

Interim report January-June 2009 for Nordea Hypotek AB (publ)

Result

Operating profit amounted to SEK 1,223m (811), an increase of 51 per cent on the same period of the previous year.

Results compared to the previous period were mainly affected by the following factors:

- Net interest income increased by SEK 440m due to increased volumes and improved margins. The company's favourable position in the funding market resulted in competitive borrowing costs.
- Net gains/losses on items at fair value increased by SEK 48m, the item pertains to hedge accounting.
- Net loan losses increased by SEK 29m as a result of increased collective provisions.

Income

Net interest income amounted to SEK 1,483m (1,043). Net commission income for the period has been charged with an estimated stability fee of SEK 23m and amounted to SEK 3m (24).

Expenses

Operating expenses increased by 10 per cent. They totalled SEK 276m (252), of which sales costs charged by the parent company amounted to SEK 268m (248).

Lending

At the end of the report period lending amounted to SEK 355,983m (332,791), an increase over 12 months of 7 per cent.

Lending to household customers increased by 11 per cent or SEK 23,826m. Lending volumes in respect of legal entities was in principle unchanged.

Impaired loans and loan losses

Impaired loans, net, amounted to SEK 6m (8). Net loan losses from recoveries and new loan losses and also changes in collective provisions amounted to SEK -30m (-1).

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 55,287m (27,735) were issued in Swedish currency. Issues in other currencies amounted to SEK 8,735m (19,649). The remaining bond volume as at 30 June 2009 amounted to SEK 266,727m (264,798), of which SEK 75,740m (62,812) 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 in respect of a pool of high quality assets in the event of the issuer's bankruptcy. Covered bonds may only be issued subject to special permission by 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, not least in the international financial market.

In addition to the aforementioned long-term borrowing the company has successively during the period secured its funding through 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 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 corporate and institutions. In December 2008 IRB approval was acquired for the exposure class retail. Sovereign and other exposure classes are until further notice reported according to the standardised approach.

The new capital adequacy regulations under the Basel II agreement will be implemented progressively, whereby potentially reduced capital requirements during a transition period will be affected by the so-called floor rules determined in Basel I. In 2008, the lowest accepted amount for risk-weighted assets (RWA) was 90 per cent of the amount calculated in accordance with the Basel I regulations. The corresponding figure for 2009 is 80 per cent.

At the end of June, Nordea Hypotek's RWA amounted to SEK 155,868m after transition rules. Tier 1 capital ratio was 7.2 per cent and the total capital ratio was 9.6 per cent. Risk-weighted assets excluding transition rules amounted to SEK 49,312m with a tier 1 capital ratio of 22.9 per cent and a total capital ratio of 30.3 per cent.

Change in the Board of Directors

No changes in the Board of Directors during the first six months of 2009.

Material events after the balance sheet date

No major events have occurred after 30 June 2009.

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 24 2009

Torsten Allqvist
Chairman

Kurt Gustafsson

Ulla Hermann

Björn Hökby

Karin Markstedt
President

Income statement

SEK (000s)	Note	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Operating income				
Interest income		5,919,977	7,664,686	16,135,273
Interest expenses		-4,437,402	-6,621,657	-13,809,911
Net interest income		1,482,575	1,043,029	2,325,362
Fee and commission income		33,164	32,485	64,154
Fee and commission expense		-30,537	-8,406	-16,777
Net fee and commission income		2,627	24,079	47,377
Net gains/losses on items at fair value	3	44,625	-2,704	-110,464
Other operating income		-	-	12
Total operating income		1,529,827	1,064,404	2,262,287
Operating expenses				
General administrative expenses:				
Staff costs		-1,437	-1,182	-2,122
Other expenses		-274,916	-251,168	-503,775
Depreciation, amortisation and impairment charges of tangible assets		-5	-24	-30
Total operating expenses		-276,358	-252,374	-505,927
Net loan losses	4	-30,138	-1,038	-1,580
Disposals of tangible assets		-	-	-78
Operating profit		1,223,331	810,992	1,754,702
Appropriations	5	-1,370	-1,217	-2,385
Income tax expense		-321,376	-226,737	-490,647
Net profit for the period		900,585	583,038	1,261,670

Balance sheet

SEK (000s)	Note	30 Jun 2009	31 Dec 2008	30 Jun 2008
Assets				
Loans to credit institutions	6	25,530	608,771	1,607,592
Loans to the public	6	355,983,377	340,490,539	332,791,122
Derivatives	8	15,761,485	17,189,914	1,824,654
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,379,839	1,775,529	-758,184
Tangible assets		6	12	17
Current tax assets		769	563	792
Other assets		2,782,402	809,720	3,482,609
Prepaid expenses and accrued income		620,609	990,231	1,071,339
Total assets		377,554,017	361,865,279	340,019,941
Liabilities				
Deposits by credit institutions		83,752,535	60,493,000	57,923,000
Debt securities in issue		267,024,179	272,386,323	263,533,455
Derivatives	8	2,552,831	1,915,796	3,049,847
Fair value changes of the hedged items in portfolio hedge of interest rate risk		5,899,299	5,013,932	-3,211,803
Current tax liabilities		321,376	-	226,745
Other liabilities		334	1,753,211	306
Accrued expenses and prepaid income		1,864,651	5,087,309	2,699,650
Provisions		22,519	-	-
Subordinated liabilities		3,800,000	3,800,000	3,800,000
Total liabilities		365,237,724	350,449,571	328,021,200
Equity				
Share capital		110,000	110,000	110,000
Retained earnings		12,206,293	11,305,708	11,888,741
Total equity		12,316,293	11,415,708	11,998,741
Total liabilities and equity		377,554,017	361,865,279	340,019,941
Assets pledged as security for own liabilities		335,958,520	322,660,227	314,852,130
Contingent liabilities		None	None	None
Commitments		259,695,131	265,056,598	221,597,517
Other notes				
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Statement of changes in equity

SEK (000s)	Share capital ¹⁾	Retained earnings	Total equity
Opening balance at 1 Jan 2009	110,000	11,305,708	11,415,708
Net profit for the period	-	900,585	900,585
Closing balance at 30 Jun 2009	110,000	12,206,293	12,316,293

SEK (000s)	Share capital ¹⁾	Retained earnings	Total equity
Opening balance at 1 Jan 2008	110,000	11,305,703	11,415,703
Net profit for the year	-	1,261,670	1,261,670
Group contribution paid	-	-1,752,312	-1,752,312
Tax effect of group contribution	-	490,647	490,647
Closing balance at 31 Dec 2008	110,000	11,305,708	11,415,708

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

1) 100,000 shares

Cash flow statement

SEK (000s)	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Operating activities			
Operating profit	1,223,331	810,992	1,754,702
Pensions adjustments	-1,370	-1,217	-2,385
Adjustments for items not included in cash flow	-2,793,282	-2,011,466	2,602,585
Income tax paid	-206	-263	-490,689
Cash flow from operating activities before changes in operating assets and liabilities	-1,571,527	-1,201,954	3,864,213
Changes in operating assets			
Changes in lending to the public	-15,528,274	-16,108,412	-23,813,703
Changes in derivatives, net	2,344,727	1,353,853	-11,592,842
Changes in other assets	-1,972,681	-3,318,050	-645,160
Changes in operating liabilities			
Change in deposits by credit institutions	23,259,535	-15,198,749	-12,439,606
Change in debt securities in issue	-5,362,144	37,108,925	45,772,649
Change in other liabilities	-1,752,877	-1,457,018	295,887
Cash flow from operating activities	-583,241	1,178,595	1,441,438
Investing activities			
Sale of equipment	-	172	172
Cash flow from investing activities	-	172	172
Financing activities			
Issued subordinated liabilities	-	-	0
Group contributions paid	-	-	-1,261,664
Cash flow from financing activities	-	-	-1,261,664
Cash flow for the period	-583,241	1,178,767	179,946
Cash and cash equivalents at beginning of period	608,771	428,825	428,825
Cash and cash equivalents at end of period	25,530	1,607,592	608,771
Change	-583,241	1,178,767	179,946

Cash and cash equivalents

SEK (000s)	30 Jun 2009	30 Jun 2008	31 Dec 2008
Lending to credit institutions, payable on demand	25,530	1,607,592	608,771

Note 1 Accounting policies

Nordea Hypotek's interim report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) (ÅRKL) and the regulations and general directions of the Swedish Financial Supervisory Authority in respect of annual reports of credit institutions and securities companies (FFFS 2008:25) and the recommendations RFR2.2 "Accounting for Legal Entities" issued by 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 2.2 and FFFS 2008:25. This means that all of the EU-approved IFRS and declarations are applicable as far as possible within the framework of ÅRKL and with consideration to the connection between financial reporting and taxation. The accounting policies, basis for calculations and presentations are, in all material aspects, unchanged compared with the 2008 Annual Report.

Note 2 Segment reporting

SEK	Operating segments					
	Nordic Banking		Group Corporate Centre		Other Operating segments	
	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
Total operating income	1,445	709	-80	24	0	0
Operating profit	1,414	708	-80	24	0	0
Total assets	357,790	333,878	21,667	7,477	22	62

SEK	Total Operating segments		Reconciliation		Total Group	
	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
	2009	2008	2009	2008	2009	2008
Total operating income	1,365	733	165	331	1,530	1,064
Operating profit	1,334	732	-111	79	1,223	811
Total assets	379,479	341,417	-1,925	-1,397	377,554	340,020

Reconciliation between total operating segments and financial statements

SEK	Jan-Jun 2009		Jan-Jun 2008	
	Operating profit	Total assets	Operating profit	Total assets
Total operating segments	1,334	379,479	732	341,417
Group functions and unallocated items	-111	-1,925	79	-1,397
Total	1,223	377,554	811	340,020

Reportable Operating segments

Nordic Banking provides full-service banking operations for private individuals and corporate customers and comprises Nordea Hypotek's biggest customer area. Group Corporate Centre above refers to Group Treasury. Other business segments relate to Institutional and International Banking.

Note 3 Net gains/losses on items at fair value

	Jan-Jun	Jan-Jun	Full year
SEK (000s)	2009	2008	2008
Interest-bearing securities and other interest-related instruments	44,625	-2,704	-110,464
Total	44,625	-2,704	-110,464

Note 4 Net loan losses

	Jan-Jun	Jan-Jun	Full year
SEK (000s)	2009	2008	2008
Loan losses divided by class			
Loans and receivables to the public	-30,138	-1,038	-1,580
- of which provisions	-34,681	-4,446	-9,582
- of which write-offs	-2,244	-6,043	-7,619
- of which allowances used for covering write-offs	600	3,000	3,184
- of which reversals	890	1,267	1,921
- of which recoveries	5,297	5,184	10,516
Total	-30,138	-1,038	-1,580

Specification of loan losses

Changes of allowance accounts in the balance sheet	-33,791	-3,179	-7,661
- of which Loans and receivables, individually assessed	890	967	-133
- of which Loans and receivables, collectively assessed	-34,681	-4,146	-7,528
Changes directly recognised in the income statement	3,653	2,141	6,081
- of which realised loan losses, individually assessed	0	-1,044	-1,156
- of which realised loan losses, collectively assessed	-1,644	-1,999	-3,278
- of which realised recoveries, collectively assessed	5,297	5,184	10,516
Total	-30,138	-1,038	-1,580

Note 5 Appropriations

	Jan-Jun	Jan-Jun	Full year
SEK (000s)	2009	2008	2008
Pension adjustments			
Reversed actuarial pension costs	1	82	231
Pension benefits paid	-1,103	-1,045	-2,105
Special wage tax / return tax	-268	-254	-511
Total	-1,370	-1,217	-2,385

Note 6 Loans and receivables and their impairment

	Credit institutions			The public		
	30 Jun 2009	31 Dec 2008	30 Jun 2008	30 Jun 2009	31 Dec 2008	30 Jun 2008
SEKm						
Loans and receivables, not impaired	26	609	1,608	356,030	340,502	332,798
Impaired loans and receivables:	-	-	-	11	14	13
- Performing	-	-	-	7	10	11
- Non-performing	-	-	-	4	4	2
Loans and receivables before allowances	26	609	1,608	356,041	340,516	332,811
Allowances for individually assessed impaired loans	-	-	-	-5	-7	-6
- Performing	-	-	-	-3	-5	-5
- Non-performing	-	-	-	-2	-2	-1
Allowances for collectively assessed impaired loans	-	-	-	-53	-18	-14
Allowances	-	-	-	-58	-25	-20
Loans and receivables, carrying amount	26	609	1,608	355,983	340,491	332,791
	Total					
	30 Jun 2009	31 Dec 2008	30 Jun 2008			
SEKm						
Loans and receivables, not impaired	356,056	341,111	334,406			
Impaired loans and receivables:	11	14	13			
- Performing	7	10	11			
- Non-performing	4	4	2			
Loans and receivables before allowances	356,067	341,125	334,419			
Allowances for individually assessed impaired loans	-5	-7	-6			
- Performing	-3	-5	-5			
- Non-performing	-2	-2	-1			
Allowances for collectively assessed impaired loans	-53	-18	-14			
Allowances	-58	-25	-20			
Loans and receivables, carrying amount	356,009	341,100	334,399			

Reconciliation of allowance accounts for impaired loans

Loans and receivables, SEK (000s)	The public		Total
	Individually assessed	Collectively assessed	
Opening balance at 1 Jan 2009	-6,453	-18,319	-24,772
Provisions	-	-34,681	-34,681
Reversals	890	-	890
Changes through the income statement	890	-34,681	-33,791
Allowances used to cover write-offs	600	-	600
Closing balance at 30 Jun 2009	-4,963	-53,000	-57,963
Opening balance at 1 Jan 2008	-9,505	-10,791	-20,296
Provisions	-2,054	-7,528	-9,582
Reversals	1,921	-	1,921
Changes through the income statement	-133	-7,528	-7,661
Allowances used to cover write-offs	3,185	-	3,185
Closing balance at 31 Dec 2008	-6,453	-18,319	-24,772
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

Key ratios

	30 Jun 2009	31 Dec 2008	30 Jun 2008
Impairment rate, gross ¹ , basis points	0.3	0.4	0.4
Impairment rate, net ² , basis points	0.2	0.2	0.2
Total allowance rate ³ , basis points	1.6	0.7	0.6
Allowances in relation to impaired loans ⁴ , %	45.1	47.5	41.9
Total allowances in relation to impaired loans ⁵ , %	526.8	182.2	150.5

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.

5 Total allowance divided by total impaired loans and receivables before allowances.

Note 7 Classification of financial instruments

SEKm	Loans and receivables	Derivatives used for hedging	Non financial assets	Total
Financial assets				
Loans and receivables to credit institutions	26	-	-	26
Loans and receivables to the public	355,983	-	-	355,983
Derivatives	-	15,761	-	15,761
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,380	-	-	2,380
Other assets	2,782	-	1	2,783
Prepaid expenses and accrued income	621	-	-	621
Total 30 Jun 2009	361,792	15,761	1	377,554
Total 31 Dec 2008	344,674	17,190	1	361,865
Total 30 Jun 2008	338,194	1,825	1	340,020

SEKm	Derivatives used for hedging	Other financial liabilities	Non financial liabilities	Total
Financial liabilities				
Deposits by credit institutions	-	83,753	-	83,753
Debt securities in issue	-	267,024	-	267,024
Derivatives	2,553	-	-	2,553
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	5,899	-	5,899
Other liabilities	-	-	321	321
Accrued expenses and prepaid income	-	1,860	5	1,865
Provisions	-	-	23	23
Subordinated liabilities	-	3,800	-	3,800
Total 30 Jun 2009	2,553	362,336	349	365,238
Total 31 Dec 2008	1,916	348,528	5	350,449
Total 30 Jun 2008	3,050	324,740	231	328,021

Note 8 Derivatives and hedge accounting, SEKm

Fair value	30 Jun 2009		31 Dec 2008		30 Jun 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives used for hedging						
Interest rate derivatives	4,405	2,153	4,945	1,743	983	2,476
Foreign exchange derivatives	11,356	400	12,245	173	842	574
Total	15,761	2,553	17,190	1,916	1,825	3,050
Of which						
- Fair value hedges	15,761	2,553	17,190	1,916	1,825	3,050
Nominal amount				30 Jun 2009	31 Dec 2008	30 Jun 2008

Derivatives used for hedging

Interest rate derivatives	177,962	168,828	134,220
Foreign exchange derivatives	69,251	64,229	63,224
Total	247,213	233,057	197,444
Of which			
- Fair value hedges	247,213	233,057	197,444

Note 9 Capital adequacy

SEKm	30 Jun 2009	31 Dec 2008	30 Jun 2008
Tier 1 capital	11,285	11,296	11,354
Capital base	14,954	14,976	15,092
Risk-weighted amount excluding transition rules	49,312	47,418	116,556
Tier 1 capital ratio, per cent	22.9	23.8	9.7
Total capital ratio, per cent	30.3	31.6	12.9
Risk-weighted amount including transition rules	155,868	166,585	161,325
Tier 1 capital ratio, per cent	7.2	6.8	7.0
Total capital ratio, per cent	9.6	9.0	9.4

Note 10 Risks and uncertainties

The company's main risk exposure is credit risk. The company also assumes liquidity risk and operational risk.

None of the above exposures and risks is expected to have any significant adverse effect on the company or its financial position in the next six months.

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