

Interim report January-June 2003

Nordea Hypotek AB (publ)

Interim report January-June 2003

Summary

Compared to the corresponding period last year the operating profit increased by SEK 62m to SEK 1,053m (991). Net interest income rose by SEK 62m to 1,032m (970). Loan losses were insignificant and lower than recoveries from previous provisions. Lending increased by 10 percent to SEK 202bn (184).

Operations

The company operates in the Swedish market and provide mortgage loans, mainly long-term in nature, to private customers and legal entities through the parent bank's network of bank branches. The central emphasis is on housing financing.

Result

Operating profit amounted to SEK 1,053m (991), an increase of 6.3 percent (10.6) 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. Net interest income amounted to SEK 1,032m (970).

Impaired loans and loan losses

Impaired loans, net, amounted to SEK 137m (126), which corresponds to 0.07 percent (0.07) of total lending.

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 4m (8).

Lending

At the end of the report period the lending amounted to SEK 202bn (184), an increase in 12 months of 10.1 percent (8.0). Lending to private customers increased by SEK 14bn or slightly more than 12 percent.

The company's market share increased in all sectors, and at the end of the period it was slightly above 16 percent.

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 40.9bn (17.2) were issued, of which SEK 3.7bn (0.0) in foreign currency. The remaining bond volume as at 30 June 2003 amounted to SEK 133.0bn (107.2) of which SEK 5.8bn (5.0) was in foreign currency.

Capital adequacy

Capital adequacy was 9.6 percent (9.9), of which the Tier 1 capital ratio was 8.7 percent (9.8). Included in the capital base of SEK 9,647m (8,755) were subordinated debenture loans of SEK 908m (16). During the period such loans in the amount of SEK 900m have been issued. The minor decrease in capital adequacy is due to the higher lending volume. Profits generated during the period have not been included in the capital base.

Stockholm, August 2003

Leif Ronander
President

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

Income statement

SEKm	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Operating income			
Interest income	5,212	4,977	10,271
Interest expenses	-4,180	-4,007	-8,260
Net interest income	1,032	970	2,011
Commission income	32	27	56
Commission expenses	-7	-7	-14
Other operating income	-	-	2
Total operating income	1,057	990	2,055
Operating expenses			
General administrative expenses			
Personnel expenses	-2	-2	-4
Other administrative expenses	-6	-5	-13
Depreciation and write-down of tangible fixed assets	0	0	0
Total operating expenses	-8	-7	-17
Profit before loan losses	1,049	983	2,038
Loan losses, net Note 2	4	8	10
Operating profit	1,053	991	2,048
Appropriations Note 4	-1	-1	-10
Tax on profit for the period	-295	-277	-571
Net profit for the period	757	713	1,467
Net commission income	25	20	42

Balance sheet

SEKm	30 June 2003	30 June 2002	31 Dec 2002
Assets			
Loans to credit institutions	93	-	1
Lending Note 3	202,241	183,724	193,133
Other assets	1,330	2,209	1,489
Total assets	203,664	185,933	194,623
Assets pledged	None	None	None
Liabilities and shareholders' equity			
Loans from credit institutions	77,432	83,266	62,847
Debt securities in issue	112,220	91,479	116,391
Other liabilities	3,576	1,696	6,606
Subordinated debt	940	40	40
Shareholders' equity Note 5	9,496	9,452	8,739
Total liabilities and shareholders' equity	203,664	185,933	194,623
Contingent liabilities	None	None	None
Commitments	37,248	34,187	38,264
Other notes			
Accounting principles	1		
Derivative instruments	6		
Capital adequacy	7		

Cash flow statement

SEKm	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Net cash inflow/(outflow) from operating activities			
before changes in ordinary business assets and liabilities	251	-1,308	2,114
Change in ordinary business assets	-9,067	-6,081	-14,741
Change in ordinary business liabilities	14,216	16,550	-3,123
Net cash inflow/(outflow) from operating activities	5,400	9,161	-15,750
Net cash inflow/(outflow) from financial operations	-5,308	-9,237	15,675
Cash flow for the period	92	-76	-75
Liquid assets at the beginning of the period	1	76	76
Liquid assets at the end of the period	93	-	1
Change	92	-76	-75

Additional information

Liquid assets include

Loans to credit institutions, payable on demand	93	-	1
---	----	---	---

Note 1 Accounting principles

This interim report has been prepared in accordance with the recommendations on interim reporting (RR20) issued by the Swedish Financial Standards Council, the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies and the regulations issued by the Swedish Financial Supervisory Authority. The accounting principles are unchanged compared to the previous period.

Note 2 Loan losses, net

SEKm	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
<i>Specific provision for individually appraised receivables</i>			
Losses incurred during the period	0	-2	-11
Amount of previous provisions used during the period	0	1	6
The period's provisions for possible loan losses	-	-4	-4
Recovery of previously incurred losses	-	6	7
Reversal of previous provisions	2	2	4
Total	2	3	2
<i>Homogenous groups of receivables with limited value and similar credit risk appraised by category</i>			
Losses incurred during the period	-4	-1	-4
Recovery of previously incurred losses	6	6	12
Total	2	5	8
The period's net costs for loan losses	4	8	10

Note 3 Credit portfolio

SEKm	30 June 2003				30 June 2002			
	Total lending	Impaired loans net	Non-performing loans gross	Provisions	Total lending	Impaired loans net	Non-performing loans gross	Provisions
Companies	66,231	14	16	17	61,840	4	11	20
Personal customers	126,990	123	184	62	112,718	122	185	67
Public sector	9,020	-	-	-	9,166	-	-	-
Total	202,241	137	200	79	183,724	126	196	87

SEKm	31 Dec 2002			
	Total lending	Impaired loans net	Non-performing loans gross	Provisions
Companies	64,500	3	5	19
Personal customers	119,180	97	159	62
Public sector	9,453	-	-	-
Total	193,133	100	164	81

Note 3 (continued)

Impaired loans	30 June	30 June	31 Dec
SEKm	2003	2002	2002
Impaired loans, gross	216	213	181
Reserves for impaired loans	-79	-87	-81
of which			
- specific	-18	-26	-20
- by category	-61	-61	-61
Impaired loans, net	137	126	100
Reserve in % of impaired loans, gross	37 %	41 %	45 %
Impaired loans, net, in % of lending	0.07 %	0.07 %	0.05 %
Non-performing loans with interest reported on an accrual basis	-	-	-

Note 4 Appropriations

	Jan-June	Jan-June	Jan-Dec
SEKm	2003	2002	2002
Other allocations			
Pension adjustments			
Actuarial pension costs	0	0	1
Pension benefits paid	-1	-1	-2
Allocations/compensation	-	-	-9
Special wage tax	0	0	-
Total	-1	-1	-10

Note 5 Movements in shareholders' equity

	Jan-June	Jan-June	Jan-Dec
SEKm	2003	2002	2002
Balance at beginning of year	8,739	8,739	8,739
Group contributions, net after tax	-	-	-1,467
Net profit for the period	757	713	1,467
Balance at end of period	9,496	9,452	8,739

Note 6 Derivative instruments

30 June 2003	Interest rate derivatives		Foreign exchange derivatives	
SEKm	Fair value	Book value	Fair value	Book value
Positive values	708	301	42	25
Negative values	621	195	71	60

Deferral hedge accounting is applied to the company's holding of derivatives. Deferral gains and losses for derivatives not reported in the balance sheet have offsetting differences between the fair value and the book value for the respective items, which are recorded in the balance sheet. Thus, the reporting of a positive value of SEK 424m and a negative value of SEK 437m has been deferred.

Note 7 Capital adequacy

SEKm	30 June 2003	30 June 2002	31 Dec 2002
Tier 1 capital	8,739	8,739	8,739
Capital base	9,647	8,755	8,755
Risk-weighted amount	101,012	88,830	94,774
Tier 1 capital ratio, %	8.7	9.8	9.2
Total capital ratio, %	9.6	9.9	9.2