Annual Report 2015

Nordea Hypotek AB (publ)

Nordea´s vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 branch offices locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Contents

5 year overview 2
Ratios and key figures 3
Board of Directors' Report 4
Risk, Liquidity and Capital Management 7
Income statement 14
Balance sheet 15
Statement of changes in equity 16
Cash flow statement 17
Notes to the financial statements 18
Proposed distribution of earnings 48
Auditor's report 49
Board of Directors, Auditor and Management 50
Addresses 50

5 year overview

Income statement

SEKm	2015	2014	2013	2012	2011
Net interest income	6,805	5,393	4,647	4,229	3,210
Net fee and commission income	–95	–76	–83	–77	–84
Net result from items at fair value	–140	–130	–167	–71	56
Other income	–	–	–	0	0
Total operating income	**6,570**	**5,187**	**4,397**	**4,081**	**3,182**
General administrative expenses:					
– Staff costs	–7	–7	–7	–7	–7
– Other expenses	–511	–490	–492	–480	–479
Total operating expenses	**–518**	**–497**	**–499**	**–487**	**–486**
Profit before loan losses	**6,052**	**4,690**	**3,898**	**3,594**	**2,696**
Net loan losses	–22	–52	–14	–22	–5
Operating profit	**6,030**	**4,638**	**3,884**	**3,572**	**2,691**
Appropriations	–	–	446	–447	–
Income tax expense	–1,326	–1,020	–953	–822	–708
Net profit for the year	**4,704**	**3,618**	**3,377**	**2,303**	**1,983**

Balance sheet

SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Assets					
Loans to credit institutions	2,602	91	1,259	2,724	6,385
Loans to the public	500,852	474,904	451,742	430,902	421,485
Derivatives	9,792	13,297	8,824	13,366	12,056
Fair value changes of the hedged items in portfolio hedge of interest rate risk	57	563	581	1,302	1,221
Tax assets	153	358	2	1	1
Other assets	2,485	1,476	–	425	0
Prepaid expenses and accrued income	550	437	588	731	896
Total assets	**516,491**	**491,126**	**462,996**	**449,451**	**442,044**
Liabilities					
Deposits by credit institutions	157,977	150,702	118,985	102,475	86,348
Debt securities in issue	320,934	301,859	305,233	303,485	315,832
Derivatives	1,715	1,463	4,418	5,591	3,192
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6,450	9,998	4,867	9,491	7,382
Current tax liabilities	–	–	477	352	–
Other liabilities	6,747	5,847	2,184	1,786	2,692
Accrued expenses and prepaid income	171	163	6,141	6,824	7,050
Deferred tax liabilities	139	89	67	88	452
Provisions	–	–	–	–	119
Subordinated liabilities	4,702	4,703	4,400	4,300	4,400
Untaxed reserves	–	–	–	447	–
Equity	17,655	16,302	16,224	14,612	14,577
Total liabilities and equity	**516,491**	**491,126**	**462,996**	**449,451**	**442,044**

Ratios and key figures

	2015	2014	2013	2012	2011
Return on average shareholders' equity, %	26.2	21.0	21.3	15.5	14.1
Return on total capital, %	1.2	1.0	0.9	0.8	0.6
Return on asstes, %	0.91	0.74	0.73	0.51	0.45
Investment margin, %	1.35	1.13	1.03	0.95	0.74
Cost/income ratio, %	8.2	10.6	11.7	12.5	15.4
Risk-weighted amount, before transition rules, SEKm	34,765	35,234	49,751	47,038	48,927
Risk-weighted amount, SEKm	255,603	237,326	218,588	204,624	194,707
Capital base, SEKm	21,794	20,536	20,199	18,771	17,517
Total capital ratio, before transition rules, %	62.7	58.3	40.6	39.9	35.8
Tier 1 capital ratio, before transition rules, %	49.2	44.9	31.9	31.0	27.0
Total capital ratio, %	8.6	8.7	9.2	9.2	9.0
Tier 1 capital ratio, %	6.7	6.7	7.3	7.1	6.8
Average number of employees	3	3	3	3	3

Definitions

Capital base
The capital base constitutes the numerator in calculating the capital ratio. It consists of the sum of tier 1 capital (equity) and supplementary capital (subordinated debenture loans).

Cost/income ratio after loan losses
Operating expenses plus loan losses as a percentage of operating income.

Investment margin
Net interest income as a percentage of average total assets, monthly average.

Return on average shareholders' equity
Net profit for the year as a percentage of equity, monthly average.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

Return on total capital
Operating profit as a percentage of average total assets, monthly average.

Risk-weighted amount
Total assets as shown in balance sheet and off-balance-sheet items valued on the basis of credit and market risks in accordance with regulations governing capital adequacy.

Risk-weighted amount, before transition rules
Risk-weighted assets before adjusting for floor rules.

Tier 1 capital ratio, before transition rules
Tier 1 capital in relation to risk-weighted assets before adjusting for floor rules.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted amounts.

Total capital ratio
Capital base as a percentage of risk-weighted amounts.

Total capital ratio, before transition rules
The capital base in relation to risk-weighted assets before adjusting for floor rules.

Directors' report

The Board of Directors and the President of Nordea Hypotek AB (publ) (corp. id no. 556091-5448), hereby present the Annual Report for 2015. The company is a wholly owned subsidiary of Nordea Bank AB (publ) (corp. id no. 516406-0120).

Operations

The company operates in the Swedish market and grants loans, primarily long-term in nature, to households, sole business proprietors, municipalities and other legal entities through the parent bank's distribution network. The purpose of the lending is primarily to finance properties, agriculture and municipal activities. The key emphasis is on housing financing. Collateral consists mainly of mortgages on residential properties and tenant-owner apartments, or municipal guarantees.

Result

Operating profit amounted to SEK 6,030 million (4,638), which is an increase of 30.0 percent from the previous year. When comparing earnings with the previous year, account should mainly be taken of the following major items affecting comparability:

- Net interest income amounted to SEK 6,805m (5,393), an increase of 26.2 per cent. The main reason for the increase in net interest income is higher lending volumes and lower funding costs.
- Net result from items at fair value declined by SEK 10m. This is chiefly attributable to financial instrument under hedge accounting, which positively affected the item by SEK 17m, and to repurchase of issued bonds entered at amortised cost, which had a negative effect of SEK 33m on the item.
- Net commission income was charged in the amount of SEK 118m (112) with respect to an estimated fee to the state stability fund.
- The volume of loans past due that are not classified as impaired is unchaged at 0.08 per cent (0.08) for household lending, and increased to 0.73 per cent (0.08) for corporate lending.
- Credit losses amounted to a net SEK –22m (–52), of which SEK +32 m is attributable to corporate lending and SEK –52m is attributable to household lending. Credit losses related to corporate lending has been positively effected by SEK 25m due to a reversal of a previously made provision for anticipated loan losses.
- Return on equity, after standard taxes, was 26.2 per cent (21.0).
- Selling expenses increased by SEK 21m compared to 2014. This is primarily due to the fact that a review was performed of remuneration for Nordea Bank AB in 2015, resulting in a higher expense for the company than in 2014.

Lending

Lending to the public increased during the year by 5.5 percent (5.1) to SEK 500,852 million (474,904) at year-end.

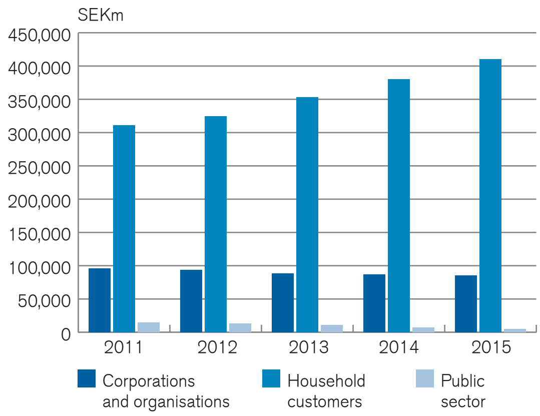
Lending to companies, organisations and municipalities

Lending to legal entities declined by SEK 3,670 million (3.9 percent) to SEK 90,755 million (94,425) at the end of the financial year.

Household lending

Household lending increased by SEK 29,619 million (7.8 percent) to SEK 410,097 million (380,479) at year-end.

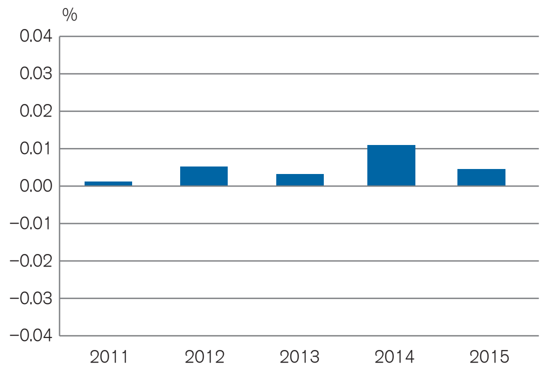
Distribution of the loan portfolio



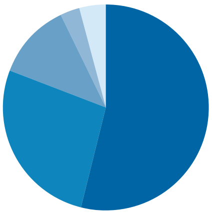
Credit losses

New incurred and expected losses exceeded recoveries of impaired claims and reversals of provisions in previous years to a net amount of SEK –22 million (–52).

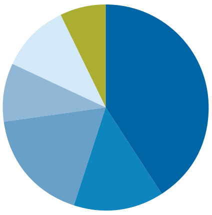
Net loan losses in relation to lending



Breakdown of lending by collateral



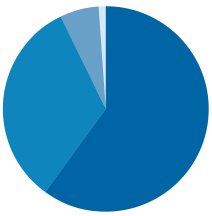
Geographic distribution of loans in covered pool



Foreign exchange risk
The company's policy is to hedge foreign exchange risk exposure. Assets and liabilities are essentially hedged through FX swaps.

Funding
In 2015, all long-term funding, with the exception of subordinated debenture loans, was in the form of covered bonds. A covered bond is a funding instrument, regulated under the Covered Bonds (Issuance) Act (SFS 2003:1223), which gives investors special priority in the event the borrower's bankruptcy. Covered bonds may only be issued upon special permission from the Financial Supervisory Authority and on the basis of high-quality assets. Covered bonds and received credit ratings provide the company with access to a broader base of funding sources. In the Swedish market, in 2015 the company issued bonds with maturities exceeding one year to the amount of SEK 86.3 billion (67.6), including fixed-rate bonds amounting to SEK 82.5 billion. The issues take place regularly in existing and new series, with the majority being so-called benchmark bonds. In 2015 the company held agreements with five banks regarding the distribution of the bonds in the benchmark series. During the year the company did not issue any subordinated debenture loans (0.8). Total outstanding covered bonds at year-end amounted to SEK 309.6 billion (294.4). In addition, the company had outstanding subordinated debenture loans of SEK 4.7 billion (4.7). Besides long-term funding as above, the company regularly arranged short-term funding with the Parent Company during the year. At the end of the year the outstanding amount from such funding was SEK 157.8 billion (149.8).

Nordea Hypotek's funding structure



Rating
The company is 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.

Commitments
The business operations comprise commitments relating to commercial products such as credit commitments, etc. In total, risk-weighted assets for counterparty risk amounted to SEK 10 million (2). The risk-weighted assets for other off-balance sheet exposures were SEK 801 million (675) and chiefly relate to credit commitments.

Derivatives
Derivative instruments primarily pertain to interest payment exchange contracts (rate swaps) and forward currency exchange contracts (FX swaps). The item "Derivative instruments" in the balance sheet recognises derivative contracts at fair value. The nominal value of derivative contracts is provided in Note 11.

Capital adequacy
The application of the body of regulations in effect as of 1 February 2007 (Basel II) is described in detail in the section Risk, Liquidity and Capital Management. The section also provides numerical data for assessing the company's capital adequacy.

CSR
In accordance with the Nordea Group's Corporate Social Responsibility (CSR), Nordea Hypotek is committed to sustainable development by combining financial activity with responsibility for the environment and society. Further information about how the Nordea Group works with CSR is available at www.nordea.com

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

Outlook for 2016
In line with market practice, Nordea has decided not to publish any forecasts for 2016.

Corporate governance
The company has chosen to prepare a separate corporate governance report. The corporate governance report will be available at www.nordea.com.

Change in the Board of Directors
Thomas Nyman, Elisabeth Olin and Erik Skoog left the Board in 2015. Manuella Hansson, Head of Operations Sweden, Retail Banking, and Peter Dalmalm, Deputy Head of Banking Sweden, Retail Banking, were elected new ordinary Board members at the AGM on 12 March 2015. For further information about personnel matters, see Note 6 "Staff costs" and Note 27 "Related party transactions".

Substantial changes after the end of the financial year
No major events have occurred since 31 December 2015.

Distribution of earnings
After the company paid group contributions of SEK 4,522,206k, profit for the year of SEK 4,703,788k and retained earnings of SEK 12,348,236k as well as a cash flow hedge reserve of SEK 493,364k are available for distribution by the annual meeting of shareholders. The proposed distribution of earnings is provided on page 48.

Risk, Liquidity and Capital Management

Management principles and control

The information in this section refers to Nordea Hypotek AB (publ), corporate identity number 556091-5448. Financial reports for Nordea Hypotek are published twice a year. Nordea Hypotek is fully integrated into the Nordea Group's risk and capital management, where appropriate, and for this reason it is described herein how this area is dealt with at Nordea.

Roles and allocation of responsibility in the Nordea Group

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies adopted by the Board of Directors. It is also the Board of Directors which decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk, business risk, life insurance risk, operational risk, compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). All policies are reviewed at least annually.

The Board of Directors approves the credit instructions where powers-to-act for major credit committees in the organisation are stated. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation of customers. The Board of Directors furthermore decides on the limits for market and liquidity risk in the Group. The Board Risk Committee assists the Board of Directors in fulfilling its responsibilities in terms of overseeing management and control of risk, risk frameworks as well as controls and processes associated with the Group's operations.

Responsibility of CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of the Bank and the Group.

The CEO and GEM regularly review reports on risk exposure and have in addition established a number of committees for risk, liquidity and capital management.

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and risks in the balance sheet and capital management for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks on aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Furthermore, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors , on the allocation of the market risk limits as well as the liquidity risk limits to the risk-taking units. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk-mitigating techniques such as stop-loss rules. The Risk Committee has established two sub-committees for its work and decision-making within specific risk areas.
- The Group Executive Management Credit Committee (GEMCC) is chaired by the CEO and Executive Credit Committee (ECC) is chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk customer limits constituting the maximum credit risk appetite on the customer in question.

Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). Internal credit risk limits are granted as individual limits for customers or consolidated customer groups and as internal industry limits for certain defined industries.

Governance of risk management

Risk management is a key success factor in the financial sector and Nordea has clearly defined policies and instructions for risk management. Nordea Hypotek is entirely integrated into Nordea's risk management system.

Group Risk Management and Group Compliance is the second line of defence. The flow of risk-related information from the Business Areas and the group functions to the Board of Directors passes through Risk Committee and Board Risk Committee (BRIC). Group Compliance reports to the Board of Directors through Board Audit Committee (BAC).

Group Risk Management is organised in divisions covering all risk types except compliance risk. The flow of information starts with the divisions that monitor, analyse and model information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC where risk issues are discussed and prepared before presentation to the Board of Directors. Group Compliance is organised in divisions covering all compliance risk types, with compliance divisions allocated to each Business Area. The purpose of Group Compliance is to add value to the Group and its stakeholders by providing an independent view on compliance to rules and regulations applicable to the Group, and by contributing to an effective and efficient compliance risk management.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite and for setting principles regarding how risk appetite is to be managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations regarding changes to the Group's risk appetite.

Credit Risk management

Group Risk Management is responsible for the credit process framework and the credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each customer area and product area is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting. Within the powers to act granted by the Board of Directors, credit risk limits are approved by credit decision making authorities on different levels in the organisation. The rating and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are assigned a rating or score in accordance with Nordea's rating and scoring guidelines

Credit risk definition and identification

Credit risk is defined as the risk of loss if customers fail to fulfil their agreed obligations and that the pledged collateral does not cover claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring of the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are automatically regarded as non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

Forbearance is negotiated terms or restructuring due to borrowers' financial stress. The intention with giving forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Impairment charges are taken if necessary. Forborne customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea Hypotek´s model for collective provisions uses a statistical model as a baseline for assessing the amount of the provisions needed for the parts of Nordea Hypotek´s portfolios that are not individually assessed. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Moreover, customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

The Pillar 3 disclosure – Capital and risk management report

More detailed information on risk and capital in accordance with the Pillar 3 requirements in the Basel II framework is available at www.nordea.com.

Credit portfolio

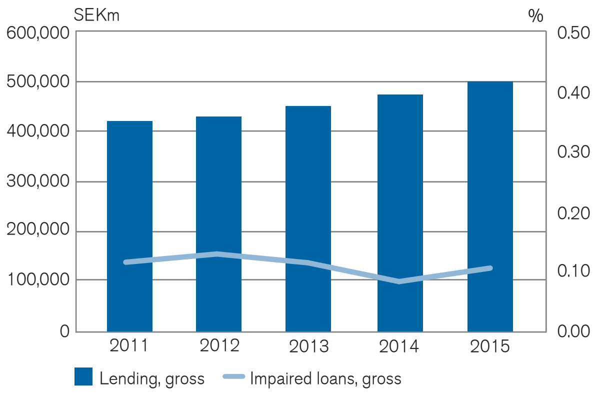
Loans to the public

In 2015, Nordea Hypotek's lending to the public increased by 5.5 per cent (5.1) to SEK 500,852m (474,904). Lending to the corporate sector accounted for 18 per cent (20) of the exposure, of which the public sector (state and municipal) accounted for 6 per cent (8). The household sector's share of exposure was 82 per cent (80). The distribution of the lending on types of collateral and maturities is shown in Note 10 and Note 26.

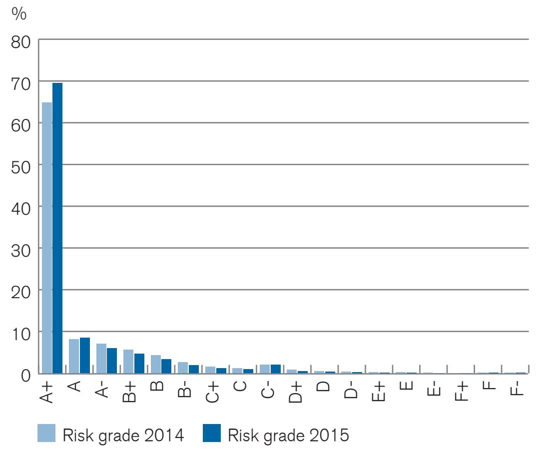
The company only grants mortgages for properties in Sweden.

Credit commitments and unutilised credit facilities amounted to SEK 120m (120).

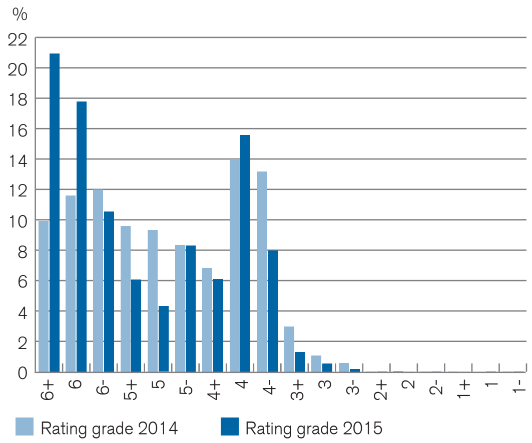
Lending to the public and impaired loans



Risk grade distribution for the Retail portfolio



Rating distribution for the Corporate portfolio



As in the previous year, the company did not have any assets in the form of bonds or other interest-bearing securities. The credit risk exposure in derivatives amounted to SEK 1,715m (1,463).

Loans to credit institutions
At the end of the year, lending to credit institutions amounted to SEK 2,602m (91), all of which was placed in group companies with maturities of less than one year.

Rating and scoring distribution
Rating and scoring are the main components in the risk management system for credit risk. The common denominator for the rating/scoring models is the ability to rank the customers and to foresee insolvency. While the rating models are used for corporate customers and counterpart banks, scoring models are used for household customers and smaller companies.

Ratings are normally assigned in connection with limit/credit proposals or annual reviews and are approved by the credit committees.

Scoring models are purely a statistical method used to predict the probability of insolvency among customers. Nordea uses three types of scoring models in the credit processes: assessment models based on information derived from the customer's credit application, from the customer's behaviour in other respects or from credit-rating agencies. The models are used primarily for the household segment, and also for small-sized companies.

Impaired loans
Gross impaired loans amounted to SEK 604m (488), of which SEK 488m (308) were loans to households. The net amount, after a SEK 16m (77) deduction for provisions for individually assessed impaired loans, was SEK 588m (411), corresponding to 0.117 per cent (0.086) of the total volume of loans outstanding.

For additional information, see Note 10 "Loans and impairment".

Market risk
Market risk is defined as the risk of loss in Nordea Hypotek as a result of changes in market rates and parameters that affect the market value, for example changes to interest rates and credit spreads.

Group Treasury is responsible for funding for Nordea Hypotek's account.

Structural Interest Income Risk (SIIR)
Structural Interest Income Risk (SIIR) is the amount Nordea's accumulated net interest income would change during the next 12 months if all interest rates changed by one percentage point. SIIR reflects the mismatch in the balance sheet items and the off balance sheet items when the interest rate repricing periods, volumes or the reference rates of assets, liabilities and derivatives do not correspond exactly. Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures. Policy statements focus on optimising

financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurements under stressful market conditions and adequate public information. Group Treasury has the responsibility for the operational management of SIIR.

SIIR measurement methods
Nordea Hypotek's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interst scenarios are applied, but the basic measures for SIIR are the two scenarios: increasing rates and decreasing rates. These scenarios measure the effect on Nordea Hypotek's net interest income for a 12 month period of a one percentage point change in all interest rates. The balance sheet is assumed to be constant over time, however main elements of customer behaviour and Nordea Hypotek's decision making process concerning Nordea Hypotek's own rates are taken into account.

SIIR analysis
At the end of the year, the SIIR for increasing market rates was SEK 83m (175) and the SIIR for decreasing market rates was SEK 155m (171). These figures imply that the net interest income would increase if interest rates rise. With declining interest rates too, the effect would be positive. This is because Nordea Hypotek's swap positions curb the upward effect and instead give a positive downward effect.

Operational risk
Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Legal and compliance risks as well as crime and process risks, including IT risks, constitute sub-categories to operational risk.

Liquidity management
Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea Hypotek's liquidity risk management is an integral part of the group's liquidity risk management. The policy statement stipulates that Nordea`s liquidity management reflects a conservative attitude to liquidity risk. Risks in Nordea are measured and reported according to common principles and policies approved by the Board. The Board of Directors also decides on policies for liquidity risk management.

Nordea's liquidity risk management includes stress tests and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events.

The liquidity risk management focuses both on short-term and long-term structural liquidity risk. A number of measures of liquidity risk have been developed to measure the exposure. To ensure funding in situations where normal funding sources do not suffice, Nordea holds a liquidity buffer. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Survival Horizon Metrics, sets a limit for a minimum survival of 30 days and defines risk appetite for short-term liquidity risk. Additionally, in the beginning of 2013 Liquidity Coverage Ratio was introduced as a regulatory requirement. A target is set for the net balance of stable funding that it should be positive, which means that stable assets must be funded by stable liabilities. Stable liabilities in Nordea Hypotek primarily comprise bank deposits, bonds and shareholders equity, while stable assets primarily compromise loans and committed facilities. Net balance of stable funding defines the risk appetite for long-term liquidity risk.

Capital management
Nordea Hypotek strives to attain efficient capital through active management of the balance sheet. The goal is to enhance returns while maintaining a prudent risk and return relationship.

Internal capital assessment
Nordea Hypotek is granted to use internal rating based (IRB) approach for the majority of the exposure. At the end of 2015, 99.9 percent of Nordea Hypotek's total credit risk exposures were covered by IRB approaches.

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on the minimum capital requirements and on internally identified risks. In effect, the internal capital requirement is a combination of risks defined by the Capital Requirements Directive (CRD) and identified risks which are incremental to those defined by the CRD. The following major risk types are included in assessing the internal capital requirement for Nordea Hypotek: credit risk, market risk, operational risk and business risk.

In addition to calculating risk capital for its various risk types, Nordea performs comprehensive capital adequacy stress tests to analyse the effects of a series of global and local shock scenarios. The results of stress tests are considered, along with potential management interventions, in Nordea's internal capital requirements as reserves for economic stress. The internal capital requirement is a key component of establishing Nordea's capital ratio target.

The ICAAP also comprises Nordea's management, mitigation and measurements of material risks and assesses adequacy of internal capital. The latter is achieved by establishing an internal capital requirement which reflects Nordea's risks. Regulatory buffers were introduced with the implementation of CRD IV and this has lead to additional capitalisation requirements than what is determined in the internal capital requirement.

Minimum capital requirement and REA

SEKm	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA
Credit risk	**2,208**	**27,602**	**2,351**	**29,383**
– of which counterparty credit risk	1	10	0	2
IRB	2,207	27,595	2,351	29,380
– of which corporate	770	9,621	890	11,126
– of which advanced	770	9,621	890	11,126
– of which foundation	0	0	–	–
– of which institutions	2	33	12	146
– of which retail	1,417	17,711	1,448	18,096
– of which secured by immovable property collateral	1,278	15,976	1,275	15,941
– of which other retail	139	1,735	165	2,059
– of which SME	18	230	8	96
– of which other	1	7	1	12
Standardised	0	0	0	3
– of which central governments or central banks	–	–	0	0
– of which regional governments or local authorities	–	–	–	–
– of which public sector entities	–	–	–	–
– of which multilateral development banks	–	–	–	–
– of which international organisations	–	–	–	–
– of which institutions	1	7	0	3
– of which corporate	–	–	–	–
– of which retail	–	–	–	–
– of which secured by mortgages on immovable property	0	0	0	0
– of which in default	–	–	–	–
– of which associated with particularly high risk	–	–	–	–
– of which covered bonds	–	–	–	–
– of which institutions and corporates with a short-term credit assessment	–	–	–	–
– of which collective investments undertakings (CIU)	–	–	–	–
– of which equity	–	–	–	–
– of which other items	–	–	–	–
Credit Value Adjustment Risk	–	–	–	–
Market risk	–	–	–	–
– of which trading book, Internal Approach	–	–	–	–
– of which trading book, Standardised Approach	–	–	–	–
– of which banking book, Standardised Approach	–	–	–	–
Operational risk	**548**	**6,854**	**468**	**5,851**
Standardised	548	6,854	468	5,851
Subtotal	**2,781**	**34,765**	**2,819**	**35,234**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	17,667	220,838	16,167	202,092
Total	**20,448**	**255,603**	**18,986**	**237,326**

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. Risk-adjusted profit and EP are measures to support performance management and for shareholder value creation.

In investment decisions and customer relationships, EP drives and supports the operational decision making process in Nordea. The EP model also captures both growth and return. EC and expected losses (EL) are input in the economic profit framework.

Expected losses (EL)
EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. During 2015 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations.

The EL ratio used in the EP framework, calculated as EL divided by exposure at default (EAD), was 10 basis points as of year-end 2015 for the Nordea Group (12 basis points as of 2014) excluding the sovereign exposure classes.

EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds
Own funds is the sum of tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans respectively. Holdings of other financial sector entities subordinated loans are deducted from the corresponding tier.

Further information
Note 21 Capital adequacy and Pillar 3 report. Further information on capital management and capital adequacy is presented in Note 21 Capital adequacy and in the disclosure requirements in accordance with CRR requirements and are further presented on www.nordea.com.

As of year end 2015 Nordea Hypotek held SEK 4.7bn in outstanding dated subordinated debenture loans.

New regulations
The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force 1 January 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV was implemented through national law within all EU member states during 2014.

The countercyclical capital buffer (CCyB) was activated at 1% in Sweden on 13 September. On 9 July

Summary of items included in own funds

SEKm	31 Dec 2015[2]	31 Dec 2014[2]
Calculation of own funds		
Equity	17,655	16,302
Proposed/actual dividend	–	–
Common equity tier 1 (CET1) capital before regulatory adjustments	17,655	16,302
Deferred tax assets	–	–
Intangible assets	–	–
IRB provisions shortfall (-)	–133	–150
Deduction for investments in credit institutions (50%)	–	–
Pensions assets in excess of related liabilities	–	–
Other items, net	–428	–316
Total regulatory adjustments to common equity tier 1 (CET1)	–561	–466
Common equity tier 1 (CET 1) capital	**17,094**	**15,836**
Additional tier 1 (AT1) capital before regulatory adjustments	–	–
Total regulatory adjustments to Additional tier 1 (AT1) capital	–	–
Other tier 1 capital	–	–
Tier 1 capital (T1 = CET1 + AT1)	**17,094**	**15,836**
Tier 2 (T2) capital before regulatory adjustments	4,700	4,700
IRB provisions shortfall (-)	–	–
Deduction for investments in credit institutions (50%)	–	–
Deductions for investments in insurance companies	–	–
Pensions assets in excess of related liabilities	–	–
Other items, net	–	–
Total regulatory adjustments to tier 2 (T2) capital	–	–
Tier 2 (T2) capital	4,700	4,700
Total own funds (net after deduction)[1]	**21,794**	**20,536**

1) Own funds are adjusted for IRB provisions, i.e. Basel 1 own funds are 21,927m at 31 December 2015.
2) Including profit of the period.

Finansinspektionen decided to recognize countercyclical buffer rates up to 2.5% that are set by the designated authority of another EEA country. Finansinspektionen, on 23 June, declared that the buffer rate will be increased to 1.5% applicable from 27 June 2016.

On 22 June Finansinspektionen announced that Nordea, on group level, was identified as a globally systemically important institution (G-SII). In addition to this Nordea was, on 13 October, identified as other systemically important institution (O-SII). The buffers are to be met with CET1 capital and applicable from 1 January 2016. However, neither the G-SII buffer (1%) nor the O-SII buffer (2%) will increase Nordea´s buffer requirement since Nordea is already obliged to hold a systemic risk buffer (SRB) of 3%. According to the legislation the higher of G-SII or O-SII and the SRB should be applicable.

Updates on Basel III and the CRD IV/CRR

On 10 December 2015 the Basel Committee on Banking Supervision (BCBS) released a second consultative document on revisions to the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates. The intention from the BCBS is to finalise the work by end-2016.

On 14 January 2016 the BCBS published revised market risk framework, “Minimum capital requirements for market risk”. The key features of the framework includes a revised boundary, revised internal models, revised standardised approach, a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The framework enters into force on 1 January 2019.

On 1 July 2015 the BCBS published a consultative document on the review of the CVA risk framework. The objectives of the review are to ensure that all important drivers of CVA risk and CVA hedges are covered in the framework, to align the framework with various accounting regimes and to ensure consistency with the revised market risk framework. The proposal includes an internal models approach and a standardised approach for CVA risk. The intention from the BCBS is that the revised CVA framework is to be finalised in mid-2016.

On 6 October 2014 the BCBS published a consultative document on the revision of the simpler approaches for operational risk. It has been stated that there will be a second consultation on this during 2016 together with major changes to the advanced approach for operational risk (AMA).

On 22 December 2014 the BCBS published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks. The intention from the BCBS is to finalise the design and calibration of the floor by end 2016.

The BCBS will finalise the calibration of the leverage ratio during 2016 in order to implement it as a pillar 1 requirement by 1 January 2018. In a statement on 11 January 2016 it was stated that the leverage ratio will be based on a Tier 1 definition and should comprise a minimum level of 3% with the possibility to set additional requirement on G-SIBs.

Bank Recovery and Resolution Directive

The Banking Recovery and Resolution Directive (BRRD) outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The BRRD require banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. The national implementation of BRRD is finalised in Denmark and Finland while the legislation in Sweden is expected to be in force by February 2016. Simultaneously the nation resolution authorities are set up as are national resolution funds. In Norway the BRRD is not yet incorporated in the EEA agreement, but the intention is to implement national legislation that resembles the BRRD.

In November the Financial Stability Board (FSB) published the final standards on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of loss-absorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019. Work is ongoing to align the TLAC and MREL frameworks within the European legislation.

Bank structural reform

The European Commission published a proposal for Bank Structural Reform in January 2014. The Commission proposal to ban proprietary trading and separate certain trading activities based on supervisory assessment was discussed both in the European Parliament and in the Council during 2015, where the Council reached a general approach but where a final agreement has not yet been reached within the Parliament. It is expected that the negotiations in the Trilogue will start during 2016. Time for finalisation and possible implementation is still unclear.

Accounting

Nordea’s accounting policies, which follow IFRS, are under change. Nordea’s assessment is that the most important changes are related to Financial Instruments (IFRS 9), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU.

Income statement

SEK (000s)	Note	2015	2014
Operating income			
Interest income		9,465,968	11,935,013
Interest expense		–2,660,482	–6,541,774
Net interest income	3	**6,805,486**	**5,393,239**
Fee and commission income		53,855	53,342
Fee and commission expense		–148,927	–129,460
Net fee and commission income	4	**–95,072**	**–76,118**
Net result from items at fair value	5	–140,069	–129,738
Total operating income		**6,570,345**	**5,187,383**
Operating expenses			
General administrative expenses:			
– Staff costs	6	–7,347	–7,114
– Other expenses	7	–510,284	–490,367
Total operating expenses		**–517,631**	**–497,481**
Profit before loan losses		**6,052,714**	**4,689,902**
Net loan losses	8	–22,413	–51,952
Operating profit		**6,030,301**	**4,637,950**
Income tax expense	9	–1,326,513	–1,020,248
Net profit for the year		**4,703,788**	**3,617,702**

Statement of comprehensive income

SEK (000s)	2015	2014
Net profit for the year	**4,703,788**	**3,617,702**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
– Valuation gains/losses during the year	–810,192	2,720,561
– Tax on valuation gains/losses during the year	178,242	–598,523
– Transferred to profit or loss for the year	1,036,621	–2,620,275
– Tax on transfers to profit or loss for the year	–228,057	576,460
Other comprehensive income, net of tax	**176,614**	**78,223**
Total comprehensive income	**4,880,402**	**3,695,925**

Balance sheet

SEK (000s)	Note	31 Dec 2015	31 Dec 2014
Assets			
Loans to credit institutions	10	2,601,665	91,349
Loans to the public	10	500,852,335	474,903,649
Derivatives	11	9,791,505	13,296,604
Fair value changes of the hedged items in portfolio hedge of interest rate risk		57,115	563,324
Current tax assets	9	152,614	357,980
Other assets	12	2,485,275	1,476,159
Prepaid expenses and accrued income	13	550,079	437,305
Total assets		**516,490,588**	**491,126,370**
Liabilities			
Deposits by credit institutions	14	157,977,265	150,702,189
Debt securities in issue	15	320,934,176	301,858,573
Derivatives	11	1,715,465	1,463,042
Fair value changes of the hedged items in portfolio hedge of interest rate risk		6,449,509	9,998,029
Other liabilities	16	6,746,926	5,847,351
Accrued expenses and prepaid income	17	170,659	163,045
Deferred tax liabilities	9	139,154	89,340
Subordinated liabilities	18	4,702,046	4,702,494
Total liabilities		**498,835,200**	**474,824,063**
Equity			
Share capital		110,000	110,000
Other reserves		493,364	316,750
Retained earnings		12,348,236	12,257,855
Net profit for the year		4,703,788	3,617,702
Total equity		**17,655,388**	**16,302,307**
Total liabilities and equity		**516,490,588**	**491,126,370**
Assets pledged as security for own liabilities	19	478,807,936	452,352,948
Contingent liabilities		None	None
Commitments	20	120,000	120,000

Other Notes

Note 1 Accounting policies
Note 2 Segment reporting
Note 21 Capital adequacy
Note 22 Classification of financial instruments
Note 23 Assets and liabilities at fair value
Note 24 Financial instruments set off on balance or subject to netting agreements
Note 25 Assets and liabilities in foreign currencies
Note 26 Maturity analyses for assets and liabilities
Note 27 Related-party transactions
Note 28 Credit risk disclosures

Statement of changes in equity

SEK (000s)	Restricted equity	Unrestricted equity		
	Share capital[1]	Other reserves: cash flow hedges	Retained earnings	Total
Balance at 1 January 2015	**110,000**	**316,750**	**15,875,557**	**16,302,307**
Net profit for the year	–	–	4,703,788	4,703,788
Cash flow hedges:				
– Valuation gains/losses during the year	–	–810,192	–	–810,192
– Tax on valuation gains/losses during the year	–	178,242	–	178,242
– Transferred to profit or loss for the year	–	1,036,621	–	1,036,621
– Tax on transfers to profit or loss for the year	–	–228,057	–	–228,057
Other comprehensive income, net of tax	**–**	**176,614**	**–**	**176,614**
Total comprehensive income	**–**	**176,614**	**4,703,788**	**4,880,402**
Group contribution paid	–	–	–4,522,206	–4,522,206
Tax effect of group contribution	–	–	994,885	994,885
Balance at 31 December 2015	**110,000**	**493,364**	**17,052,024**	**17,655,388**

SEK (000s)	Share capital[1]	Other reserves: cash flow hedges	Retained earnings	Total
Balance at 1 January 2014	**110,000**	**238,527**	**15,875,041**	**16,223,568**
Net profit for the year	–	–	3,617,702	3,617,702
Cash flow hedges:				
– Valuation gains/losses during the year	–	2,720,561	–	2,720,561
– Tax on valuation gains/losses during the year	–	–598,523	–	–598,523
– Transferred to profit or loss for the year	–	–2,620,275	–	–2,620,275
– Tax on transfers to profit or loss for the year	–	576,460	–	576,460
Other comprehensive income, net of tax	**–**	**78,223**	**–**	**78,223**
Total comprehensive income	**–**	**78,223**	**3,617,702**	**3,695,925**
Group contribution paid	–	–	–4,637,419	–4,637,419
Tax effect of group contribution	–	–	1,020,233	1,020,233
Balance at 31 December 2014	**110,000**	**316,750**	**15,875,557**	**16,302,307**

1) 100,000 shares.

Cash flow statement

SEK (000s)	2015	2014
Operating activities		
Operating profit	6,030,301	4,637,950
Adjustment for items not included in cash flow	−427,602	−694,141
Income taxes paid	−126,263	−832,472
Cash flow from operating activities before changes in operating assets and liabilities	**5,476,436**	**3,111,337**
Changes in operating assets		
Change in loans to the public	−25,974,844	−23,223,759
Change in derivatives, net	952,341	−2,178,505
Change in other assets	−1,009,115	−1,476,159
Changes in operating liabilities		
Change in deposits by credit institutions	7,420,660	31,612,539
Change in debt securities in issue	19,267,469	−8,339,534
Change in other liabilities	−3,622,631	−973,913
Cash flow from operating activities	**2,510,316**	**−1,467,994**
Financing activities		
Issued subordinated liabilities	–	800,000
Amortised subordinated liabilities	–	−500,000
Cash flow from financing activities	**–**	**300,000**
Cash flow for the year	**2,510,316**	**−1,167,994**
Cash and cash equivalents at the beginning of year	91,349	1,259,343
Cash and cash equivalents at the end of year	2,601,665	91,349
Change	**2,510,316**	**−1,167,994**

Comments on the cash flow statement
The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Hypotek's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

SEK (000s)	2015	2014
Loan losses	26,157	62,253
Unrealised gains/losses	3,031,611	−5,149,428
Change in accruals and provisions	−393,243	−732,813
Change in fair value of the hedged items assets/liabilities, net	−3,042,312	5,147,911
Other	−49,815	−22,064
Total	**−427,602**	**−694,141**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

SEK (000s)	2015	2014
Interest payments received	9,570,464	12,066,055
Interest expenses paid	−2,998,381	−7,433,910

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as issued/amortised subordinated liabilities.

Cash and cash equivalents
The following items are included in Cash and cash equivalents assets:

SEK (000s)	2015	2014
Loans to credit institutions, payable on demand	2,601,665	91,349

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1
Accounting policies

Table of contents

1. Basis for presentation 18
2. Changed accounting policies and presentation 18
3. Changes in IFRS not yet applied by Nordea Hypotek 18
4 Critical judgements and estimation uncertainty 19
5. Recognition of operating income and impairment 20
6. Recognition and derecognition of financial instruments in the balance sheet 20
7. Translation of assets and liabilities denominated in foreign currencies 21
8. Hedge accounting 21
9. Determination of fair value of financial instruments 22
10. Financial instruments 22
11. Loans to the public/credit institutions 23
12. Taxes 24
13. Employee benefits 24
14. Equity 24
15. Related party transactions 24

1. Basis for presentation

The financial statements of Nordea Hypotek AB (publ) are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and Finansinspektionen's regulations (FFFS 2008:25, as amended). This means that Nordea Hypotek AB applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and thus considers the close tie between financial reporting and taxation. The disclosures, required in the standards and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements". On 24 February 2016 the Board of Directors approved the annual report, subject to final approval of the Annual General Meeting on 14 March 2016.

2. Changed accounting policies and presentation

In all material respects, the accounting policies, basis for calculations and presentation are unchanged in comparison with the 2014 Annual Report. The new accounting requirements implemented in 2015 and their effects on Nordea Hypotek's financial statements are described below. The following new and amended standards and interpretations were implemented on 1 January 2015, but have not had any significant impact on Nordea's reporting:

- "Annual improvements to IFRSs, 2010–2012"
- "Annual improvements to IFRSs, 2011–2013"
- IFRIC 21 "Levies"

3. Changes in IFRSs not yet applied

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments – IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements for these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard may be applied early, but IFRS 9 has not yet been endorsed by the EU Commission. Nordea Hypotek does not currently intend to early adopt the standard.

The amendments in the classification and measurement rules are not expected to have any significant impact on Nordea Hypotek's income statement or balance sheet as the mixed measurement model will be maintained, and there will still be a measurement category that resembles the existing category Financial instruments available for sale. Significant reclassifications between fair value and acquisition cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea Hypotek's balance sheet at transition.

The impairment requirements in IFRS 9 are based on an expected loss model, unlike the current incurred loss model in IAS 39. In general, the new requirements are expected to increase loan loss provisions, reduce equity and have a negative impact on capital adequacy at transition, but no impact on large exposures in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea Hypotek does not calculate collective provisions for off balance sheet items or the "Financial instruments available for sale" category.

The assets to test for impairment will be divided into three stages depending on the extent of credit deterioration. Stage 1 includes assets in which there has been no significant increase in credit risk, stage 2 includes assets in which there has been a significant increase, and stage 3 includes assets that have been individually assessed to be impaired. In stage 1 the provisions should equal the 12-month expected loss. In stages 2 and 3, the provisions should equal the lifetime of expected losses.

Nordea Hypotek's model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently, Nordea Hypotek does not, in addition, hold any provisions for assets in which there has been no increase in credit risk. For assets for which there has been a significant increase in credit risk, Nordea Hypotek currently holds provisions equal to the losses expected to emerge during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so-called "emergence period", while IFRS 9 will require provisions equal to the lifetime of the expected credit losses. This means total provisions will increase when IFRS 9 is implemented.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea Hypotek generally uses macro (portfolio) hedge accounting

Nordea Hypotek's assessment is that the new requirements will not have any significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application. Nordea Hypotek has not yet finalised the impact assessment.

IFRS 15 "Revenue from Contracts with Customers".
The IASB has published the new standard, IFRS 15 ("Revenue from Contracts with Customers"). The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The EU Commission is expected to endorse the standard during the second quarter 2016. Nordea Hypotek does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea Hypotek has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application.

IAS 1
The IASB has amended IAS 1 as a result of the IASB's disclosure initiative. The amendments in IAS 1 refer to materiality, disaggregation and subtotals, note structure, disclosures of accounting policies and presentation of items of other comprehensive income arising from equity-accounted investments. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU Commission. Nordea Hypotek does not intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea Hypotek's financial statements, capital adequacy or large provisions in the period of initial application.

Other amendments to IFRS
IASB has published the following new or amended standards which are not assessed to have any significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures in the period of initial application.
- Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation".
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses".
- "Annual Improvements to IFRSs, 2012–2014".

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can subsequently, to some extent, differ from the estimates and the assumptions made. In this section Nordea Hypotek describes:
- The sources of estimation uncertainty at the end of the reporting period, which involve a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and
- The judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:
- The fair value measurement of certain financial instruments.
- Impairment testing of loans to the public/credit institutions.
- Effectiveness testing of cash flow hedges.

Fair value measurement of certain financial instruments
Critical judgements that have a significant impact on the carrying amounts of financial instruments are exercised when determining the fair value of OTC derivatives and other financial instruments which lack quoted prices or recently observed market prices. Those judgements relate to the following areas:
- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters that are observable.

Determining the fair value of financial instruments which lack quoted prices or recently observed market prices is associated with a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:
- Selecting an appropriate discount rate for the instrument, and
- Determining expected timing of future cash flows from the instrument.

In all of these instances the decisions are based on professional judgement in accordance with Nordea Hypotek's accounting and valuation policies. In order to ensure proper governance, Group Valuation Committee in Nordea Bank AB (publ) on an ongoing basis reviews critical judgments that are deemed to have a significant impact on fair value measurements.

See also the separate section 9 "Determination of fair value of financial instruments" and Note 23 "Assets and liabilities at fair value".

Impairment testing of loans to the public/credit institutions
Management is required to exercise critical judgement and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans.

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea Hypotek monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 11 "Loans to the public/credit institutions" and Note 10 "Loans and impairment".

Effectiveness testing of cash flow hedges

One important judgement in connection to cash flow hedges accounting is the choice of method used for effectiveness testing. Where Nordea Hypotek applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as a proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Nordea Hypotek's accounting policies for cash flow hedges are described in section 8 "Hedge accounting"

5. Recognition of operating income and impairment

Net interest income

Interest income and expenses are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows of the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, are classified as "Net result from items at fair value", apart for derivatives used for hedging, and economical hedges of Nordea Hypotek's funding, where such components are classified as "Net interest income".

Net fee and commission income

Nordea Hypotek earns commission income from services related to lending to customers. Commission income and commission expenses are normally transaction-based and recognised in the period when the services were provided or obtained.

Fees paid to state guarantee programmes are distributed over the duration and classified as "Fee and commission expense".

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised in the item "Net result from items at fair value".

Realised and unrealised gains and losses derive from:
- Interest-bearing securities and other interest-related instruments.
- Foreign exchange gains/losses.
- Other financial instruments.

The ineffective portion of cash flow hedges are recognised in "Net result from items at fair value".
Also realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt, are classified as "Net result from items at fair value".

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 10 "Financial instruments"), in the items "Loans to credit institutions" and "Loans to the public" in the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Accounting policies for the calculation of impairment losses on loans are found in section 11 "Loans to the public/credit institutions".

Counterparty losses attributable to financial instruments classified into the category Financial assets at fair value through profit or loss, are reported under "Net result from items at fair value".

6. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, debt securities in issue and foreign exchange spot transactions are recognised and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) on the trade date. Other financial instruments are recognised on the balance sheet on the settlement date.

Financial assets, other than those for which trade-date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea Hypotek, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

In some cases, Nordea Hypotek enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea Hypotek's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include reversed repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Hypotek performs, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

For further information, see section 10 "Financial instruments" (Reversed repurchase agreements).

7. Translation of assets and liabilities denominated in foreign currencies

The functional and reporting currency in Nordea Hypotek is Swedish kronor (SEK).

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

8. Hedge accounting

Nordea Hypotek applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea Hypotek uses hedge accounting in the financial statement in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows.

There are in general mainly three types of hedge accounting:

- Fair value hedge accounting.
- Cash flow hedge accounting.
- Hedges of net investments in foreign operations.

Hedges of net investments in foreign operations do not exist in Nordea Hypotek.

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea Hypotek's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" in the balance sheet.

Fair value hedge accounting in Nordea Hypotek is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea Hypotek consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea Hypotek are interest rate swaps and currency interest rate swaps, which are always held at fair value.

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in other reserves in equity. The ineffective portion of the gain or loss on the hedging instrument is reclassified to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea Hypotek uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments

The hedging instruments used in Nordea Hypotek are predominantly currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout the life of the hedge it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

When assessing hedge effectiveness retrospectively Nordea Hypotek measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as a proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in other reserves in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction is no longer expected to occur. If the expected transaction is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

9. Determination of fair value of financial instruments

Financial assets and liabilities classified into the category Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

If markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. Nordea Hypotek predominantly uses valuation techniques to establish the fair value for derivatives (OTC-derivatives).

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Hypotek considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

A breakdown of fair values of financial instruments measured on the basis of quoted prices in active markets for the same instrument (level 1), valuation techniques using observable data (level 2), and valuation techniques using non-observable data (level 3) is provided in Note 23 "Assets and liabilities at fair value".

The valuation models applied by Nordea Hypotek are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by a Model Risk Management Committee of Nordea Bank AB (publ) and all models are reviewed on a regular basis.

For further information, see Note 23 "Assets and liabilities at fair value".

10. Financial instruments

Classification of financial instruments

Financial assets are classified into the category Loans and receivables, and financial liabilities are classified into the category Other financial liabilities. Nordea Hypotek also holds derivative instruments for hedge accounting.

All financial assets and liabilities are initially measured at fair value. The classification of financial instrument into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note 22 "Classification of financial instruments" the classification of the financial instruments in Nordea Hypotek's balance sheet is presented.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 11 "Loans to the public/credit institutions".

Other financial liabilities

Other financial liabilities are measured at amortised cost. Interest from Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Reverse repurchase agreements

Securities delivered under reverse repurchase agreements are not recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are recognised on the balance sheet as "Financial instruments pledged as collateral".

Cash delivered under reversed repurchase agreement is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public".

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives". Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives".

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

Nordea Hypotek offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea Hypotek has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms.

Issued debt and equity instruments
A financial instrument issued by Nordea Hypotek is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual agreements result in Nordea Hypotek having a present obligation to either deliver cash or another financial assets, or a variable number of equity instruments to the holder of the instrument and classified as equity, net of transaction cost. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

11. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 6 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note 22 "Classification of financial instruments").

Nordea Hypotek monitors loans as described in the separate section on "Risk, Liquidity and Capital management". Loans attached to individual customers or groups of customers are identified as impaired if the impairment test indicates objective evidence of impairment.

Impairment test of individually assessed loans
Nordea Hypotek tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea Hypotek monitors whether there are indicators for impairment (loss event) and whether these represent objective evidence of impairment. More information on the identification of loss events can be found in the "Risk, Liquidity and Capital Management" section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual basis are collectively assessed for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea Hypotek monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea Hypotek identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flow. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification is made through a default of the commitment or by other indicators.

For corporate customers and bank counterparts, Nordea Hypotek uses the existing rating system as a basis when assessing the credit risk. Nordea Hypotek uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters.

Household customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital Management.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals, the difference is the impairment loss.

For significant loans that have been individually identified as impaired the measurements of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis, the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses.

Changes in the credit risk and accumulated impairment losses will be recorded as changes in the allowance account and as "Net loan losses" in the income statement.

See also section 5 "Recognition of operating income and impairment".

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance is derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Hypotek forgives its claims either through a legal based or voluntary reconstruction or when Nordea Hypotek, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans
In this context a restructured loan is defined as a loan where Nordea Hypotek has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea Hypotek. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea Hypotek retains the possibility to regain the realised loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

12. Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement, except to the extent that the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Hypotek intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

13. Employee benefits
All forms of consideration given by Nordea Hypotek to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea Hypotek consist only of pensions.

Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits
Short-term benefits consist mainly of fixed salary. Fixed salaries are expensed in the period when the employees have performed services to Nordea Hypotek.

Post-employment benefits
During 2015, pension costs comprise premiums and fees to insurance companies and pension funds as well as actuarially calculated pension costs for other commitments. The actuarial pension costs refer to commitments guaranteed by a pension foundation. The costs are reported in item Staff cost. Contribution from the pension foundation as well as changes in the pension provisions are reported in item Staff cost. Special payroll tax and return tax applicable to the Swedish pension system are also recognised in the Staff cost.

For further information on compensation, see Note 6 “Staff costs”.

14. Equity
In accordance with Swedish law, shareholder’s equity is split into funds available for distribution (unrestricted equity), and non-distributable funds (restricted equity). The distribution of amounts of Nordea Hypotek’s equity into restricted equity and unrestricted equity is described in the statement of changes in equity.

Other reserves
The portion of the gain or loss on hedging instruments, which is determined to be an effective hedge, is recognised in other reserves. For further information see section 8 “Hedge accounting, cash flow hedge accounting”.

Retained earnings
Retained earnings comprise undistributed profits from previous years.

Reporting of group contributions
Group contributions paid or received are recognised as a reduction or an increase in unrestricted equity, adjusted for tax.

15. Related party transactions
Nordea Hypotek defines related parties as:
- Nordea Group Companies
- Key management personnel

Nordea Group Companies
Nordea Group Companies means the parent company Nordea Bank AB (publ) (Corp.reg.no.516406-0120) and its subsidiaries.

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The President of Nordea Hypotek
- The Management

For information concerning compensation and pensions as well as loans to key management personnel, see Note 6 “Staff costs”. Information around other transactions between Nordea Hypotek and key management personnel is found in Note 27 “Related-party transactions”.

Note 2
Segment reporting

Reportable operating segments
Compared with the 2014 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 pertain to Wholesale Banking and the support function Operations within Retail banking. Nordea Hypotek operates in the Swedish market and grants loans to private individuals, individual businessmen, municipalities and other legal entities through the parent bank's network of bank branches.

Operating segments

	Banking Sweden		Group Treasury		Other operating segments		Total operating segments		Reconciliation		Total	
Income statement, SEKm	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	9,167	11,595	−2,659	−6,539	89	142	6,597	5,198	208	195	6,805	5,393
Net fee and commission income	−37	−30	−31	−17	−11	−11	−79	−58	−16	−18	−95	−76
Net result from items at fair value	97	91	−237	−220	0	0	−140	−129	–	−1	−140	−130
Total operating income	**9,227**	**11,656**	**−2,927**	**−6,776**	**78**	**131**	**6,378**	**5,011**	**192**	**176**	**6,570**	**5,187**
Other expenses	0	0	−18	0	−14	−32	−32	−32	−486	−465	−518	−497
Total operating expenses	**0**	**0**	**−18**	**0**	**−14**	**−32**	**−32**	**−32**	**−486**	**−465**	**−518**	**−497**
Net loan losses	−22	−52	–	–	–	–	−22	−52	–	–	−22	−52
Operating profit	**9,205**	**11,604**	**−2,945**	**−6,776**	**64**	**99**	**6,324**	**4,927**	**−294**	**−289**	**6,030**	**4,638**
Balance sheet, **SEKm**												
Loans to the public	494,028	468,641	–	–	6,824	6,263	500,852	474,904	–	–	500,852	474,904

Reconciliation between total operating segments and financial statements

	2015		2014	
SEKm	Operating profit	Loans to the public	Operating profit	Loans to the public
Total operating segments	6,324	500,852	4,927	474,904
Group functions and unallocated items	−294	–	−289	–
Total	**6,030**	**500,852**	**4,638**	**474,904**

Note 3
Net interest income

SEK (000s)	2015	2014
Interest income		
Loans to credit institutions	1,702	1,060
Loans to the public	9,459,287	11,927,624
Other interest income	4,979	6,329
Interest income	**9,465,968**	**11,935,013**
Interest expense		
Deposits by credit institutions	184,109	–975,695
Debt securities in issue	–6,806,439	–8,274,027
Subordinated liabilities	–142,355	–173,814
Other interest expenses[1]	4,104,203	2,881,762
Interest expense	**–2,660,482**	**–6,541,774**
Net interest income	**6,805,486**	**5,393,239**

1) The net interest income from derivatives, measured at fair value and related to Nordea Hypotek´s funding can have both a positive and negative impact on other interest expense, for further information see Note 1.

Average interest rate, lending		
Lending to the public		
Average volume, SEKm	486,598	464,258
Average interest, %	1.94	2.57

Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 9,466m (11,935). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to SEK 6,765m (9,424).

Note 4
Net fee and commission income

SEK (000s)	2015	2014
Loan commissions	24,550	26,146
Other commission income	29,305	27,196
Fee and commission income	**53,855**	**53,342**
Security commissions	–30,675	–17,176
State guarantee fees	–118,155	–112,187
Other commission expenses	–97	–97
Fee and commission expenses	**–148,927**	**–129,460**
Net fee and commission income	**–95,072**	**–76,118**

Note 5
Net result from items at fair value

SEK (000s)	2015	2014
Interest-bearing securities and other interest-related instruments[1]	–140,069	–129,738
Total	**–140,069**	**–129,738**

1) Of which SEK 96,882k (91,398k) related to financial assets held at amortised cost.

Net result from categories of financial instruments

SEK (000s)	2015	2014
Loans and receivables	96,882	91,398
Financial liabilities measured at amortised cost	–255,423	–222,135
Financial instruments under hedge accounting	18,473	999
– of which net result on hedging instruments	–2,797,410	5,249,195
– of which net result on hedged items	2,815,883	–5,248,196
Total	**–140,069**	**–129,738**

Note 6
Staff costs

SEK (000s)	2015	2014
Salaries and remuneration[1] (specification below)	–2,811	–2,941
Pension costs (specification below)	–2,886	–2,574
Social security contributions	–1,587	–1,551
Other staff costs	–63	–48
Total	**–7,347**	**–7,114**

1) Allocation to profit-sharing foundation 2015 SEK 83,000 (76,000) consists of a new allocation of SEK 79,000 (72,000) and related to prior year SEK 4,000 (4,000).

SEK (000s)	2015	2014
Salaries and remuneration:		
President		
– Fixed compensation and benefits	–1,136	–1,136
– Performance-related compensation	–	–
– Allocation to profit-sharing	–28	–25
To other employees	–1,547	–1,680
Board of Directors	–100	–100
Total	**–2,811**	**–2,941**

SEK (000s)	2015	2014
Pension costs:		
Actuarial pensions costs	–2,534	–2,313
Pension premiums	–352	–261
Total	**–2,886**	**–2,574**

To the Group Board Directors' no directors'fee was paid. For 2015 Nordea Hypotek had no incentive system or any performance-related compensation to employees.

The President's contract of employment may be terminated by either the President with three (3) months' notice or the company with six (6) months' notice. In accordance with his employment contract the President is entitled to six months' salary during the period of notice. For the President the notice pay and severance pay may not exceed 24 months' salary. The total amount will be reduced by any salary the President receives as a result of other employment during the payment period.

Note 6 Cont.

Loans to key management personnel

Loans to key management personnel amounts to SEK 21,572,103 (22,702,513). Interest income on these loans amounts to SEK 328,070 (372,778).

For key management personnel who are employed by Nordea Hypotek the same credit terms apply as for employees in Nordea. In Sweden the employee interest rate on fixed- and variable interest rate loans is 2.15 basis points lower than the corresponding interest rate for external customers (with a lower limit of 0.50 basis points for both variable interest rate loans and fixed interest rate loans). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Pension commitments to the President and executives

SEK	2015	2014
Pension costs for President	–	–
Pension commitments for President	5,107,283	4,118,135
Pension costs for previous Presidents	869,366	974,400
Pension commitments for previous Presidents	10,174,184	10,185,610
Pension costs for Vice President	241,963	313,140
Pension commitments for Vice President	3,586,039	3,593,253

The pension age for the President is 65 years. At the pensionable age, pension is paid according to collective agreement. Fixed salary is pensionable income. All pensions are benefit defined.

Actuarial pension commitments are guaranteed by a pension foundation The pension cost is classified as "Staff cost" in the income statement, consists of pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The company's pension commitments are covered partly by allocation to Nordea Bank Sveriges Pensionsstiftelse, partly by insurance policies.

Average number of employees

	2015	2014
Full-time equivalents		
Men	3	3
Women	–	–
Total average	**3**	**3**

At year-end the total number of employees was 3 (3).

Gender distribution

In the Board of Directors of Nordea Hypotek AB 67% (71%) were men and 33% (29%) were women.

Note 7
Other expenses

SEK (000s)	2015	2014
Postage, telephone and office expenses	–1,455	–1,244
Compensation to Nordea	–485,591	–464,880
Other[1]	–23,238	–24,243
Total	**–510,284**	**–490,367**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fees

SEK (000s)	2015	2014
KPMG		
Auditing assignments	27	–386
Audit-related services	–717	–562
Other assignments	–	–225
Öhrlings PricewaterhouseCoopers		
Auditing assignments	–402	–
Total	**–1,092**	**–1,173**

Note 8
Net loan losses

SEK (000s)	2015	2014
Loan losses divided by class		
Loans to the public[1]		
Realised loan losses	–60,710	–26,494
Allowances to cover realised loan losses	35,072	3,645
Recoveries on previous loan losses	3,744	10,301
Provisions	–32,962	–60,000
Reversals of previous provisions	32,443	20,596
Net loan losses	**–22,413**	**–51,952**

1) Included in Note 10 Loans and impairment.

Note 9
Taxes

Income tax expenses

SEK (000s)	2015	2014
Current tax[1]	–1,326,513	–1,020,248
Total	**–1,326,513**	**–1,020,248**

1) Related to tax on group contributions and booked directly to equity.

SEK (000s)	2015	2014
Profit before tax	6,030,301	4,637,950
Tax calculated at a tax rate 22.0 per cent (22.0)	–1,326,666	–1,020,349
Tax-exempt income	182	103
Non-deductible expenses	–29	–2
Tax charge	**–1,326,513**	**–1,020,248**
Average effective tax rate %	22.0	22.0

Note 9 Cont.

Deferred tax

SEK (000s)	31 Dec 2015	31 Dec 2014
Movements in deferred tax liabilities		
Amount at beginning of year	89,340	67,277
Deferred tax relating to items in Other comprehensive income	49,814	22,063
Amount at end of year	**139,154**	**89,340**

SEK (000s)	31 Dec 2015	31 Dec 2014
Deferred tax liabilities		
Deferred tax relating to cash flow hedges	139,154	89,340
Total	**139,154**	**89,340**
Current tax assets	**152,614**	**357,980**
Current tax liabilities	**–**	**–**

Note 10
Loans and impairment

	Credit institutions		The public		Total	
SEK (000s)	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	2,601,665	91,349	500,317,008	474,519,711	502,918,673	474,611,060
Impaired loans	–	–	603,974	487,938	603,974	487,938
– of which performing	–	–	148,515	200,559	148,515	200,559
– of which non-performing	–	–	455,459	287,379	455,459	287,379
Loans before allowances	**2,601,665**	**91,349**	**500,920,982**	**475,007,649**	**503,522,647**	**475,098,998**
Allowances for individually assessed impaired loans	–	–	–16,200	–77,000	–16,200	–77,000
– of which performing	–	–	–1,106	–61,147	–1,106	–61,147
– of which non-performing	–	–	–15,094	–15,853	–15,094	–15,853
Allowances for collectively assessed impaired loans	–	–	–52,447	–27,000	–52,477	–27,000
Allowances	**–**	**–**	**–68,647**	**–104,000**	**–68,647**	**–104,000**
Loans, carrying amount	**2,601,665**	**91,349**	**500,852,335**	**474,903,649**	**503,454,000**	**474,994,998**

Reconciliation of allowance accounts for impaired loans[1]

	The public		
Loans, SEK (000s)	Individually assessed	Collectively assessed	Total
Opening balance at 1 January 2015	**–77,000**	**–27,000**	**–104,000**
Provisions	–	–32,962	–32,962
Reversals of previous provisions	25,728	7,515	33,243
Changes through the income statement	**25,728**	**–25,447**	**281**
Allowances used to cover write-offs	35,072	–	35,072
Closing balance at 31 December 2015	**–16,200**	**–52,447**	**–68,647**
Opening balance at 1 January 2014	**–41,241**	**–27,000**	**–68,241**
Provisions	–60,000	–	–60,000
Reversals of previous provisions	20,596	–	20,596
Changes through the income statement	**–39,404**	**–**	**–39,404**
Allowances used to cover write-offs	3,645	–	3,645
Closing balance at 31 December 2014	**–77,000**	**–27,000**	**–104,000**

1) See Note 8 Net loan losses.

Note 10 Cont.

Key ratios

	31 Dec 2015	31 Dec 2014
Impairment rate, gross[1], basis points	12.0	10.3
Impairment rate, net[2], basis points	11.7	8.6
Total allowance rate[3], basis points	1.4	2.2
Allowance in relation to impaired loans[4], %	2.7	15.8
Total allowances in relation to impaired loans[5], %	11.4	21.3

1) Individually assessed impaired loans before allowances divided by total loans before allowances.
2) Individually assessed impaired loans after allowances divided by total loans before allowances.
3) Total allowances divided by total loans before allowances.
4) Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.
5) Total allowances divided by impaired loans before allowances.

Lending, gross, divided by collateral type

SEK (000s)	31 Dec 2015	31 Dec 2014
Single and two-family properties	270,648,309	254,487,854
Tenant-owner apartments	133,023,283	119,384,986
Multi-housing property	58,077,920	56,518,608
Public sector incl. surety/guarantee	17,236,746	23,018,879
Other collateral	21,934,724	21,597,322
Total	**500,920,982**	**475,007,649**

Note 11
Derivatives and Hedge accounting

	Fair value		Total nom.
31 Dec 2015, SEKm	Positive	Negative	amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	8,489	881	228,079
Options	196	192	76,896
Total	**8,687**	**1,073**	**304,975**
Foreign exchange derivatives			
Currency and interest rate swaps	1,105	642	29,211
Total	**1,105**	**642**	**29,211**
Total derivatives used for hedge accounting	**9,792**	**1,715**	**334,186**
– of which fair value hedges	9,792	1,073	314,385
– of which cash flow hedges	–	642	29,211

	Fair value		Total nom.
31 Dec 2014, SEKm	Positive	Negative	amount
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	11,307	968	226,688
Options	24	24	50,252
Total	**11,331**	**992**	**276,940**
Foreign exchange derivatives			
Currency and interest rate swaps	1,966	471	33,315
Total	**1,966**	**471**	**33,315**
Total derivatives used for hedge accounting	**13,297**	**1,463**	**310,255**
– of which fair value hedges	12,245	–28	285,129
– of which cash flow hedges	1,051	1,490	33,315

Some cross currency swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Note 12
Other assets

SEK (000s)	31 Dec 2015	31 Dec 2014
Claims on securities settlement proceeds	111,094	107,863
Other assets[1]	2,374,181	1,368,296
Total	**2,485,275**	**1,476,159**

1) Refers to a settlement account at the parent company regarding transactions not yet entered.

Note 13
Prepaid expenses and accrued income

SEK (000s)	31 Dec 2015	31 Dec 2014
Accrued interest income	320,159	425,523
Prepaid expenses	229,920	11,782
Total	**550,079**	**437,305**

Note 14
Deposits by credit institutions

SEK (000s)	31 Dec 2015	31 Dec 2014
Swedish banks	157,977,265	150,702,189
Total	**157,977,265**	**150,702,189**

Note 15
Debt securities in issue[1]

SEK (000s)	31 Dec 2015	31 Dec 2014
Swedish bonds	294,122,176	269,293,361
Foreign securities	26,812,000	32,565,212
Total	**320,934,176**	**301,858,573**

1) See Specification to Notes, page 47.

Note 16
Other liabilities

SEK (000s)	31 Dec 2015	31 Dec 2014
Accounts payable	43	111
Liabilities, group contributions	4,522,206	4,637,419
Other liabilities[1]	2,224,677	1,209,821
Total	**6,746,926**	**5,847,351**

1) Largely refers to a settlement account at the parent company regarding transactions not yet entered.

Note 17
Accrued expenses and prepaid income

SEK (000s)	31 Dec 2015	31 Dec 2014
Other accrued expenses	139,848	118,090
Prepaid income	30,811	44,955
Total	**170,659**	**163,045**

Note 18
Subordinated liabilities[1]

SEK (000s)	31 Dec 2015	31 Dec 2014
Dated subordinated debenture loans	4,702,046	4,702,494
Total	**4,702,046**	**4,702,494**

1) See Specification to Notes, page 47.

These debenture loans are subordinated to other liabilities.

Note 19
Asset pledged as security for own liabilities

SEK (000s)	31 Dec 2015	31 Dec 2014
Assets pledge for own liabilities		
Loans to the public	478,807,936	452,352,948
Total	**478,807,936**	**452,352,948**

The above pledges pertain to the following liability and commitment items

Debt securities in issues	316,160,905	296,893,435
Total	**316,160,905**	**296,893,435**

Assets pledge for own liabilities contain loans to credit institutions and loans to the public that have been registered as collateral for issued covered bonds. In the event of the company`s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Note 20
Commitments

SEK (000s) (nom. amount)	31 Dec 2015	31 Dec 2014
Credit commitments	120,000	120,000
Total	**120,000**	**120,000**

For information about derivatives see Note 11.

Note 21
Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV/CRR require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries the first of January 2014.

The Basel III framework is built on three Pillars:
- Pillar I – requirements for the calculation of RWA and Capital
- Pillar II – rules for the Supervisory Review Process (SRP) Including the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used. Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2016, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

Common Equity Tier 1 capital and Tier 1 capital
Common Equity Tier (CET) 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to CET 1 capital. The capital recognised as CET 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation. The Tier 1 capital is defined as the sum of CET 1 capital and Additional Tier 1 (AT1) capital where AT1 capital is the total of instruments (hybrids) issued by the bank which are fully compliant with CRD IV and those that meet the transitional regulatory criteria and not included in the CET1 net after AT1 deductions.

All Tier 1 capital instruments are undated subordinated capital loans.

Eligible capital and eligible reserves
Paid up capital is the share capital contributed by shareholders. The share premium paid is included as eligible capital. Eligible reserves consist primarily of retained earnings, other reserves and income from current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are not included. Positive income from current year is included as eligible capital after verification by the external auditors, however negative income must be deducted. Repurchased own shares or own shares temporary included in trading portfolios are deducted from eligible reserves.

Additional Tier 1 instruments
The inclusion of undated subordinated loans in additional Tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea and with the permission of the Swedish FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules. For the additional Tier 1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of additional Tier 1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital
Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-a`-vis depositors and other bank creditors.

Tier 2 instruments
Tier 2 instruments consists mainly of subordinated debt. Tier 2 instruments includes two different types of subordinated loan capital; undated loans and dated loans. According to the regulation, Tier 2 instruments issued that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules. The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years. The table below shows the carrying outstanding amounts of undated and dated loans included in own funds. Call date is where the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The loans and the principles for time-reductions follow Swedish legislation.
The carrying amounts in the table may deviate from capital amounts used in own funds due to swap arrangements and adjustments for maturities.

Note 21 Cont.

Ratios and key figures

	2015	2014	2013	2012	2011
Risk-weighted exposure amount, excl. Basel I floor, SEKm	34,765	35,234	49,751	47,038	48,927
Risk-weighted exposure amount, incl. Basel I floor, SEKm	255,603	237,326	218,588	204,624	194,707
Own funds, SEKm	21,794	20,536	20,199	18,771	17,517
Total capital ratio, excl. Basel I floor, %	62.7	58.3	40.6	39.9	35.8
Tier 1 capital ratio, excl. Basel I floor, %	49.2	44.9	31.9	31.0	27.0
Total capital ratio, incl. Basel I floor, %	8.6	8.7	9.2	9.2	9.0
Tier 1 capital ratio, incl. Basel I floor, %	6.7	6.7	7.3	7.1	6.8

Table A2 Transitional own funds disclosure template

	Common Equity Tier 1 capital: instruments and reserves	A) Amount at disclosure date, SEKm	C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	110	–
	of which: Share capital	110	–
2	Retained earnings	12,348	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	493	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	4,704	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**17,655**	**–**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	−4	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	–
11	Fair value reserves related to gains or losses on cash flow hedges	−493	–
12	Negative amounts resulting from the calculation of expected loss amounts	−133	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	69	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	–
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**−561**	**–**
29	**Common Equity Tier 1 (CET1) capital**	**17,094**	**–**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	**–**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	0	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	**–**
44	**Additional Tier 1 (AT1) capital**	**0**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**17,094**	**–**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,700	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**4,700**	**–**
	Tier 2 (T2) capital: regulatory adjustments		

Note 21 Cont.

52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	**–**
58	**Tier 2 (T2) capital**	**4,700**	**–**
59	**Total capital (TC = T1 + T2)**	**21,794**	**–**
60	**Total risk weighted assets**	**34,765**	**–**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	49.2	–
62	Tier 1 (as a percentage of risk exposure amount)	49.2	–
63	Total capital (as a percentage of risk exposure amount)	62.7%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.5%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	1.0%	–
67	of which: systemic risk buffer requirement	0.0%	–
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	43.2%	–
Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	–
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	27,595	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	166	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
84	Current cap on T2 instruments subject to phase out arrangements	1,049	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–

Leverage ratio

	31 Dec 2015
Tier 1 capital, transitional definition, SEKm[1]	17,095
Leverage ratio exposure, SEKm	530,675
Leverage ratio, percentage	3.2

1) Including profit for the period

Note 21 Cont.

Minimikrav på kapitaltäckning och kapitalbuffertar

Percentage	Minimum Capital requirement	Capital Buffers: CCoB	CCyB	SII	SRB	Capital Buffers total	Total
Common Equity Tier 1 capital	4.5	2.5	1.0	–	–	3.5	8.0
Tier 1 capital	6	2.5	1.0	–	–	3.5	9.5
Own funds	8	2.5	1.0	–	–	3.5	11.5
SEKm							
Common Equity Tier 1 capital	1,564	869	348	–	–	1,217	2,781
Tier 1 capital	2,086	869	348	–	–	1,217	3,303
Own funds	2,781	869	348	–	–	1,217	3,998

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	31 Dec[1] 2015	31 Dec[1] 2014
Common Equity Tier 1 capital	43.2	38.9

1) Including profit of the period.

Table A3–A4 includes disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 Capital instruments' main features template

Common Equity Tier 1 capital		
1	Issuer	Nordea Hypotek AB (publ)
3	Governing law(s) of the instrument	Swedish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 110m
9	Nominal amount of instrument	SEK 110m
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary, or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary, or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Note 21 Cont.

Table A4 Capital instruments' main features template – AT1

	Additional Tier 1 instrument				
1	Issuer	Nordea Hypotek AB (publ)	Nordea Hypotek AB (publ)	Nordea Hypotek AB (publ)	Nordea Hypotek AB
3	Governing law(s) of the instrument	Swedish	Swedish	Swedish	Swedish
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 1,600m	SEK 1,300m	SEK 1,000m	SEK 800m
9	Nominal amount of instrument	SEK 1,600m	SEK 1,300m	SEK 1,000m	SEK 800m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	29-Dec-2011	18-Dec-2012	28-Jun-2013	30-Dec-2014
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	29-Dec-2021	18-Dec-2022	28-Jun-2023	30-Dec-2024
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29-Dec-2016 In addition regulatory call 100 per cent of Nominal amount	18-Dec-2017 In addition regulatory call 100 per cent of Nominal amount	28-Jun-2018 In addition regulatory call 100 per cent of Nominal amount	30-Dec-2019 In addition regulatory call 100 per cent of Nominal amount
16	Subsequent call dates, if applicable	29-Mar, 29-Jun, 29-Sep and 29-Dec each year after first call date	18-Mar, 18-Jun, 18-Sep and 18-Dec each year after first call date	28-Mar, 28-Jun, 28-Sep and 28-Dec each year after first call date	30-Mar, 30-Jun, 30-Sep and 30-Dec each year after first call date
	Coupons / dividends				
17	Fixed or floating dividend /coupon	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Floating 3-month STIBOR +4.50 per cent per annum	Floating 3-month STIBOR +2.85 per cent per annum	Floating 3-month STIBOR +2.13 per cent per annum	Floating 3-month STIBOR +1.70 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No

Note 21 Cont.

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, SEKm	Off-balance exposure, SEKm	Exposure value (EAD), SEKm[1]	of which EAD for off-balance, SEKm	Exposure-weighted average risk weight:
Corporate, foundation IRB:	–	–	–	–	–
- of which rating grades 6	–	–	–	–	–
- of which rating grades 5	–	–	–	–	–
- of which rating grades 4	–	–	–	–	–
- of which rating grades 3	–	–	–	–	–
- of which rating grades 2	–	–	–	–	–
- of which rating grades 1	–	–	–	–	–
- of which unrated	–	–	–	–	–
- of which defaulted	–	–	–	–	–
Corporate, advanced IRB:	81,323	120	72,965	57	13
- of which rating grades 6	41,164	–	35,957	–	6
- of which rating grades 5	15,757	–	13,648	–	12
- of which rating grades 4	22,653	120	21,631	57	24
- of which rating grades 3	1,479	–	1,471	–	35
- of which rating grades 2	29	–	29	–	53
- of which rating grades 1	9	–	9	–	75
- of which unrated	226	–	215	–	60
- of which defaulted	6	–	5	–	274
Institutions, foundation IRB:	111	–	127	–	26
- of which rating grades 6	111	–	111	–	28
- of which rating grades 5	–	–	16	–	16
- of which rating grades 4	–	–	–	–	–
- of which rating grades 3	–	–	–	–	–
- of which rating grades 2	–	–	–	–	–
- of which rating grades 1	–	–	–	–	–
- of which unrated	–	–	–	–	–
- of which defaulted	–	–	–	–	–
Retail, of which secured by real estate:	395,073	27,505	422,578	27,505	4
- of which scoring grades A	332,900	24,574	357,475	24,574	2
- of which scoring grades B	39,380	2,931	42,311	2,931	6
- of which scoring grades C	17,403	–	17,402	–	14
- of which scoring grades D	4,002	–	4,002	–	24
- of which scoring grades E	–	–	–	–	–
- of which scoring grades F	499	–	499	–	66
- of which not scored	141	–	141	–	22
- of which defaulted	748	–	748	–	116
Retail, of which other retail:	15,975	–	15,951	–	11
- of which scoring grades A	10,851	–	10,851	–	5
- of which scoring grades B	1,616	–	1,607	–	10
- of which scoring grades C	922	–	913	–	20
- of which scoring grades D	321	–	316	–	26
- of which scoring grades E	1,461	–	1,460	–	29
- of which scoring grades F	753	–	753	–	40
- of which not scored	9	–	9	–	25
- of which defaulted	42	–	42	–	229
Other non credit-obligation assets:	230	–	230	–	100

1) Includes EAD for on-balance, off-balance, derivatives and securities financing.

Nordea does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, central governments and central banks, qualifying revolving retail.

Note 22
Classification of financial instruments

31 Dec 2015, SEKm	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	2,602	–	–	2,602
Loans to the public	500,852	–	–	500,852
Derivatives	–	9,792	–	9,792
Fair value changes of the hedged items in portfolio hedge of interest rate risk	57	–	–	57
Tax assets	–	–	153	153
Other assets	2,485	–	–	2,485
Prepaid expenses and accrued income	550	–	–	550
Total	**506,546**	**9,792**	**153**	**516,491**

31 Dec 2015, SEKm	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
Deposits by credit institutions	–	157,977	–	157,977
Debt securities in issue	–	320,934	–	320,934
Derivatives	1,715	–	–	1,715
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	6,450	–	6,450
Other liabilities	–	6,747	0	6,747
Accrued expenses and prepaid income	–	31	140	171
Deferred tax liabilities	–	–	139	139
Subordinated liabilities	–	4,702	–	4,702
Total	**1,715**	**496,840**	**279**	**498,835**

31 Dec 2014, SEKm	Loans and receivables	Derivatives used for hedging	Non-financial assets	Total
Assets				
Loans to credit institutions	91	–	–	91
Loans to the public	474,904	–	–	474,904
Derivatives	–	13,297	–	13,297
Fair value changes of the hedged items in portfolio hedge of interest rate risk	563	–	–	563
Tax assets	–	–	358	358
Other assets	1,476	–	–	1,476
Prepaid expenses and accrued income	437	–	–	437
Total	**477,472**	**13,297**	**358**	**491,126**

31 Dec 2014, SEKm	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities				
Deposits by credit institutions	–	150,702	–	150,702
Debt securities in issue	–	301,859	–	301,859
Derivatives	1,463	–	–	1,463
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	9,998	–	9,998
Other liabilities	–	5,841	7	5,848
Accrued expenses and prepaid income	–	45	118	163
Deferred tax liabilities	–	–	89	89
Subordinated liabilities	–	4,702	–	4,702
Total	**1,463**	**473,147**	**214**	**474,824**

Note 23
Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2015		31 Dec 2014	
SEKm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	503,511	513,074	475,558	476,158
Derivatives	9,792	9,792	13,297	13,297
Other assets	2,485	2,485	1,476	1,476
Prepaid expenses and accrued income	550	550	437	437
Total financial assets	**516,338**	**525,901**	**490,768**	**491,368**
Financial liabilities				
Deposits and debt instruments	490,063	489,727	467,261	471,569
Derivatives	1,715	1,715	1,463	1,463
Other liabilities	6,747	6,747	5,841	5,841
Accrued expenses and prepaid income	31	31	45	45
Total financial liabilities	**498,556**	**498,220**	**474,610**	**478,918**

For information about valuation of items measured at fair value on the balance sheet, see Note 1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" on page 41.

Assets and liabilities held at fair value on the balance sheet

Categorisation into fair value hierarchy

31 Dec 2015, SEKm	Quoted prices in active markets for the same instrument (Level 1)	"Valuation technique using observable data (Level 2)"	"Valuation technique using non-observable data (Level 3)"	Total
Assets at fair value on the balance sheet[1]				
Derivatives	–	9,596	196	9,792
Total	**–**	**9,596**	**196**	**9,792**
Liabilities at fair value on the balance sheet[1]				
Derivatives	–	1,524	191	1,715
Total	**–**	**1,524**	**191**	**1,715**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2014, SEKm	Quoted prices in active markets for the same instrument (Level 1)	"Valuation technique using obser-vable data (Level 2)"	"Valuation technique using non-observable data (Level 3)"	Total
Assets at fair value on the balance sheet[1]				
Derivatives	–	13,297	–	13,297
Total	**–**	**13,297**	**–**	**13,297**
Liabilities at fair value on the balance sheet[1]				
Derivatives	–	1,463	–	1,463
Total	**–**	**1,463**	**–**	**1,463**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

Determination of fair values for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market

Note 23 Cont.

for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Nordea Hypotek does not have any Level 1 instruments.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for shorter-term interest rate caps in liquid currencies.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is the case for longer-term interest rate caps and interest caps in less liquid currencies.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives valuation models are used for establishing fair value. For collateralised contracts OIS interest rates are used for discounting. These rates are observable in the market. The valuation is in addition based on several other market parameters, depending on the nature of the contract. Complex valuation models are used for more exotic OTC derivatives. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. As mentioned above OTC derivatives are generally categorised as Level 2 in the fair value hierarchy and all significant model parameters are thus observable in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Nordea Hypotek incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of counterparty credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis.

Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not available and considered reliable, PDs and recovery rates are estimated through a proxy approach/intersection approach mapping the illiquid counterparties to liquid CDS spreads.

Another important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

Movements in level 3

2015, SEKm	1 Jan 2015	Transfers into level 3	31 Dec 2015
Derivatives (net)	–	5	5

During the year Nordea Hypotek transferred (net) 5m from Level 2 to Level 3. The transfer occured following the implementation of the improved and more granular classification approach. Transfers between levels are considered to have occurred at the end of the year. Assets and liabilities related to derivatives are presented net. Nordea Hypotek did not have any financial instrument classified in level 3 during 2014.

Note 23 Cont.

The valuation processes for fair value measurements in Level 3

Financial instruments

Nordea Hypotek is fully integrated in Nordeas valuation process for fair value adjustments in its applicable parts why the following description refers to how the area is dealt within Nordea.

Nordea has an independent specialised valuation control unit, Group Valuation Control (GVC). GVC has the responsibility of setting the Nordea valuation framework as well as overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. GVC issues the Nordea Group Valuation Policy, which is approved by the Group Valuation Committee. The Group Valuation Committee governs valuation matters and also serves as escalation point for valuation issues. Further escalation of valuation issues is addressed by the Assets and Liabilities Committee, which reports to the Board of Directors.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the valuation adjustments at portfollio level covering mainly liquidity (bid/offer spread) and credit risk adjustments.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continous basis.

Valuation techniques and inputs used in the fair value measurements in level 3

31 Dec 2015, SEKm	Fair value	Valuation techniques	Unobservable input	Range for fair value
Derivatives, net				
Interest rate derivatives	5	Optionmodel	Correlations, Volatilities	–7/+7
Total	**5**			**–7/+7**

The tables above show, for each class of assets and liabilties categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilites the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

Note 23 Cont.

Financial assets and liabilities not held at fair value on the balance sheet

	31 dec 2015		31 dec 2014		
SEKm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Loans	503,511	513,074	475,558	476,158	3
Other assets	2,485	2,485	1,476	1,476	3
Prepaid expenses and accrued income	550	550	437	437	3
Total	**506,546**	**516,109**	**477,471**	**478,071**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	490,063	489,727	467,261	471,569	3
Other liabilities	6,747	6,747	5,841	5,841	3
Accrued expenses and prepaid income	31	31	45	45	3
Total	**496,841**	**496,505**	**473,147**	**477,455**	

Loans

The fair value of "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking and Wholesale Banking respectively. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly transactions not yet entered in a settlement account at the parent company and accrued interest income. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of ”Deposits by credit institutions”, “Debt securities in issue” and “Subordinated liabilities” has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy.

The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”. As the contractual maturity is short for “Deposits by credit institutions” the changes in Nordea Hypotek´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items “Debt securities in issue” and “Subordinated liabilities”.

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilties" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly group contribution paid and transactions not yet entered in a settlement account at the parent company and prepaid income. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Note 24
Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, SEKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements[2] Financial instruments	Net amount
Assets					
Derivatives	9,792	–	9,792	–1,524	8,268
Total	**9,792**	**–**	**9,792**	**–1,524**	**8,268**
Liabilities					
Derivatives	1,715	–	1,715	–1,524	191
Total	**1,715**	**–**	**1,715**	**–1,524**	**191**

31 Dec 2014, SEKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements[2] Financial instruments	Net amount
Assets					
Derivatives	13,297	–	13,297	–1,439	11,858
Total	**13,297**	**–**	**13,297**	**–1,439**	**11,858**
Liabilities					
Derivatives	1,463	–	1,463	–1,439	24
Total	**1,463**	**–**	**1,463**	**–1,439**	**24**

1) All amounts have been measured at fair value.
2) 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.

In the "Obligations" section of the director's report, the size of counterparty risk at 31 December 2015 is set out.

Note 25
Assets and liabilities in foreign currencies

31 Dec 2015, SEKm	EUR	NOK	Other	Total
Assets				
Other assets	4,224	0	52	4,276
Total assets	**4,224**	**0**	**52**	**4,276**
Liabilities				
Debt securities in issue	24,425	970	2,143	27,538
Other liabilities	3,456	–10	29	3,475
Total liabilities	**27,881**	**960**	**2,172**	**31,013**

Currency exposure in other currency is driven by issuance in foreign currency, fully hedged by derivatives.

31 Dec 2014, SEKm	EUR	NOK	Other	Total
Assets				
Other assets	5,284	152	185	5,622
Total assets	**5,284**	**152**	**185**	**5,622**
Liabilities				
Debt securities in issue	25,326	2,094	5,145	32,565
Other liabilities	4,500	141	130	4,772
Total liabilities	**29,826**	**2,236**	**5,275**	**37,337**

Note 26
Maturity analysis for assets and liabilities

Expected maturity 31 Dec 2015, SEKm	Note	Expected to be recovered or settled Within 12 months	After 12 months	Total
Loans to credit institutions	10	2,602	–	2,602
Loans to the public	10	75,887	424,965	500,852
Derivatives	11	1,747	8,044	9,791
Fair value changes of the hedged items in portfolio hedge of interest rate risk		10	47	57
Current tax assets	9	153	–	153
Other assets	13	2,485	–	2,485
Prepaid expenses and accrued income	14	375	175	550
Total assets		**83,259**	**433,231**	**516,490**
Deposits by credit institutions	15	157,977	–	157,977
Debt securities in issue	16	78,346	242,588	320,934
Derivatives	11	226	1,490	1,715
Fair value changes of the hedged items in portfolio hedge of interest rate risk		848	5,601	6,450
Other liabilities	17	6,747	–	6,747
Accrued expenses and prepaid income	18	158	13	171
Deferred tax liabilities	9	–	139	139
Subordinated liabilities	19	2	4,700	4,702
Total liabilities		**244,304**	**254,531**	**498,835**

Expected maturity 31 Dec 2014, SEKm	Note	Expected to be recovered or settled Within 12 months	After 12 months	Total
Loans to credit institutions	10	91	–	91
Loans to the public	10	66,888	408,016	474,904
Derivatives	11	1,692	11,604	13,296
Fair value changes of the hedged items in portfolio hedge of interest rate risk		72	492	564
Current tax assets	9	358	–	358
Other assets	12	1,476	–	1,476
Prepaid expenses and accrued income	13	436	1	437
Total assets		**71,013**	**420,113**	**491,126**
Deposits by credit institutions	14	147,452	3,250	150,702
Debt securities in issue	15	68,339	233,520	301,859
Derivatives	11	584	879	1,463
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,273	8,725	9,998
Other liabilities	16	5,847	–	5,847
Accrued expenses and prepaid income	17	136	27	163
Deferred tax liabilities	9	–	89	89
Subordinated liabilities	18	3	4,700	4,703
Total liabilities		**223,634**	**251,190**	**474,824**

Note 26 Cont.

Contractual undiscounted cash flows

31 Dec 2015, SEKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Loans to credit institutions	2,602	–	–	–	–	2,602
Loans to the public	–	32,057	48,165	101,171	589,680	771,073
Other	–	4,770	–	8,267	–	13,037
Total financial assets	**2,602**	**36,827**	**48,165**	**109,438**	**589,680**	**786,712**
Deposits by credit institutions	268	134,973	22,826	27	–	157,094
Debt securities in issue	–	5,678	71,424	241,030	35,363	353,495
– of which Debt securities in issue	–	5,639	69,704	237,629	35,363	348,335
– of which Other	–	39	1,720	3,401	–	5,160
Other	–	7,979	–	7,243	–	15,222
Total financial liabilities	**268**	**148,630**	**94,250**	**248,300**	**35,363**	**526,811**
Derivatives, cash inflow	–	947	6,519	26,052	10,936	44,454
Derivatives, cash outflow	–	182	2,578	17,996	9,924	30,680
Net exposure	**–**	**765**	**3,941**	**8,056**	**1,012**	**13,774**
Exposure	**2,334**	**–111,038**	**–42,144**	**–130,806**	**555,329**	**273,675**
Cumulative exposure	**2,334**	**–108,704**	**–150,848**	**–281,654**	**273,675**	**–**

Contractual undiscounted cash flows *31 Dec 2014, SEKm*	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Loans to credit institutions	91	–	–	–	–	91
Loans to the public	–	37,313	42,509	101,949	569,338	751,109
Other	–	15,773	–	–	–	15,773
Total financial assets	**91**	**53,086**	**42,509**	**101,949**	**569,338**	**766,973**
Deposits by credit institutions	790	142,027	4,728	3,223	–	150,768
Debt securities in issue	–	4,790	72,805	230,443	26,998	335,036
– of which Debt securities in issue	–	4,750	72,684	225,434	26,998	329,866
– of which Other	–	40	121	5,009	–	5,170
Other	–	17,347	–	–	–	17,347
Total financial liabilities	**790**	**164,164**	**77,533**	**233,666**	**26,998**	**503,151**
Derivatives, cash inflow	–	862	8,978	30,060	11,592	51,492
Derivatives, cash outflow	–	637	5,188	22,067	10,561	38,453
Net exposure	**–**	**225**	**3,790**	**7,993**	**1,031**	**13,039**
Exposure	**–699**	**–110,853**	**–31,234**	**–123,724**	**543,371**	**276,861**
Cumulative exposure	**–699**	**–111,551**	**–142,786**	**–266,510**	**276,861**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea Hypotek has credit commitments amounting to SEK 120m (120), which could be drawn on at any time.

Note 27

Related-party transactions

The information below is presented from a Nordea Hypotek perspective, meaning that the information show the effect from related party transactions on the Nordea Hypotek figures.

Balance sheet	Key management personnel		Nordea Group companies	
SEK (000s)	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets				
Loans to credit institutions	–	–	2,601,665	91,349
Loans to the public	21,572[1]	22,703[1]	–	–
Derivatives	–	–	9,791,505	13,296,604
Other assets	–	–	2,374,181	1,368,296
Prepaid expenses and accrued income	–	–	17,865	16,834
Total assets	**21,572**	**22,703**	**14,785,216**	**14,773,083**
Liabilities				
Deposits by credit institutions	–	–	157,977,265	150,702,189
Debt securities in issue	–	–	2,276,649	4,919,482
Derivatives	–	–	1,524,024	1,438,729
Other liabilities	–	–	6,746,692	5,847,060
Subordinated liabilities	–	–	4,702,046	4,702,494
Total liabilities	**–**	**–**	**173,226,676**	**167,609,954**
Off balance[2]	–	–	295,737,933	285 ,128,966

Income statement	Key management personnel		Nordea Group companies	
SEK (000s)	2015	2014	2015	2014
Interest income	328	373	210,246	196,108
Interest expense	–	–	3,823,834	1,480,999
Net fee and commission income	–	–	−2,660	−2,859
Net result from items at fair value	–	–	−2,630,440	5,232,316
General administrative expenses:				
– Staff costs	–	–	–	–
– Other expenses	–	–	−503,980	−484,397
Total	**328**	**373**	**897,000**	**6,422,167**

Compensations to key management personnel

Compensations to key management personnel are specified in Note 6 Staff costs.

1) Lending divided by collateral type: Single family properties SEK 9.240.483; Tenant-owner apartments SEK 12.331.620.
2) Including nominal values on derivatives.

Note 28
Credit risk disclosures

Loans and receivables to corporate customers, by size of loan

SEKm	31 Dec 2015	%	31 Dec 2014	%
0–10	8,733	10	9,019	10
10–50	28,312	34	27,188	31
50–100	12,436	15	12,666	15
100–250	13,368	16	15,028	17
250–500	9,543	11	9,908	11
500–	11,812	14	13,250	15
Total	**84,204**	**100**	**87,059**	**100**

Past due loans, excl. impaired loans

	31 Dec 2015		31 Dec 2014	
SEKm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	573	45	71	22
31–60 days	79	250	3	236
61–90 days	7	51	2	59
Total	**659**	**346**	**76**	**317**
Past due not impaired/loans and receivables in %.	0.73	0.08	0.08	0.08

Loan-to-value ratio

A common way to analyse the value of the collateral is to measure the loan value (LTV) ratio i.e the credit extended divided by the market value of the collateral pledged. In the tabel below, the mortgage exposures are broken down into different LTV ratio ranges. In 2015, mortgage increased in all ranges, due to increased lending volumes. The relative share of mortgages of each range was unchanged in 2015 compared to 2014.

	31 Dec 2015		31 Dec 2014	
Mortgage exposure to loans to the public[1]	SEKbn	%	SEKbn	%
<50%	372.6	80	344.8	80
50–60%	44.3	10	41.5	10
60–70%	33.5	7	31.3	7
70–75%	12.2	3	11.8	3
>75%	–	–	–	–
Total	**462.6**	**100**	**429.4**	**100**

1) Lending to the public sector customer segment is not included in the table above.

Specifications to the Notes

Specification to Note 15:
Swedish bonds, SEK (000s) **2015**

Number	ISIN code	First sales day	Interest rate in %	Due dates for interest	Final payment day	Currency	Outstanding nominal amount
5521[1]	SE0001542341	19/10/2005	3.25	17 Jun	17/6/2020	SEK	47,291,500
5527[1]	SE0003949874	4/5/2011	4.50	15 Jun	15/6/2016	SEK	51,648,100
5528[1]	SE0004547032	2/4/2012	3.00	21 Jun	21/6/2017	SEK	34,401,000
5529[1]	SE0005033669	1/2/2013	2.00	20 Jun	20/6/2018	SEK	69,650,000
5530[1]	SE0005676723	19/6/2013	2.25	19 Jun	19/6/2019	SEK	39,300,000
5531[1]	SE0006991246	21/04/2015	1.00	8 Apr	8/04/2022	SEK	17,325,000
5703	SE0004269363	19/10/2011	3.46	19 Oct	19/10/2026	SEK	3,000,000
5704	SE0004297125	9/11/2011	3.535	9 Nov	9/11/2021	SEK	1,000,000
5705	SE0004329506	2/12/2011	3.125	2 Dec	2/12/2026	SEK	1,000,000
5716	SE0007158597	1/06/2015	1.8375	1 Jun	1/06/2027	SEK	500,000
5706	SE0005100682	13/3/2013	3 months' stibor +0.20	13 Apr[2]	13/4/2016	SEK	2,750,000
5707	SE0005189040	6/5/2013	3 months' stibor +0.14	6 May[2]	6/5/2016	SEK	175,000
5708	SE0005365335	2/9/2013	3 months' stibor +0.12	2 Mar[2]	2/3/2016	SEK	3,500,000
5709	SE0005391901	9/9/2013	3 months' stibor +0.17	9 Sep[2]	9/9/2016	SEK	1,700,000
5710	SE0005505864	11/11/2013	3 months' stibor +0.14	11 Nov[2]	11/11/2026	SEK	500,000
5711	SE0005506219	12/11/2013	3 months' stibor +0.28	12 Jan[2]	12/1/2018	SEK	500,000
5712	SE0005651007	22/1/2014	3 months' stibor +0.18	22 Apr[2]	22/1/2018	SEK	500,000
5713	SE0005757945	26/2/2014	3 months' stibor +0.31	26 May[2]	26/2/2019	SEK	1,100,000
5714	SE0005797602	12/3/2014	3 months' stibor +0.24	12 Jun[2]	12/3/2018	SEK	5,800,000
5715	SE0006913265	19/3/2015	3 months' stibor +0.09	19 Jan[2]	19/7/2018	SEK	1,200,000

1) Tap issues.
2) Quarterly payment of interest, first payment date in the table.

Loan 5520–5531, 5703–5705, 5716: No interest rate adjustment

EMTN (bonds issued in foreign currency) **2015**

ISIN code	Issue day	Final payment day	Interest rate, %[1]	Currency	Outstanding nominal amount in currency, (000s)[1]
XS0478492415	18/1/2010	18/1/2017	3.50	EUR	1,500,000
CH0111216427	7/4/2010	7/6/2016	1.875	CHF	250,000
Total other bonds issued under the EMTN programme (converted into SEK):					956,940

1) The currency exposure and interest rate have been changed by using currency and interest rate swaps.

Registered Covered Bond (Loans issued in foreign currency) **2015**

Currency	Issue day	Final payment day	Interest rate, %[1]	Outstanding nominal amount in currency, (000s)[1]
Total other bonds issued (converted into SEK):				9,903,984

1) The currency exposure and interest rate have been changed by using currency and interest rate swaps.

Specification to Note 18:
Subordinated liabilities, SEK (000s) **2015**

Number	Start date	Currency	Interest rate, %	Call date	Due date	Outstanding nominal amount
Loan 8	29/12/2011	SEK	3 months' stibor +4.50	29/12/2016	29/12/2021	1,600,000
Loan 9	18/12/2012	SEK	3 months' stibor +2.85	18/12/2017	18/12/2022	1,300,000
Loan 10	28/06/2013	SEK	3 months' stibor +2.13	28/06/2018	28/06/2023	1,000,000
Loan 11	30/12/2014	SEK	3 months' stibor +1.70	30/12/2019	30/12/2024	800,000

Proposed distribution of earnings

After the company paid group contributions amounting to SEK 4,522,206,000 the following amount is available for distribution by the Annual General Meeting of Shareholders:

Cash flow hedge reserve	493,364,000 SEK
Retained Profit	12,348,236,000SEK
Net profit for the year	4,703,788,000 SEK
Total	**17,545,388,000 SEK**

The Board of Directors and the President propose that

To be carried forward	**17,545,388,000 SEK**

It is the assessment of the Board of Directors that the proposed group contribution is justifiable considering the demands with respect to the size of the Company's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's need for consolidation, liquidity and financial position in general.

It is hereby certified that, to the best of our knowledge, the annual report has been prepared in accordance with sound accounting principles. The information provided gives a true and fair account of the development of the operations, financial position and result, and nothing of material significance has been omitted that would affect the presentation of the company created by the annual report.

Stockholm den 24 February 2016

Torsten Allqvie
Chairman

Ulla Hermann   Manuella Hansson   Nils Lindberg   Peter Dalmalm

Michael Skytt
CEO

Our audit report was submitted on 26 February 2016

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

Auditor's Report

This document is a translated version of the Swedish Auditor's Report

To the annual meeting of the shareholders of Nordea Hypotek AB (publ), corporate identity number 556091-5448.

Report on the annual accounts

We have audited the annual accounts of Nordea Hypotek AB (publ) for 2015.

Responsibility of the Board of Directors and Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation of annual accounts which provide a fair presentation in accordance with the Annual Reports at Credit Institutions and Investment Firms Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to devise audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Reports at Credit Institutions and Investment Firms Act, and present fairly, in all material respects, the financial position of Nordea Hypotek AB (publ) as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Annual Reports at Credit Institutions and Investment Firms Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Hypotek AB (publ) for the year 2015.

Responsibility of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Reports at Credit Institutions and Investment Firms Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board and the Managing Director be discharged from liability for the financial year.

Stockholm den 26 February 2016

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson *Authorised Public Accountant*	Helena Kaiser de Carolis *Authorised Public Accountant*

Board of Directors, Auditor and Management

Board of Directors

Chairman

Torsten Allqvie, born 1959
Nordea Bank AB (publ)
Deputy Head Banking Sweden, Retail Banking

Members

Ulla Hermann, born 1952
Nordea Bank AB (publ)
Head of Group Credit Risk, Retail Banking Sweden

Manuella Hansson, born 1967
Nordea Bank AB (publ)
Head of Operations Sweden, Retail Banking Sweden

Peter Dalmalm, born 1968
Nordea Bank AB (publ)
Deputy Head of Banking Sweden, Retail Banking

Nils Lindberg, born 1947
Senior Partner
Ekonans AB

Michael Skytt, born 1959
CEO, Nordea Hypotek AB (publ)

Auditor

Öhrlings Pricewaterhouse Coopers AB

Catarina Ericsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

Management

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CEO, Nordea Hypotek AB (publ)

Lars Andersson, born 1959
Head of Credit

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