | Group<br>Treasury | Other     |
|------------------|---------------------|-------------------------------------|-------------------|-----------|
| Issuer services  | -                   | -                                   | -18               | -         |
| Lending Products | 12                  | 2                                   | -                 | -6        |
| Guarantees       | -                   | -                                   | -                 | -         |
| Other            | 9                   | -                                   | 0                 | -         |
| <b>Total</b>     | <b>21</b>           | <b>2</b>                            | <b>-18</b>        | <b>-6</b> |

### Break down by business areas

Jan-Jun 2018

| SEKm             | Personal<br>Banking | Commercial<br>& Business<br>Banking | Group<br>Treasury | Other     |
|------------------|---------------------|-------------------------------------|-------------------|-----------|
| Issuer services  | -                   | -                                   | -14               | -         |
| Lending Products | 15                  | 2                                   | -                 | -10       |
| Guarantees       | 0                   | 0                                   | -                 | -         |
| Other            | 8                   | -                                   | -5                | -         |
| <b>Total</b>     | <b>23</b>           | <b>2</b>                            | <b>-19</b>        | <b>-9</b> |

## Note 4. Net result at items at fair value

| SEK (000s)   | Jan-Jun<br>2019 | Jan-Jun<br>2018 | Jan-Dec<br>2018 |
|--|-----------------|-----------------|-----------------|
| Interest-bearing securities and other interest-related instruments | -34,861         | -190,924        | -159,622        |

## Note 5. Other expenses

| SEK (000s)                             | Jan-Jun<br>2019 | Jan-Jun<br>2018   | Full year<br>2018 |
|--|-----------------|-------------------|-------------------|
| Postage, telephone and office expenses | -121            | -169              | -427              |
| Distribution costs to Nordea           | -422,346        | -542,816          | -1,084,653        |
| Resolution fee                         | -348,515        | -482,796          | -482,796          |
| Other                                  | -23,740         | -26,323           | -55,029           |
| <b>Total</b>                           | <b>-794,722</b> | <b>-1,052,104</b> | <b>-1,622,905</b> |

## Note 6. Net loan losses

|   | Jan-Jun<br>2019 | Jan-Jun<br>2018 | Full year<br>2018 |
|---|-----------------|-----------------|-------------------|
| <b>SEK (000s)</b>   |                 |                 |                   |
| Net loan losses, stage 1  | -1,144          | 1,453           | -1,349            |
| Net loan losses, stage 2  | -1,766          | -90             | -2,083            |
| <b>Net loan losses, non-defaulted</b>                           | <b>-2,910</b>   | <b>1,363</b>    | <b>-3,432</b>     |
| <b>Stage 3, defaulted</b>                                       |                 |                 |                   |
| Net loan losses, individually assessed, collectively calculated | -528            | -2,395          | -7,852            |
| Realised loan losses  | -25,631         | -2,752          | -5,484            |
| Decrease of provisions to cover realised loan losses            | 18,700          | -               | -                 |
| Recoveries on previously realised loan losses                   | 462             | 1,090           | 1,922             |
| New /increase in provisions                                     | -               | -9,100          | -22,750           |
| Reversals of provisions   | 4,050           | -               | -                 |
| <b>Net loan losses, defaulted</b>                               | <b>-2,947</b>   | <b>-13,157</b>  | <b>-34,168</b>    |
| <b>Net loan losses</b>  | <b>-5,857</b>   | <b>-11,794</b>  | <b>-37,600</b>    |

| <b>Key ratios</b>             | Jan-Jun<br>2019 | Jan-Jun<br>2018 | Full year<br>2018 |
|-------------------------------|-----------------|-----------------|-------------------|
| Loan loss ratio, basis points | 0.2             | 0.4             | 2.7               |
| -of w hich stage 1            | 0.0             | -0.1            | 0.1               |
| -of w hich stage 2            | 0.1             | 0.0             | 0.2               |
| -of w hich stage 3            | 0.1             | 0.5             | 2.5               |

## Note 7. Loans and impairment

|  | 30 Jun<br>2019 | 31 Dec<br>2018 | 30 Jun<br>2018 |
|--|----------------|----------------|----------------|
| <b>SEKm</b>  |                |                |                |
| Loans measured at amortised cost, not impaired (stage 1 and 2)       | 569,931        | 553,558        | 551,091        |
| Impaired loans (stage 3)   | 596            | 582            | 575            |
| - of w hich servicing  | 59             | 54             | 61             |
| - of w hich non-servicing  | 537            | 528            | 514            |
| <b>Loans before allowances</b>                                       | <b>570,527</b> | <b>554,141</b> | <b>551,666</b> |
| - of w hich credit institutions                                      | 9,532          | 5,299          | 10,716         |
| Allow ances for individually assessed impaired loans (stage 3)       | -19            | -41            | -22            |
| - of w hich servicing  | -2             | -2             | -2             |
| - of w hich non-servicing  | -17            | -40            | -20            |
| Allow ances for collectively assessed impaired loans (stage 1 and 2) | -45            | -41            | -40            |
| <b>Allowances</b>  | <b>-64</b>     | <b>-82</b>     | <b>-62</b>     |
| - of w hich credit institutions                                      | -              | -              | -              |
| <b>Loans, carrying amount</b>  | <b>570,463</b> | <b>554,058</b> | <b>551,604</b> |

## Note 7. Continued

### Exposures at amortised cost and fair value through OCI, before allowances

| SEKm                        | 30 June 2019   |               |            |
|-----------------------------|----------------|---------------|------------|
|                             | Stage 1        | Stage 2       | Stage 3    |
| Loans to the public         | 557,280        | 12,651        | 596        |
| Interest-bearing securities | 10,608         | -             | -          |
| <b>Total</b>                | <b>567,887</b> | <b>12,651</b> | <b>596</b> |

| SEKm                                   | 30 June 2018   |              |            |
|--|----------------|--------------|------------|
|  | Stage 1        | Stage 2      | Stage 3    |
| Loans to the public                    | 542,223        | 8,868        | 575        |
| Interest-bearing securities            | -              | -            | -          |
| Provisions for off balance sheet items | -              | -            | -          |
| <b>Total</b>                           | <b>542,223</b> | <b>8,868</b> | <b>575</b> |

### Allowances and provisions

| SEKm                                   | 30 June 2019 |            |            |
|--|--------------|------------|------------|
|  | Stage 1      | Stage 2    | Stage 3    |
| Loans to the public                    | -16          | -28        | -19        |
| Interest-bearing securities            | -1           | -          | -          |
| Provisions for off balance sheet items | -3           | 0          | -          |
| <b>Total</b>                           | <b>-20</b>   | <b>-28</b> | <b>-19</b> |

| SEKm                                   | 30 June 2018 |            |            |
|--|--------------|------------|------------|
|  | Stage 1      | Stage 2    | Stage 3    |
| Loans to the public                    | -15          | -25        | -22        |
| Interest-bearing securities            | -            | -          | -          |
| Provisions for off balance sheet items | -            | -          | -          |
| <b>Total</b>                           | <b>-15</b>   | <b>-25</b> | <b>-22</b> |

## Note 7. Continued

### Movement of allowance accounts for loans measured at amortised cost

| SEKm   | Stage 1    | Stage 2    | Stage 3    | Total      |
|--|------------|------------|------------|------------|
| <b>Balance at 1 Jan 2019</b>                                 | <b>-14</b> | <b>-27</b> | <b>-41</b> | <b>-82</b> |
| Changes due to origination and acquisition                   | -21        | -3         | -1         | -25        |
| Changes due to transfers from Stage 1 to Stage 2             | 5          | -62        | -          | -57        |
| Changes due to transfers from Stage 1 to Stage 3             | 1          | -          | -48        | -47        |
| Changes due to transfers from Stage 2 to Stage 1             | -5         | 34         | -          | 29         |
| Changes due to transfers from Stage 2 to Stage 3             | 0          | 9          | -435       | -426       |
| Changes due to transfers from Stage 3 to Stage 1             | 0          | -          | 1          | 1          |
| Changes due to transfers from Stage 3 to Stage 2             | 0          | -1         | 6          | 5          |
| Changes due to changes in credit risk without stage transfer | 17         | 19         | 516        | 552        |
| Changes due to repayments and disposals                      | 1          | 2          | 2          | 5          |
| Write-off through decrease in allowance account              | -          | -          | -19        | -19        |
| <b>Closing balance at 30 Jun 2019</b>                        | <b>-16</b> | <b>-29</b> | <b>-19</b> | <b>-64</b> |

| SEKm  | Stage 1    | Stage 2    | Stage 3    | Total      |
|---|------------|------------|------------|------------|
| <b>Balance at 1 Jan 2018</b>                    | <b>-17</b> | <b>-24</b> | <b>-11</b> | <b>-52</b> |
| Changes due to origination and acquisition      | -2         | 0          | 0          | -2         |
| Changes due to change in credit risk            | 2          | -3         | -12        | -13        |
| Changes due to repayments and disposals         | 2          | 2          | 1          | 5          |
| Write-off through decrease in allowance account | -          | -          | -          | -          |
| Other changes                                   | -          | -          | -          | -          |
| Translation differences                         | -          | -          | -          | -          |
| <b>Balance at 30 Jun 2018</b>                   | <b>-15</b> | <b>-25</b> | <b>-22</b> | <b>-62</b> |

### Key ratios

|  | 30 Jun<br>2019 | 31 Dec<br>2018 | 30 Jun<br>2018 |
|--|----------------|----------------|----------------|
| Impairment rate (stage 3), gross <sup>1</sup> , basis points                 | 10.4           | 10.5           | 10.4           |
| Impairment rate (stage 3), net <sup>2</sup> , basis points                   | 10.1           | 9.8            | 10.0           |
| Total allowance rate (stage 1, 2 and 3) <sup>3</sup> , basis points          | 1.1            | 1.5            | 1.1            |
| Allowances in relation to impaired loans (stage 3) <sup>4</sup> , %          | 3.2            | 7.1            | 3.9            |
| Allowances in relation to loans in stage 1 and 2 <sup>5</sup> , basis points | 0.0            | 0.0            | 0.7            |

1) Impaired loans (category 3) before allowances divided by total loans, measured at amortised cost, before allowances.

2) Impaired loans (category 3) after allowances divided by total loans, measured at amortised cost, before allowances.

3) Total allowances divided by total loans, measured at amortised cost, before allowances.

4) Allowances for impaired loans (category 3) divided by impaired loans measured at amortised cost (category 3), before allowances.

5) Allowances for performing loans (category 2) divided by performing loans measured at amortised cost (categories 1 and 2), before allowances.

## Note 8. Classification of financial instruments

| SEKm                                | Financial assets at fair value through profit or loss (FVPL) |               |                              | Fair value through other comprehensive income (FVOCI) | Non-financial assets | Total          |
|-------------------------------------|--|---------------|------------------------------|---|----------------------|----------------|
|                                     | Amortised cost (AC)  | Mandatorily   | Derivatives used for hedging |   |                      |                |
| <b>Assets</b>                       |  |               |                              |   |                      |                |
| Loans to credit institutions        | 9,532  | -             | -                            | -   | -                    | 9,532          |
| Loans to the public                 | 560,932  | -             | -                            | -   | -                    | 560,932        |
| Interest-bearing securities         | -  | 10,818        | -                            | 10,607  | -                    | 21,425         |
| Derivatives                         | -  | 0             | 6,772                        | -   | -                    | 6,772          |
| Fair value changes of the hedged it | 443  | -             | -                            | -   | -                    | 443            |
| Current tax assets                  | -  | -             | -                            | -   | 0                    | 0              |
| Other assets                        | 1,788  | -             | -                            | -   | 0                    | 1,788          |
| Prepaid expenses and accrued inc    | 696  | -             | -                            | -   | -                    | 696            |
| <b>Total 30 Jun 2019</b>            | <b>573,391</b>   | <b>10,818</b> | <b>6,772</b>                 | <b>10,607</b>   | <b>0</b>             | <b>601,588</b> |
| <b>Total 31 Dec 2018</b>            | <b>557,567</b>   | <b>9,860</b>  | <b>4,762</b>                 | <b>11,224</b>   | <b>29</b>            | <b>583,442</b> |

| SEKm  | Financial liabilities at fair value through profit or loss (FVPL) |             |                              | Non-financial liabilities | Total          |
|---|---|-------------|------------------------------|---------------------------|----------------|
|   | Amortised cost (AC)   | Mandatorily | Derivatives used for hedging |                           |                |
| <b>Liabilities</b>  |   |             |                              |                           |                |
| Deposits by credit institutions   | 226,454   | -           | -                            | -                         | 226,454        |
| Debt securities in issue  | 338,596   | -           | -                            | -                         | 338,596        |
| Derivatives   | -   | 86          | 551                          | -                         | 637            |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 6,126   | -           | -                            | -                         | 6,126          |
| Current tax liabilities   | -   | -           | -                            | 319                       | 319            |
| Other liabilities   | 2,096   | -           | -                            | 2                         | 2,098          |
| Accrued expenses and prepaid income   | 14  | -           | -                            | 20                        | 34             |
| Deferred tax liabilities  | -   | -           | -                            | 7                         | 7              |
| Provisions  | -   | -           | -                            | 3                         | 3              |
| Subordinated liabilities  | 800   | -           | -                            | -                         | 800            |
| <b>Total 30 Jun 2019</b>  | <b>574,086</b>  | <b>86</b>   | <b>551</b>                   | <b>351</b>                | <b>575,074</b> |
| <b>Total 31 Dec 2018</b>  | <b>558,588</b>  | <b>8</b>    | <b>343</b>                   | <b>53</b>                 | <b>558,992</b> |



## Note 9. Fair value of financial assets and liabilities

| SEKm                                | 30 Jun 2019     |                | 31 Dec 2018     |                |
|-------------------------------------|-----------------|----------------|-----------------|----------------|
|                                     | Carrying amount | Fair value     | Carrying amount | Fair value     |
| <b>Financial assets</b>             |                 |                |                 |                |
| Loans                               | 570,907         | 596,543        | 554,079         | 574,584        |
| Interest-bearing securities         | 21,425          | 21,425         | 21,084          | 21,084         |
| Derivatives                         | 6,772           | 6,772          | 4,762           | 4,762          |
| Other assets                        | 1,788           | 1,788          | 2,798           | 2,798          |
| Prepaid expenses and accrued income | 696             | 696            | 691             | 691            |
| <b>Total</b>                        | <b>601,588</b>  | <b>627,224</b> | <b>583,414</b>  | <b>603,919</b> |
| <b>Financial liabilities</b>        |                 |                |                 |                |
| Deposits and debt instruments       | 571,976         | 575,578        | 551,570         | 554,213        |
| Derivatives                         | 637             | 637            | 351             | 351            |
| Other liabilities                   | 2,098           | 2,098          | 7,004           | 7,004          |
| Accrued expenses and prepaid income | 34              | 34             | 14              | 14             |
| <b>Total</b>                        | <b>574,745</b>  | <b>578,347</b> | <b>558,939</b>  | <b>561,582</b> |

## Note 10. Capital adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12. For more information on the leverage ratio disclosure requirement, please see the interim disclosure required by regulation (CRR article 433 and 437).

### Summary of items included in own funds

| SEKm  | 30 Jun<br>2019 | 31 Dec <sup>2</sup><br>2018 | 30 Jun<br>2018 |
|---|----------------|-----------------------------|----------------|
| Calculation of own funds  |                |                             |                |
| Equity in the consolidated situation                              | 24,465         | 24,459                      | 23,248         |
| Proposed/actual dividend  | -              | -                           | -              |
| <b>Common Equity Tier 1 capital before regulatory adjustments</b> | <b>24,465</b>  | <b>24,459</b>               | <b>23,248</b>  |
| Deferred tax assets   | -              | -                           | -              |
| Intangible assets   | -              | -                           | -              |
| IRB provisions shortfall (-)                                      | -106           | -110                        | -109           |
| Deduction for investments in credit institutions (50%)            | -              | -                           | -              |
| Pension assets in excess of related liabilities <sup>a</sup>      | -12            | -6                          | -              |
| Other items, net  | -52            | -44                         | -56            |
| Total regulatory adjustments to Common Equity Tier 1 capital      | -170           | -160                        | -165           |
| <b>Common Equity Tier 1 capital (net after deduction)</b>         | <b>24,295</b>  | <b>24,299</b>               | <b>23,083</b>  |
| Additional Tier 1 capital before regulatory adjustments           | -              | -                           | -              |
| Total regulatory adjustments to Additional Tier 1 capital         | -              | -                           | -              |
| Additional Tier 1 capital   | -              | -                           | -              |
| <b>Tier 1 capital (net after deduction)</b>                       | <b>24,295</b>  | <b>24,299</b>               | <b>23,083</b>  |
| Tier 2 capital before regulatory adjustments                      | 800            | 800                         | 800            |
| IRB provisions excess (+)   | 20             | 21                          | 13             |
| Deduction for investments in credit institutions (50%)            | -              | -                           | -              |
| Deductions for investments in insurance companies                 | -              | -                           | -              |
| Pension assets in excess of related liabilities <sup>1</sup>      | -              | -                           | -              |
| Other items, net  | -              | -                           | -              |
| Total regulatory adjustments to Tier 2 capital                    | 20             | 21                          | 13             |
| Tier 2 capital  | 820            | 821                         | 813            |
| <b>Own funds (net after deduction)</b>                            | <b>25,115</b>  | <b>25,120</b>               | <b>23,896</b>  |

<sup>1</sup>) Based on conditional FSA approval.

<sup>2</sup>) Including profit of the period.

### Own Funds, including profit

| SEKm   | 30 Jun<br>2019 | 31 Dec<br>2018 | 30 Jun<br>2018 |
|--|----------------|----------------|----------------|
| Common Equity Tier 1 capital, including profit | 24,815         | 24,299         | 23,075         |
| Total Own Funds, including profit              | 25,635         | 25,120         | 23,887         |

**Note 10. Continued****Minimum capital requirement and REA**

| SEKm  | 30 Jun 2019                 |                | 30 Dec 2018                 |                | 30 Jun 2018                 |               |
|---|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|---------------|
|   | Minimum Capital requirement | REA            | Minimum Capital requirement | REA            | Minimum Capital requirement | REA           |
| <b>Credit risk</b>  | <b>3,497</b>                | <b>43,707</b>  | <b>3,407</b>                | <b>42,584</b>  | <b>2,353</b>                | <b>29,411</b> |
| - of which counterparty credit risk   | 142                         | 1,773          | 109                         | 1,368          | -                           | -             |
| <b>IRB</b>  | <b>3,179</b>                | <b>39,740</b>  | <b>3,176</b>                | <b>39,695</b>  | <b>2,353</b>                | <b>29,411</b> |
| - sovereign   | -                           | -              | -                           | -              | 28                          | 346           |
| - corporate   | 1,701                       | 21,268         | 1,722                       | 21,520         | 915                         | 11,439        |
| - <i>advanced</i>   | 1,701                       | 21,268         | 1,722                       | 21,520         | 915                         | 11,439        |
| - <i>foundation</i>   | -                           | -              | -                           | -              | -                           | -             |
| - institutions  | 56                          | 701            | 74                          | 926            | -                           | -             |
| - retail  | 1,388                       | 17,352         | 1,345                       | 16,818         | 1,376                       | 17,196        |
| - <i>secured by immovable property collateral</i>   | 1,331                       | 16,643         | 1,291                       | 16,137         | 1,318                       | 16,474        |
| - <i>other retail</i>   | 57                          | 709            | 54                          | 681            | 58                          | 722           |
| - other   | 34                          | 419            | 35                          | 431            | 34                          | 430           |
| <b>Standardised</b>   | <b>318</b>                  | <b>3,967</b>   | <b>231</b>                  | <b>2,889</b>   | <b>-</b>                    | <b>-</b>      |
| - central governments or central banks  | -                           | -              | -                           | -              | -                           | -             |
| - regional governments or local authorities   | -                           | -              | -                           | -              | -                           | -             |
| - public sector entities  | -                           | -              | -                           | -              | -                           | -             |
| - multilateral development banks  | -                           | -              | -                           | -              | -                           | -             |
| - international organisations   | -                           | -              | -                           | -              | -                           | -             |
| - institutions  | 318                         | 3,967          | 231                         | 2,889          | -                           | -             |
| - corporate   | -                           | -              | -                           | -              | -                           | -             |
| - retail  | -                           | -              | -                           | -              | -                           | -             |
| - secured by mortgages on immovable properties  | -                           | -              | -                           | -              | -                           | -             |
| - in default  | -                           | -              | -                           | -              | -                           | -             |
| - associated with particularly high risk  | -                           | -              | -                           | -              | -                           | -             |
| - covered bonds   | -                           | -              | -                           | -              | -                           | -             |
| - institutions and corporates with a short-term credit assessment                         | -                           | -              | -                           | -              | -                           | -             |
| - collective investments undertakings (CIU)   | -                           | -              | -                           | -              | -                           | -             |
| - equity  | -                           | -              | -                           | -              | -                           | -             |
| - other items   | -                           | -              | -                           | -              | -                           | -             |
| <b>Credit Value Adjustment 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>      |
| - trading book, Internal Approach   | -                           | -              | -                           | -              | -                           | -             |
| - trading book, Standardised Approach   | -                           | -              | -                           | -              | -                           | -             |
| - banking book, Standardised Approach   | -                           | -              | -                           | -              | -                           | -             |
| <b>Settlement risk</b>  | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>      |
| <b>Operational risk</b>   | <b>956</b>                  | <b>11,949</b>  | <b>916</b>                  | <b>11,447</b>  | <b>916</b>                  | <b>11,447</b> |
| Standardised  | 956                         | 11,949         | 916                         | 11,447         | 916                         | 11,447        |
| <b>Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR</b> | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>      |
| <b>Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR</b> | <b>8,636</b>                | <b>107,955</b> | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>      |
| <b>Additional risk exposure amount due to Article 3</b>                                   | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>       | <b>-</b>                    | <b>-</b>      |
| <b>Total</b>  | <b>13,089</b>               | <b>163,611</b> | <b>12,912</b>               | <b>161,402</b> | <b>3,269</b>                | <b>40,858</b> |

## Note 10. Continued

### Minimum Capital Requirement & Capital Buffers

| Percentage                   | Minimum Capital requirement | Capital Buffers |       |       |     |       | Capital Buffers total | Total |
|------------------------------|-----------------------------|-----------------|-------|-------|-----|-------|-----------------------|-------|
|                              |                             | CCoB            | CCyB  | O-SII | SRB |       |                       |       |
| Common Equity Tier 1 capital | 4.5                         | 2.5             | 2.0   | -     | -   | 4.5   | <b>9.0</b>            |       |
| Tier 1 capital               | 6.0                         | 2.5             | 2.0   | -     | -   | 4.5   | <b>10.5</b>           |       |
| Own funds                    | 8.0                         | 2.5             | 2.0   | -     | -   | 4.5   | <b>12.5</b>           |       |
| <b>SEKm</b>                  |                             |                 |       |       |     |       |                       |       |
| Common Equity Tier 1 capital | 7,363                       | 4,090           | 3,266 | -     | -   | 7,357 | <b>14,719</b>         |       |
| Tier 1 capital               | 9,817                       | 4,090           | 3,266 | -     | -   | 7,357 | <b>17,173</b>         |       |
| Own funds                    | 13,089                      | 4,090           | 3,266 | -     | -   | 7,357 | <b>20,446</b>         |       |

1) Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

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

| Percentage points of REA                  | 30 Jun 2019 | 31 Dec <sup>1</sup> 2018 | 30 Jun 2018 |
|---|-------------|--------------------------|-------------|
| Common Equity Tier 1 capital <sup>2</sup> | 7.4         | 7.6                      | 50.5        |

1) Including profit of the period.

2) Change compared to 30 June 2018 as the risk weight floor has moved from Pillar II to Pillar I, due to the re-domiciliation of the Parent Company to Finland.

| Capital ratios Percentage   | 30 Jun 2019 | 31 Dec 2018 | 30 Jun 2018 |
|---|-------------|-------------|-------------|
| Common Equity Tier 1 capital ratio, including profit <sup>1</sup> | 15.2        | 15.1        | 56.5        |
| Tier 1 capital ratio, including profit <sup>1</sup>               | 15.2        | 15.1        | 56.5        |
| Total capital ratio, including profit <sup>1</sup>                | 15.7        | 15.6        | 58.5        |
| Common Equity Tier 1 capital ratio, excluding profit <sup>1</sup> | 14.8        | 12.0        | 56.5        |
| Tier 1 capital ratio, excluding profit <sup>1</sup>               | 14.8        | 12.0        | 56.5        |
| Total capital ratio, excluding profit <sup>1</sup>                | 15.4        | 12.5        | 58.5        |

1) Change compared to 30 June 2018 as the risk weight floor has moved from Pillar II to Pillar I, due to the re-domiciliation of the Parent Company to Finland.

| Leverage Ratio                                | 30 Jun 2019 | 31 Dec <sup>1</sup> 2018 | 30 Jun 2018 |
|---|-------------|--------------------------|-------------|
| Tier 1 capital, transitional definition, SEKm | 24,295      | 24,299                   | 23,083      |
| Leverage ratio exposure, SEKm                 | 631,534     | 646,340                  | 624,739     |
| Leverage ratio, percentage                    | 3.8         | 3.8                      | 3.7         |

1) Including profit of the period.

## Note 10. Continued

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

|  | On-balance<br>exposure,<br>SEKm | Off-balance<br>exposure,<br>SEKm | Exposure<br>value (EAD),<br>SEKm | of which EAD<br>for off-<br>balance,<br>SEKm | Exposure-<br>weighted<br>average risk<br>weight: |
|--|---------------------------------|----------------------------------|----------------------------------|--|--|
| Corporate, foundation IRB:               | -                               | -                                | -                                | -  | -  |
| <i>of which</i>                          |                                 |                                  |                                  |  |  |
| - rating grades 6                        | -                               | -                                | -                                | -  | -  |
| - rating grades 5                        | -                               | -                                | -                                | -  | -  |
| - rating grades 4                        | -                               | -                                | -                                | -  | -  |
| - rating grades 3                        | -                               | -                                | -                                | -  | -  |
| - rating grades 2                        | -                               | -                                | -                                | -  | -  |
| - rating grades 1                        | -                               | -                                | -                                | -  | -  |
| - unrated                                | -                               | -                                | -                                | -  | -  |
| - defaulted                              | -                               | -                                | -                                | -  | -  |
| Corporate, advanced IRB:                 | 93,950                          | -                                | 90,094                           | -  | 23.6   |
| <i>of which</i>                          |                                 |                                  |                                  |  |  |
| - rating grades 6                        | 55,979                          | -                                | 55,159                           | -  | 6.7  |
| - rating grades 5                        | 15,059                          | -                                | 13,386                           | -  | 35.6   |
| - rating grades 4                        | 21,419                          | -                                | 20,159                           | -  | 59.6   |
| - rating grades 3                        | 1,168                           | -                                | 1,225                            | -  | 57.6   |
| - rating grades 2                        | 53                              | -                                | 46                               | -  | 54.4   |
| - rating grades 1                        | 67                              | -                                | 65                               | -  | 94.1   |
| - unrated                                | 205                             | -                                | 54                               | -  | 60.8   |
| - defaulted                              | -                               | -                                | -                                | -  | -  |
| Institutions, foundation IRB:            | 9,974                           | -                                | 9,974                            | -  | 7.0  |
| <i>of which</i>                          |                                 |                                  |                                  |  |  |
| - rating grades 6                        | 9,106                           | -                                | 9,106                            | -  | 6.8  |
| - rating grades 5                        | 868                             | -                                | 868                              | -  | 8.9  |
| - rating grades 4                        | -                               | -                                | -                                | -  | -  |
| - rating grades 3                        | -                               | -                                | -                                | -  | -  |
| - rating grades 2                        | -                               | -                                | -                                | -  | -  |
| - rating grades 1                        | -                               | -                                | -                                | -  | -  |
| - unrated                                | -                               | -                                | -                                | -  | -  |
| - defaulted                              | -                               | -                                | -                                | -  | -  |
| Retail, of which secured by real estate: | 450,163                         | 55,954                           | 506,117                          | 55,954                                       | 3.3  |
| <i>of which</i>                          |                                 |                                  |                                  |  |  |
| - scoring grades A                       | 401,178                         | 49,890                           | 451,068                          | 49,890                                       | 2.2  |
| - scoring grades B                       | 28,912                          | 3,619                            | 32,531                           | 3,619  | 5.6  |
| - scoring grades C                       | 14,467                          | 1,845                            | 16,312                           | 1,845  | 12.5   |
| - scoring grades D                       | 2,790                           | 349                              | 3,140                            | 349  | 23.0   |
| - scoring grades E                       | 844                             | 115                              | 959                              | 115  | 37.4   |
| - scoring grades F                       | 1,089                           | 136                              | 1,224                            | 136  | 60.8   |
| - not scored                             | 187                             | -                                | 187                              | -  | 21.1   |
| - defaulted                              | 696                             | -                                | 696                              | -  | 125.3  |
| Retail, of which other retail:           | 10,136                          | -                                | 10,123                           | -  | 7.0  |
| <i>of which</i>                          |                                 |                                  |                                  |  |  |
| - scoring grades A                       | 8,417                           | -                                | 8,417                            | -  | 4.3  |
| - scoring grades B                       | 798                             | -                                | 794                              | -  | 10.0   |
| - scoring grades C                       | 683                             | -                                | 678                              | -  | 18.6   |
| - scoring grades D                       | 79                              | -                                | 78                               | -  | 25.4   |
| - scoring grades E                       | 97                              | -                                | 93                               | -  | 26.2   |
| - scoring grades F                       | 26                              | -                                | 26                               | -  | 42.5   |
| - not scored                             | 7                               | -                                | 7                                | -  | 24.4   |
| - defaulted                              | 29                              | -                                | 30                               | -  | 283.5  |
| Other non credit-obligation assets:      | 419                             | -                                | 419                              | -  | 100.0  |

1) Includes EAD for on-balance, off-balance, derivatives and securities financing.

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

## **Note 11. Risks and uncertainties**

Credit risk is the most significant risk exposure for the Company. The Company is also exposed to market risk, liquidity risk and operational risk, including legal risks. These risks are inherent in the Company's business operations and are acceptable to a certain level. Risk limits have been set by the Board of Directors in the risk appetite, and cover all material risks to which the Company is exposed. The risk appetite is updated no later than 14 June 2019.

None of these exposures and risks are considered to have any material negative effect on the Company or its financial position in the next six months. Liquidity risk is now managed at Company level according to an outsourcing agreement with the central unit for liquidity management at the Parent Company.

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