

Nordea



**Half-year Financial Report 2021**  
Nordea Hypotek AB (publ)

# Alternative Performance Measures

Definitions are available on page 24 of this report.

	2021	2020	2020	2019
	Jan-Jun	Jan-Jun	Full year	Full year
Return on average shareholders equity, %	7.9	13.2	15.6	15.9
Cost/income ratio, % <sup>3</sup>	61.3	27.5	22.7	22.1
Loan loss ratio, basis points <sup>1</sup>	0.3	1.9	1.2	0.3
- of which stage 1	-0.5	0.8	0.5	0.7
- of which stage 2	0.3	0.5	0.4	-0.3
- of which stage 3	0.5	0.6	0.3	0.9
Impairment rate (stage 3), gross, bps <sup>1</sup>	7.7	8.9	8.6	10.2
Impairment rate (stage 3), net, bps <sup>1</sup>	7.0	8.3	8.0	9.8
Total allowance ratio (stage 1, 2 and 3), bps <sup>1</sup>	2.1	2.0	2.1	1.1
Allowances in relation to credit impaired loans (stage 3), % <sup>1</sup>	8.3	7.2	6.8	3.9
Common Equity Tier 1 capital ratio, % <sup>2</sup>	15.6	15.2	14.9	15.8
Tier 1 capital ratio, % <sup>2</sup>	15.6	15.2	14.9	15.8
Total capital ratio, % <sup>2</sup>	16.6	16.2	15.9	16.9

1) Based on IFRS 9.

2) Including profit for the year for the full years. For the half-year periods, the calculation has been made excluding the profit for the period.

3) As of 1 January 2021 the Funds Transfer Pricing (FTP) approach applying to internal sales and distribution services procured by Nordea Hypotek has been updated to make it consistent with developments in the OECD Transfer Pricing Guidelines and local tax practice. The updated approach has prompted price adjustments to sale and distribution fees. Accrued fees for 2021, amounting to SEK -1,305m, have been charged to the second quarter, which increases operating expenses and adversely affects operating profit. This largely explains the change in return on average shareholders equity and cost/income ratio compared to previous periods.

# Half-year Financial Report 2021

## January-June 2021

### Operations

The Company operates on the Swedish market and grants loans, primarily of a long-term nature, to households, sole business proprietors, municipalities and other legal entities through the distribution network of the parent bank's Swedish branch. The purpose of the lending is primarily to finance properties, tenant-owned apartments, condominiums, agriculture and forestry, and municipal operations. The key emphasis is on financing homes. Collateral consists mainly of liens on residential properties and tenant-owned apartments, or municipal guarantees.

Lifting of COVID-19 restrictions has started in Sweden and the vaccination programme is proceeding well. Conditions are returning to a more normal state. However, we need to be vigilant with respect to potential setbacks triggered by new coronavirus variants.

Despite the pandemic, Nordea Hypotek's capital position has remained very strong with a CET1 capital ratio of 15.6%, which is 8.6 percentage points above the legal requirement.

### The housing market in Sweden

In the first six months, the price index for privately owned homes in Sweden, HOXSWE, gained 9.3%. The price progression in the past 12 months for apartments has been +11.5% and +20.1% for houses as a national average. The price progression has been positive in all metropolitan areas in the past 12 months. The COVID-19 pandemic has had a positive impact on the housing market as people have had a greater focus on their housing situation, with a solid price progression for large apartments and houses.

### Profit/loss

Operating profit amounted to SEK 1,400m (2,222), down 37.0% from the same period of the previous year.

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

- Net interest income improved by SEK 498m, an increase of 15.3% compared to the same period last year. The increase is chiefly due to lower funding costs ensuing from lower market rates and higher lending volumes.
- Net result from financial items at fair value was largely unchanged compared with the previous year, amounting to SEK -93m at the end of the period (-94). This is chiefly attributable to realised and unrealised value changes for financial instruments under hedge accounting.
- Operating expenses amounted to SEK -2,236m (-864); an increase of SEK -1,372m compared with the same period last year. As of 1 January

2021 the Funds Transfer Pricing (FTP) approach applying to internal sales and distribution services procured by Nordea Hypotek has been updated to make it consistent with developments in the OECD Transfer Pricing Guidelines and local tax practice. The updated approach has prompted price adjustments to sale and distribution fees. Accrued fees for 2021, amounting to SEK -1,305m, have been charged to the second quarter, which increases operating expenses and adversely affects operating profit.

- The resolution fee during the period amounted to SEK 246m (217), an increase of SEK 29m from the same period last year. The main reason for the increase is volume growth in the lending portfolio.

### Lending

At the end of the period, lending to the public was at SEK 640,710m (619,166), exceeding the year-end volume by 3.5% (3.4%).

Lending to the retail market rose by 3.5% (3.1%) compared with the end of the year, amounting at the close of the period to SEK 521,240m (503,722). Nordea's market share for mortgages at 30 June 2021 was 13.5% according to data published by Statistics Sweden on loans to Swedish households collateralised by a home.

Lending to legal entities increased by 3.5% (5.0) compared with the end of the year, amounting at the close of the period to SEK 119,470m (115,444).

### Impaired loans and loan losses

Credit quality in Nordea Hypotek's lending portfolio remains strong, with currently no signs of any negative trend in the lending portfolio or heightened default.

In the first half of 2021, the weightings in the three macroeconomic scenarios that form the basis for calculating expected credit losses were changed compared to the end of the year as follows: 60% base scenario (50), 20% negative scenario (45) and 20% favourable scenario (5). This is due to reduced uncertainty concerning the impact of the pandemic. For more information, see Note 4 Loans and impairment.

Impaired loans, gross, amounted to SEK 497m (538).

Net loan losses for the period amounted to SEK -10m (-58) and the change compared with the previous year is chiefly attributable to reduced model-based loan provisions.

Incurred loan losses, less recoveries on written-off loans and reversed provisions, increased by SEK 7m

in the first half of 2021, amounting to SEK -10m (-3) at the end of the period. The increase compared with the prior year is chiefly related to a credit case concerning household lending.

During the year, model-based loan provisions have increased by SEK 25m, driven mainly by a migration of exposures from stage 1 to stage 2 and 3, and implemented improvements in the IFRS9 model both in terms of the calculation itself and the quality of the information used in the model. Furthermore, the provision for loan commitments has been adjusted downwards by SEK 13m, and management judges that the provisions have been reduced by SEK 12m (see the next section below). Total loan provisions (including provisions for loan commitments) have, because of this, been unchanged in the first half of 2021, amounting to SEK 144m (144) on 30 June. This means that the Company has a substantial provision for any future COVID-19-related loan losses.

### Provisions as judged by management

In the first half of the year, Nordea Hypotek has reduced the cyclical provision by SEK 6m compared with the end of the year, mainly due to improved macroeconomic outlook and an improved situation with respect to COVID-19. At 30 June 2021, the cyclical provision amounted to SEK 14m. Furthermore, the structural provision has also been reduced in the first half by SEK 6m compared with the end of the year, which is mainly due to implemented improvements in the IFRS9 model. At 30 June 2021, the structural provision amounted to SEK 11m.

### Funding

Long-term funding occurs mainly by way of the issuance of bonds on the Swedish market, with maturities of two to ten years. During the period, bonds equalling SEK 68,135m (81,451) were issued, of which SEK 30,335m (0) were issued in currencies other than SEK. The outstanding bond volume (nominal amount) at 30 June 2021 was SEK 347,937m (364,814), of which SEK 39,952m (9,561) was issued in currencies other than SEK.

At 30 June 2021, Nordea Hypotek had outstanding dated debenture loans from the Parent Company totalling SEK 1.65bn (1.65).

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.

Besides long-term funding as above, the Company regularly arranged funding with the Parent Company during the period. At 30 June 2021 the outstanding amount from such funding was SEK 274.2bn (208.2). This marks an increase, compared with the end of the year, of SEK 66bn, or 31.7% (-7.2%), mainly driven by bond loan repurchases that were replaced by intragroup funding as well as a heightened funding need.

### Rating

Since June 2006, Nordea Hypotek has been rated Aaa by Moody's Investor Service for the covered bonds that make up 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 180,555m, the calculated common equity tier 1 (CET1) capital ratio was 15.6% and the capital ratio was 16.6%.

### Change in the Board of Directors

In the first half of 2021, Michael Skytt left his position of board member.

### Material events after the balance sheet date

Besides the prevailing situation prompted by COVID-19, there have been no other material events after the balance sheet date.

# Income statement

		2021 Jan-Jun	2020 Jan-Jun	2020 Full year
SEK (000s)	Note			
<b>Operating income</b>				
Interest income calculated using the effective interest method		4,528,584	4,788,610	9,651,896
Other interest income		11,319	12,809	25,096
Negative yield on financial assets		-15,062	-15,252	-29,721
Interest expense		-884,473	-1,535,692	-2,569,874
Negative yield on financial liabilities		114,109	5,548	14,630
<b>Net interest income</b>		<b>3,754,477</b>	<b>3,256,023</b>	<b>7,092,027</b>
Fee and commission income		18,420	20,971	39,650
Fee and commission expense		-34,093	-38,212	-95,701
<b>Net fee and commission income</b>		<b>-15,673</b>	<b>-17,241</b>	<b>-56,051</b>
Net result from items at fair value		-93,359	-94,241	-74,283
<b>Total operating income</b>		<b>3,645,445</b>	<b>3,144,541</b>	<b>6,961,693</b>
<b>Operating expenses</b>				
<i>General administrative expenses:</i>				
Staff costs		-17,959	-14,632	-31,144
Other expenses		-2,217,697	-849,664	-1,548,985
<b>Total operating expenses</b>		<b>-2,235,656</b>	<b>-864,296</b>	<b>-1,580,129</b>
<b>Profit before loan losses</b>		<b>1,409,789</b>	<b>2,280,245</b>	<b>5,381,564</b>
Net loan losses	3	-9,754	-58,438	-76,772
<b>Operating profit</b>		<b>1,400,035</b>	<b>2,221,807</b>	<b>5,304,792</b>
Income tax expense		-291,467	-481,175	-1,140,476
<b>Net profit for the period</b>		<b>1,108,568</b>	<b>1,740,632</b>	<b>4,164,316</b>

## Statement of comprehensive income

		2021 Jan-Jun	2020 Jan-Jun	2020 Full year
SEK (000s)				
Net profit for the period		1,108,568	1,740,632	4,164,316
Items that may be reclassified subsequently to the income statement				
<i>Cash flow hedges:</i>				
Valuation gains/losses, net of tax		152,670	12,967	342,246
Transferred to the income statement, net of tax		-293,956	-33,326	-323,300
<i>Available for sale investments</i> <sup>1</sup>				
Valuation gains/losses, net of tax		2,912	-4,385	-651
Transferred to the income statement, net of tax		-	5,474	-
<b>Other comprehensive income, net of tax</b>		<b>-138,374</b>	<b>-19,270</b>	<b>18,295</b>
<b>Total comprehensive income</b>		<b>970,194</b>	<b>1,721,362</b>	<b>4,182,611</b>

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

# Balance sheet

		2021 30 Jun	2020 31 Dec	2020 30 Jun
SEK (000s)	Note			
<b>Assets</b>				
Loans to credit institutions	4	7,307,166	4,553,762	3,876,093
Loans to the public	4	640,710,207	619,166,314	599,911,297
Interest-bearing securities		21,057,086	21,057,680	20,981,942
Derivatives		4,088,359	4,566,879	5,674,471
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-160,966	364,484	522,004
Current tax assets		297,085	382,250	6
Deferred tax assets		27,337	-	-
Other assets		517,629	453,585	56
Prepaid expenses and accrued income		746,452	227,095	275,372
<b>Total assets</b>		<b>674,590,355</b>	<b>650,772,049</b>	<b>631,241,241</b>
<b>Liabilities</b>				
Deposits by credit institutions		274,213,316	208,194,432	219,038,495
Debt securities in issue		363,476,875	403,635,619	375,881,393
Derivatives		839,291	877,488	768,859
Fair value changes of the hedged items in portfolio hedge of interest rate risk		3,151,466	4,077,648	5,117,038
Current tax liabilities		-	-	175,810
Other liabilities		368,019	6,647,079	1,304,531
Accrued expenses and prepaid income		1,438,766	195,565	96,862
Deferred tax liabilities		-	9,779	300
Provisions		10,552	12,859	8,944
Subordinated liabilities		1,650,063	1,650,119	1,650,067
<b>Total liabilities</b>		<b>645,148,348</b>	<b>625,300,588</b>	<b>604,042,299</b>
<b>Equity</b>				
Share capital		110,000	110,000	110,000
Fair value reserves		-98,553	39,821	2,257
Retained earnings		28,321,992	21,157,324	25,346,053
Net profit for the year		1,108,568	4,164,316	1,740,632
<b>Total equity</b>		<b>29,442,007</b>	<b>25,471,461</b>	<b>27,198,942</b>
<b>Total liabilities and equity</b>		<b>674,590,355</b>	<b>650,772,049</b>	<b>631,241,241</b>

## Notes

- [Note 1](#) Accounting policies
- [Note 2](#) Segment reporting
- [Note 3](#) Net loan losses
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# Statement of changes in equity

30 Jun 2021	Restricted equity	Unrestricted equity			Total equity
	Share capital <sup>1</sup>	Cash flow hedges	Fair value through other comprehensive income	Retained earnings	
<b>SEK (000s)</b>					
<b>Balance at 1 Jan 2021</b>	<b>110,000</b>	<b>35,918</b>	<b>3,904</b>	<b>25,321,639</b>	<b>25,471,461</b>
Net profit for the period	-	-	-	1,108,568	1,108,568
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income:</i>					
Valuation gains/losses, net of tax	-	-	2,912	-	2,912
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of tax	-	152,670	-	-	152,670
Transferred to the income statement	-	-370,222	-	-	-370,222
Tax on transfers to the income statement	-	76,266	-	-	76,266
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-141,286</b>	<b>2,912</b>	<b>-</b>	<b>-138,374</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-141,286</b>	<b>2,912</b>	<b>1,108,568</b>	<b>970,194</b>
Shareholders' contribution received	-	-	-	3,000,000	3,000,000
Share-based payments	-	-	-	352	352
<b>Balance at 30 Jun 2021</b>	<b>110,000</b>	<b>-105,368</b>	<b>6,816</b>	<b>29,430,559</b>	<b>29,442,007</b>

<sup>1)</sup> Total number of shares registered were 100,000.

31 Dec 2020	Restricted equity	Unrestricted equity			Total equity
	Share capital <sup>1</sup>	Cash flow hedges	Fair value through other comprehensive income	Retained earnings	
<b>SEK (000s)</b>					
<b>Balance at 1 Jan 2020</b>	<b>110,000</b>	<b>16,972</b>	<b>4,555</b>	<b>25,346,052</b>	<b>25,477,579</b>
Net profit for the year	-	-	-	4,164,316	4,164,316
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income:</i>					
Valuation gains/losses, net of tax	-	-	-651	-	-651
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of tax	-	342,246	-	-	342,246
Transferred to the income statement	-	-411,323	-	-	-411,323
Tax on transfers to the income statement	-	88,023	-	-	88,023
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>18,946</b>	<b>-651</b>	<b>-</b>	<b>18,295</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>18,946</b>	<b>-651</b>	<b>4,164,316</b>	<b>4,182,611</b>
Group contribution paid	-	-	-	-5,329,328	-5,329,328
Tax on Group contribution paid	-	-	-	1,140,476	1,140,476
Share-based payments	-	-	-	123	123
<b>Balance at 31 Dec 2020</b>	<b>110,000</b>	<b>35,918</b>	<b>3,904</b>	<b>25,321,639</b>	<b>25,471,461</b>

<sup>1)</sup> Total number of shares registered were 100,000.

# Statement of changes in equity, continued

	Restricted equity	Unrestricted equity			Total equity
	Share capital <sup>1</sup>	Cash flow hedges	through other comprehensive income	Retained earnings	
30 Jun 2020					
<b>SEK (000s)</b>					
Balance at 1 Jan 2020	110,000	16,972	4,555	25,346,052	25,477,579
Net profit for the period	-	-	-	1,740,632	1,740,632
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income</i>					
Valuation gains/losses, net of tax	-	-	-3,398	-	-3,398
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of tax	-	-15,871	-	-	-15,871
Transferred to the income statement	-	-	-	-	-
Tax on transferred to the income statement	-	-	-	-	-
<b>Other comprehensive income, net of tax</b>	-	-	-	-	-19,270
<b>Total comprehensive income</b>	-	-	-	1,740,632	27,198,942
Share-based payments	-	-	-	-	-
<b>Balance at 30 Jun 2020</b>	<b>110,000</b>	<b>1,101</b>	<b>1,157</b>	<b>27,086,684</b>	<b>27,198,942</b>

<sup>1)</sup> Total number of shares registered were 100,000.



# Cash Flow statement

	2021 Jan-Jun	2020 Jan-Jun	2020 Full year
<b>SEK (000s)</b>			
<b>Operating activities</b>			
Operating profit	1,400,034	2,221,807	5,304,792
Adjustment for items not included in cash flow	459,034	561,385	-231,263
Income taxes paid	-206,301	-207,096	-283,976
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>1,652,767</b>	<b>2,576,096</b>	<b>4,789,553</b>
<b>Changes in operating assets</b>			
Change in treasury bills	565,814	-1,058,174	-209,718
Change in loans to the public	-21,554,685	-20,189,316	-39,471,295
Change in interest-bearing securities	-133,403	121,973	46,235
Change in derivatives, net	-115,094	144,789	548,914
Change in other assets	-64,044	813,963	360,434
<b>Change in operating liabilities</b>			
Change in deposits by credit institutions	66,013,669	-16,969,574	-27,750,000
Change in debt securities in issue	-40,332,560	36,309,485	64,099,567
Change in other liabilities	-6,279,060	-3,472,469	-3,459,248
<b>Cash flow from operating activities</b>	<b>-1,899,363</b>	<b>-4,299,323</b>	<b>-1,045,558</b>
<b>Financing activities</b>			
Shareholder contribution	3,000,000	-	-
Amortised subordinated liabilities	-	-	-
Other changes in equity	-	-	-
<b>Cash flow from financing activities</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>
<b>Cash flow for the period</b>	<b>2,753,404</b>	<b>-1,723,227</b>	<b>-1,045,558</b>
Cash and cash equivalents at beginning of period	4,553,762	5,599,320	5,599,320
Cash and cash equivalents at end of period	7,307,166	3,876,093	4,553,762
<b>Change</b>	<b>2,753,404</b>	<b>-1,723,227</b>	<b>-1,045,558</b>

# Notes to the financial statements

## Note 1. Accounting policies

The Half-year Financial Report for Nordea Hypotek AB (publ) are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments), IAS 34 "Interim Financial Reporting" and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that Nordea Hypotek AB (publ) applies International Financial Reporting Standards (IFRS) as endorsed by the European Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The disclosures, required in the standards and legislation above, have been included in the notes or in other parts of the Half-year Financial Report.

In all material respects, the accounting policies, basis for calculations and presentation are unchanged from the 2020 Annual Report, with the exception of changed accounting policies and presentation described in the section below, "Changed accounting policies and presentation". For more information see note 1 in the Annual Report 2020.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Hypotek on 1 January 2021.

#### Interest Rate Benchmark Reform – Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Hypotek on 1 January 2021. Hedge relationships in Nordea Hypotek have been able to continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically

equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

### Changes in IFRSs not yet applied IFRS 17, "Insurance contracts"

The new standard IFRS 17, "Insurance contracts", will change the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts. Nordea Hypotek do not have any insurance contracts as defined in IFRS 17, hence this will not effect Nordea Hypotek.

### Amendments to IAS 12, "Income Taxes": "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

In 2021 the IASB published amendments to IAS 12, "Income Taxes", in "Deferred Tax related to Assets and Liabilities arising from Single Transaction".

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset. The changes in IAS12 will not have any effect for Nordea Hypotek since Nordea Hypotek do not apply IFRS 16 but instead apply the local Swedish rules in RFR 2.

### Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Hypotek's financial statements, capital adequacy in the period of initial application.

### Critical judgements and estimation uncertainty

Nordea Hypotek applied significant critical judgements in the preparation of the interim report for the first half year 2021 due to the significant uncertainty concerning the potential long-term impact of COVID-19 on Nordea Hypotek's financial statements. Areas particularly important in the first half-year 2021 are the fair value measurement of certain financial instruments and impairment testing of loans to the public/credit institutions.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based on professional judgement in accordance with Nordea Hypotek's accounting and valuation policies. More information on financial instruments held at fair value on the balance sheet can be found in Note 6.

Critical judgement has been applied in the assessment of when loans have experienced a significant change in credit risk (staging) and in the application of macro scenarios when estimating the

change in expected credit losses. More information on the impairment testing of loans to the public/credit institutions can be found in note 1 in the Annual Report 2020. Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note 4.

## Not 2. Segment reporting

### Operating segments

	Personal Banking		Business Banking		Group Treasury & Asset & Liability management		Övriga rörelse-segment		Summa rörelse-segment		Avstämning		Summa	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>SEKm</b>														
Total operating income	3,851	3,787	700	732	-977	-1,545	54	50	3,628	3,024	17	120	3,645	3,144
Operating profit	2,342	3,219	335	683	-977	-1,545	-315	-255	1,385	2,102	15	120	1,400	2,222
Loans to the public	479,869	453,359	136,125	123,868	-	-	24,716	22,683	640,710	599,910	-	1	640,710	599,911

### Reconciliation between total operating segments and financial statements

	2021 Jan-Jun		2020 Jan-Jun	
	Operating profit	Loans to the public	Operating profit	Loans to the public
<b>SEKm</b>				
Total operating segments	1,385	640,710	2,102	599,910
Group functions and unallocated items	15	-	120	1
<b>Total</b>	<b>1,400</b>	<b>640,710</b>	<b>2,222</b>	<b>599,911</b>

## Not 3. Net loan losses

	2021 Jan-Jun	2020 Jan-Jun	2020 Full year
<b>SEK (000s)</b>			
Net loan losses, stage 1	15,907	-24,793	-30,474
Net loan losses, stage 2	-10,854	-15,280	-27,031
<b>Net loan losses, non-defaulted</b>	<b>5,053</b>	<b>-40,073</b>	<b>-57,505</b>
<b>Stage 3, defaulted</b>			
Net loan losses, individually assessed, collectively calculated	-4,871	-15,498	-13,332
Realised loan losses	-10,973	-3,242	-7,074
Decrease of provisions to cover realised loan losses	-	-	-
Recoveries on previously realised loan losses	1,037	375	1,139
Reversals of provisions	-	-	-
<b>Net loan losses, defaulted</b>	<b>-14,807</b>	<b>-18,365</b>	<b>-19,267</b>
<b>Net loan losses</b>	<b>-9,754</b>	<b>-58,438</b>	<b>-76,772</b>

Key ratios	2021 Jan-Jun	2020 Jan-Jun	2020 Full year
Loan loss ratio, basis points <sup>1</sup>	0.3	1.9	1.2
-of w hich stage 1	-0.5	0.8	0.5
-of w hich stage 2	0.3	0.5	0.4
-of w hich stage 3	0.5	0.6	0.3

<sup>1</sup>) Based on IFRS 9.

## Note 4. Loans and impairment

	2021 30 Jun	2020 31 Dec	2020 30 Jun
<b>SEKm</b>			
Loans measured to amortised cost, not impaired (stage 1 and 2)	647,653	623,313	603,369
Impaired loans (stage 3)	497	538	538
- of which servicing	81	47	89
- of which non-servicing	416	491	449
<b>Loans before allowances</b>	<b>648,150</b>	<b>623,851</b>	<b>603,907</b>
-of which credit institutions	7,307	4,554	3,876
Allowances for individually assessed loans (stage 3)	-41	-36	-39
- of which servicing	-5	-2	-6
- of which non-servicing	-36	-34	-33
Allowances for collectively assessed loans (stage 1 and 2)	-92	-95	-81
<b>Allowances</b>	<b>-133</b>	<b>-131</b>	<b>-120</b>
-of which credit institutions	-	-	-
<b>Loans carrying amount</b>	<b>648,017</b>	<b>623,720</b>	<b>603,787</b>

### Carrying amount of loans measured at amortised cost, before allowances

	30 Jun 2021		
<b>SEKm</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Loans to the public	638,678	8,975	497
Interest-bearing securities	9,761	-	-
<b>Total</b>	<b>648,439</b>	<b>8,975</b>	<b>497</b>

	30 Jun 2020		
<b>SEKm</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Loans to the public	596,543	6,525	538
Interest-bearing securities	10,339	0	0
<b>Total</b>	<b>606,882</b>	<b>6,525</b>	<b>538</b>

### Allowances and provisions

	30 Jun 2021		
<b>SEKm</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Loans to the public	-32	-60	-41
Interest-bearing securities	0	0	0
Provisions for off-balance sheet items	-11	0	0
<b>Total</b>	<b>-43</b>	<b>-60</b>	<b>-41</b>

	30 Jun 2020		
<b>SEKm</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Loans to the public	-43	-38	-39
Interest-bearing securities	-1	0	0
Provisions for off-balance sheet items	-9	0	0
<b>Total</b>	<b>-53</b>	<b>-38</b>	<b>-39</b>

## Note 4. Continued

### Movement of allowance accounts for loans measured at amortised cost

SEKm	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 Jan 2021</b>	<b>-45</b>	<b>-49</b>	<b>-37</b>	<b>-131</b>
Changes due to origination and acquisition	-11	-1	0	-12
Changes due to transfers from stage 1 to stage 2	2	-33	0	-31
Changes due to transfers from stage 1 to stage 3	0	0	-8	-8
Changes due to transfers from stage 2 to stage 1	-1	16	0	15
Changes due to transfers from stage 2 to stage 3	0	1	-5	-4
Changes due to transfers from stage 3 to stage 1	0	0	1	1
Changes due to transfers from stage 3 to stage 2	0	-1	4	3
Changes due to credit risk without stage transfer	20	2	-5	17
Changes due to repayments and disposals	3	5	9	17
<b>Closing balance at 30 Jun 2021</b>	<b>-32</b>	<b>-60</b>	<b>-41</b>	<b>-133</b>

SEKm	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 Jan 2020</b>	<b>-20</b>	<b>-22</b>	<b>-23</b>	<b>-65</b>
Changes due to origination and acquisition	-10	0	-1	-11
Changes due to transfers from stage 1 to stage 2	1	-20	0	-19
Changes due to transfers from stage 1 to stage 3	0	0	-6	-6
Changes due to transfers from stage 2 to stage 1	-1	9	0	8
Changes due to transfers from stage 2 to stage 3	0	1	-6	-5
Changes due to transfers from stage 3 to stage 1	0	0	1	1
Changes due to transfers from stage 3 to stage 2	0	-1	4	3
Changes due to credit risk without stage transfer	-14	-5	-12	-31
Changes due to repayments and disposals	1	1	3	6
<b>Closing balance at 30 Jun 2020</b>	<b>-43</b>	<b>-38</b>	<b>-38</b>	<b>-119</b>

### Key ratios

	2021 30 Jun	2020 30 Jun	2020 31 Dec
Impairment rate, (stage 3), gross <sup>1</sup> , basis points	7.7	8.9	8.6
Impairment rate, (stage 3), net <sup>2</sup>	7.0	8.3	8.0
Total allowance rate (stage 1, 2 and 3) <sup>3</sup> , basis points	2.1	2.0	2.1
Allowances in relation to impaired loans (stage 3) <sup>4</sup> , %	8.3	7.2	6.8
Allowances in relation to loans stage 1 and 2 <sup>5</sup> , basis points	1.4	1.3	1.5

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

2) Impaired loans (stage 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 (stage 3) divided by impaired loans measured at amortised cost (stage 3), before allowances.

5) Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

### Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be performing or non-performing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

From March 2020 to October 2020, Nordea supported its customers affected by the COVID-19 crisis by offering instalment-free periods. At the end of the June 2021 the carrying amount of loans on which Nordea Hypotek had granted COVID-19-related instalment-free periods was SEK 79.8bn, which equals 12.5 % of the loan portfolio.

## Note 4. Continued

### Sensitivities

The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions of a one-notch downgrade on all exposures. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2.

SEKm	30 Jun 2020		31 Dec 2020	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	88.4	117.3	61.4	88.6
Business Banking	12.6	19.6	12.8	21.6
Large Corporates & Institutions	0.2	0.2	0.7	1.3
Other	7.4	8.2	5.3	7.5
<b>Total</b>	<b>108.6</b>	<b>145.3</b>	<b>80.2</b>	<b>119.0</b>

### Forward-looking information

Forward-looking information is used both for assessing significant increases in credit risk and calculating expected credit losses. Nordea Hypotek uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the second quarter of 2021, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and March 2021). The change in weighting compared to the previous quarter reflects reduced uncertainty regarding the impact of the pandemic, reduced downside risks following progress in COVID-19 vaccination programmes and the start to reduce restrictions in society and the economy.

The macroeconomic scenarios are provided by Group Risk and Compliance in Nordea, based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea Hypotek's view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea Hypotek took into account projections made by Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

Economic projections from the Nordic central banks and the ECB are used as basis for the baseline scenario. Activity in the Nordic economies picked up strongly after the sharp fall in spring 2020, but higher COVID -19 infection rates and stricter measures to contain it held back the recovery at the beginning of 2021. In recent months infection rates have declined, the pace of vaccination has accelerated and reopening of society has begun. As a result, economic activity has picked up again, although some service industries are still under pressure. There is still substantial uncertainty surrounding the recovery ahead, but expansionary fiscal and monetary policy, large household savings and pent-up demand provide a sound basis for a sharp further increase in activity when the economies are less constrained by restrictions. Activity is expected to have recovered towards the end of 2021. Following strong housing market activity over the past year, the development of house prices is expected to become more subdued in the future.

At the end of the second quarter of 2021 adjustments to model-based allowances/provisions amounted to SEK 35m, including management judgements (including management judgements amounting to SEK 12m and corrections of SEK 23m.). The management judgements cover expected credit losses not yet covered by the IFRS 9 model. At the end of the second quarter of 2021 the cyclical reserve amounted to SEK 14m and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to SEK 11m. The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

The estimation of the cyclical reserve was largely unchanged in the second quarter of 2021 compared with the first quarter. The estimation was supported by the use of the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the

## Note 4. Continued

various forms of labour market support schemes, which have significantly decreased expected defaults and losses among households. Due to the wide scope of these schemes, Nordea Hypotek decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they do not replicate the impact of the current government support schemes.

With regard to the expected rating migration in the corporate portfolio, Nordea Hypotek took into consideration the positive impact of the various government guarantee and support schemes, primarily addressing the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for industries affected by COVID-19. This was based on an updated view of particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations support the loan loss forecasts made by the business areas, and help Nordea Hypotek ensure that its loan loss projections are appropriate.

### Scenarios and provisions

30 Jun 2021

		2021	2022	2023	Un-weighted ECL SEKm	Probability weight	Model based provisions SEKm	Individual provisions SEKm	Total provisions SEKm
Favourable scenario	GDP growth, %	4.4	4.8	2.1					
	Unemployment, %	8.1	7.2	7.0	98	20%			
	Change in household consumption, %	5.2	5.6	2.7					
	Change in house prices, %	10.9	4.1	2.0					
Base scenario	GDP growth, %	3.6	3.7	2.3					
	Unemployment, %	8.6	7.7	7.4	104	60%	109	35	144
	Change in household consumption, %	4.7	4.7	2.5					
	Change in house prices, %	9.0	1.5	1.7					
Adverse scenario	GDP growth, %	0.0	2.8	3.0					
	Unemployment, %	10.7	10.7	10.3	133	20%			
	Change in household consumption, %	0.8	3.9	2.3					
	Change in house prices, %	3.9	-10.1	-3.4					

### Scenarios and provisions

31 Dec 2020

		2021	2022	2023	Un-weighted ECL SEKm	Probability weight	Model based provisions SEKm	Individual provisions SEKm	Total provisions SEKm
Favourable scenario	GDP growth, %	4.1	2.1	2.3					
	Unemployment, %	8.3	7.7	6.8	66	5%			
	Change in household consumption, %	2.4	2.2	2.3					
	Change in house prices, %	-2.8	-0.3	2.7					
Base scenario	GDP growth, %	1.8	5.0	3.0					
	Unemployment, %	10.0	8.1	7.3	74	50%	80	51	131
	Change in household consumption, %	0.1	5.2	2.7					
	Change in house prices, %	-3.5	-0.1	1.6					
Adverse scenario	GDP growth, %	-2.3	3.8	3.7					
	Unemployment, %	11.5	11.1	10.2	89	45%			
	Change in household consumption, %	-3.2	2.9	2.3					
	Change in house prices, %	-13.5	-11.1	3.8					



## Note 5. Classification of financial instruments

	Financial assets at fair value through profit or loss (FVPL)				Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
SEKm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging				
Assets							
Loans to credit institutions	7,307	0	0	0	-	7,307	
Loans to the public	640,710	0	-	-	-	640,710	
Interest-bearing securities	0	11,296	0	9,761	-	21,057	
Derivatives	-	15	4,073	0	-	4,088	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-160	-	-	-	-	-160	
Deferred tax assets	-	-	-	-	27	27	
Current tax assets	-	-	-	-	297	297	
Other assets	518	0	-	0	0	518	
Prepaid expenses and accrued in	746	-	-	-	0	746	
Total 30 Jun 2021	649,121	11,311	4,073	9,761	324	674,590	
Total 31 Dec 2020	624,745	14,542	-	11,083	402	650,772	

SEKm	Financial liabilities at fair value through profit or loss (FVPL)				Non-financial liabilities	Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging			
<b>Liabilities</b>						
Deposits by credit institutions	274,213	0	0		0	274,213
Debt securities in issue	363,477	0	0		0	363,477
Derivatives	-	66	773		-	839
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3,151	-	-		0	3,151
Current tax liabilities	-	-	-		0	0
Other liabilities	367	0	-		1	368
Accrued expenses and prepaid income	111	-	-		1,328	1,439
Deferred tax liabilities	-	-	-		0	0
Provisions	-	-	-		11	11
Subordinated liabilities	1,650	-	-		0	1,650
<b>Total 30 Jun 2021</b>	<b>642,969</b>	<b>66</b>	<b>773</b>		<b>1,340</b>	<b>645,148</b>
<b>Total 31 Dec 2020</b>	<b>624,373</b>	<b>-</b>	<b>877</b>		<b>51</b>	<b>625,301</b>

### 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.

## Note 6. Fair value of financial assets and liabilities

	30 Jun 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>SEKm</b>				
<b>Financial assets</b>				
Loans	647,857	656,981	624,084	660,953
Interest-bearing securities	21,057	21,057	21,058	21,058
Derivatives	4,088	4,088	4,567	4,567
Other assets	518	518	454	454
Prepaid expenses and accrued income	746	746	207	207
<b>Total</b>	<b>674,266</b>	<b>683,390</b>	<b>650,370</b>	<b>687,239</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	642,491	635,848	617,558	613,721
Derivatives	839	839	877	877
Other liabilities	367	4	6,641	6,641
Accrued expenses and prepaid income	112	111	174	174
<b>Total</b>	<b>643,809</b>	<b>636,802</b>	<b>625,250</b>	<b>621,413</b>

Fair value of financial assets has been valued using a valuation technique - level 2 and 3 in the IFRS fair value hierarchy - amounted to SEK 24 438m (level 2) and SEK 0m (level 3) and refers to interest bearing-securities and derivatives at the end of the second quarter 2021. Fair value of financial liabilities at level 2 and 3 amounted to SEK 839m and refers to derivatives (level 2). There were no financial liabilities at level 3 by the end of the second quarter 2021.

The determination of fair value is described in the Annual Report 2020, Note 25, "Assets and liabilities at fair value".

## Note 7. Commitments

	30 Jun 2021	31 Dec 2020
<b>SEK (000s) (Nom. amount)</b>		
Credit commitments	91,300,364	73,677,181

## Note 8. Capital adequacy

These disclosures have been prepared in accordance with Part 8 of the CRR and applicable national regulations. Due to amendments of both CRR and the national regulations FFFS 2008:25 and FFFS 2014:12, the below table "Key ratios" is included as from Q2 2021.

### Key metrics

Total Own Funds in Q2 2021 amounted to SEK 30,000m, an increase of SEK 2,964m year-on-year, mainly driven by increased CET1 capital. REA increased by SEK 13,560m during the period, mainly stemming from increased Swedish P1 risk-weight floor and increased retail exposures. Leverage ratio increased from 3.92% to 4.05% during the year, mainly following increased tier 1 capital.

	2021 30 Jun	2020 31 Dec	2020 30 Jun
<b>Available own funds (amounts), SEKm</b>			
Common Equity Tier 1 (CET1) capital	28,231	25,348	25,345
Tier 1 capital	28,231	25,348	25,345
Total capital	30,000	27,035	27,035
<b>Risk-weighted exposures amounts (REA), SEKm</b>			
Total risk-weighted exposure amount	180,555	170,187	166,996
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
Common Equity Tier 1 ratio (%)	15.6	14.9	15.2
Tier 1 ratio (%)	15.6	14.9	15.2
Total capital ratio (%)	16.6	15.9	16.2
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>			
Additional CET1 SREP requirements (%)	1.8	1.3	1.8
Additional AT1 SREP requirements (%)	0.0	0.5	0.0
Additional T2 SREP requirements (%)	0.0	0.0	0.0
Total SREP own funds requirements (%)	9.8	9.8	9.8
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>			
Capital conservation buffer (%)	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0	0.0	0.0
Institution specific countercyclical capital buffer (%)	0.0	0.0	0.0
Systemic risk buffer (%)	0.0	0.0	0.0
Global Systemically Important Institution buffer (%)	0.0	0.0	0.0
Other Systemically Important Institution buffer	0.0	0.0	0.0
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	12.3	12.3	12.3
CET1 available after meeting the total SREP own funds requirements (%)	6.9	6.1	6.4
<b>Leverage ratio</b>			
Leverage ratio total exposure measure	696,381	667,053	646,796
Leverage ratio	4.1	3.8	3.9
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>			
Additional CET1 leverage ratio requirements (%)	0.0	-	-
Additional AT1 leverage ratio requirements (%)	3.0	-	-
Total SREP leverage ratio requirements (%)	3.0	-	-
Applicable leverage buffer	0.0	-	-
Overall leverage ratio requirements (%)	3.0	-	-
<b>Liquidity Coverage Ratio</b>			
Total high-quality liquid assets (HQLA) (Weighted value - average)	20,362	20,248	20,210
Cash outflows - Total weighted value	5,533	4,226	3,296
Cash inflows - Total weighted value	10,215	2,846	1,704
Total net cash outflows (adjusted value)	1,383	1,380	1,593
Liquidity coverage ratio (%)	1,472	1,468	1,269
<b>Net Stable Funding Ratio</b>			
Total available stable funding	521,406	-	-
Total required stable funding	474,334	-	-
NSFR ratio (%)	110	-	-

## Note 8. Continued

### Summary of items included in own funds

SEKm	2021 30 Jun	2020 31 Dec <sup>2</sup>	2020 30 Jun
Calculation of own funds			
Equity in the consolidated situation	28,333	25,471	25,458
Proposed/actual dividend	-	-	-
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>28,333</b>	<b>25,471</b>	<b>25,458</b>
Deferred tax assets	-	-	-
Intangible assets	-	-	-
IRB provisions shortfall (-)	-182	-71	-101
Pension assets in excess of related liabilities <sup>a</sup>	-18	-10	-1
Other items, net	98	-42	-11
Total regulatory adjustments to Common Equity Tier 1 capital	-102	-123	-113
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>28,231</b>	<b>25,348</b>	<b>25,345</b>
Additional Tier 1 capital before regulatory adjustments	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	-	-	-
<b>Tier 1 capital (net after deduction)</b>	<b>28,231</b>	<b>25,348</b>	<b>25,345</b>
Tier 2 capital before regulatory adjustments	1,650	1,650	1,650
IRB provisions excess (+)	119	37	40
Pension assets in excess of related liabilities <sup>1</sup>	-	-	-
Other items, net	-	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>119</b>	<b>37</b>	<b>40</b>
Tier 2 capital	1,769	1,687	1,690
<b>Own funds (net after deduction)<sup>1</sup></b>	<b>30,000</b>	<b>27,035</b>	<b>27,035</b>

1) Based on conditional FSA approval.

2) Including profit of the period.

### Own Funds, including profit

Inclusion of profit in the regulatory own funds is only applied in Q4 each year. Below table is provided to illustrate own funds if profit had been included for all periods.

SEKm	2021 30 Jun	2020 31 Dec	2020 30 Jun
Common Equity Tier 1 capital, including profit	28,226	25,348	25,781
Total Own Funds, including profit	29,994	27,035	27,471

## Note 8. Continued

### Minimum capital requirement and REA

SEKm	30 Jun 2021		31 Dec 2020		30 Jun 2020	
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>Credit risk</b>	<b>3,480</b>	<b>43,497</b>	<b>3,065</b>	<b>38,318</b>	<b>3,171</b>	<b>39,635</b>
- of which counterparty credit risk	152	1,905	104	1,305	124	1,551
<b>IRB</b>	<b>3,192</b>	<b>39,897</b>	<b>2,876</b>	<b>35,951</b>	<b>2,985</b>	<b>37,309</b>
- sovereign	-	-	-	-	-	-
- corporate	1,362	17,018	1,258	15,727	1,360	17,002
- <i>advanced</i>	1,362	17,018	1,258	15,727	1,360	17,002
- <i>foundation</i>	-	-	-	-	-	-
- institutions	53	664	56	698	57	711
- retail	1,777	22,215	1,562	19,526	1,546	19,320
- <i>secured by immovable property collateral</i>	1,701	21,260	1,495	18,686	1,481	18,513
- <i>other retail</i>	76	955	67	840	65	807
- other	-	-	-	-	22	276
<b>Standardised</b>	<b>288</b>	<b>3,600</b>	<b>189</b>	<b>2,367</b>	<b>186</b>	<b>2,326</b>
- central governments or central banks	7	84	1	15	-	-
- regional governments or local authorities	-	-	-	-	-	-
- public sector entities	-	-	-	-	-	-
- multilateral development banks	-	-	-	-	-	-
- international organisations	-	-	-	-	-	-
- institutions	281	3,516	188	2,352	186	2,326
- 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	-	-	-	-	-	-
<b>Credit Value Adjustment Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Market risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- trading book, Internal Approach	-	-	-	-	-	-
- trading book, Standardised Approach	-	-	-	-	-	-
- banking book, Standardised Approach	-	-	-	-	-	-
<b>Operational risk</b>	<b>854</b>	<b>10,677</b>	<b>916</b>	<b>11,450</b>	<b>916</b>	<b>11,450</b>
Standardised	854	10,677	916	11,450	916	11,450
<b>Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR</b>	<b>10,110</b>	<b>126,381</b>	<b>9,634</b>	<b>120,419</b>	<b>9,273</b>	<b>115,911</b>
<b>Additional risk exposure amount due to Article 3 CRR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,444</b>	<b>180,555</b>	<b>13,615</b>	<b>170,187</b>	<b>13,360</b>	<b>166,996</b>

## Note 8. Continued

### Minimum Capital Requirement & Capital Buffers

SEKm	Minimum Capital requirement	Pillar II requirements <sup>1</sup>	Capital buffers			
			CCoB	CCyB	Capital Buffers total <sup>2</sup>	Total requirement
Common Equity Tier 1 capital	8,125	0	4,514	2	4,516	12,641
Tier 1 capital	10,833	0	4,514	2	4,516	15,349
Own funds	14,444	0	4,514	2	4,516	18,960

1) In the 2019 SREP, the supervisor has informed Nordea Hypotek AB of its supervisory capital assessment where Pillar 2 is 1.75% in own funds requirement to be met with CET1 capital.

2) Nordea Hypotek AB is not subject to any SRB or SII capital buffers requirements.

### Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	2021 30 Jun	2020 31 Dec <sup>1</sup>	2020 30 Jun
Common Equity Tier 1 capital	8.6	7.9	8.2

1) Including profit of the period.

## Note 8. 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 <sup>1</sup>	of which EAD for off-balance, SEKm	Exposure- weighted average risk weight, %:
Corporate, foundation IRB:	-	-	-	-	-
of which	-	-	-	-	-
- rating grades 6	-	-	-	-	-
- rating grades 5	-	-	-	-	-
- rating grades 4	-	-	-	-	-
- rating grades 3	-	-	-	-	-
- rating grades 2	-	-	-	-	-
- rating grades 1	-	-	-	-	-
- unrated	-	-	-	-	-
- defaulted	-	-	-	-	-
Corporate, advanced IRB:	111,389	-	106,788	-	15.9
of which					
- rating grades 6	69,237	-	68,088	-	5.6
- rating grades 5	12,446	-	10,328	-	21.7
- rating grades 4	26,614	-	25,589	-	38.3
- rating grades 3	2,819	-	2,525	-	37.6
- rating grades 2	88	-	90	-	57.8
- rating grades 1	74	-	68	-	58.8
- unrated	90	-	78	-	77.7
- defaulted	21	-	22	-	208.6
Institutions, foundation IRB:	9,408	-	9,408	-	7.1
of which					
- rating grades 6	8,555	-	8,555	-	6.7
- rating grades 5	853	-	853	-	10.2
- rating grades 4	-	-	-	-	-
- rating grades 3	-	-	-	-	-
- rating grades 2	-	-	-	-	-
- rating grades 1	-	-	-	-	-
- unrated	-	-	-	-	-
- defaulted	-	-	-	-	-
Retail, of which secured by real estate:	508,773	91,300	600,073	91,300	3.5
of which					
- scoring grades A	429,920	77,069	506,989	77,069	2.3
- scoring grades B	48,530	8,777	57,307	8,777	5.5
- scoring grades C	23,448	4,334	27,782	4,334	12.3
- scoring grades D	3,871	698	4,569	698	22.8
- scoring grades E	1,240	236	1,477	236	37.0
- scoring grades F	1,028	186	1,214	186	60.3
- not scored	196	-	195	-	61.6
- defaulted	540	-	540	-	124.8
Retail, of which other retail:	13,221	-	13,214	-	7.2
of which					
- scoring grades A	10,061	-	10,061	-	4.4
- scoring grades B	1,578	-	1,575	-	9.7
- scoring grades C	1,291	-	1,287	-	18.6
- scoring grades D	114	-	114	-	25.6
- scoring grades E	110	-	110	-	27.7
- scoring grades F	35	-	35	-	38.9
- not scored	16	-	16	-	45.1
- defaulted	16	-	16	-	235.9
Other non credit-obligation assets:	-	-	-	-	-

<sup>1)</sup> 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 and also qualifying revolving retail.

## Note 9. 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

SEK (000s)	Nordea Group companies	
	30 June 2021	31 Dec 2020
<b>Assets</b>		
Loans to credit institutions	7,307,166	4,553,762
Loans to the public	-	-
Derivatives	4,075,806	4,559,286
Other assets	-	453,585
Prepaid expenses and accrued income	746,452	227,095
<b>Total assets</b>	<b>12,129,424</b>	<b>9,793,728</b>
<b>Liabilities</b>		
Deposits by credit institutions	274,213,316	208,194,432
Debt securities in issue	53,093,173	67,536,271
Derivatives	807,112	839,654
Other liabilities	367,213	6,641,707
Prepaid income and accrued expenses	1,405,592	165,943
Subordinated liabilities	1,650,063	1,650,119
<b>Total liabilities</b>	<b>331,536,469</b>	<b>285,028,126</b>

### Income statement

SEK (000s)	Nordea Group companies	
	Jan-Jun 2021	Jan-Jun 2020
Interest income	-138,586	159,423
Interest expense	438,358	-23,275
Net fee and commission income	-26,949	-26,371
Net result from items at fair value	-600,393	1,022,418
General administrative expenses:		
- Other expenses	-1,944,919	-605,854
<b>Total</b>	<b>-2,272,489</b>	<b>526,341</b>

## Note 10. 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 22 February 2021.

Nordea Hypotek entered the COVID-19 crisis with a strong financial position, which the Company has managed to maintain due to a continued strong performance of the underlying operations. Realised credit losses have not changed compared with pre-crisis levels. Following decreased uncertainty and the stronger macroeconomic environment in Sweden, the company chose to release part of the provisions that were booked with regards to the pandemic. However, the risk of potential adverse impacts on income due to lower net interest income, higher market volatility and reduced business activity remains, which explains why not all pandemic-related provisions have been released.

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



## Alternative Performance Measures – Definitions

Nordea Hypotek's Alternative Performance Measures (APMs) are presented to provide users of Nordea Hypotek's financial reporting with relevant information and tools to be able to establish a view on Nordea Hypotek's performance. APMs on capital adequacy are disclosed to give the user a view on Nordea Hypotek's balance between capital and risk, while lending related APMs are disclosed to provide information on Nordea Hypotek's provisions in relation to credit risk. Return on equity (RoE) is intended to provide the user of financial statements with relevant information on Nordea Hypotek's performance in relation to investment measurement. The cost/income (C/I) ratio is finally disclosed to provide the user with information on the correlation between income and expense. The development compared with earlier periods is, in order to better reflect the underlying business performance, generally presented in local currencies.

### Return on average shareholders equity

Net profit for the year as percentage of equity, quarterly average.

### Cost/income ratio

Total operating expenses divided by total operating income.

### Loan loss ratio (IFRS 9)

Net loan losses (annualised) divided by quarterly closing balance of loans to the public (lending) measured at amortised cost.

### Impairment rate (Stage 3), gross (IFRS 9)

Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

### Impairment rate (Stage 3), net (IFRS 9)

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

### Total allowance ratio (Stage 1, 2 and 3) (IFRS 9)

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

### Allowances in relation to credit impaired loans (stage 3) (IFRS 9)

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

### Common Equity Tier 1 capital ratio

The CET 1 ratio is total CET1 Capital divided by total Risk Exposure Amount calculated in accordance to the requirements in the CRR.

### Tier 1 capital ratio

Tier 1 ratio is Tier 1 capital as a percentage of risk-weighted amounts. Tier 1 Capital consist of both CET 1 capital and Additional Tier 1 capital.

### Total capital ratio

Total capital ratio is total own funds divided by total Risk Exposure Amount. Total own funds is the sum of Tier 1 and Tier 2 capital.

## Assurance of the Board of Directors

The half-year interim 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, 26 August 2021

Per Långsved  
*Chairman of the Board*

Peter Dalmalm                      Maria Härdling

Marte Kopperstad                Magnus Montan

Elisabeth Olin                    Maria Sahlén

Arvid Krönmark  
*Managing Director*

# Auditor's report

Nordea Hypotek AB (publ), corporate identity number 556091-5448

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## Introduction

We have reviewed the interim financial information of Nordea Hypotek AB (publ) as of 30 June 2021 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 26 August 2021

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorized Public Accountant  
Auditor in charge

# Adresses

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LEI number: 5493000K2HPWIF6MFO29