

Interim report January – June 2013 for Nordea Hypotek AB (publ)

Result

Operating profit amounted to SEK 1,889m (1,589), an increase of 19 per cent from the same period last year.

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

- Net interest income rose SEK 379m, an increase of 20 per cent compared to the same period last year.
- The net result from items at fair value decreased by SEK 79m. The item pertains to hedge accounting and interest differential compensation. Also buy-backs of issued bonds entered at amortised cost affected the item by a negative SEK 34m.
- Credit losses amounted to SEK -7.4 million (-9.0) net, and are entirely attributable to household lending.

Income

Net interest income for the period amounted to SEK 2,304m (1,925). Net commission income for the period was charged with an estimated stability fee of SEK 59m and amounted to SEK -46m (-43).

Expenses

Operating expenses amounted to SEK 243m (243), and were largely unchanged from the same period last year.

Lending

At the end of the period lending to the public was at SEK 432,519m (428,673), exceeding last year's volume by 0.9 per cent (3.2).

Lending to household customers rose SEK 18,623m, or 5.9 per cent. Lending to legal entities fell by SEK 14,777m, or 13.2 per cent.

Impaired loans and loan losses

Impaired loans amounted to SEK 484m (494). The net amount from recoveries and new loan losses gave a loss of SEK 7m (loss of 9).

Funding

Long-term funding is mainly secured by means of the issuance of covered bonds on the Swedish market, with maturities from two to ten years. During the period, bonds equalling SEK 41,826m (16,000) were issued in Swedish kronor. Outstanding bond volume per 30 June 2013 amounted to SEK 281,879m (291,609), of which SEK 41,453m (48,498) was denominated in currencies other than SEK.

During the period the company also issued a dated debenture loan of 1.0 billion kronor, which was endorsed by the Parent Company in its entirety. This loan replaced an earlier debenture loan of SEK 0.9bn, which was redeemed early.

At 30 June 2013, Nordea Hypotek had outstanding dated debenture loans totalling SEK 4.4bn (4.4).

Covered bonds are funding instruments, regulated by a separate Swedish Act, which grant the investor priority in the event of 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 assigned ratings provide the company with 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 borrowing with 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 which account for the company's main long-term funding.

Capital adequacy

Nordea uses the Internal Ratings-based (IRB) approach (internal risk classification) for calculating credit risk in the exposure classes corporate, institution and household. Other exposure classes, e.g. sovereigns, are calculated according to the standardised approach until further notice.

The new capital adequacy regulations under the Basel II agreement are being implemented gradually, whereby potentially reduced capital requirements during a transitional period will be affected by floor rules determined in Basel I. In 2009, the lowest accepted amount for risk-weighted assets (RWA) was 80 per cent of the amount calculated in accordance with the Basel I regulations, and the same level applies for 2013.

At the end of June, the company's RWA amounted to SEK 208,145m applying the floor rule. The tier 1 capital ratio was 7.0 per cent and the total capital ratio was 9.1 per cent. Excluding the premium for the transition rules, the company's risk-weighted assets amounted to SEK 49,417m with a tier 1 capital ratio of 29.5 per cent and a total capital ratio of 38.2 per cent.

Change in the Board of Directors

Kurt Gustafsson has left the board in 2013. Thomas Nyman, Head of Regional Bank Södermanland/Östergötland/Gotland in Retail Banking Sweden, was elected new ordinary Chairman at the annual meeting of shareholders on 12 March 2013.

Material events after the balance sheet date

No major events have occurred since 30 June 2013

Assurance of the Board of Directors

The January–June interim report provides a fair overview of the company's operations, financial position and result, and describes material risks and uncertainties faced by the company.

Stockholm, 23 August 2013

Thomas Nyman
Chairman of the board

Torsten Allqvist

Ulla Hermann

Nils Lindberg

Erik Gref

Elisabeth Olin

Michael Skytt
Managing Director

Income statement

SEK (000s)	Note	Jan-Jun 2013	Jan-Jun 2012	Jan-Dec 2012
Operating income				
Interest income		6,659,243	8,194,750	15,877,500
Interest expense		-4,354,808	-6,269,631	-11,648,312
Net interest income		2,304,435	1,925,119	4,229,188
Fee and commission income	3	25,811	27,481	54,950
Fee and commission expense	3	-72,210	-70,813	-132,549
Net fee and commission income		-46,399	-43,332	-77,599
Net result from items at fair value	4	-118,690	-40,050	-70,897
Other operating income		-	-	20
Total operating income		2,139,346	1,841,737	4,080,712
Operating expenses				
General administrative expenses:				
Staff costs		-3,483	-3,282	-6,907
Other expenses		-239,537	-240,209	-479,837
Total operating expenses		-243,020	-243,491	-486,744
Net loan losses	5	-7,411	-8,982	-22,023
Operating profit		1,888,915	1,589,264	3,571,945
Appropriations	6	-	-	-446,495
Income tax expense		-416,484	-417,979	-821,997
Net profit for the period		1,472,431	1,171,285	2,303,453

Statement of comprehensive income

SEK (000s)	Jan-Jun 2013	Jan-Jun 2012	Jan-Dec 2012
Net profit for the year	1,472,431	1,171,285	2,303,453
Items that may be reclassified subsequently to income statement			
Cash flow hedges			
Valuation gains/losses during the year	4,831	-1,198,425	-1,315,996
Tax on valuation gains/losses during the year	-1,063	315,186	363,391
Other comprehensive income, net of tax	3,768	-883,239	-952,605
Total comprehensive income	1,476,199	288,046	1,350,848

Balance sheet

SEK (000s)	Note	30 Jun 2013	31 Dec 2012	30 Jun 2012
Assets				
Loans to credit institutions	7	2,377,932	2,724,021	556,167
Loans to the public	7	432,518,998	430,902,017	428,672,715
Derivatives	8	6,713,365	13,365,975	8,077,495
Fair value changes of the hedged items in portfolio hedge of interest rate risk		646,678	1,302,357	821,188
Current tax assets		353,813	816	1,052
Other assets		713,764	424,891	305,588
Prepaid expenses and accrued income		787,538	730,476	793,225
Total assets		444,112,088	449,450,553	439,227,430
Liabilities				
Deposits by credit institutions		125,996,358	102,475,323	115,170,441
Debt securities in issue		284,241,603	303,485,057	290,652,402
Derivatives	8	4,964,511	5,590,831	4,665,778
Fair value changes of the hedged items in portfolio hedge of interest rate risk		5,379,497	9,490,630	7,308,751
Current tax liabilities		768,768	352,284	417,979
Other liabilities		59,333	1,786,383	2,605
Accrued expenses and prepaid income		1,678,126	6,823,415	1,607,669
Deferred tax liabilities		89,494	88,431	136,636
Provisions		-	-	-
Subordinated liabilities		4,400,000	4,300,000	4,400,000
Total liabilities		427,577,690	434,392,354	424,362,261
Untaxed reserves	11	446,495	446,495	-
Equity				
Share capital		110,000	110,000	110,000
Other reserves		317,296	313,528	382,894
Retained earnings		15,660,607	14,188,176	14,372,275
Total equity		16,087,903	14,611,704	14,865,169
Total liabilities and equity		444,112,088	449,450,553	439,227,430
Assets pledged as security for own liabilities		409,075,683	408,954,435	405,984,597
Contingent liabilities		None	None	None
Commitments		145,000	145,000	145,000
Other notes				
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Statement of changes in equity

Tkr	Share capital¹⁾	Cash flow-hedges	Retained earnings	Total
Balance at 1 January 2013	110,000	313,528	14,188,176	14,611,704
Total comprehensive income	-	3,768	1,472,431	1,476,199
Balance at 30 Jun 2013	110,000	317,296	15,660,607	16,087,903

Tkr	Share capital¹⁾	Cash flow-hedges	Retained earnings	Total
Balance at 1 January 2012	110,000	1,266,133	13,200,990	14,577,123
Total comprehensive income	-	-952,605	2,303,453	1,350,848
Group contribution paid	-	-	-1,785,980	-1,785,980
Tax effect of group contribution	-	-	469,713	469,713
Balance at 31 Dec 2012	110,000	313,528	14,188,176	14,611,704

Tkr	Share capital¹⁾	Cash flow-hedges	Retained earnings	Total
Balance at 1 Jan 2012	110,000	1,266,133	13,200,990	14,577,123
Total comprehensive income	-	-883,239	1,171,285	288,046
Balance at 30 Jun 2012	110,000	382,894	14,372,275	14,865,169

¹⁾ 100,000 Shares

Cash flow statement

SEK (000s)	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Operating activities			
Operating profit	1,888,915	1,589,264	3,571,945
Adjustments for items not included in cash flow	-5,137,586	-5,439,125	-178,664
Income tax paid	-352,997	-370	-133
Cash flow from operating activities before changes in operating assets and liabilities	-3,601,668	-3,850,231	3,393,148
Changes in operating assets			
Changes in lending to credit institutions	-	5,904,375	5,904,375
Changes in lending to the public	-1,629,403	-7,202,062	-9,449,221
Changes in derivatives, net	2,523,325	4,575,461	1,831,061
Changes in other assets	-288,874	-305,399	-424,701
Changes in operating liabilities			
Change in deposits by credit institutions	23,521,034	28,822,066	16,126,948
Change in debt securities in issue	-19,243,454	-25,179,453	-12,346,797
Change in other liabilities	-1,727,049	-2,689,548	-2,691,750
Cash flow from operating activities	-446,089	75,209	2,343,063
Financing activities			
Issued subordinated liabilities	1,000,000	-	1,300,000
Amortised subordinated liabilities	-900,000	-	-1,400,000
Cash flow from financing activities	100,000	-	100,000
Cash flow for the period	-346,089	75,209	2,243,063
Cash and cash equivalents at beginning of period	2,724,021	480,958	480,958
Cash and cash equivalents at end of period	2,377,932	556,167	2,724,021
Change	-346,089	75,209	2,243,063

Cash and cash equivalents

SEK (000s)	30 Jun 2013	30 Jun 2012	31 Dec 2012
Loans to credit institutions, payable on demand	2,377,932	556,167	2,724,021

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, with addition of FFFS 2009:11 and 2011:54) and the recommendations RFR 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 and FFFS 2008:25, (with addition of FFFS 2009:11 and 2011:54). 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.

This interim report complies with requirements according to IAS 34 "Interim Financial Reporting".

Changed accounting policies and presentation

The accounting policies, basis for calculations and presentations are, in all material aspects, unchanged compared with the 2012 Annual Report.

Nordea Hypotek started to apply the new standard IFRS 13 "Fair value measurement" in the first quarter of 2013, but this has not had any effect on the measurement of assets and liabilities. Further disclosures which, according to IFRS 13, are to be provided each quarter are presented in note 9.

IAS 32 "Financial Instruments: Presentation", and IFRS 7 "Financial instruments: Disclosures" have been amended as regards offsetting of financial assets and liabilities. Nordea Hypotek started to apply this amendment in the first quarter of 2013. The amendment of IAS 32 has not had any effect on Nordea Hypotek's income statement or balance sheet, and the further disclosures required according to IFRS 7 are presented in note 11.

Effect on capital adequacy from new or amended IFRSs

IASB has adopted a new standard which may have an effect on capital adequacy, but which has not yet been applied by Nordea Hypotek.

IFRS 9 "Financial instruments" (phase 1) is not expected to have any significant impact on Nordea Hypotek's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or substantial impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments on Nordea Hypotek's balance sheet at transition. It is furthermore expected that changes will be made to the standard before the standard becomes effective.

Note 2 Segment reporting

	Operating segments					
	Banking Sweden		Group Treasury		Other Operating segments	
	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
SEKm						
Total operating income	6,475	7,948	-4,535	-6,309	97	94
Operating profit	6,468	7,939	-4,535	-6,309	87	82
Loans to the public	425,357	423,493	-	-	7,162	5,180
	Total Operating segments		Reconciliation		Total	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2013	2012	2013	2012	2013	2012
SEKm						
Total operating income	2,037	1,733	102	109	2,139	1,842
Operating profit	2,020	1,712	-131	-123	1,889	1,589
Loans to the public	432,519	428,673	-	-	432,519	428,673

Reconciliation between total operating segments and financial statements

SEKm	Jan-Jun 2013		Jan-Jun 2012	
	Operating profit	Loans to the public	Operating profit	Loans to the public
Total operating segments	2,020	432,519	1,712	428,673
Group functions and unallocated items	-131	-	-123	-
Total	1,889	432,519	1,589	428,673

Reportable operating segments

Compared with the 2012 Annual Report there have been no changes in the basis of segmentation.

Banking Sweden provides full-service banking operations for private individuals and corporate customers and comprises Nordea Hypotek's biggest customer area. Other business segments mainly relates to Wholesale Banking and the support function Products within banking operations. Group functions and result that is not fully allocated to any of the operating segments, are shown separately as reconciling items in the above table.

Segment reporting

The comparative figures for 2012 presented in the table above on page 7 have been restated. The effect is presented in the table below. The reason for the restatement of the figures is that input figures were based on an erroneous reporting basis. The corrections have not had any effect on the income statement and balance sheet or other notes for the first six months of 2013 or previous periods.

SEKm	Operating segments					
	Banking Sweden		Group Treasury		Other Operating segments	
	After adjust.	Before adjust.	After adjust.	Before adjust.	After adjust.	Before adjust.
Total operating income	7,948	2,395	-6,309	-814	94	146
Operating profit	7,939	2,385	-6,309	-814	82	135

SEKm	Total Operating segments		Reconciliation		Total	
	After adjust.	Before adjust.	After adjust.	Before adjust.	After adjust.	Before adjust.
Total operating income	1,733	1,727	109	115	1,842	1,842
Operating profit	1,712	1,706	-123	-117	1,589	1,589

Note 3 Net fee and commission income

Tkr	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Loan commissions	14,176	16,360	31,787
Other commission income	11,635	11,121	23,163
Fee and commission income	25,811	27,481	54,950
Security commissions	-12,758	-11,347	-17,407
State guarantee fees	-59,400	-59,400	-115,034
Other commission expenses	-52	-66	-108
Fee and commission expenses	-72,210	-70,813	-132,549
Net fee and commission income	-46,399	-43,332	-77,599

Note 4 Net result from items at fair value

	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
SEK (000s)			
Interest-bearing securities and other interest-related instruments	-118,690	-40,050	-70,897
Total	-118,690	-40,050	-70,897

Note 5 Net loan losses

	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
SEK (000s)			
Loan losses divided by class			
Loans and receivables to the public	-7,411	-8,982	-22,023
- of which provisions	-	-2,200	-2,625
- of which write-offs	-12,422	-13,778	-37,212
- of which allowances used for covering write-offs	-	1,235	5,690
- of which reversals	-	465	2,010
- of which recoveries	5,011	5,296	10,114
Total	-7,411	-8,982	-22,023

Note 6 Appropriations

	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
SEK (000s)			
Tax allocation reserve	-	-	-446 495
Total	-	-	-446 495

Note 7 Loans and impairment

	Credit institutions			The public		
	30 Jun 2013	31 Dec 2012	30 Jun 2012	30 Jun 2013	31 Dec 2012	30 Jun 2012
SEKm						
Loans, not impaired	2,378	2,724	556	432,103	430,473	428,253
Impaired loans:	-	-	-	484	497	494
- Performing	-	-	-	35	51	49
- Non-performing	-	-	-	449	446	445
Loans before allowances	2,378	2,724	556	432,587	430,970	428,747
Allowances for individually assessed impaired loans	-	-	-	-41	-41	-47
- Performing	-	-	-	-37	-37	-37
- Non-performing	-	-	-	-4	-4	-10
Allowances for collectively assessed impaired loans	-	-	-	-27	-27	-27
Allowances	-	-	-	-68	-68	-74
Loans, carrying amount	2,378	2,724	556	432,519	430,902	428,673

Note 7 Continuation

SEKm	Total		
	30 Jun 2013	31 Dec 2012	30 Jun 2012
Loans, not impaired	434,481	433,197	428,809
Impaired loans:	484	497	494
- Performing	35	51	49
- Non-performing	449	446	445
Loans before allowances	434,965	433,694	429,303
Allowances for individually assessed impaired loans	-41	-41	-47
- Performing	-37	-37	-37
- Non-performing	-4	-4	-10
Allowances for collectively assessed impaired loans	-27	-27	-27
Allowances	-68	-68	-74
Loans, carrying amount	434,897	433,626	429,229

Allowances and provisions

SEK (000s)	30 Jun 2013	31 Dec 2012	30 Jun 2012
Allowances for items in the balance sheet	-68,241	-68,241	-73,816
Total allowances	-68,241	-68,241	-73,816

Key ratios

	30 Jun 2013	31 Dec 2012	30 Jun 2012
Impairment rate, gross ¹ , basis points	11.1	11.5	11.5
Impairment rate, net ² , basis points	10.2	10.5	10.4
Total allowance rate ³ , basis points	1.6	1.6	1.7
Allowances in relation to impaired loans ⁴ , %	8.5	8.3	9.5
Total allowances in relation to impaired loans ⁵ , %	14.1	13.7	14.9

¹ Individually assessed impaired loans before allowances divided by total loans before allowances, basis points.

² Individually assessed impaired loans after allowances divided by total loans before allowances, basis points.

³ Total allowances divided by total loans before allowances, basis points.

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

⁵ Total allowance divided by total impaired loans before allowances, %.

Note 8 Derivatives

Fair value, SEKm	30 Jun 2013		31 Dec 2012		30 Jun 2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives used for hedging						
Interest rate derivatives	5,753	1,949	12,198	2,143	6,781	2,006
Foreign exchange derivatives	960	3,016	1,168	3,448	1,296	2,660
Total	6,713	4,965	13,366	5,591	8,077	4,666

Nominal amount, SEKm	30 Jun 2013	31 Dec 2012	30 Jun 2012
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Derivatives used for hedging			
Interest rate derivatives	303,576	343,762	362,069
Foreign exchange derivatives	46,663	46,629	46,662
Total	350,239	390,391	408,731

Note 9 Classification of financial instruments

SEKm	Loans and receivables	Derivatives used for hedging	Non financial assets	Total
Financial assets				
Loans to credit institutions	2,378	-	-	2,378
Loans to the public	432,519	-	-	432,519
Derivatives	-	6,713	-	6,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	647	-	-	647
Other assets	714	-	354	1,068
Prepaid expenses and accrued income	787	-	-	787
Total 30 Jun 2013	437,045	6,713	354	444,112
Total 31 Dec 2012	436,084	13,366	1	449,451
Total 30 Jun 2012	431,149	8,077	1	439,227

SEKm	Derivatives used for hedging	Other financial liabilities	Non financial liabilities	Total
Financial liabilities				
Deposits by credit institutions	-	125,996	-	125,996
Debt securities in issue	-	284,242	-	284,242
Derivatives	4,965	-	-	4,965
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	5,379	-	5,379
Other liabilities	-	-	828	828
Accrued expenses and prepaid income	-	1,500	179	1,679
Provisions	-	-	89	89
Subordinated liabilities	-	4,400	-	4,400
Total 30 Jun 2013	4,965	421,517	1,096	427,578
Total 31 Dec 2012	5,591	428,240	561	434,392
Total 30 Jun 2012	4,666	418,958	738	424,362

Note 10 Fair value of financial assets and liabilities

	30 Jun 2013	30 Jun 2013
SEKm	Carrying amount	Fair value
Assets		
Loans to credit institutions	2,378	2,378
Loans to the public	432,519	434,292
Derivatives ¹	6,713	6,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	647	647
Other assets	714	714
Prepaid expenses and accrued income	787	787
Total assets	443,758	445,531
Financial liabilities		
Deposits by credit institutions	125,996	125,999
Debt securities in issue	284,242	288,147
Derivatives ¹	4,965	4,965
Fair value changes of the hedged items in portfolio hedge of interest rate risk	5,379	5,379
Accrued expenses and prepaid income	1,500	1,500
Subordinated liabilities	4,400	4,408
Total liabilities	426,482	430,398

¹ Valuation techniques using observable data (level 2) have been used for determination of fair value regarding derivatives.

The determination of fair value is described in the Annual report 2012, Note 28 "Assets and liabilities at fair value".

Measurement of offsetting positions

Financial assets and liabilities with offsetting positions in market risk or credit risk are measured on the basis of the price that would be received to sell the net asset exposed for that particular risk or paid to transfer the net liability exposed for that particular risk. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual report 2012, Note 28 "Assets and liabilities at fair value".

Note 11 Untaxed reserves

SEK (000s)	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Tax allocation reserve ¹	446,495	-	446,495
Total	446,495	-	446,495

¹ Tax rate 22%

Note 12 Financial instruments set off on balance or subject to netting agreements

30 June 2013, SEKm	Gross recognised financial assets ¹	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet ²	Amounts not set off but subject to master netting agreements and similar agreements ³ Financial instruments	Net amount
Assets					
Derivatives	6,713	-	6,713	-4,965	1,748
Reverse repurchase agreements	-	-	-	-	-
Total	6,713	-	6,713	-4,965	1,748
Liabilities					
Derivatives	4,965		4,965	-4,965	0
Repurchase agreements	-	-	-	-	-
Total	4,965	-	4,965	-4,965	0

30 June 2012, SEKm	Gross recognised financial assets ¹	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet ²	Amounts not set off but subject to master netting agreements and similar agreements ³ Financial instruments	Net amount
Assets					
Derivatives	8,077	-	8,077	-4,666	3,411
Reverse repurchase agreements	-	-	-	-	-
Total	8,077	-	8,077	-4,666	3,411
Skulder					
Derivatives	4,666	-	4,666	-4,666	0
Repurchase agreements	-	-	-	-	-
Total	4,666	-	4,666	-4,666	0

¹ All amounts have been measured at fair value.

² In the balance sheet, reverse repurchase agreements have been classified as "Loans to credit institutions" or "Loans to the public".
In the balance sheet, repurchase agreements have been classified as "Deposits by credit institutions" or "Deposits and borrowings from the public".

³ There are no items related to financial collateral (including cash collateral) in the company.

Enforceable master netting agreements and similar arrangements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives and repos), would be subject to master netting agreements, and as a consequence Nordea Hypotek would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

Note 13 Capital adequacy**Capital base**

	30 Jun 2013	31 Dec 2012	30 Jun 2012
SEKm			
Tier 1 capital	14,553	14,559	13,184
Total capital base	18,860	18,771	17,457

Capital requirement

	30 Jun 2013		31 Dec 2012		30 Jun 2012	
	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA
SEKm						
Credit risk	3,544	44,287	3,386	42,328	3,571	44,636
IRB foundation	3,541	44,245	3,385	42,314	3,566	44,574
- of which corporate	2,048	25,588	2,065	25,809	2,219	27,734
- of which institutions	10	129	5	64	1	13
- of which retail	1,480	18,489	1,311	16,390	1,341	16,765
- of which other	3	39	4	51	5	62
Standardised	3	42	1	14	5	62
- of which retail	0	0	0	0	-	-
- of which sovereign	0	0	0	0	0	0
- of which other	3	42	1	14	5	62
Market risk	-	-	-	-	-	-
Operational risk	410	5,130	377	4,710	377	4,710
Standardised	410	5,130	377	4,710	377	4,710
Sub total	3,954	49,417	3,763	47,038	3,948	49,346

Adjustment for transition rules

Additional capital requirement according to transition rules	12,698	158,728	12,607	157,586	12,011	150,143
Total	16,652	208,145	16,370	204,624	15,959	199,489

Capital ratio

	30 Jun 2013	31 Dec 2012	30 Jun 2012
Risk-weighted amount excluding transition rules	49,417	47,038	49,346
Tier 1 ratio, excluding transition rules, %	29.5	31.0	26.7
Capital ratio, excluding transition rules, %	38.2	39.9	35.4
Risk-weighted amount including transition rules	208,145	204,624	199,489
Tier 1 ratio, including transition rules, %	7.0	7.1	6.6
Capital ratio, including transition rules, %	9.1	9.2	8.8

Note 14 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.