

Interim report January-June 2002

Nordea Hypotek AB (publ)

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Nordea Hypotek AB (publ), corporate registration number 556091-5448, is part of the Nordea Group, and is a wholly owned subsidiary of Nordea Bank Sweden AB (publ).

Summary

Net interest income amounted to SEK 970m (886) and operating profit amounted to SEK 991m (896). Loan losses were insignificant and lower than recoveries from previous provisions. Lending increased to SEK 183,724m (170,138).

Operations

The company operates in the Swedish market and provide loans, mainly long-term in nature, to households, entrepreneurs, municipalities and other legal entities through the branch office network of the parent bank. The primary purpose of the lending is financing of real estate and municipalities. The major part goes to the housing market. Collateral mainly comprises mortgage on residential property, tenant-owner's rights or municipal guarantees.

Result

Net interest income amounted to SEK 970m (886). Operating profit amounted to SEK 991m (896), an increase of 10.6 percent compared with the same period of the previous year. The increased profit was mainly attributable to increased net interest income due to increased lending volume.

Impaired loans and loan losses

Impaired loans, net, amounted to SEK 126m (210).

Loan losses were less than recoveries from previous provisions and write-offs. The net result of losses and recoveries was a positive contribution effect on profit in the amount of SEK 8m (4).

Lending

At the end of the report period the lending amounted to SEK 183,724m (170,138), an increase in 12 months of 8.0 percent. From the beginning of this year lending has increased by SEK 7,418m, or 4.2 percent.

The distribution of lending was as follows: 52 percent single-family houses, 18 percent multi-family houses, 17 percent municipalities and municipal guarantee, 7 percent tenant owner's rights, 1 percent state guarantees for housing and 5 percent other collateral/property.

Funding

The company's borrowing is conducted in both Swedish and international markets.

Long-term financing occurs mainly by way of issuance of bonds with maturities from 2 to 5 years. In total for the first six months of the year, bonds for the nominal amount of SEK 17.2bn were issued, of which nothing in foreign currency. The remaining bond volume as at 30 June 2002 amounted to SEK 107.2bn of which SEK 5.0bn was in foreign currency.

Capital adequacy

Capital adequacy was 9.9 percent (10.4), of which the tier 1 capital ratio was 9.8 (10.0). Included in the capital base of SEK 8,755m were subordinated debenture loans of SEK 16m. During the period such loans in the amount of SEK 300m have been redeemed. The minor decrease in capital adequacy is due to this redemption and a higher lending volume. Profits generated during the period have not been included in the capital base.

Stockholm, August 2002

Leif Ronander
President

This interim report has not been reviewed by the company's auditors.

Income statement

SEKm	Jan-June 2002	Jan-June 2001
Interest income	4,977	4,850
Interest expenses	-4,007	-3,964
Net interest income	970	886
Commission income	27	26
Commission expenses	-7	-7
Other operating income	-	0
Total operating income	990	905
Personnel expenses	-2	-5
Other expenses	-5	-8
Depreciation and write-down of tangible and intangible fixed assets	0	0
Total expenses	-7	-13
Profit before loan losses	983	892
Loan losses, net, note 2	8	4
Total operating profit	991	896
Appropriations	-1	-1
Tax on profit for the period	-277	-251
Net profit for the period	713	644
Net commission income	20	19

Balance sheet

SEKm	30 June 2002	31 Dec 2001	30 June 2001
Loans to credit institutions	-	76	0
Loans to the public	183,724	176,306	170,138
Other assets	2,209	3,579	4,954
Total assets	185,933	179,961	175,092
Deposits by credit institutions	83,266	66,924	69 891
Securities issued etc	91 479	99,042	89,807
Other liabilities	1,696	4,916	6 171
Subordinated liabilities	40	340	340
Shareholders' equity, note 3	9,452	8,739	8 883
Total liabilities and shareholders' equity	185,933	179,961	175,092
Commitments			
Unused lines of credit	8,693	7,377	6,861
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Cash flow statement

SEKm	Jan-June 2002	Jan-June 2001
Net cash inflow/(outflow) from operating activities	991	644
Changes in ordinary business assets	-6,048	-5,758
Changes in ordinary business liabilities	4,981	4,841
Net cash inflow/(outflow) from operating activities	-76	-273
Increase/(decrease) in cash	-76	-273
Cash and cash equivalents at beginning of period	76	273
Cash and cash equivalents at end of period	-	0
Increase/(decrease)	-76	-273

Note 1 Accounting principles

The accounts have been adjusted to the Swedish Financial Supervisory Authority's changed valuation and disclosure rules concerning loan receivables. The new rules, which are applicable as from 2002, have not given rise to any change in the valuation of the loan portfolio. The new disclosure requirements appear from notes 2 and 4.

Note 2 Loan losses, net

SEKm	Jan-June 2002	Jan-June 2001
<i>Specific provision for individually appraised loan receivables</i>		
Losses incurred during the period	2	3
Amount of previous provisions used during the period	-1	-3
The period's write-down for possible loan losses	4	2
Recovery of previously incurred losses	-6	-
Reversal of previous provisions	-2	-2
	-3	0
<i>Homogenous categories of loan receivables with limited value and similar credit risk appraised by category</i>		
Losses incurred during the period	1	2
Recovery of previously incurred losses	-6	-6
	-5	-4
The period's net costs for loan losses	-8	-4

Note 3 Movements in shareholders' equity

SEKm	Jan-June 2002	Jan-June 2001
Shareholders' equity at 1 January	8,739	8,239
Net profit for the period	713	644
Shareholders' equity at the end of the period	9,452	8,883

Note 4 Credit portfolio

	June 2002				Dec 2001			
	Total lending	Impaired loans, net	Non-perf loans, gross	Provi- sions	Total lending	Impaired loans, net	Non-perf loans, gross	Provi- sions
SEKm								
Companies	61,840	4	11	20	59,613	6	10	18
Personal customers	112,718	122	185	67	107,180	111	173	68
Public sector	9,166	-	-	-	9,513	-	-	-
Total	183,724	126	196	87	176,306	117	183	86

Note 4 (continued)

	30 June	31 December	30 June
Impaired loans	2002	2001	2001
SEKm			
Impaired loans, gross	213	203	298
Provision for possible loss	-87	-86	-88
-of which specific	-26	-25	-27
appraised by category	-61	-61	-61
Impaired loans, net	126	117	210
Provisions/impaired loans, gross, %	41%	42%	30%
Impaired loans, net/lending %	0.1%	0.1%	0.1%
Non-performing loans with accrual-based interest accounting	-	-	-

Note 5 Derivatives

30 June 2002	Interest rate derivatives		Foreign exchange derivatives	
SEKm	Fair value	Book value	Fair value	Book value
Positive values	247	120	324	325
Negative values	263	168	48	122

The differentiation between fair value and book value relates to derivatives subject to hedge accounting, based on acquisition value. The amounts are offset by the reverse differences between the fair value and the book value of the balance sheet items for which deferral hedge accounting is applied.

Note 6 Capital adequacy

SEKm	June 2002	Dec 2001	June 2001
Tier 1 capital	8,739	8,739	8,239
Capital base	8,755	9,063	8,563
Risk-weighted assets	88,830	85,483	82,051
Tier 1 capital ratio, %	9.8%	10.2%	10.0%
Total capital ratio, %	9.9%	10.6%	10.4%