

Interim report January-June 2008 for Nordea Hypotek AB (publ)

Result

Operating profit amounted to SEK 811m (710), a raise by 14.2 percent compared to the same period of the previous year.

Compared to the previous year the result has been affected by the following main factors:

- Net interest income increased by SEK 120m.
- Net gains/losses on items at fair value decreased by SEK 12m.
- Net loan losses went from positive to negative by SEK 4m.

Income

Net interest income amounted to SEK 1,043m (924), and net commission income amounted to SEK 24m (27).

Expenses

The operating expenses were largely unchanged compared to the previous year. In all they amounted to SEK 252m (253), of which sales costs charged by the parent company amounted to SEK 248m (248).

Lending

At the end of the report period lending amounted to SEK 332,791m (299,887), an increase in 12 months of 11.0 percent.

Lending to private customers increased by SEK 18,663m or 9.2 percent. Lending to corporate customers increased by 11.9 percent.

The company's market share of loans with first mortgage loan conditions has decreased slightly and as per the end of the period amounted to 16.5 percent (17.1).

Impaired loans and loan losses

Impaired loans, net, amounted to SEK 8m (14). Net loan losses from recoveries and new loan losses amounted to SEK -1m (3).

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 two to twelve years. During the period, bonds equalling an amount of SEK 27,735m (31,267) were issued in Swedish currency. Issues in other currencies amounted to SEK 19,649m (17,889). The remaining bond volume as at 30 June 2008 amounted to SEK 264,798m (235,453), of which SEK 62,812m (30,038) was in currencies other than SEK.

Covered bonds are debt instruments, regulated in a separate Swedish act, for which the investor is given a priority of claim towards a pool of high quality assets in the event of the issuer's bankruptcy. Covered bonds may only be issued after special permission from the Financial Supervisory Authority and on the basis of assets of high quality. The covered bond issuance and assigned ratings will allow Nordea Hypotek to expand its funding into a broader base of funding sources, especially on the international financial market.

In addition to long-term borrowing according to the above the company successively during the period raised short-term borrowing with the parent company.

International rating

The company's covered bonds are rated Aaa/AAA by Moody's Investor Service and Standard & Poor's respectively.

Capital adequacy

Nordea has received approval to use the foundation IRB approach (internal risk classification) from the second quarter of 2007 for assessment of credit risk in the exposure classes regarding companies and institutions. Other exposure classes for example households and the State are calculated until further notice according to the standard approach.

Basel II will not immediately become fully effective from a capital adequacy perspective since a transition period is stipulated, in which capital floors calculated based on Basel I set limits to the potential capital decrease. In 2008, the lowest accepted amount for risk-weighted assets (RWA) is 90 % of the amount calculated in accordance with the Basel I regulations.

At the end of June, Nordea Hypotek's RWA amounted to SEK 161,325m after transition rules. The tier 1 ratio was 7.0% and the total capital ratio was 9.4%.

Change in the Board of Directors

Karin Markstedt, appointed by the board of directors, commenced her duties as new president on 1 May 2008 thus succeeding Leif Ronander who retired.

The Board of Directors assurance

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

Stockholm, August 20th, 2008

Torsten Allqvist
Chairman

Kurt Gustafsson

Ulla Hermann

Björn Hökby

Karin Markstedt
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 AB (publ). The company's auditors have not reviewed this interim report.
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Income statement

SEK (000s)	Note	Jan-Jun 2008	Jan-Jun 2007	Jan-Dec 2007
Operating income				
Interest income		7,664,686	5,820,605	12,572,587
Interest expenses		-6,621,657	-4,897,099	-10,661,641
Net interest income		1,043,029	923,506	1,910,946
Fee and commission income		32,485	33,404	67,007
Fee and commission expense		-8,406	-6,070	-14,990
Net fee and commission income		24,079	27,334	52,017
Net gains/losses on items at fair value	2	-2,704	8,820	-5,555
Other operating income		-	-	1
Total operating income		1,064,404	959,660	1,957,409
Operating expenses				
General administrative expenses:				
Staff costs		-1,182	-1,375	-2,792
Other expenses		-251,168	-251,107	-503,459
Depreciation, amortisation and impairment charges of tangible assets		-24	-36	-82
Total operating expenses		-252,374	-252,518	-506,333
Loan losses	3	-1,038	2,716	7,071
Disposals of tangible assets		-	-	10
Operating profit		810,992	709,858	1,458,157
Appropriations	4	-1,217	-944	-1,719
Income tax expense		-226,737	-198,496	-407,806
Net profit for the period		583,038	510,418	1,048,632

Balance sheet

SEK (000s)	Note	30 Jun 2008	30 Jun 2007	31 Dec 2007
Assets				
Loans to credit institutions	5	1,607,592	2,229	428,825
Lending to the public	5	332,791,122	299,886,822	316,688,931
Derivatives	7	1,824,654	1,632,444	1,939,916
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-758,184	-708,522	-561,051
Tangible assets		17	176	292
Tax assets		792	769	521
Other assets		3,482,609	1,883,785	164,560
Prepaid expenses and accrued income		1,017,339	831,698	995,895
Total assets		340,019,941	303,529,401	319,657,889
Liabilities				
Deposits by credit institutions		57,923,000	48,560,504	73,121,748
Debt securities in issue		263,533,455	235,375,636	226,424,531
Derivatives	7	3,049,847	1,854,600	1,109,390
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-3,211,803	-2,025,066	-1,528,151
Tax liabilities		226,745	198,558	-
Other liabilities		306	228	1,457,324
Accrued expenses and prepaid income		2,699,650	5,238,810	3,857,344
Subordinated liabilities		3,800,000	2,400,000	3,800,000
Total liabilities		328,021,200	291,603,270	308,242,186
Equity				
Share capital		110,000	110,000	110,000
Retained earnings		11,888,741	11,816,131	11,305,703
Total equity		11,998,741	11,926,131	11,415,703
Total liabilities and equity		340,019,941	303,529,401	319,657,889
Assets pledged		None	None	None
Contingent liabilities		None	None	None
Commitments		221,597,517	166,035,217	178,135,446
Other notes				
Accounting policies	1			
Classification of financial instruments	6			
Capital adequacy	8			
Risks and uncertainties	9			

Movements in equity

SEK (000s)	Share capital ¹⁾	Retained earnings	Total
Opening balance at 1 Jan 2008	110,000	11,305,703	11,415,703
Net profit for the period	-	583,038	583,038
<i>Total recognised income and expense in equity</i>	<i>110,000</i>	<i>11,888,741</i>	<i>11,998,741</i>
Closing balance at 30 Jun 2008	110,000	11,888,741	11,998,741

SEK (000s)	Share capital	Retained earnings	Total
Opening balance at 1 Jan 2007	110,000	11,305,714	11,415,714
Net profit for the period	-	510,418	510,418
<i>Total recognised income and expense in equity</i>	<i>110,000</i>	<i>11,816,131</i>	<i>11,926,131</i>
Closing balance at 30 Jun 2007	110,000	11,816,131	11,926,131

SEK (000s)	Share capital	Unrestricted	Total
Opening balance at 1 Jan 2007	110,000	11,305,714	11,415,714
Net profit for the year	-	1,048,632	1,048,632
<i>Total recognised income and expense in equity</i>	<i>110,000</i>	<i>12,354,346</i>	<i>12,464,346</i>
Group contribution paid		-1,456,448	-1,456,448
Tax effect of group contribution		407,805	407,805
Closing balance at 31 Dec 2007	110,000	11,305,703	11,415,703

1) A 100,000 shares

Cash flow statement

SEK (000s)	Jan-Jun 2008	Jan-Jun 2007	Full year 2007
Operating activities			
Operating profit	810,992	709,858	1,458,157
Pensions adjustments	-1,217	-944	-1,719
Adjustments for items not included in cash flow	-2,011,466	2,087,781	459,021
Income tax paid	-263	221	-407,336
Cash flow from operating activities before changes in operating assets and liabilities	-1,201,954	2,796,916	1,508,123
Changes in operating assets			
Changes in lending to the public	-16,108,412	-16,252,682	-33,056,910
Changes in derivatives, net	1,353,853	-1,201,678	-1,819,663
Changes in other assets	-3,318,050	-1,518,235	200,990
Changes in operating liabilities			
Change in deposits by credit institutions	-15,198,749	-35,469,496	-10,908,252
Change in debt securities in issue	37,108,925	53,102,100	44,150,995
Change in other liabilities	-1,457,018	-1,554,432	-97,398
Cash flow from operating activities	1,178,595	-97,507	-22,115
Investing activities			
Acquisition of equipment	-	-32	-316
Sale of equipment	172	-	131
Cash flow from investing activities	172	-32	-185
Financing activities			
Issued subordinated liabilities	-	-	1,400,000
Group contributions paid	-	-	-1,048,643
Cash flow from financing activities	-	-	351,357
Cash flow for the period	1,178,767	-97,539	329,057
Cash and cash equivalents at the beginning of period	428,825	99,768	99,768
Cash and cash equivalents at the end of period	1,607,592	2,229	428,825
Change	1,178,767	-97,539	329,057

Cash and cash equivalents

SEK (000s)	30 Jun 2008	30 Jun 2007	31 Dec 2007
Lending to credit institutions, payable on demand	1,607,592	2,229	428,825

Note 1 Accounting policies

This half-year interim report has been prepared in accordance with the regulations (FFFS 2006:16), with amendments (FFFS 2007:28) issued by the Swedish Financial Supervisory Authority and the recommendations of the Swedish Financial Reporting Board. Nordea Hypotek applies so-called limited IFRS and this refers to the standards approved for application in the EU with the limitations that follow from RFR 2.1 and FFFS 2006:16. The accounting policies and the basis for calculations are, in all material aspects, unchanged compared to the previous period.

Note 2 Net gains/losses on items at fair value, SEK (000s)

	Jan-Jun 2008	Jan-Jun 2007	Full year 2007
Interest-bearing securities and other interest-related instrument	784,428	2,484	87,730
Foreign exchange gains/losses	-787,132	6,336	-93,285
Total	-2,704	8,820	-5,555

Note 3 Loan losses, SEK (000s)

	Jan-Jun 2008	Jan-Jun 2007	Full year 2007
Loan losses divided by class, net			
Loans to credit institutions	-1,038	2,716	7,071
- of which write-offs and provisions	-7,489	-4,543	-6,868
- of which reversals and recoveries	6,451	7,259	13,939
Total	-1,038	2,716	7,071

Specification of Loan losses

Changes of allowance accounts in the balance sheet	-3,179	-1,176	-1,507
- of which Loans	-3,179	-1,176	-1,507
Changes directly recognised in the income statement	2,141	3,892	8,578
- of which realised loan losses	-3,043	-1,867	-3,655
- of which realised recoveries	5,184	5,759	12,233
Total	-1,038	2,716	7,071

Note 4 Appropriations, SEK (000s)

	Jan-Jun 2008	Jan-Jun 2007	Full year 2007
Pension adjustments			
Reversed actuarial pension costs	82	320	693
Pension benefits paid	-1,045	-1,017	-1,941
Special wage tax / return tax	-254	-247	-471
Total	-1,217	-944	-1,719

Note 5 Loans and receivables and their impairment

	Credit institutions			The public		
	30 Jun 2008	30 Jun 2007	31 Dec 2007	30 Jun 2008	30 Jun 2007	31 Dec 2007
SEKm						
Loans and receivables, not impaired	1,608	2	429	332,798	299,885	316,683
Impaired loans and receivables:	-	-	-	13	23	26
- Performing	-	-	-	11	15	18
- Non-performing	-	-	-	2	8	8
Loans and receivables before allowances	1,608	2	429	332,811	299,908	316,709
Allowances for individually assessed impaired loans	-	-	-	-6	-9	-9
- Performing	-	-	-	-5	-5	-6
- Non-performing	-	-	-	-1	-4	-3
Allowances for collectively assessed impaired loans	-	-	-	-14	-12	-11
Allowances	-	-	-	-20	-21	-20
Loans and receivables, book value	1,608	2	429	332,791	299,887	316,689
	Total					
	30 Jun 2008	30 Jun 2007	31 Dec 2007			
SEKm						
Loans and receivables, not impaired	334,406	299,887	317,112			
Impaired loans and receivables:	13	23	26			
- Performing	11	15	18			
- Non-performing	2	8	8			
Loans and receivables before allowances	334,419	299,910	317,138			
Allowances for individually assessed impaired loans	-6	-9	-9			
- Performing	-5	-5	-6			
- Non-performing	-1	-4	-3			
Allowances for collectively assessed impaired loans	-14	-12	-11			
Allowances	-20	-21	-20			
Loans and receivables, book value	334,399	299,889	317,118			

Reconciliation of allowance accounts for impaired loans

	The public		Total
	Individually assessed	Collectively assessed	
Loans and receivables, SEKm			
Opening balance at 1 Jan 2008	-9,505	-10,791	-20,296
Provisions	-300	-4,146	-4,446
Reversals	1,267	-	1,267
Changes through the income statement	967	-4,146	-3,179
Allowances used to cover write-offs	3,000	-	3,000
Closing balance at 30 Jun 2008	-5,538	-14,937	-20,475
Opening balance at 1 Jan 2007	-10,453	-9,200	-19,653
Provisions	-	-2,676	-2,676
Reversals	1,500	-	1,500
Changes through the income statement	1,500	-2,676	-1,176
Allowances used to cover write-offs	-	-	-
Closing balance at 30 Jun 2007	-8,953	-11,876	-20,829
Opening balance at 1 Jan 2007	-10,453	-9,200	-19,653
Provisions	-1,622	-1,591	-3,213
Reversals	1,706	-	1,706
Changes through the income statement	84	-1,591	-1,507
Allowances used to cover write-offs	864	-	864
Closing balance at 31 Dec 2007	-9,505	-10,791	-20,296

Key ratios

	30 Jun 2008	30 Jun 2007	31 Dec 2007
Impairment rate, gross ¹ , %	0,00	0.01	0.01
Impairment rate, net ² , %	0,00	0.00	0.01
Total allowance rate ³ , %	0,01	0.01	0.01
Non-performing loans and receivables, not impaired ⁴ , %	42	38	37

1 Individually assessed impaired loans and receivables before allowances divided by total loans and receivables before allowances, %

2 Individually assessed impaired loans and receivables after allowances divided by total loans and receivables before allowances, %

3 Total allowances divided by total loans and receivables before allowances, %

4 Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %

Note 6 Classification of financial instruments, SEKm

Assets	Loans and receivables	Derivatives used for hedging	Non financial assets	Total
Loans and receivables to credit institutions	1,608	-	-	1,608
Loans and receivables to the public	332,791	-	-	332,791
Derivatives	-	1,825	-	1,825
Fair value changes of the hedged items in portfolio hedge of interest risk	-758	-	-	-758
Other assets	3,482	-	1	3,483
Prepaid expenses and accrued income	1,071	-	-	1,071
Total 30 Jun 2008	338,194	1,825	1	340,020
Total 30 Jun 2007	301,896	1,632	1	303,529
Total 31 Dec 2007	317,717	1,940	1	319,658

Liabilities	Derivatives used for hedging	Other financial liabilities	Non financial liabilities	Total
Deposits by credit institutions	-	57,923	-	57,923
Debt securities in issue	-	263,533	-	263,533
Derivatives	3,050	-	-	3,050
Fair value changes of the hedged items in portfolio hedge of interest risk	-	-3,212	-	-3,212
Other liabilities	-	-	227	227
Accrued expenses and prepaid income	-	2,696	4	2,700
Subordinated liabilities	-	3,800	-	3,800
Total 30 Jun 2008	3,050	324,740	231	328,021
Total 30 Jun 2007	1,855	289,748	-	291,603
Total 31 Dec 2007	1,109	307,128	5	308,242

Note 7 Derivatives, SEKm

Fair value			Total nom
30 Jun 2008	Assets	Liabilities	amount
Derivatives used for hedging			
Interest rate derivatives	983	2,476	134,220
Foreign exchange derivatives	842	574	63,224
Total	1,825	3,050	197,444

Fair value			Total nom
30 Jun 2007	Assets	Liabilities	amount
Derivatives used for hedging			
Interest rate derivatives	1,142	1,799	133,306
Foreign exchange derivatives	490	56	31,028
Total	1,632	1,855	164,334

Fair value			Total nom
30 Dec 2007	Assets	Liabilities	amount
Derivatives used for hedging			
Interest rate derivatives	664	1,013	113,939
Foreign exchange derivatives	1,276	96	43,294
Total	1,940	1,109	157,233

Note 8 Capital adequacy, SEKm

	30 Jun 2008	30 Jun 2007	31 Dec 2007
Tier capital	11,354	11,313	11,352
Capital base	15,092	13,611	15,088
Risk-weighted amount	161,325	152,476	161,373
Tier capital ratio, per cent	7,0	7,4	7,0
Total capital ratio, per cent	9,4	8,9	9,3

Note 9 Risks and uncertainties

The company's main risk exposure is credit risk. The company also assumes market risk, liquidity risk and operational risk. There is no major change to the risk composition of the company compared to what is disclosed in 2007 Annual Report.

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.