

Nordea



Half-Year Financial Report 2019

Nordea Hypotek AB (publ)

This Half-Year Financial Report has not been subject to review by the Company's auditors.

Half-Year Financial Report 2019

January - June 2019

Profit/loss

Operating profit amounted to SEK 2,586m (3,021), a decrease of -14.4% compared to the same period last year.

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

- Net interest income deteriorated by SEK 858m, a decrease of -20.0% compared to the same period last year.
Higher lending volumes had a positive impact on net interest income, but this was offset by lower average lending margins and higher funding costs. The higher funding costs are mainly due to the extension of maturities on intragroup loans in 2018 to fulfil tightened legal liquidity requirements. In addition, interest on intragroup loans increased during the period.
- Net result from financial items at fair value increased by SEK 156m, amounting to SEK -35m at the end of the period. This is chiefly attributable to realised and unrealised value changes for financial instruments under hedge accounting.
- The resolution fee during the period amounted to SEK 349m (483m), a decrease of SEK 134m from the same period last year. The main reason for the decrease was that the resolution fees' share of the total fee base for 2019 is 0.09% compared with 0.125% for 2018. As of Q1 2019, Nordea Hypotek recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The former accounting policy was to amortise these fees over the year, and present the cost as "Interest expense". The change primarily reflects the change in the structure of the resolution fees following the re-domiciliation to Finland. The comparative figures have been restated due to this; for more information see Note 1 Accounting policies.
- Operating expenses amounted to SEK -808m (-1,066), a decrease of SEK 258m or 24.2% compared to the same period last year. The main reason for the lower costs is that costs paid by Nordea Hypotek to Personal Banking decreased during the year, driven by lower costs for the branch network and the fact that more loan applications are now processed online by the Mortgage Centre. In addition, the resolution fee has been reclassified from interest expenses to other expenses, and compared with the same period of the prior year, the resolution fee has decreased by SEK 134m due to a lower charge, see the comment on the resolution fee above.
- Net loan losses amounted to SEK -5.9m for the period (-11.8). The decrease from the same period in 2018 is largely due to the reversal of part of a loan reserve carried out in the first half of 2019.

Lending

At the end of the period, lending to the public was at SEK 560,932m (540,888), exceeding last year's volume by 3.7% (0.4%). Lending to the retail market rose by 3.2% (-0.2%) during the period, amounting at the close of the period to SEK 459,385m (445,296). Lending to legal entities rose by 6.2% (+3.1%), amounting at the close of the period to SEK 101,547m (95,592).

Impaired loans and loan losses

Impaired loans, gross, amounted to SEK 596m (575). The net amount from recoveries and new loan losses gave a loss of SEK 5.9m (loss of 11.8).

Funding

Long-term funding occurs mainly by way of the issuance of covered bonds on the Swedish market, with maturities from two to ten years. During the period, bonds issued in Swedish kronor equalled SEK 59,250m (64,150) in total. The outstanding bond volume (nominal amount) at 30 June 2019 was SEK 332,158m (312,483), of which SEK 10,028m (10,552) was issued in currencies other than SEK.

At 30 June 2019, Nordea Hypotek had outstanding dated debenture loans from the Parent Company totalling SEK 0.8bn (0.8).

Covered bonds are funding instruments, regulated under the Covered Bonds (Issuance) Act (2003:1223), which give investors priority in the event the borrower's bankruptcy.

Covered bonds may only be issued following special permission from the Financial Supervisory Authority and on the basis of high-quality assets. Covered bonds and received credit ratings provide the Company with access to a broader base of funding sources.

In addition to the aforementioned long-term borrowing, during the period the Company regularly secured funding through short-term borrowings from the Parent Company.

Rating

Since June 2006, the Company has been rated Aaa by Moody's Investor Service and AAA by Standard & Poor's, for the covered bonds that account for the Company's main long-term funding.

Capital adequacy

Nordea Hypotek uses the Internal Ratings-based (IRB) approach (internal risk classification) for calculating credit risk in the exposure classes corporate, institution and household. At the end of June, the Company's RWA amounted to SEK 163,611m, the calculated common equity tier 1 (CET1) capital ratio was 14.8% and the capital ratio was 15.4%.

Change in the Board of Directors

In 2019 three new members were added to the Board of Directors, Marte Kopperstad, Per Långsved and Magnus Montan.

Material events after the balance sheet date

No major events have occurred since 30 June 2019.

Assurance of the board of directors

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

Stockholm, 23 August 2019

Nicklas Ilebrand
Chairman of the Board

Peter Dalmalm Maria Härdling

Marte Kopperstad Nils Lindberg

Per Långsved Elisabeth Olin

Michael Skytt Magnus Montan
Managing Director

Income Statement

		Jan-Jun 2019	Jan-Jun 2018	Full year 2018
SEK (000s)	Note			
Operating income				
Interest income calculated using the effective interest method		4,188,580	4,103,572	8,022,666
Other interest income		8,008	-	3,165
Interest expense		-761,041	189,647	123,812
Net interest income		3,435,547	4,293,219	8,149,643
Fee and commission income		22,806	25,400	50,168
Fee and commission expense		-23,843	-28,839	-60,342
Net fee and commission income	3	-1,037	-3,439	-10,174
Net result from items at fair value	4	-34,861	-190,924	-159,622
Total operating income		3,399,649	4,098,856	7,979,847
Operating expenses				
<i>General administrative expenses:</i>				
Staff costs		-13,310	-14,190	-26,615
Other expenses	5	-794,722	-1,052,104	-1,622,905
Total operating expenses		-808,032	-1,066,294	-1,649,520
Profit before loan losses		2,591,617	3,032,562	6,330,327
Net loan losses	6	-5,857	-11,794	-37,600
Operating profit		2,585,760	3,020,768	6,292,727
Income tax expense		-552,295	-667,469	-1,388,529
Net profit for the period		2,033,465	2,353,299	4,904,198

Statement of comprehensive income

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
SEK (000s)			
Net profit for the period	2,033,465	2,353,299	4,904,198
Items that may be reclassified subsequently to the income statement			
<i>Cash flow hedges:</i>			
Valuation gains/losses during the year	34,045	-24,196	-50,646
Tax on valuation gains/losses during the year	-4,232	5,323	11,142
Other comprehensive income, net of tax	29,813	-18,873	-39,504
Total comprehensive income	2,063,278	2,334,426	4,864,694

Balance Sheet

		30 Jun 2019	30 Jun 2018	31 Dec 2018
SEK (000s)	Note			
Assets				
Loans to credit institutions	7	9,532,058	10,715,932	5,299,092
Loans to the public	7	560,931,820	540,887,671	548,759,159
Interest-bearing securities		21,425,183	-	21,083,561
Derivatives		6,772,480	5,661,841	4,762,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk		443,433	70,649	20,305
Current tax assets	4	4	1	29,106
Other assets		1,787,765	2,754,106	2,798,059
Prepaid expenses and accrued income		695,416	911,348	690,356
Total assets		601,588,159	561,001,548	583,442,038
Liabilities				
Deposits by credit institutions		226,454,319	206,099,704	222,064,980
Debt securities in issue		338,595,900	320,235,123	324,984,129
Derivatives		637,156	315,163	351,211
Fair value changes of the hedged items in portfolio hedge of interest rate risk		6,125,516	5,000,950	3,721,108
Current tax liabilities		318,910	132,551	-
Other liabilities		2,098,013	2,533,880	7,020,512
Accrued expenses and prepaid income		33,849	273,512	40,032
Deferred tax liabilities		7,733	9,320	5,899
Provisions		2,927	-	3,723
Subordinated liabilities		800,112	800,060	800,136
Total liabilities		575,074,435	535,400,263	558,991,730
Equity				
Share capital		110,000	110,000	110,000
Fair value reserves		42,225	33,043	12,412
Retained earnings		26,361,499	25,458,242	24,327,896
Total equity		26,513,724	25,601,285	24,450,308
Total liabilities and equity		601,588,159	561,001,548	583,442,038

Other Notes

- [Note 1](#) Accounting policies
- [Note 2](#) Segment reporting
- [Note 8](#) Classification of financial instruments
- [Note 9](#) Assets and liabilities at fair value
- [Note 10](#) Capital adequacy
- [Note 11](#) Risks and uncertainties

Statement of changes in equity

	Restricted equity			Unrestricted equity	
			Fair value through other comprehensive income		
30 Jun 2019	Share capital ¹	Cash flow hedges		Retained earnings	Total equity
SEK (000s)					
Balance at 1 Jan 2019	110,000	20,916	-8,504	24,327,896	24,450,308
Net profit for the period	-	-	-	2,033,465	2,033,465
Items that may be reclassified subsequently to the income statement					
Fair value through other comprehensive income	-	-	-	-	-
Valuation gains/losses during the year	-	-	25,708	-	25,708
Tax on valuation gains/losses during the year	-	-	-2,398	-	-2,398
Cash flow hedges:					
Valuation gains/losses during the year	-	409,305	-	-	409,305
Tax on valuation gains/losses during the year	-	-90,047	-	-	-90,047
Transferred to the income statement during the year	-	-400,968	-	-	-400,968
Tax on transfers to the income statement during the year	-	88,213	-	-	88,213
Other comprehensive income, net of tax	-	6,503	23,310	-	29,813
Total comprehensive income	-	6,503	23,310	2,033,465	2,063,278
Share-based payments	-	-	-	138	138
Balance at 30 Jun 2019	110,000	27,419	14,806	26,361,499	26,513,724

¹ 100,000 shares.

31 Dec 2018	Restricted equity			Unrestricted equity	Total equity
	Share capital ¹	Cash flow hedges	Fair value through other comprehensive income	Retained earnings	
SEK (000s)					
Balance at 1 Jan 2018	110,000	51,916	-	23,093,420	23,255,336
Effects from changed accounting policy	-	-	-	11,523	11,523
Restated open balance at 1 Jan 2018	110,000	51,916	-	23,104,943	23,266,859
Net profit for the period	-	-	-	4,904,198	4,904,198
Items that may be reclassified subsequently to the income statement					
Fair value through other comprehensive income:					
Valuation gains/losses during the year	-	-	-10,902	-	-10,902
Tax on valuation gains/losses during the year	-	-	2,398	-	2,398
Cash flow hedges:					
Valuation gains/losses during the year	-	233,382	-	-	233,382
Tax on valuation gains/losses during the year	-	-51,344	-	-	-51,344
Transferred to the income statement during the year	-	-273,126	-	-	-273,126
Tax on transfers to the income statement during the year	-	60,088	-	-	60,088
Other comprehensive income, net of tax	-	-31,000	-8,504	-	-39,504
Total comprehensive income	-	-31,000	-8,504	4,904,198	4,864,694
Group contribution paid	-	-	-	-4,719,545	-4,719,545
Tax on Group contribution paid	-	-	-	1,038,300	1,038,300
Balance at 31 Dec 2018	110,000	20,916	-8,504	24,327,896	24,450,308

¹ 100,000 shares.

Statement of changes in equity, continued

	Restricted equity	Unrestricted equity		
30 Jun 2018	Share capital ¹	Cash flow hedges	Retained earnings	Total equity
SEK (000s)				
Balance at Jan 2018	110,000	51,916	23,093,420	23,255,336
Restatement due to changed accounting policy, net of tax ²	-	-	11,523	11,523
Restated opening balance at 1 Jan 2018	110,000	51,916	23,104,943	23,266,859
Total comprehensive income	-	-18,873	2,353,299	2,334,426
Balance at 30 Jun 2018	110,000	33,043	25,458,242	25,601,285

¹) 100,000 shares.

²) The opening balance has been restated by reason of the implementation of IFRS 9. The net effect on equity after tax was an increase of SEK 11.5m.

Cash flow statement

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
SEK (000s)			
Operating activities			
Operating profit	2,585,760	3,020,768	6,292,727
Adjustment for items not included in cash flow	403,831	-2,567,696	-1,346,530
Income taxes paid	-204,283	-193,176	-37,593
Cash flow from operating activities before changes in operating assets and liabilities	2,785,308	259,896	4,908,604
Changes in operating assets			
Change in treasury bills	-1,887,898	-	-11,064
Change in loans to the public	-12,178,979	-3,967,200	-11,865,323
Change in interest-bearing securities	-341,621	-	-21,083,828
Change in derivatives, net	142,064	299,948	1,235,780
Change in other assets	1,010,293	-1599,509	-1,643,458
Change in operating liabilities			
Change in deposits by credit institutions	4,297,000	11,532,000	27,513,000
Change in debt securities in issue	15,329,160	2,969,039	5,503,314
Change in other liabilities	-4,922,499	-5,063,713	-5,531,881
Cash flow from operating activities	1,447,520	4,170,565	-974,856
Financing activities			
Amortised subordinated liabilities	-	-1,000,000	-1000,000
Other changes in equity	138	11,523	-
Cash flow from financing activities	138	-988,477	-1000,000
Cash flow for the period	4,232,966	3,441,984	-1,974,856
Cash and cash equivalents at beginning of period	5,299,092	7,273,948	7,273,948
Cash and cash equivalents at end of period	9,532,058	10,715,932	5,299,092
Change	4,232,966	3,441,984	-1,974,856

Notes to the financial statements

Note 1. Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note 1 in the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information see Note 1 in the Annual Report 2018.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Hypotek 1 January 2019.

IFRS 16 "Leases"

IFRS 16 "Leases" will not be applied at Nordea Hypotek. On 1 January 2019, Nordea Hypotek will start

to apply the new rules governing leases in RFR 2. The new rules in RFR 2 have no significant impact on Nordea Hypotek's financial statements, capital adequacy or large exposures for the period of initial application, as the company already applies these rules.

Changed recognition and presentation of resolution fees

As from 1 January 2019 Nordea Hypotek recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact on the first half-year of 2019 can be found in the below tables.

SEK (000 s)	Jan-June 2019			Jan-June 2018			Full year 2018		
	Old policy	Change	New policy	Old policy	Change	New policy	Old policy	Change	New policy
Interest expense	-935,299	174,258	-761,041	-57,895	247,542	189,647	-358,984	482,796	123,812
Other expenses	-446,207	-348,515	-794,722	-569,308	-482,796	-1,052,104	-1,140,109	-482,796	-1,622,905
Income tax expense	-589,586	37,291	-552,295	-719,225	51,756	-667,469	-1,388,529	-	-1,388,529
Impact on net profit for the period		-136,966			-183,498			-	

SEK (000 s)	30 June 2019			31 Dec 2018			30 June 2018		
	Old policy	Change	New policy	Old policy	Change	New policy	Old policy	Change	New policy
Current tax liabilities	356,201	-37,291	318,910	-	-	-	184,307	-51,756	132,551
Accrued exp. and prepaid inc.	208,106	174,257	382,363	40,032	-	40,032	38,258	235,254	273,512
Retained earnings	26,498,465	-136,966	26,361,499	24,327,896	-	24,327,896	25,641,740	-183,498	25,458,242

Other amendments

The following new and amended standards issued by IASB were implemented by Nordea Hypotek 1 January 2019 but have not had any significant impact on the financial statements of Nordea Hypotek:

- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

Changes in IFRS not yet applied**Other amendments to IFRS**

Other amendments to IFRS 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.

Note 2. Segment reporting

Operating segments

	Personal Banking		Commercial & Business Banking		Group Treasury		Other operating segments		Total operating segments		Reconciliation		Total	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
SEKm														
Total operating income	3,459	3,501	644	552	-881	-103	91	32	3,313	3,982	86	117	3,399	4,099
Operating profit	3,451	3,498	646	543	-890	-112	-707	-510	2,499	3,419	86	-398	2,585	3,021
Loans to the public	429,376	418,917	113,493	107,942	-	-	18,063	14,029	560,932	540,888	-	-	560,932	540,888

Reconciliation between total operating segments and financial statements

	Jan-Jun 2019		Jan-Jun 2018	
	Operating profit	Loans to the public	Operating profit	Loans to the public
SEKm				
Total operating segments	2,499	560,932	3,419	540,888
Group functions and unallocated items	86	-	-398	-
Total	2,585	560,932	3,021	540,888

Note 3. Net fee and commission income

	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
SEK (000s)			
Issuer services	-17,734	-13,582	-35,272
- of which income	-	-	-
- of which expense	-17,734	-13,582	-35,272
Lending Products	7,670	6,776	12,731
- of which income	13,723	16,622	32,185
- of which expense	-6,053	-9,846	-19,454
Guarantees	-	-	-3
- of which income	-	-	-
- of which expense	-	-	-3
Other	9,027	3,367	12,370
- of which income	9,083	8,778	17,982
- of which expense	-56	-5,411	-5,612
Total	-1,037	-3,439	-10,174

Note 3. Continued

Break down by business areas

Jan-Jun 2019

SEKm	Personal Banking	Commercial & Business Banking	Group Treasury	Other
Issuer services	-	-	-18	-
Lending Products	12	2	-	-6
Guarantees	-	-	-	-
Other	9	-	0	-
Total	21	2	-18	-6

Break down by business areas

Jan-Jun 2018

SEKm	Personal Banking	Commercial & Business Banking	Group Treasury	Other
Issuer services	-	-	-14	-
Lending Products	15	2	-	-10
Guarantees	0	0	-	-
Other	8	-	-5	-
Total	23	2	-19	-9

Note 4. Net result at items at fair value

	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
SEK (000s)			
Interest-bearing securities and other interest-related instruments	-34,861	-190,924	-159,622

Note 5. Other expenses

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
SEK (000s)			
Postage, telephone and office expenses	-121	-169	-427
Distribution costs to Nordea	-422,346	-542,816	-1,084,653
Resolution fee	-348,515	-482,796	-482,796
Other	-23,740	-26,323	-55,029
Total	-794,722	-1,052,104	-1,622,905

Note 6. Net loan losses

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
SEK (000s)			
Net loan losses, stage 1	-1,144	1,453	-1,349
Net loan losses, stage 2	-1,766	-90	-2,083
Net loan losses, non-defaulted	-2,910	1,363	-3,432
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	-528	-2,395	-7,852
Realised loan losses	-25,631	-2,752	-5,484
Decrease of provisions to cover realised loan losses	18,700	-	-
Recoveries on previously realised loan losses	462	1,090	1,922
New /increase in provisions	-	-9,100	-22,750
Reversals of provisions	4,050	-	-
Net loan losses, defaulted	-2,947	-13,157	-34,168
Net loan losses	-5,857	-11,794	-37,600

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Key ratios			
Loan loss ratio, basis points	0.2	0.4	2.7
-of which stage 1	0.0	-0.1	0.1
-of which stage 2	0.1	0.0	0.2
-of which stage 3	0.1	0.5	2.5

Note 7. Loans and impairment

	30 Jun 2019	31 Dec 2018	30 Jun 2018
SEKm			
Loans measured at amortised cost, not impaired (stage 1 and 2)	569,931	553,558	551,091
Impaired loans (stage 3)	596	582	575
- of which servicing	59	54	61
- of which non-servicing	537	528	514
Loans before allowances	570,527	554,141	551,666
- of which credit institutions	9,532	5,299	10,716
Allowances for individually assessed impaired loans (stage 3)	-19	-41	-22
- of which servicing	-2	-2	-2
- of which non-servicing	-17	-40	-20
Allowances for collectively assessed impaired loans (stage 1 and 2)	-45	-41	-40
Allowances	-64	-82	-62
- of which credit institutions	-	-	-
Loans, carrying amount	570,463	554,058	551,604

Note 7. Continued

Exposures at amortised cost and fair value through OCI, before allowances

SEKm	30 June 2019		
	Stage 1	Stage 2	Stage 3
Loans to the public	557,280	12,651	596
Interest-bearing securities	10,608	-	-
Total	567,887	12,651	596

SEKm	30 June 2018		
	Stage 1	Stage 2	Stage 3
Loans to the public	542,223	8,868	575
Interest-bearing securities	-	-	-
Provisions for off balance sheet items	-	-	-
Total	542,223	8,868	575

Allowances and provisions

SEKm	30 June 2019		
	Stage 1	Stage 2	Stage 3
Loans to the public	-16	-28	-19
Interest-bearing securities	-1	-	-
Provisions for off balance sheet items	-3	0	-
Total	-20	-28	-19

SEKm	30 June 2018		
	Stage 1	Stage 2	Stage 3
Loans to the public	-15	-25	-22
Interest-bearing securities	-	-	-
Provisions for off balance sheet items	-	-	-
Total	-15	-25	-22

Note 7. Continued

Movement of allowance accounts for loans measured at amortised cost

SEKm	Stage 1	Stage 2	Stage 3	Total
Balance at 1 Jan 2019	-14	-27	-41	-82
Changes due to origination and acquisition	-21	-3	-1	-25
Changes due to transfers from Stage 1 to Stage 2	5	-62	-	-57
Changes due to transfers from Stage 1 to Stage 3	1	-	-48	-47
Changes due to transfers from Stage 2 to Stage 1	-5	34	-	29
Changes due to transfers from Stage 2 to Stage 3	0	9	-435	-426
Changes due to transfers from Stage 3 to Stage 1	0	-	1	1
Changes due to transfers from Stage 3 to Stage 2	0	-1	6	5
Changes due to changes in credit risk without stage transfer	17	19	516	552
Changes due to repayments and disposals	1	2	2	5
Write-off through decrease in allowance account	-	-	-19	-19
Closing balance at 30 Jun 2019	-16	-29	-19	-64

SEKm	Stage 1	Stage 2	Stage 3	Total
Balance at 1 Jan 2018	-17	-24	-11	-52
Changes due to origination and acquisition	-2	0	0	-2
Changes due to change in credit risk	2	-3	-12	-13
Changes due to repayments and disposals	2	2	1	5
Write-off through decrease in allowance account	-	-	-	-
Other changes	-	-	-	-
Translation differences	-	-	-	-
Balance at 30 Jun 2018	-15	-25	-22	-62

Key ratios

	30 Jun 2019	31 Dec 2018	30 Jun 2018
Impairment rate (stage 3), gross ¹ , basis points	10.4	10.5	10.4
Impairment rate (stage 3), net ² , basis points	10.1	9.8	10.0
Total allowance rate (stage 1, 2 and 3) ³ , basis points	1.1	1.5	1.1
Allowances in relation to impaired loans (stage 3) ⁴ , %	3.2	7.1	3.9
Allowances in relation to loans in stage 1 and 2 ⁵ , basis points	0.0	0.0	0.7

1) Impaired loans (category 3) before allowances divided by total loans, measured at amortised cost, before allowances.

2) Impaired loans (category 3) after allowances divided by total loans, measured at amortised cost, before allowances.

3) Total allowances divided by total loans, measured at amortised cost, before allowances.

4) Allowances for impaired loans (category 3) divided by impaired loans measured at amortised cost (category 3), before allowances.

5) Allowances for performing loans (category 2) divided by performing loans measured at amortised cost (categories 1 and 2), before allowances.

Note 8. Classification of financial instruments

SEKm	Financial assets at fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging			
Assets						
Loans to credit institutions	9,532	-	-	-	-	9,532
Loans to the public	560,932	-	-	-	-	560,932
Interest-bearing securities	-	10,818	-	10,607	-	21,425
Derivatives	-	0	6,772	-	-	6,772
Fair value changes of the hedged it	443	-	-	-	-	443
Current tax assets	-	-	-	-	0	0
Other assets	1,788	-	-	-	0	1,788
Prepaid expenses and accrued inc	696	-	-	-	-	696
Total 30 Jun 2019	573,391	10,818	6,772	10,607	0	601,588
Total 31 Dec 2018	557,567	9,860	4,762	11,224	29	583,442

	Financial liabilities at fair value through profit or loss (FVPL)				
SEKm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non- financial liabilities	Total
Liabilities					
Deposits by credit institutions	226,454	-	-	-	226,454
Debt securities in issue	338,596	-	-	-	338,596
Derivatives	-	86	551	-	637
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6,126	-	-	-	6,126
Current tax liabilities	-	-	-	319	319
Other liabilities	2,096	-	-	2	2,098
Accrued expenses and prepaid income	14	-	-	20	34
Deferred tax liabilities	-	-	-	7	7
Provisions	-	-	-	3	3
Subordinated liabilities	800	-	-	-	800
Total 30 Jun 2019	574,086	86	551	351	575,074
Total 31 Dec 2018	558,588	8	343	53	558,992

Note 9. Fair value of financial assets and liabilities

	30 Jun 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
SEKm				
Financial assets				
Loans	570,907	596,543	554,079	574,584
Interest-bearing securities	21,425	21,425	21,084	21,084
Derivatives	6,772	6,772	4,762	4,762
Other assets	1,788	1,788	2,798	2,798
Prepaid expenses and accrued income	696	696	691	691
Total	601,588	627,224	583,414	603,919
Financial liabilities				
Deposits and debt instruments	571,976	575,578	551,570	554,213
Derivatives	637	637	351	351
Other liabilities	2,098	2,098	7,004	7,004
Accrued expenses and prepaid income	34	34	14	14
Total	574,745	578,347	558,939	561,582

Note 10. Capital adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12. For more information on the leverage ratio disclosure requirement, please see the interim disclosure required by regulation (CRR article 433 and 437).

Summary of items included in own funds

SEKm	30 Jun 2019	31 Dec ² 2018	30 Jun 2018
Calculation of own funds			
Equity in the consolidated situation	24,465	24,459	23,248
Proposed/actual dividend	-	-	-
Common Equity Tier 1 capital before regulatory adjustments	24,465	24,459	23,248
Deferred tax assets	-	-	-
Intangible assets	-	-	-
IRB provisions shortfall (-)	-106	-110	-109
Deduction for investments in credit institutions (50%)	-	-	-
Pension assets in excess of related liabilities ^a	-12	-6	-
Other items, net	-52	-44	-56
Total regulatory adjustments to Common Equity Tier 1 capital	-170	-160	-165
Common Equity Tier 1 capital (net after deduction)	24,295	24,299	23,083
Additional Tier 1 capital before regulatory adjustments	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Tier 1 capital (net after deduction)	24,295	24,299	23,083
Tier 2 capital before regulatory adjustments	800	800	800
IRB provisions excess (+)	20	21	13
Deduction for investments in credit institutions (50%)	-	-	-
Deductions for investments in insurance companies	-	-	-
Pension assets in excess of related liabilities ¹	-	-	-
Other items, net	-	-	-
Total regulatory adjustments to Tier 2 capital	20	21	13
Tier 2 capital	820	821	813
Own funds (net after deduction)	25,115	25,120	23,896

¹) Based on conditional FSA approval.

²) Including profit of the period.

Own Funds, including profit

SEKm	30 Jun 2019	31 Dec 2018	30 Jun 2018
Common Equity Tier 1 capital, including profit	24,815	24,299	23,075
Total Own Funds, including profit	25,635	25,120	23,887

Note 10. Continued

Minimum capital requirement and REA

SEKm	30 Jun 2019		30 Dec 2018		30 Jun 2018	
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	3,497	43,707	3,407	42,584	2,353	29,411
- of which counterparty credit risk	142	1,773	109	1,368	-	-
IRB	3,179	39,740	3,176	39,695	2,353	29,411
- sovereign	-	-	-	-	28	346
- corporate	1,701	21,268	1,722	21,520	915	11,439
- <i>advanced</i>	1,701	21,268	1,722	21,520	915	11,439
- <i>foundation</i>	-	-	-	-	-	-
- institutions	56	701	74	926	-	-
- retail	1,388	17,352	1,345	16,818	1,376	17,196
- <i>secured by immovable property collateral</i>	1,331	16,643	1,291	16,137	1,318	16,474
- <i>other retail</i>	57	709	54	681	58	722
- other	34	419	35	431	34	430
Standardised	318	3,967	231	2,889	-	-
- central governments or central banks	-	-	-	-	-	-
- regional governments or local authorities	-	-	-	-	-	-
- public sector entities	-	-	-	-	-	-
- multilateral development banks	-	-	-	-	-	-
- international organisations	-	-	-	-	-	-
- institutions	318	3,967	231	2,889	-	-
- corporate	-	-	-	-	-	-
- retail	-	-	-	-	-	-
- secured by mortgages on immovable properties	-	-	-	-	-	-
- in default	-	-	-	-	-	-
- associated with particularly high risk	-	-	-	-	-	-
- covered bonds	-	-	-	-	-	-
- institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
- collective investments undertakings (CIU)	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- other items	-	-	-	-	-	-
Credit Value Adjustment Risk	-	-	-	-	-	-
Market risk	-	-	-	-	-	-
- trading book, Internal Approach	-	-	-	-	-	-
- trading book, Standardised Approach	-	-	-	-	-	-
- banking book, Standardised Approach	-	-	-	-	-	-
Settlement risk	-	-	-	-	-	-
Operational risk	956	11,949	916	11,447	916	11,447
Standardised	956	11,949	916	11,447	916	11,447
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	-	-	-	-	-	-
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	8,636	107,955	-	-	-	-
Additional risk exposure amount due to Article 3	-	-	-	-	-	-
Total	13,089	163,611	12,912	161,402	3,269	40,858

Note 10. Continued

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers					Total
		CCoB	CCyB	O-SII	SRB	Capital Buffers total	
Common Equity Tier 1 capital	4.5	2.5	2.0	-	-	4.5	9.0
Tier 1 capital	6.0	2.5	2.0	-	-	4.5	10.5
Own funds	8.0	2.5	2.0	-	-	4.5	12.5
SEKm							
Common Equity Tier 1 capital	7,363	4,090	3,266	-	-	7,357	14,719
Tier 1 capital	9,817	4,090	3,266	-	-	7,357	17,173
Own funds	13,089	4,090	3,266	-	-	7,357	20,446

1) Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Jun 2019	31 Dec ¹ 2018	30 Jun 2018
Common Equity Tier 1 capital ²	7.4	7.6	50.5

1) Including profit of the period.

2) Change compared to 30 June 2018 as the risk weight floor has moved from Pillar II to Pillar I, due to the re-domiciliation of the Parent Company to Finland.

Capital ratios	30 Jun 2019	31 Dec 2018	30 Jun 2018
Percentage			
Common Equity Tier 1 capital ratio, including profit ¹	15.2	15.1	56.5
Tier 1 capital ratio, including profit ¹	15.2	15.1	56.5
Total capital ratio, including profit ¹	15.7	15.6	58.5
Common Equity Tier 1 capital ratio, excluding profit ¹	14.8	12.0	56.5
Tier 1 capital ratio, excluding profit ¹	14.8	12.0	56.5
Total capital ratio, excluding profit ¹	15.4	12.5	58.5

1) Change compared to 30 June 2018 as the risk weight floor has moved from Pillar II to Pillar I, due to the re-domiciliation of the Parent Company to Finland.

Leverage Ratio	30 Jun 2019	31 Dec ¹ 2018	30 Jun 2018
Tier 1 capital, transitional definition, SEKm	24,295	24,299	23,083
Leverage ratio exposure, SEKm	631,534	646,340	624,739
Leverage ratio, percentage	3.8	3.8	3.7

1) Including profit of the period.

Note 10. Continued

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	of which EAD for off- balance, SEKm	Exposure- weighted average risk weight:
Corporate, foundation IRB:	-	-	-	-	-
<i>of which</i>					
- rating grades 6	-	-	-	-	-
- rating grades 5	-	-	-	-	-
- rating grades 4	-	-	-	-	-
- rating grades 3	-	-	-	-	-
- rating grades 2	-	-	-	-	-
- rating grades 1	-	-	-	-	-
- unrated	-	-	-	-	-
- defaulted	-	-	-	-	-
Corporate, advanced IRB:	93,950	-	90,094	-	23.6
<i>of which</i>					
- rating grades 6	55,979	-	55,159	-	6.7
- rating grades 5	15,059	-	13,386	-	35.6
- rating grades 4	21,419	-	20,159	-	59.6
- rating grades 3	1,168	-	1,225	-	57.6
- rating grades 2	53	-	46	-	54.4
- rating grades 1	67	-	65	-	94.1
- unrated	205	-	54	-	60.8
- defaulted	-	-	-	-	-
Institutions, foundation IRB:	9,974	-	9,974	-	7.0
<i>of which</i>					
- rating grades 6	9,106	-	9,106	-	6.8
- rating grades 5	868	-	868	-	8.9
- rating grades 4	-	-	-	-	-
- rating grades 3	-	-	-	-	-
- rating grades 2	-	-	-	-	-
- rating grades 1	-	-	-	-	-
- unrated	-	-	-	-	-
- defaulted	-	-	-	-	-
Retail, of which secured by real estate:	450,163	55,954	506,117	55,954	3.3
<i>of which</i>					
- scoring grades A	401,178	49,890	451,068	49,890	2.2
- scoring grades B	28,912	3,619	32,531	3,619	5.6
- scoring grades C	14,467	1,845	16,312	1,845	12.5
- scoring grades D	2,790	349	3,140	349	23.0
- scoring grades E	844	115	959	115	37.4
- scoring grades F	1,089	136	1,224	136	60.8
- not scored	187	-	187	-	21.1
- defaulted	696	-	696	-	125.3
Retail, of which other retail:	10,136	-	10,123	-	7.0
<i>of which</i>					
- scoring grades A	8,417	-	8,417	-	4.3
- scoring grades B	798	-	794	-	10.0
- scoring grades C	683	-	678	-	18.6
- scoring grades D	79	-	78	-	25.4
- scoring grades E	97	-	93	-	26.2
- scoring grades F	26	-	26	-	42.5
- not scored	7	-	7	-	24.4
- defaulted	29	-	30	-	283.5
Other non credit-obligation assets:	419	-	419	-	100.0

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

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

Note 11. Risks and uncertainties

Credit risk is the most significant risk exposure for the Company. The Company is also exposed to market risk, liquidity risk and operational risk, including legal risks. These risks are inherent in the Company's business operations and are acceptable to a certain level. Risk limits have been set by the Board of Directors in the risk appetite, and cover all material risks to which the Company is exposed. The risk appetite is updated no later than 14 June 2019.

None of these exposures and risks are considered to have any material negative effect on the Company or its financial position in the next six months. Liquidity risk is now managed at Company level according to an outsourcing agreement with the central unit for liquidity management at the Parent Company.

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