

Nordea



Half-year Financial Report 2023
Nordea Hypotek AB (publ)

Alternative Performance Measures

Definitions are available on page 26 of this report.

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year	2021 Full year
Return on average shareholders equity, %	3,1	6,0	6,3	8,4
Cost/income ratio, %	75,3	68,9	65,8	59,0
Loan loss ratio, basis points ¹	0,8	0,8	1,7	0,2
- of which stage 1	-0,3	0,0	0,5	-0,2
- of which stage 2	0,6	0,3	0,8	0,1
- of which stage 3	0,5	0,5	0,5	0,3
Impairment rate (stage 3), gross, bps ¹	7,7	7,1	5,8	6,5
Impairment rate (stage 3), net, bps ¹	6,5	6,2	4,8	5,9
Total allowance ratio (stage 1, 2 and 3), bps ¹	3,9	2,3	3,5	2,0
Allowances in relation to credit impaired loans (stage 3), % ¹	15,4	12,1	16,6	9,6
Common Equity Tier 1 capital ratio, % ²	17,3	15,2	17,7	15,7
Tier 1 capital ratio, % ²	17,3	15,2	17,7	15,7
Total capital ratio, % ²	18,3	16,1	18,7	16,6

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.

Half-year Financial Report

January – June 2023

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 main purpose of the lending is 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.

The housing market in Sweden

In the first six months, the price index for privately owned homes in Sweden, HOXSWE, gained 3.9%. However, the price index is still down 7.8% over the past 12 months. The price progression for apartments in the same period has been -3.2% and -10.2% for houses as a national average. The price progression has been slightly positive in the second quarter, HOXSWE +0.2%, in a market with lower activity than in recent years.

Profit

Operating profit was SEK 614m (1,088), down 44% from the same period of last year.

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

- Net interest income deteriorated by SEK 1,197m to SEK 2,546m, a decrease of 32% compared to the same period last year. The change in the period is mainly driven by higher funding costs and lower average margins, slightly offset on the upside by higher lending volumes.
- Net result from financial items at fair value increased compared with the same period last year, amounting to SEK 123m at the end of the period (-130). This is chiefly attributable to realised and unrealised value changes for financial instruments under hedge accounting and gains on repurchases of issued bonds.
- Operating expenses were SEK -1,960m (-2,472); a decline of SEK 511m compared with the same period last year. The decrease is mainly due to lower distribution costs.
- Regulatory fees during the period amounted to SEK -353m (-332), an increase of SEK -21m from the same period last year, mainly due to higher bank tax.

Lending volumes

At the end of the period, lending to the public was at SEK 708,475m (700,282), exceeding the year-end volume by 1.2%.

Lending to the retail market rose by 0.9% compared with the end of the year, amounting at the close of the period to SEK 576,524m (571,475). Nordea's market share for mortgages at 30 June 2023 was 13.7% (13.7% at the turn of 2022/2023) according to data published by Statistics Sweden on loans to Swedish households collateralised by a home.

Lending to legal entities increased by 2.4% compared with the end of the year, amounting at the close of the period to SEK 131,951m (128,807).

Impaired loans and loan losses

The credit quality of Nordea Hypotek's lending portfolio remains strong; a slight increase in retail customers with late payments has been witnessed but without any sign of this leading to heightened loan losses so far. Net loan losses remain at very low levels, amounting during the period to SEK -29m or 0.8bps (SEK -29 million in the same period last year). This is mainly due to the model-based loan provisions which, in the first half of 2023, increased by SEK -22m, mainly driven by the increase in estimated loan losses in stages 2 and 3.

Realised loan losses, less recoveries on written-off loans and reversed provisions, remained at a very low level, amounting to SEK -1m in the first half of 2023 (-1m).

In the first half of 2023, the weightings in the three macroeconomic scenarios that form the basis for calculating expected loan losses were unchanged compared to the end of the year as follows: 50% base scenario, 40% adverse scenario and 10% favourable scenario. This is to take account of the expected effect on collective loan losses from the current macroeconomic climate. For more information, see Note 6 Loans and impairment.

Impaired loans (gross) amounted to SEK 553m (compared with SEK 410 million at the end of the year).

Provisions as judged by management

In the first half of 2023, Nordea Hypotek increased its cyclical reserves to SEK 128m from SEK 123m at the beginning of the year. The cyclical reserve has the purpose of allowing for expected loan losses ensuing from rating downgrades not yet captured by the IFRS 9 model. In the first half of 2023 the structural reserve was increased by SEK 1m compared with the end of the year, bringing it to SEK 4m at 30 June 2023. The structural reserve has the purpose of covering the identified development need in the IFRS 9 model.

Total loan provisions (including provisions for loan commitments) were SEK 285.8m on 30 June (257.8m at the end of the year). Management is of the opinion that the Company has a stable reserve for covering expected loan losses from the worsened macroeconomic climate, and also planned improvements to provisioning models and processes.

Funding

Long-term funding is mainly secured by means of covered bonds issued on the Swedish market. A covered bond is a funding instrument, regulated under the Covered Bonds (Issuance) Act (SFS 2003:1223), which gives investors special precedence in the event of the borrower's bankruptcy. Covered bonds may only be issued following special permission from the Financial Supervisory Authority and on the basis of high-quality assets. Covered bonds and assigned credit ratings provide the Company with access to a broader base of funding sources.

In the first half of 2023 bonds equalling SEK 57bn were issued in total, compared with SEK 48bn in the first half of 2022. The outstanding volume of bonds at 30 June 2023 was SEK 404bn (382bn at the end of 2022), of which SEK 30bn (43bn at the end of 2022) was issued in currencies other than SEK.

At 30 June 2023, Nordea Hypotek had outstanding dated debenture loans from the Parent Company totalling SEK 1.65bn (1.65).

Besides long-term funding as above, the Company regularly arranged funding with the Parent Company during the period. At 30 June 2023, the outstanding amount from such funding was SEK 289bn, which is a decrease compared with the end of the year of SEK

5bn, or -2%, due to changes in funding structure composition and an increase in covered bonds.

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 186,376m, with common equity tier 1 (CET1) capital of SEK 32,329m and own funds of SEK 34,064m. The calculated common equity tier 1 (CET1) capital ratio was 17.3% and the capital ratio was 18.3%.

Changes in management and the Board of Directors

On 1 January Pia Tverin took up the position of new Managing Director, taking over from Interim Managing Director Maria Stolpe. On 12 January Emma Söderberg took up the position of Interim Chief Risk Officer, on 15 March Jenny Bouvin took up the position of Interim Compliance Officer and on 20 April Johan Sandgårde took up the position of new Head of Credit.

On 1 April Tina Sandvik joined the Board of Directors as member, replacing outgoing member Marte Kopperstad.

Material events after the balance sheet date

No material events have occurred since the balance sheet date.

Income statement

SEK (000s)	Note	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Operating income				
Interest income calculated using the effective interest method		13,536,262	4,640,199	13,262,750
Other interest income		166,583	-7,396	65,533
Negative yield on financial assets		-	-9,061	-9,811
Interest expense		-11,157,122	-985,787	-6,302,652
Negative yield on financial liabilities		-	104,800	32,194
Net interest income		2,545,723	3,742,755	7,048,014
Fee and commission income		13,504	18,510	34,538
Fee and commission expense		-78,642	-41,997	-98,001
Net fee and commission income		-65,138	-23,487	-63,463
Net result from items at fair value		122,860	-130,279	246,413
Total operating income		2,603,445	3,588,989	7,230,964
Operating expenses				
<i>General administrative expenses:</i>				
Staff costs		-33,762	-27,154	-37,207
Other expenses	3	-1,573,749	-2,112,237	-4,299,099
Regulatory fees	4	-352,871	-332,324	-425,162
Total operating expenses		-1,960,382	-2,471,715	-4,761,468
Profit before loan losses		643,063	1,117,274	2,469,496
Net loan losses	5	-28,904	-28,896	-120,007
Impairment of securities held as financial non-current assets		614,161	-	-
Operating profit		614,159	1,088,378	2,349,489
Income tax expense		-133,156	-219,840	-490,271
Net profit for the period		481,003	868,538	1,859,218

Statement of comprehensive income

SEK (000s)	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Net profit for the period	481,003	868,538	1,859,218
Items that may be reclassified subsequently to the income statement			
<i>Cash flow hedges:</i>			
Valuation gains/losses, net of tax	1,797,417	1,414,994	2,532,234
Transferred to the income statement, net of tax	-1,807,894	-1,197,131	-2,358,605
<i>Available for sale investments¹</i>			
Valuation gains/losses, net of tax	-3,504	-26,645	-4,262
Transferred to the income statement, net of tax	-	-	-
Other comprehensive income, net of tax	-13,981	191,218	169,367
Total comprehensive income	467,022	1,059,756	2,028,585

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

Balance sheet

SEK (000s)	Note	2023 30 Jun	2022 31 Dec	2022 30 Jun
Assets				
Loans to credit institutions	6	9,199,588	4,304,109	9,946,134
Loans to the public	6	708,474,881	700,282,421	687,598,708
Interest-bearing securities		19,543,401	20,002,237	22,152,291
Derivatives		14,318,817	15,185,233	12,900,466
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-9,321,378	-10,851,998	-9,734,503
Deferred tax assets		-	-	-
Current tax assets		2,021	15,831	374,255
Other assets		1,396,701	1,380,392	1,410,406
Prepaid expenses and accrued income		36,978	62,798	88,419
Total assets		743,651,009	730,381,023	724,736,176
Liabilities				
Deposits by credit institutions		289,497,481	294,979,551	334,479,748
Debt securities in issue		403,975,258	382,084,433	357,889,551
Derivatives		14,213,142	14,792,329	12,775,452
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	-	-12,543,272
Current tax liabilities		51,186	-1,004	-
Other liabilities		858,323	3,740,196	542,306
Accrued expenses and prepaid income		528,558	734,422	600,847
Deferred tax liabilities		400	3118	14,595
Provisions		7,212	8,104	10,210
Retirement benefit obligations		13,242	-	7,488
Subordinated liabilities		1,650,243	1,650,373	1,650,101
Total liabilities		710,795,045	697,991,522	695,427,026
Equity				
Share capital		110,000	110,000	110,000
Fair value reserves		5,880	19,880	41,711
Retained earnings		32,259,081	30,400,423	28,288,901
Net profit for the year		481,003	1,859,218	868,538
Total equity		32,855,964	32,389,501	29,309,150
Total liabilities and equity		743,651,009	730,381,023	724,736,176

Notes

- Note 1 Accounting policies
- Note 2 Segment reporting
- Note 3 Other expenses
- Note 4 Regulatory fees
- Note 5 Net loan losses
- Note 6 Loans and impairment
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- Note 8 Fair value of financial assets and liabilities
- Note 9 Commitments
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- Note 11 Related party transactions
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Statement of changes in equity

30 Jun 2023	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 2023	110 000	12 018	7 842	32 259 641	32 389 501
Net profit for the period	-	-	-	481 003	481 003
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income:</i>	-	-	-	-	-
Valuation gains/losses, net of tax	-	-	-3 504	-	-3 504
<i>Cash flow hedges:</i>	-	-	-	-	-
Valuation gains/losses, net of tax	-	1 797 418	-	-	1 797 418
Transferred to the income statement	-	-2 276 946	-	-	-2 276 946
Tax on transfers to the income statement	-	469 051	-	-	469 051
Other comprehensive income, net of tax	-	-10 477	-3 504	-	-13 981
Total comprehensive income	-	-10 477	-3 504	481 003	467 022
Shareholders' contribution received	-	-	-	-	0
Share-based payments	-	-	-	-559	-559
Balance at 30 Jun 2023	110 000	1 542	4 338	32 740 084	32 855 964

¹ Total number of shares registered were 100,000.

31 Dec 2022	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 2022	110,000	-161,611	12,104	28,289,226	28,249,719
Net profit for the year	-	-	-	1,859,218	1,859,218
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income:</i>	-	-	-	-	-
Valuation gains/losses, net of tax	-	-	-5,368	-	-5,368
Tax on valuation gains/losses	-	-	1,106	-	1,106
<i>Cash flow hedges:</i>	-	-	-	-	-
Valuation gains/losses, net of tax	-	3,189,212	-	-	3,189,212
Tax on valuation gains/losses	-	-656,978	-	-	-656,978
Transferred to the income statement	-	-2,970,535	-	-	-2,970,535
Tax on transfers to the income statement	-	611,930	-	-	611,930
Other comprehensive income, net of tax	-	173,629	-4,262	0	169,367
Total comprehensive income	-	173,629	-4,262	1,859,218	2,028,585
Shareholders' contribution received	-	-	-	4,000,000	4,000,000
Group contribution paid	-	-	-	-2,378,795	-2,378,795
Tax on Group contribution paid	-	-	-	490,032	490,032
Share-based payments	-	-	-	-40	-40
Balance at 31 Dec 2022	110,000	12,018	7,842	32,259,641	32,389,501

¹ Total number of shares registered were 100,000.

Statement of changes in equity, continued

30 Jun 2022	Restricted equity	Unrestricted equity			Total equity
	Share capital ¹	Cash flow hedges	through other comprehensive income	Retained earnings	
SEK (000s)					
Balance at 1 Jan 2022	110,000	-161,611	12,104	28,289,226	28,249,719
Net profit for the period	-	-	-	868,538	868,538
Items that may be reclassified subsequently to the income statement	-	-	-	-	-
<i>Fair value through other comprehensive income</i>					
Valuation gains/losses, net of tax	-	-	-26,645	-	-26,645
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of tax	-	1,414,994	-	-	1,414,994
Transferred to the income statement	-	-1,507,722	-	-	-1,507,722
Tax on transferred to the income statement	-	310,591	-	-	310,591
Other comprehensive income, net of tax	-	217,863	-26,645	-	191,218
Total comprehensive income	-	217,863	-26,645	868,538	1,059,756
Shareholders' contribution received	-	-	-	-	-
Share-based payments	-	-	-	-325	-325
Balance at 30 Jun 2022	110,000	56,252	-14,541	29,157,439	29,309,150

1) Total number of shares registered were 100,000.

Cash Flow statement

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
SEK (000s)			
Operating activities			
Operating profit	614 160	1 088 378	2 349 489
Adjustment for items not included in cash flow	-355 938	-3 314 082	-5 314 475
Income taxes paid	-67 157	-213 903	363 117
Cash flow from operating activities before changes in operating assets and liabilities	191 065	-2 439 607	-2 601 869
Changes in operating assets			
Change in treasury bills	1 681 524	4 309 148	5 801 283
Change in loans to the public	-8 030 664	-23 013 014	-35 787 939
Change in interest-bearing securities	453 862	-1 127 004	981 950
Change in derivatives, net	-1 422 455	-1 867 118	-3 247 364
Change in other assets	-16 309	-671 001	-640 986
Change in operating liabilities			
Change in deposits by credit institutions	-5 767 426	60 060 531	19 970 823
Change in debt securities in issue	20 465 540	-28 395 046	11 919 873
Change in other liabilities	-2 881 873	-3 464 352	-2 645 259
Cash flow from operating activities	4 482 199	5 832 144	-3 647 619
Financing activities			
Shareholder contribution	-	-	4 000 000
Cash flow from financing activities	-	-	4 000 000
Cash flow for the period	4 673 264	3 392 537	-2 249 488
Cash and cash equivalents at beginning of period	4 304 109	6 553 597	6 553 597
Cash and cash equivalents at end of period	8 977 373	9 946 134	4 304 109
Change	4 673 264	3 392 537	-2 249 488

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.

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022. The accounting policies and methods of computation are unchanged from the 2022 Annual Report, except for those relating to the items presented in the section "Changed accounting policies and presentation" below. For more information, see the accounting policies in the 2022 Annual Report.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea on 1 January 2023.

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

On 1 January 2023 Nordea started applying the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a 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 gross deferred tax assets and liabilities will be set off on the balance sheet if such requirements are met.

The amendments have not had any significant impact on Nordea's financial statements in the period of initial application.

Other amendments

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea on 1 January 2023, but have not had any significant impact on its financial statements.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

Changes in IFRSs not yet applied

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

In May 2023 the IASB published amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model rules. The amendments include a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The amendments also include disclosure requirements for periods in which the pillar two legislation is enacted or substantively enacted, but not yet in effect. Known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation should be disclosed.

The amendments are effective as of publication of the amendments. The amendments are not yet endorsed by the EU. Nordea's current assessment is that the amendments will not have any significant impact on its financial statements or capital adequacy in the period of initial application in comparison with the current situation, but disclosures will be required in the annual report if the amendments are endorsed in 2023.

Other amendments to IFRSs

The following changes in IFRSs not yet applied by Nordea are not assessed to have any significant impact on the bank's financial statements or capital adequacy in the period of their initial application.

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current as well as Classification of Liabilities as

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- Current or Non-current – Deferral of Effective Date; and Non-current Liabilities with Covenants.
 - Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

Other amended requirements

No amendments were made to the Swedish Annual Accounts Act for Credit Institutions and Investment Firms (1995:1559) during the year. Finansinspektionen also did not publish any changes applicable during the year regarding the regulation FFFS 2008:25. Furthermore, the Swedish Financial Reporting Board has not published any information regarding amendment to RFR 2 “Accounting for legal entities”.

Critical judgements affected by continued high levels of inflation, increased interest rates and reduced economic growth

Nordea applied critical judgements in the preparation of this interim report due to the uncertainty concerning the potential long-term impact of continued high levels of inflation, increased interest rates and reduced economic growth in various economic sectors on Nordea’s financial statements. Areas particularly important during the second quarter of 2023 were the impairment testing of goodwill and loans to the public/credit institutions. Information on where critical judgements are generally applied and where estimation uncertainty exists can be found in Note 1 “Accounting policies” in the 2022 Annual Report.

Critical judgement was also applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. When calculating allowances for individually significant impaired loans, critical judgement was exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, and to value any collateral received. Critical judgement was further applied when assigning the likelihood of the different scenarios occurring. More information on the impairment testing of loans to the public can be found in Note 6 “Loans and impairment”. Information on sensitivities to rating and scoring migrations can be found in the section “Sensitivities” in Note 6.

Note 2. Segment reporting

Operating segments

	Personal Banking		Business Banking		Group Treasury & Asset & Liability management		Other operating segments		Total operating segments		Reconciliation		Total	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
SEKm														
Total operating income	7,897	4,002	2,095	743	-7,462	-1,197	239	24	2,569	3,572	34	17	2,603	3,589
Operating profit	6,538	2,430	1,769	306	-7,462	-1,197	-263	-467	580	1,072	34	16	614	1,088
Loans to the public	530,606	516,425	147,546	142,208	-	-	30,323	28,966	708,475	687,599	-	-	708,475	687,599

Reconciliation between total operating segments and financial statements

	2023 Jan-Jun		2022 Jan-Jun	
	Operating profit	Loans to the public	Operating profit	Loans to the public
SEKm				
Total operating segments	580	708,475	1,072	687,599
Group functions and unallocated items	34	-	16	-
Total	614	708,475	1,088	687,599

Note 3. Other expenses

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
SEK (000s)			
Postage, telephone and office expenses	-165	-128	-241
Distribution costs to Nordea	-1,546,457	-2,084,842	-4,244,811
Professional services ¹	-2,929	-3,087	-4,147
Market data services	-11,310	-12,548	-25,691
Other	-12,888	-11,632	-24,209
Total	-1,573,749	-2,112,237	-4,299,099

1) Including fees and remuneration to auditors.

Note 4. Regulatory fees

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
SEK (000s)			
Resolution fees	-244,619	-239,486	-239,486
Bank tax	-108,252	-92,838	-185,676
Total	-352,871	-332,324	-425,162

Note 5. Net loan losses

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
SEK (000s)			
Net loan losses, stage 1	9 379	-816	-33 846
Net loan losses, stage 2	-20 103	-9 577	-54 377
Net loan losses, non-defaulted	-10 724	-10 393	-88 223
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	-17 269	-17 691	-26 055
Realised loan losses	-1 098	-1 050	-6 070
Decrease of provisions to cover realised loan losses	-	-	-
Recoveries on previously realised loan losses	187	238	341
Reversals of provisions	-	-	-
Net loan losses, defaulted	-18 180	-18 503	-31 784
Net loan losses	-28 904	-28 896	-120 007

	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Key ratios			
Loan loss ratio, basis points ¹	0,8	0,8	1,7
-of which stage 1	-0,3	-	0,5
-of which stage 2	0,6	0,3	0,8
-of which stage 3	0,5	0,5	0,5

1) Based on IFRS 9.

Note 6. Loans and impairment

	2023 30 Jun	2022 31 Dec	2022 30 Jun
SEKm			
Loans measured to amortised cost, not impaired (stage 1 and 2)	717,399	704,426	697,212
Impaired loans (stage 3)	553	410	494
- of which servicing	101	66	68
- of which non-servicing	452	344	426
Loans before allowances	717,952	704,836	697,706
-of which credit institutions	9,200	4,304	9,946
Allowances for individually assessed loans (stage 3)	-85	-68	-60
- of which servicing	-17	-11	-8
- of which non-servicing	-68	-57	-52
Allowances for collectively assessed loans (stage 1 and 2)	-193	-181	-101
Allowances	-278	-249	-161
-of which credit institutions	-	-	-
Loans carrying amount	717,674	704,587	697,545

Carrying amount of loans measured at amortised cost, before allowances

SEKm	30 Jun 2023		
	Stage 1	Stage 2	Stage 3
Loans to the public	703,984	13,416	553
Interest-bearing securities	9,386	-	-
Total	713,370	13,416	553

SEKm	30 Jun 2022		
	Stage 1	Stage 2	Stage 3
Loans to the public	686,186	11,026	494
Interest-bearing securities	9,545	-	-
Total	695,731	11,026	494

Allowances and provisions

SEKm	30 Jun 2023		
	Stage 1	Stage 2	Stage 3
Loans to the public	-60	-133	-85
Interest-bearing securities	-	-	-
Provisions for off-balance sheet items	-7	-	-
Total	-67	-133	-85

SEKm	30 Jun 2022		
	Stage 1	Stage 2	Stage 3
Loans to the public	-34	-68	-60
Interest-bearing securities	-	-	-
Provisions for off-balance sheet items	-10	-	-
Total	-44	-68	-60

Note 6. Continued

Movement of allowance accounts for loans measured at amortised cost

SEKm	Stage 1	Stage 2	Stage 3	Total
Balance at 1 Jan 2023	-69	-113	-68	-250
Changes due to origination and acquisition	-14	-6	-2	-22
Changes due to transfers from stage 1 to stage 2	6	-64	-	-58
Changes due to transfers from stage 1 to stage 3	-	-	-13	-13
Changes due to transfers from stage 2 to stage 1	-2	36	-	34
Changes due to transfers from stage 2 to stage 3	-	3	-13	-10
Changes due to transfers from stage 3 to stage 1	-	-	4	4
Changes due to transfers from stage 3 to stage 2	-	-1	6	5
Changes due to credit risk without stage transfer	13	2	-10	5
Changes due to repayments and disposals	6	10	11	27
Closing balance at 30 Jun 2023	-60	-133	-85	-278

SEKm	Stage 1	Stage 2	Stage 3	Total
Balance at 1 Jan 2022	-31	-58	-43	-132
Changes due to origination and acquisition	-23	-8	-1	-32
Changes due to transfers from stage 1 to stage 2	3	-70	-	-67
Changes due to transfers from stage 1 to stage 3	-	-	-13	-13
Changes due to transfers from stage 2 to stage 1	-2	45	-	43
Changes due to transfers from stage 2 to stage 3	-	3	-22	-19
Changes due to transfers from stage 3 to stage 1	-	-	2	2
Changes due to transfers from stage 3 to stage 2	-	-1	10	9
Changes due to credit risk without stage transfer	16	10	-5	21
Changes due to repayments and disposals	5	11	11	27
Closing balance at 30 Jun 2022	-32	-68	-61	-161

Key ratios	2023	2022	2022
	30 Jun	30 Jun	31 Dec
Impairment rate, (stage 3), gross ¹ , basis points	7.7	7.1	5.8
Impairment rate, (stage 3), net ² , basis points	6.5	6.2	4.8
Total allowance rate (stage 1, 2 and 3) ³ , basis points	3.9	2.3	3.5
Allowances in relation to impaired loans (stage 3) ⁴ , %	15.4	12.1	16.6
Allowances in relation to loans stage 1 and 2 ⁵ , basis points	2.7	1.5	2.6

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.

Note 6. 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 of 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 2023		31 Dec 2022	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	113.8	187.4	97.9	152.7
Business Banking	19.6	36.1	16.7	29.9
Large Corporates & Institutions	0.1	0.3	0.1	0.2
Other	12.5	20.6	9.0	14.0
Total	145.9	244.3	123.7	196.8

Forward-looking information

Forward-looking information is used for both 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 2023, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 50%, adverse 40% and favourable 10% at the end of the first quarter of 2023). The weight of the adverse scenario was kept at an elevated level, reflecting continued uncertainty about the macroeconomic outlook.

The macroeconomic scenarios are provided by Group Risk 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 Nordic economies might develop in light of the war in Ukraine and the associated

sanctions and countersanctions on trade with Russia. This includes consideration of continued high inflation and how significantly higher interest rates impact financial markets and economic activity. When developing the scenarios and determining the relative weighting between the scenarios Nordea Hypotek took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

The baseline scenario for the Nordic economies foresees modest growth (except Sweden where it even turns negative) and slightly higher unemployment in the coming years as the pass-through of higher rates and elevated inflation continue to weigh on economic activity. Inflation is expected to remain elevated, despite some continued moderation in energy and food prices. Following strong housing market activity and price appreciation during the Covid-19 pandemic, the downward adjustment in home prices is expected to continue this year in the Nordics, with the mildest correction in Norway and the strongest in Sweden. The risks around the baseline forecast are tilted to the downside.

Nordea Hypotek's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. Financial instability may lead to a deep and long recession due to falling private consumption and investments. In addition, home prices may see an even larger decline due to high interest rates, a squeeze in household purchasing power and weak confidence. A stabilisation of energy prices at a low level may on the other hand prevent growth to turn negative in 2023 and support a stronger recovery going forward.

At the end of the second quarter of 2023 adjustments to model-based allowances/provisions amounted to SEK 140m, including management judgements. The management judgements cover expected credit losses not yet adequately captured by the IFRS 9 modelled outcomes. The cyclical management judgement allowance was at SEK 128m (SEK 123m at the end of 2022). The reserve covering issues identified in the IFRS 9 model to be later captured in model updates (structural reserve) was at SEK 4m (SEK 3m at the end of 2022).

Note 6. Continued

Scenarios and provisions

30 Jun 2023

		2023	2024	2025	Un-weighted ECL SEKm	Probability weight	Model based provisions SEKm	Individual provisions SEKm	Total provisions SEKm
Favourable scenario	GDP growth, %	0.6	1.5	1.8					
	Unemployment, %	7.6	8.0	8.0	136	10%			
	Change in household consumption, %	-0.1	2.0	2.1					
	Change in house prices, %	-10.7	-1.1	2.5					
Base scenario	GDP growth, %	-0.5	0.2	2.0					
	Unemployment, %	7.8	8.5	8.4	142	50%	146	140	286
	Change in household consumption, %	-1.2	0.6	2.0					
	Change in house prices, %	-11.2	-2.4	2.5					
Adverse scenario	GDP growth, %	-1.6	-1.0	1.2					
	Unemployment, %	8.2	9.3	9.3	153	40%			
	Change in household consumption, %	-2.2	-0.4	0.5					
	Change in house prices, %	-13.0	-5.3	0.7					

Scenarios and provisions

31 Dec 2022

		2023	2024	2025	Un-weighted ECL SEKm	Probability weight	Model based provisions SEKm	Individual provisions SEKm	Total provisions SEKm
Favourable scenario	GDP growth, %	0.7	1.7	1.9					
	Unemployment, %	7.6	7.7	7.9	115	10%			
	Change in household consumption, %	0.5	2.3	2.5					
	Change in house prices, %	-10.4	-1.0	3.1					
Base scenario	GDP growth, %	-0.5	1.1	1.9					
	Unemployment, %	7.9	8.2	8.3	119	50%	124	134	258
	Change in household consumption, %	-0.6	1.8	2.2					
	Change in house prices, %	-10.5	-1.8	2.0					
Adverse scenario	GDP growth, %	-3.0	0.3	1.4					
	Unemployment, %	8.7	9.1	9.2	132	40%			
	Change in household consumption, %	-2.9	0.4	1.0					
	Change in house prices, %	-13.1	-5.0	0.2					

Note 7. Classification of financial instruments

SEKm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Non-financial assets	Total
		Mandatorily	Fair value through other comprehen- sive income (FVOCI)		
Assets					
Loans to credit institutions	9 200	-	-	-	9 200
Loans to the public	708 474	-	-	-	708 474
Interest-bearing securities	-	10 157	9 386	-	19 543
Derivatives	-	14 319	-	-	14 319
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-9 321	-	-	-	-9 321
Deferred tax assets	-	-	-	-	-
Current tax assets	-	-	-	2	2
Other assets	1 397	-	-	-	1 397
Prepaid expenses and accrued inc	37	-	-	-	37
Total 30 Jun 2023	709 787	24 476	9 386	2	743 651
Total 31 Dec 2022	695 178	25 691	9 496	16	730 381

SEKm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)		Non-financial liabilities	Total
		Mandatorily			
Liabilities					
Deposits by credit institutions		289 498	-	-	289 498
Debt securities in issue		403 976	-	-	403 976
Derivatives		-	14 213	-	14 213
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	-	-	-
Current tax liabilities		-	-	51	51
Other liabilities		857	-	1	858
Accrued expenses and prepaid income		166	-	363	529
Deferred tax liabilities		-	-	-	-
Provisions		7	-	-	7
Retirement benefit obligations		-	-	13	13
Subordinated liabilities		1 650	-	-	1 650
Total 30 Jun 2023		696 154	14 213	428	710 795
Total 31 Dec 2022		682 796	14 792	403	697 991

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 8. Fair value of financial assets and liabilities

SEKm	30 Jun 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	708,353	728,847	693,735	697,928
Interest-bearing securities	19,543	19,543	20,002	20,002
Derivatives	14,319	14,319	15,185	15,185
Other assets	1,397	1,397	1,380	1,380
Prepaid expenses and accrued income	37	37	63	63
Total	743,649	764,143	730,365	734,558
Financial liabilities				
Deposits and debt instruments	695,124	709,769	678,715	694,026
Derivatives	14,213	14,213	14,792	14,792
Other liabilities	857	857	3,737	3,737
Provisions	7	7	8	8
Accrued expenses and prepaid income	166	166	336	336
Total	710,367	725,012	697,588	712,899

Fair value of financial assets that has been valued using a valuation technique - level 2 and 3 in the IFRS fair value hierarchy - amounted to SEK 33 862m (level 2) and SEK 0m (level 3) at the end of the second quarter 2023 and refers to interest bearing-securities and derivatives. Fair value of financial liabilities that has been valued using a valuation technique - level 2 and 3 in the IFRS fair value hierarchy - amounted to SEK 14 149m (level 2) and SEK 64m (level 3) at the end of the second quarter 2023 and refers to derivatives.

The determination of fair value is described in the Annual Report 2022, Note 26, "Assets and liabilities at fair value".

Note 9. Commitments

	30 Jun 2023	31 Dec 2022
SEK (000s) (Nom. amount)		
Credit commitments ¹	53 817 998	48 129 347
Other commitments	2 755 105	2 196 467
Total	75 741 446	50 325 814

1) Credit commitments consist of new credit commitments, and credit commitments that increase the customer's existing borrowings in connection with homebuying.

Note 10. Capital adequacy

These disclosures have been prepared in accordance with Part 8 of the CRR and applicable national regulations.

Key metrics

Total Own Funds in Q2 2023 amounted to SEK 34 064m, an increase of SEK 4 024m compared to half-year 2022.

REA decreased 40 SEKm and the Leverage ratio increased from 3.9% to 4.3%.

	2023	2022	2022
	30 Jun	31 Dec	30 Jun
Available own funds (amounts), SEKm			
Common Equity Tier 1 (CET1) capital	32 329	32 345	28 305
Tier 1 capital, including profit	32 329	32 345	28 305
Total capital, including profit	34 064	34 063	29 955
Risk-weighted exposures amounts (REA), SEKm			
Total risk-weighted exposure amount	186 376	182 295	186 406
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	17,3	17,7	15,2
Tier 1 ratio (%)	17,3	17,7	15,2
Total capital ratio (%)	18,3	18,7	16,1
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than credit risk	1,6	1,6	1,8
of which: to be made up of CET1 capital (percentage points)	0,9	0,9	1,0
of which: to be made up of Tier 1 capital (percentage points)	1,2	1,2	1,3
Total SREP own funds requirements (%)	9,6	9,2	9,8
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
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 (%)	2,5	-	-
Institution specific countercyclical capital buffer (%)	2,0	1,0	-
Systemic risk buffer (%)	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-
Other Systemically Important Institution buffer	1,0	1,0	-
Combined buffer requirement (%)	5,5	4,5	2,5
Overall capital requirements (%)	15,1	14,1	12,3
CET1 available after meeting the total SREP own funds requirements	8,7	9,5	6,3
Leverage ratio			
Leverage ratio total exposure measure	744 922	730 101	731 085
Leverage ratio	4,3	4,4	3,9
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
Additional own funds requirements to address the risk of excessive leverage	-	-	-
of which: to be made up of CET1 capital (percentage points)	-	-	-
Total SREP leverage ratio requirements (%)	3,0	3,0	3,0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
Leverage ratio buffer requirement (%)	0,0	0,0	0,0
Overall leverage ratio requirements (%)	3,0	3,0	3,0
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value - average)	18 981	19 434	21 439
Cash outflows - Total weighted value	4 081	6 313	9 601
Cash inflows - Total weighted value	3 061	4 735	13 375
Total net cash outflows (adjusted value)	1 020	1 578	2 400
Liquidity coverage ratio (%)	1 860	1 231	893
Net Stable Funding Ratio			
Total available stable funding	582 063	588 736	545 519
Total required stable funding	522 333	514 054	513 753
NSFR ratio (%)	111	115	106

Note 10. Continued

Summary of items included in own funds

SEKm	2023	2022	2022
	30 Jun	31 Dec²	30 Jun
Calculation of own funds			
Equity in the consolidated situation	32 375	34 249	28 441
Group contribution, after tax	-	-1 859	-
Common Equity Tier 1 capital before regulatory adjustments	32 375	32 389	28 441
Deferred tax assets	-	-	-
Intangible assets	-	-	-
IRB provisions shortfall (-)	-16	-11	-62
Pension assets in excess of related liabilities	-16	-11	-7
Other items, net	-14	-22	-67
Total regulatory adjustments to Common Equity Tier 1 capital	-46	-44	-136
Common Equity Tier 1 capital (net after deduction)	32 329	32 345	28 305
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)	32 329	32 345	28 305
Tier 2 capital before regulatory adjustments	1 650	1 650	1 650
IRB provisions excess (+)	85	68	-
Pension assets in excess of related liabilities ¹	-	-	-
Other items, net	-	-	-
Total regulatory adjustments to Tier 2 capital	85	68	-
Tier 2 capital	1 735	1 718	1 650
Own funds (net after deduction)¹	34 064	34 063	29 955

1) Based on conditional FSA approval.

2) Including profit of the period.

Own Funds, including profit

SEKm	30 Jun	31 Dec	30 Jun
	2023	2022	2022
Common Equity Tier 1 capital, including profit	32 315	32 345	28 278
Total Own Funds, including profit	34 050	34 063	29 929

Note 10. Continued

Minimum capital requirement and REA

SEKm	30 Jun 2023		31 Dec 2022		30 Jun 2022	
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk			3 391	42 380	3 558	44 469
-of which counterparty credit risk	78	978	83	1 033	77	959
IRB	3 366	42 073	3 216	40 198	3 315	41 443
- sovereign	-	-	-	-	-	-
- corporate	1 583	19 791	1 501	18 758	1 405	17 563
- advanced	1 583	19 791	1 501	18 758	1 405	17 563
- foundation	-	-	-	-	-	-
- institutions	42	524	41	516	54	673
- retail	1 741	21 758	1 674	20 922	1 857	23 207
- secured by immovable property collateral	1 660	20 750	1 597	19 967	1 766	22 081
- other retail	81	1 008	77	955	90	1 127
- other	-	-	-	2	-	-
Standardised	228	2 852	175	2 182	242	3 026
- central governments or central banks	-	-	-	-	-	-
- regional governments or local authorities	-	-	-	-	-	-
- public sector entities	-	-	-	-	-	-
- multilateral development banks	-	-	-	-	-	-
- international organisations	-	-	-	-	-	-
- institutions	228	2 852	175	2 182	242	3 026
- 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	-	-	-	-	-	-
Operational risk	871	10 886	851	10 638	851	10 638
Standardised	871	10 886	851	10 638	851	10 638
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	10 445	130 565	10 342	129 277	10 504	131 299
Additional risk exposure amount due to Article 3 CRR	-	-	-	-	-	-
Total	14 910	186 376	14 584	182 295	14 912	186 406

Note 10. Continued

Minimum Capital Requirements, Pillar 2 Requirements & Capital Buffers

Percentage	Minimum Capital requirement	Pillar 2 requirement ²	Capital buffers				Capital Buffers total ¹	Total
			CCoB	CCyB	O-SII	SRB		
Common Equity Tier 1 capital	4,5	0,9	2,5	2,0	1,0	0,0	5,5	10,9
Tier 1 capital	6,0	1,2	2,5	2,0	1,0	0,0	5,5	12,7
Own funds	8,0	1,6	2,5	2,0	1,0	0,0	5,5	15,1
SEKm								
Common Equity Tier 1 capital	8 387	1 677	4 659	3 720	1 864		10 243	20 308
Tier 1 capital	11 183	2 237	4 659	3 720	1 864		10 243	23 662
Own funds	14 910	2 982	4 659	3 720	1 864		10 243	28 136

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

2. In the 2022 SREP, the supervisor has informed Nordea Hypotek AB (publ) of its supervisory capital assessment where Pillar 2 is 1.75% in own funds requirement and 1% in CET1 requirement

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Jun 15-jul	31 Dec 14-jul	30 Jun 14-jul
Common Equity Tier 1 capital	10,3	10,7	8,1

Capital ratios	30 Jun 2023	31 Dec 2022	30 Jun 2022
Percentage			
Common Equity Tier 1 capital ratio, including profit	17,3	17,7	15,2
Tier 1 capital ratio, including profit	17,3	17,7	15,2
Total capital ratio, including profit	18,3	18,7	16,1
Common Equity Tier 1 capital ratio, excluding profit	17,3	17,7	15,2
Tier 1 capital ratio, excluding profit	17,3	17,7	15,2
Total capital ratio, excluding profit	18,3	18,7	16,1

Leverage Ratio	30 Jun 2023	31 Dec 2022	30 Jun 2022
Tier 1 capital, transitional definition, SEKm	32 329	32 345	28 305
Leverage ratio exposure, SEKm	744 922	730 101	731 085
Leverage ratio, percentage	4,3	4,4	3,9

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

	On-balance exposure, SEKm	Off-balance exposure, SEKm	Exposure value (EAD), SEKm ¹	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:	122 666		120 561		16
<i>of which</i>					
- rating grades 6	77 729		76 322		6
- rating grades 5	9 048		8 732		24
- rating grades 4	32 714		32 361		38
- rating grades 3	2 809		2 810		34
- rating grades 2	157		157		49
- rating grades 1	103		93		48
- unrated	81		61		66
- defaulted	25		25		77
Institutions, foundation IRB:	8 130		8 130		6
<i>of which</i>					
- rating grades 6	7 719		7 719		6
- rating grades 5	411		411		9
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	562 884	53 817	616 701	53 817	3
<i>of which</i>					
- scoring grades A	499 132	47 776	546 908	47 776	2
- scoring grades B	36 811	3 531	40 342	3 531	6
- scoring grades C	19 071	1 826	20 897	1 826	12
- scoring grades D	3 951	388	4 339	388	23
- scoring grades E	1 583	144	1 727	144	37
- scoring grades F	1 380	152	1 532	152	60
- not scored	150		150		62
- defaulted	806		806		127
Retail, of which other retail:	14 259		14 255		7
<i>of which</i>					
- scoring grades A	11 704		11 704		4
- scoring grades B	1 192		1 189		10
- scoring grades C	1 008		1 008		18
- scoring grades D	126		126		25
- scoring grades E	71		71		26
- scoring grades F	105		105		35
- not scored	11		10		43
- defaulted	42		42		251
Other non credit-obligation assets:	0		0		100

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

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

Regulatory developments

On 21 June, the Swedish FSA decided to leave the countercyclical buffer unchanged, hence the buffer rate is increased from 1.0% to 2.0%, as decided earlier, from 22 June 2023.

On 31 May, the Swedish FSA decided on an updated approach for assessing the size of the Pillar 2 guidance (P2G) for Swedish banks. The updated method contains in part new intervals and an upper limit on how much the outcome of the sensitivity-based stress test can contribute to the final guidance. The updated approach will be applied as of 31 May 2023.

During the second quarter the Swedish National Debt Office communicated MREL requirements. The MREL requirements for Nordea Hypotek AB (publ) are 21.70 % of the risk exposure amount (REA) and in parallel 6.00% of leverage ratio exposure (LRE) from 1 January 2024. During a transitional period the MREL requirements are 18.67 % of REA and 5.32% of LRE.

Note 11. 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 2023	31 Dec 2022
Assets		
Loans to credit institutions	9,199,588	4,304,109
Loans to the public	-	-
Derivatives	14,327,837	15,193,926
Other assets	135,480	1,380,319
Prepaid expenses and accrued income	36,978	60,883
Total assets	23,699,883	20,939,237
Liabilities		
Deposits by credit institutions	289,497,481	294,979,551
Debt securities in issue	47,513,647	61,007,961
Derivatives	14,213,142	14,792,329
Other liabilities	854,915	3,737,303
Prepaid income and accrued expenses	349,507	702,344
Subordinated liabilities	1,650,243	1,650,373
Total liabilities	354,078,935	376,869,861

Income statement

SEK (000s)	Nordea Group companies	
	Jan-Jun 2023	Jan-Jun 2022
Interest income	3,285,232	-275,938
Interest expense	-8,546,646	344,394
Net fee and commission income	-60,248	-30,621
Net gains/losses on item at fair value	-1,915,419	-3,987,577
General administrative expenses:		
- Other expenses	-1,546,431	-2,084,607
Total	-8,783,512	-6,034,349

Note 12. 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 was last updated on 23 February 2023 at the latest.

Nordea Hypotek's credit portfolio maintained a stable performance in the first half of 2023. Realised loan losses less reversals of previously realised loan losses remained at very low levels and in line with the same period of 2022, amounting to SEK 0.9m (0.8m) in the first half of 2023. Levels of loans unpaid and past due have increased somewhat, which the Company will monitor ahead.

Geopolitical developments have posed macroeconomic risks, including higher energy, food and commodity prices, and broader inflationary pressure, which could have implications for Nordea Hypotek's customers. Depending on how the situation develops ahead, credit risk in Nordea's portfolio might increase. Developments in terms of Russia's invasion of Ukraine, persistently high inflation and the effect of hiked market rates are uncertainty factors that require close monitoring ahead.

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, 24 August 2023

Per Långsved
Chairman of the Board

Peter Dalmalm Emma Henriksson

Elisabeth Olin Maria Sahlén

Tina Sandvik Maria Härdling

Pia Tverin
Managing Director

Auditor's report

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

Introduction

We have reviewed the interim financial information of Nordea Hypotek AB (publ) as of 30 June 2023 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, 25 August 2023

Öhrlings PricewaterhouseCoopers AB

Peter Sott
Authorized Public Accountant
Auditor in charge

Publication of the annual report 2023

Nordea Hypotek annual report for the financial year 2023 will be published 11 March 2024 in connection with a stock exchange release and will then also be available on [nordea.com](https://www.nordea.com).

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