Nordea

Nordea Hypotek AB (publ)

Annual Report
2022

Content

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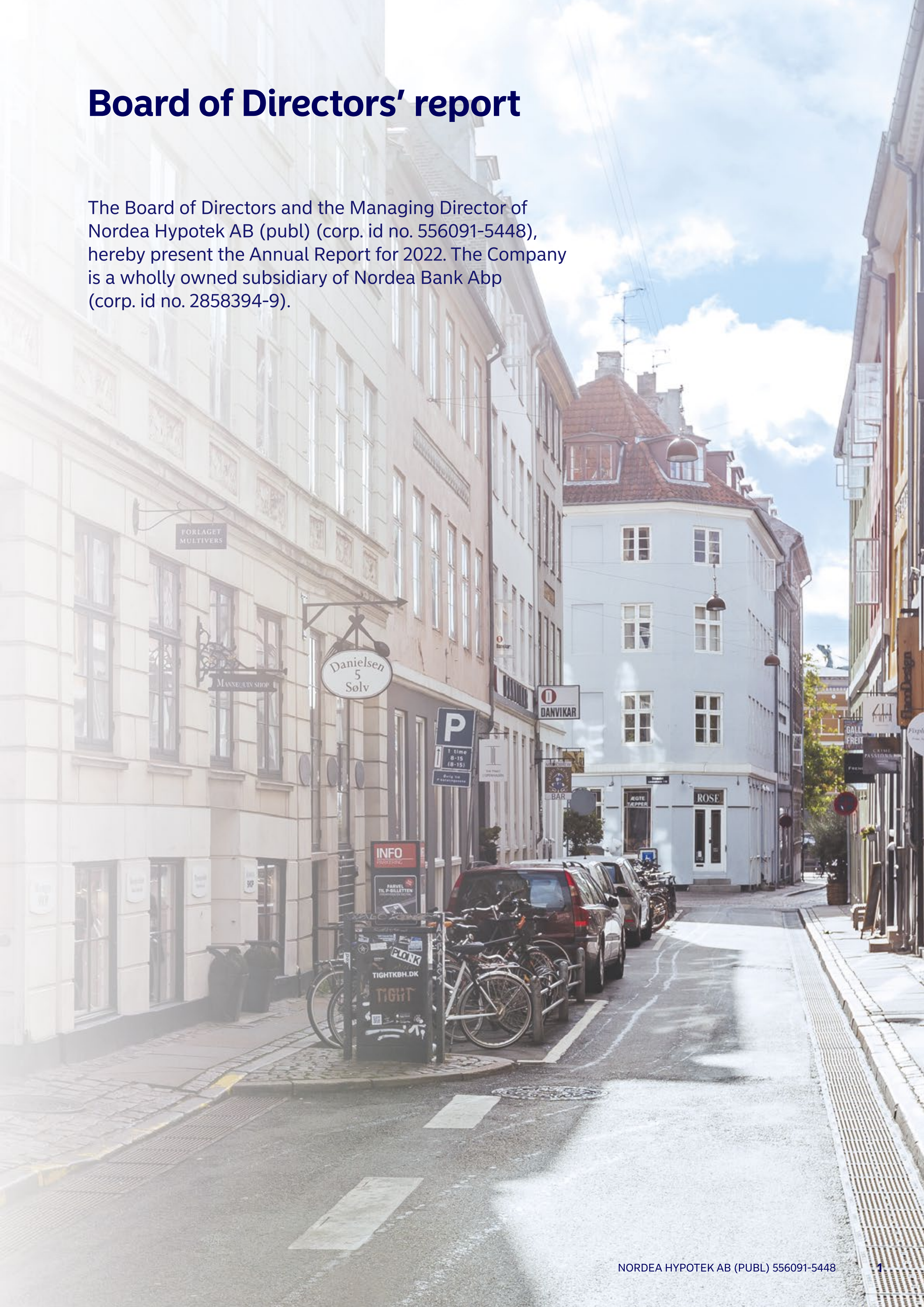
Board of Directors' report

The Board of Directors and the Managing Director of Nordea Hypotek AB (publ) (corp. id no. 556091-5448), hereby present the Annual Report for 2022. The Company is a wholly owned subsidiary of Nordea Bank Abp (corp. id no. 2858394-9).



5 year overview

Income statement

SEKm	2022	2021	2020	2019	2018
Net interest income[1]	7,048	7,514	7,092	6,815	8,150
Net fee and commission income	-63	-62	-56	-43	-10
Net result from items at fair value	246	-45	-74	-22	-160
Total operating income	**7,231**	**7,407**	**6,962**	**6,750**	**7,980**
General administrative expenses:					
- Staff costs	-37	-36	-31	-28	-27
- Other expenses[1]	-4,300	-4,089	-1,332	-1,113	-1,077
Regulatory fees[2]	-425	-246	-217	-349	-546
Total operating expenses	**-4,762**	**-4,371**	**-1,580**	**-1,490**	**-1,650**
Profit before loan losses	**2,469**	**3,036**	**5,382**	**5,260**	**6,330**
Net loan losses	-120	-10	-77	-18	-37
Operating profit	**2,349**	**3,026**	**5,305**	**5,242**	**6,293**
Income tax expense	-490	-630	-1,141	-1,122	-1,389
Net profit for the year	**1,859**	**2,396**	**4,164**	**4,120**	**4,904**

1) As of January 1, 2019, Nordea Hypotek reports resolution fees at the beginning of the year, in connection with the payment obligation arising. The cost was presented below "Other costs" during the period 2019 to 2021. From 2022 onwards, the cost is presented on the row regulatory fees together with the bank tax introduced on 1 January 2022. The accounting principle for the period 2018 and earlier was to accrue these fees over the year and present the cost as "Interest expenses". For more information see note 1 "Accounting principles" in the 2022 and 2018 annual reports.

2) In 2022 Nordea began presenting resolution fees and the Swedish bank tax separately under the new line item "Regulatory fees" in the income statement. The earlier policy was to present similar expenses in the line item "Other expenses". The new presentation provides a more transparent view of Nordea's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year. Comparative figures have been restated accordingly.

Balance sheet

SEKm	2022	2021	2020	2019	2018
Assets					
Loans to credit institutions[1]	4,304	6,554	4,554	5,599	5,299
Loans to the public[1]	700,282	664,615	619,166	579,773	548,759
Interest-bearing securities	20,002	21,053	21,058	21,104	21,084
Derivatives	15,185	4,126	4,567	4,566	4,762
Fair value changes of hedged items in portfolio hedges of interest rate risk	-10,852	-1,157	364	–299	20
Deferred tax assets	–	42	–	–	–
Current tax assets	16	380	382	98	29
Other assets	1,381	739	454	814	2,798
Prepaid expenses and accrued income[1]	63	106	227	357	691
Total assets	**730,381**	**696,458**	**650,772**	**612,013**	**583,442**
Liabilities					
Deposits by credit institutions	294,980	274,306	208,194	235,964	222,065
Debt securities in issue	382,084	386,135	403,636	340,270	324,984
Derivatives	14,792	1,481	877	515	351
Fair value changes of hedged items in portfolio hedges of interest rate risk[2]	–	–	4,078	3,168	3,721
Current tax liabilities	-1	–	–	–	–
Other liabilities	3,741	4,007	6,647	4,777	7,021
Accrued expenses and prepaid income	734	618	196	179	40
Deferred tax liabilities	3	–	10	5	6
Provisions	8	11	13	7	4
Subordinated liabilities[2]	1,650	1,650	1,650	1,650	800
Equity	32,390	28,250	25,471	25,478	24,450
Total liabilities and equity	**730,381**	**696,458**	**650,772**	**612,013**	**583,442**

1) As from 2020, accrued income on loans is presented together with the loans on the lines "Loans to credit institutions" and "Loans to the public" on the balance sheet. Accrued interest on loans has previously been presented on the line "Prepaid expenses and accrued income". For more information see Note 1 "Accounting policies" in the Annual Report 2020. Comparative figures before 2019 on the lines "Loans to credit institutions", "Loans to the public" and "Prepaid expenses and accrued income" have not been restated.

2) As of 2022 Nordea presents the fair value changes of hedged items under fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items under fair value hedge accounting at macro level are, as earlier, presented on a separate balance sheet item , which from 2022 has been renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". The comparison figure for 2021 in the table above has been restated accordingly. The comparative figures for the period 2020–2018 in the table above have not been restated.

Ratios and key figures

	2022	2021	2020	2019	2018
Return on average shareholders equity, %[3, 4]	6.3	8.4	15.6	15.9	19.6
Return on assets, %[3, 4]	0.3	0.3	0.6	0.7	0.8
Investment margin, %[2]	1.0	1.1	1.1	1.1	1.5
Cost/income ratio, %[3, 4]	65.8	59.0	22.7	22.1	15.6
Risk-weighted exposure amount, SEKm	182,295	180,554	170,187	160,206	161,402
Capital base, SEKm[1]	34,063	29,962	27,035	27,012	25,120
Total capital ratio, %[1]	18.7	16.6	15.9	16.9	15.6
Tier 1 capital ratio, %[1]	17.7	15.7	14.9	15.8	15.1
Average number of employees (recalculated to FTEs)	24	24	25	24	20

1) Including profit for the period.

2) As of January 1, 2019, Nordea Hypotek reports resolution fees at the beginning of the year, in connection with the payment obligation arising. The cost was presented below "Other costs" during the period 2019 to 2021. From 2022 onwards, the cost is presented on the row regulatory fees together with the bank tax introduced on 1 January 2022. The accounting principle for the period 2018 and earlier was to accrue these fees over the year and present the cost as "Interest expenses". For more information see note 1 "Accounting principles" in the 2022 and 2018 annual reports.

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, 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.

4) In Sweden, a bank tax was introduced on 1 January 2022 in Sweden, which Nordea Hypotek is covered by. This tax has increased operating costs by SEK 186m, which has resulted in a higher K/I ratio in 2022 compared to 2021. Furthermore, this tax has also negatively affected the return on equity in 2022 compared to 2021.

Definitions

Return on average shareholders equity	Net profit for the year as percentage of equity, quarterly average.
Return on assets	Net profit for the year as a percentage of total assets at end of the year.
Investment margin	Net interest income as a percentage of average total assets, monthly average.
Cost/income ratio	Total operating expenses divided by total operating income.
Risk-weighted amount	Total assets as shown in balance sheet and off-balance-sheet items valued on the basis of credit and market risks in accordance with regulations governing capital adequacy.
Capital base	The capital base constitutes the numerator in calculating the capital ratio. It consists of the sum of tier 1 capital (equity) and supplementary capital (subordinated debenture loans).
Total capital ratio	Capital base as a percentage of risk-weighted amounts.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk-weighted amounts.

Alternative Performance Measures

Mkr	2022	2021
Average equity, SEKm	29,707	28,553
Net profit attributable to shareholders (annualised); SEKm	1,859	2,396
Return on average shareholders equity, %[3]	**6.3**	**8.4**
Total operating income, Tsek	7,230,964	7,406,951
Total operating expenses, Tsek	-4,761,468	-4,370,546
Cost/income ratio, %[3]	**65.8**	**59.0**
Net loan losses, Tsek	-120,007	-10,325
Divide with loans to the public,Tsek[5]	700,282,421	664,614,829
Loan loss ratio, bps[1]	**1.7**	**0.2**
Impaired loans (+) Tsek	409,936	437,921
Divide with loans before allowances, Tsek[5]	704,425,999	671,300,207
Impairment rate (stage 3), gross, bps[1]	**5.8**	**6.5**
Impaired loans (+) Tsek	409,936	437,921
Deduct allowances for individually assessed impaired loans, Tsek	68,147	42,092
Impaired loans after allowances, Tsek	**341,789**	**395,829**
Divide with loans before allowances, Tsek[5]	704,425,999	671,300,207
Impairment rate (stage 3), net, bps[1]	**4.8**	**5.9**
Total allowances, Tsek	249,405	131,781
Divide with loans before allowances, Tsek[5]	704,425,999	671,300,207
Total allowance ratio (stage 1, 2 and 3), bps[1]	**3.5**	**2.0**
Allowances for individually assessed impaired loans, Tsek	68,147	42,092
Divide with impaired loans (+), Tsek	409,936	437,921
Allowances in relation to impaired loans (stage 3), %[1]	**16.6**	**9.6**
CET 1 capital	32.4	28.3
Risk exposure amount, SEKbn	182.3	180.6
Common Equity Tier 1 capital ratio %[2]	**17.7**	**15.7**
Tier 1 capital, SEKbn	32.4	28.3
Risk exposure amount, SEKbn	182.3	180.6
Tier 1 capital ratio %[2]	**17.7**	**15.7**
Total Own funds	34.1	30.0
Risk exposure amount, SEKbn	180.6	180.6
Total capital ratio %[2]	**18.7**	**16.6**

1) Based on IFRS 9.
2) Includes the profit for the year.
3) In Sweden, a bank tax was introduced on 1 January 2022 in Sweden, which Nordea Hypotek is covered by. This tax has increased operating costs by SEK 186m, which has resulted in a higher K/I ratio in 2022 compared to 2021. Furthermore, this tax has also negatively affected the return on equity in 2022 compared to 2021.

Business volumes, key items

SEKm	2022	2021
Loans to the public	700,282	664,615
Loans to the public, excl. repos	700,282	664,615
Deposits and borrowings from the public	–	–

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.

Operations in 2022

Operations

The Company operates in the Swedish market and grants loans, primarily long-term in nature, to households, sole business proprietors, municipalities and other legal entities through the Parent Bank's distribution network. The 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 world economy sustained a substantial and broad downturn in 2022. Russia's invasion of Ukraine led to sharp increases in food and energy prices, hitting households and businesses hard. Confidence indicators plummeted while at the same time inflation rose to the highest level in almost 40 years globally. However, labour markets remain strong and global supply problems have subsided. Central banks have drastically tightened monetary policy to combat high inflation, and the Riksbank hiked the policy rate in steps from 0% at the beginning of the year to 2.5% in November, and signals further increases in 2023. The Swedish economy displayed solid growth in 2022, with increased domestic demand. However, weak consumption tendencies began to appear at the end of the year.

In this tough market situation, Nordea Hypotek has continued to increase its share* of the Swedish mortgage market and has grown the most of all players in the market. The credit losses in Nordea Hypotek's loan portfolio are still low and the company's capital position is still very strong with a core tier 1 capital (CET1) at the end of the year of 17.7 percent (15.7), which is by a margin above the legal requirement. Nordea Hypotek continues its focus on sustainability. During 2022, green lending has increased by 146 percent, from SEK 15.1 billion to SEK 37.2 bn, and in November the company issued its first green covered bond of SEK 6 bn.

Credit quality in Nordea Hypotek's lending portfolio remained strong in 2022. In 2022 realised loan losses were SEK -6m (-11), and net loan losses, including loan provisions, amounted to SEK -120m in 2022 (-10). What effect the high inflation and falling housing prices will have on credit losses is currently uncertain and something the company will carefully monitor ahead.

The housing market in Sweden

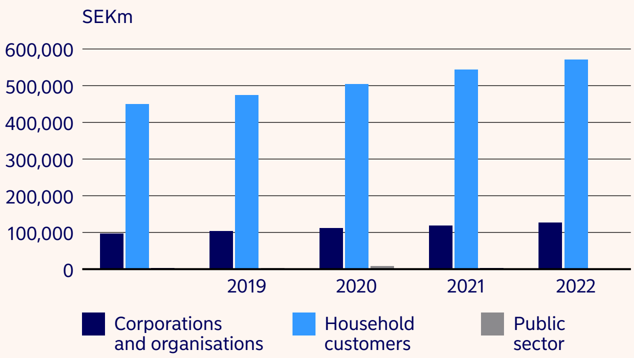
In 2022, Valueguard's price index HOXSWE declined 12.7%. The price decline was greatest for houses, which fell 13.7%, while the decrease for apartments was 11.0%. The year started with price increases in the first quarter, while the price decline between March and December was rapid at 16.4% for the HOXSWE index.

Profit performance for FY 2022 compared with FY 2021

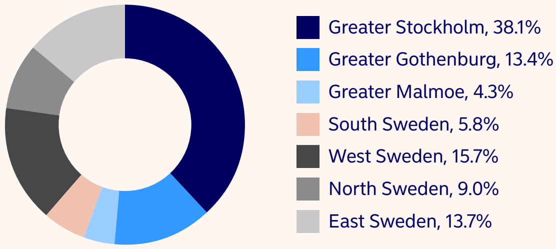
Operating profit was SEK 2,349m (3,026), which is a decrease of 22.4% from the previous year. When comparing earnings with the previous year, account should mainly be taken of the following major items affecting comparability:

- Net interest income amounted to SEK 7,048m (7,514); a decline of 6.2%. The decrease in net interest income is mainly due to higher funding costs, which have not been fully offset by higher interest income and which have driven lower average margins. Higher lending volumes partially compensate for the lower margins.
- Net result from items at fair value improved by SEK 291m, amounting to SEK 246m (-45) at the end of the year. This is chiefly attributable to the market value of interest rate caps and collars that had a positive effect of SEK 279m on the item. In other respects, the item is affected in the amount of SEK 12m by early redemption charges, and in the amount of SEK -42m from the repurchase of issued bonds entered at amortised cost.
- Net commission income was practically unchanged in 2022 compared with 2021 and decreased by SEK 1m, amounting at year-end to SEK -63m (-62).
- Operating expenses at the end of the year were SEK -4,761m (-4,371), an increase of SEK -391m or 8.9% compared to 2021. The increase in costs is mainly due to two underlying components – distribution and selling expenses have increased by SEK -209m as a consequence of higher lending volumes, and also the introduction of risk tax has been charged to earnings in the amount of SEK -186m.
- Return on equity, after standard tax, was 6.3% (8.4). Reduced net interest income combined with higher operating expenses are the main reasons for the reduced return on equity.

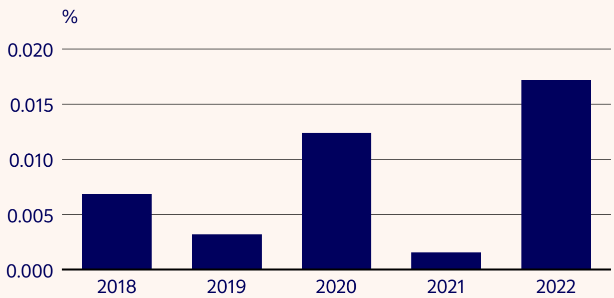
Distribution of the loan portfolio



Geographical distribution of loans in the covered pool



Net loan losses in relation to lending



* according to Statistics Sweden (SCB) statistics for monetary financial institutions (MFI) lending to households with collateral in housing.

Performance of lending for FY 2022 compared with FY 2021

Lending to the public increased during the year by 5.4%, amounting at the end of the year to SEK 700,282m (664,615).

Lending to companies, organisations and municipalities

Lending to legal entities increased by SEK 7,536m (6.2%), amounting at the end of the year to SEK 128,807m (121,271).

Household lending

Household lending increased by SEK 28,132m (5.2%), amounting to SEK 571,475m (543,344) at the end of the year.

Impaired loans and loan losses

Impaired loans, gross, amounted to SEK 410m (438). Net loan losses for the period were SEK -120m (-10), mainly attributable to increased provisions compared with 2021 according to management's judgement. Realised loan losses, less recoveries on written-off loans and reversed provisions, decreased by SEK 5m in 2022, amounting to SEK -6m (-11) at the end of the year.

Forward-looking information is used both for judging significant increases in credit risk and in calculating expected loan losses. For 2022, the scenarios were weighted into the final expected loan loss as follows: Base scenario 50%, deterioration 40% and favourable 10% (base scenario 60%, deterioration 20% and favourable 20% at the end of 2021). The weightings reflected the growing risk in the macroeconomic projections.

The total loan provision has increased compared with 2021, amounting at the end of the year to SEK 258m (143).

Provisions as judged by management

The cyclical provisions, as judged by management, amounted to SEK 123.4m at 31 December 2022 (11.6). The increase of SEK 111,8 million is due to a new judgement caused by the extraordinary circumstances ensuing from the higher energy and commodity prices, and reduced demand.

Structural provisions amounted to SEK 2.8m at 31 December 2022. The structural reserve has the purpose of covering the identified development need in the IFRS 9 models. In 2022 the structural provision decreased by SEK 9.0m mainly driven by model improvements.

Foreign exchange risk

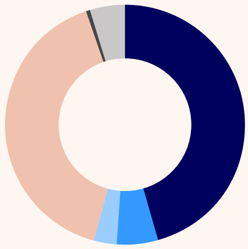
The Company's policy is to hedge foreign exchange risk exposure. The Company's foreign exchange exposures are essentially hedged through FX swaps.

Funding

In 2022, all long-term funding, with the exception of subordinated loans, was in the form of covered bonds. A covered bond is a funding instrument, regulated under the Covered Bonds (Issuance) Act (SFS 2003:1223), which gives investors special priority in the event of the borrower's bankruptcy. Covered bonds may only be issued upon special permission from the Swedish FSA 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 2022, the Company issued bonds to a nominal value of SEK 88.25bn (95). Issuances take place regularly in existing and new series, with the majority being so-called benchmark bonds. In 2022 the Company held agreements with five banks regarding distribution of the bonds in the benchmark series.

Nordea Hypotek's funding structure



In 2022, the Company issued its first green covered bond, of SEK 6 billion. Green covered bonds form part of Nordea Hypotek's long-term funding and Nordea Hypotek intends to use the issue proceeds from the bond to directly or indirectly finance or refinance green assets in accordance with the Nordea Green Funding Framework, August 2022, published at www.nordea.com.

Total outstanding covered bonds at year-end amounted to a nominal SEK 382 (365). In addition, the Company had outstanding debenture loans of SEK 1.65 billion (1.65).

Besides long-term funding as above, the Company regularly arranged funding with the Parent Company during the year. At the end of the year the outstanding amount from such funding was SEK 295.0bn (274.3).

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. As of 1 April 2020, Nordea Hypotek only has Moody's rating on the Company's bond programme for covered bonds.

Counterparty risk and exposures

In total, risk-weighted assets for counterparty risk, which is entirely in relation to the Parent Company, were SEK 1,033m (1,630). The majority of counterparty risk is attributable to derivatives.

Derivatives

Derivative instruments primarily pertain to interest payment exchange contracts (rate swaps) and forward currency exchange contracts (FX swaps). The item "Derivative instruments" in the balance sheet recognises derivative contracts at fair value. The nominal value of derivative contracts is provided in Note 13, "Derivatives and Hedge accounting".

Capital adequacy

Since 2014, CRD/CRR (Capital Requirements Directive/Capital Requirements Regulation) applies in the EU. For more information about capital adequacy, please refer to Note 24, "Capital adequacy".

Sustainability

In accordance with the Nordea Group's sustainability-related responsibility, Nordea Hypotek is committed to sustainable development by combining financial activity with responsibility for sustainability. At the core of our operations is the development and provision of financial services and offerings that support sustainable development by enabling customers to make conscious and sustainable choices. (https://www.nordea.com/en/sustainability/sustainable-choice).

Nordea Hypotek offers green loans to households and corporate customers to finance energy-efficient buildings. Green lending increased by 146% in 2022, with the volume rising from SEK 15.1bn to SEK 37.2bn.

For more information on how the Nordea Group works with sustainability, please see Nordea's Annual Report, Sustainability Notes 2022 and other relevant sustainability reporting, published at www.nordea.com/en/sustainability/reporting/. These reports also cover the sustainability reporting requirements for Nordea Hypotek in accordance with the Annual Accounts Act 1995:1554, Chapter 7, section 31a§.

Legal proceedings

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

Financial outlook for 2023

Nordea Hypotek has decided not to publish any forecasts for 2023.

Corporate governance

The corporate governance report is included as part of the administration report. See the section Corporate Governance Report 2022.

Changes in management and the Board of Directors

In 2022, the following changes to management took place. On June, Arvid Krönmark resigned from his position of Managing Director and in his place, Chief Operating Officer Maria Stolpe was appointed interim Managing Director. In November it was decided that Pia Tverin would become the new Managing Director on 1 January 2023. On 1 May, Sinda Lanz took over as the new Compliance Officer and on 1 September, Magnus Svensson took over as the new Chief Financial Officer.

Magnus Montan resigned from the Board of Directors on 10 November. After the resignation and until the next Annual General Meeting in March 2023, the Board of Directors consists of the remaining seven members.

For further information about personnel matters, see Note 6 "Staff costs" and Note 29 "Related party transactions".

Material changes after the end of the financial year

No major events have occurred since 31 December 2022. However, there are risks linked to the poorer state of the economy in Sweden due to high inflation, higher interest rates and falling house prices. This could have adverse effects on earnings through lower net interest income, higher market volatility and reduced business activity.

Distribution of earnings

After the Company paid group contributions of SEK 2,378,796,370, profit for the year of SEK 1,859,218,118 and retained earnings of SEK 30,400,421,993, as well as other provisions of SEK 19,860,402, are available for distribution by the annual meeting of shareholders.

The proposed group contribution reflects Nordea Hypotek's solid capital position.

The proposed distribution of earnings is provided in Note 32, "Proposed distribution of earnings".

Risk, Liquidity and Capital management

Maintaining risk awareness in the organisation is engrained in Nordea Hypotek's business strategy. The Nordea Group has defined a clear risk, liquidity and capital management framework, with guidelines and instructions for various types of risk, capital adequacy and capital structure, which has also been adopted by Nordea Hypotek (hereinafter Nordea Hypotek or NH).

Internal control framework

NH's board of directors has adopted the Group Board Directive on Internal Governance of the Nordea Group, which describes the internal control framework. The framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internally and externally) and compliance with laws, ordinances, standards, supervisory requirements and Nordea Hypotek's internal rules. The internal control process is conducted by Nordea Hypotek's governing body, which consists of NH's board of directors, the managing director of NH, senior management, the risk management function and other Nordea Hypotek staff and, through intra-group agreements, by units in the rest of the Nordea Group. The internal control has five main components: control environment, risk assessment, control activities, information & communication and monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Governing bodies for risk, liquidity and capital management

Nordea Hypotek's board of directors (NH's board), NH's Board Risk Committee (NH's BRIC) and the managing director of Nordea Hypotek (NH's MD) in Nordea Hypotek's senior management (NH's executive management) are important decision-making bodies for Nordea Hypotek's risk and capital management. Furthermore, NH's board has delegated credit decisions, in accordance with the Nordea Group's internal risk management framework and through intra-group agreements.

Nordea Hypotek's board of directors and the board risk committee

NH's board has the following overarching risk management responsibilities:

- Decides on Nordea Hypotek's risk strategy and risk appetite framework, including related risk appetite limits, with, at minimum, annual reviews and additional updates when needed.
- Decides and follows up on appropriate and effective risk management policy documents and periodically evaluates whether Nordea Hypotek has effective and appropriate risk management controls.

NH's board approves the Group Board Directive on Capital. The directive ensures that the entire Nordea Group maintains adequate capital levels on an ongoing and forward-looking basis in accordance with the business model, risk appetite and regulatory requirements and expectations. NH's BRIC assists NH's board in fulfilling its oversight responsibilities concerning management and control of risks, risk frameworks, controls and processes associated with Nordea Hypotek's operations, including credit, market, liquidity, business and operational risk, as well as ESG and compliance risks with related policy documents and processes.

Nordea Hypotek's managing director

NH's MD is responsible to NH's board for the overall management of Nordea Hypotek's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by NH's board are implemented, the necessary practical measures are taken and risks are monitored and limited. NH's MD is assisted in this task by Nordea Hypotek's executive management.

Nordea Hypotek's executive management

NH's executive management consists of NH's MD, NH's Chief Operating Officer, NH's Chief Credit Officer, NH's Chief Financial Officer, NH's Chief Risk Officer, NH's Business Risk Manager, a Compliance Officer appointed for NH, and NH's Company Legal Counsel.

Credit decision-making bodies

The governing bodies for credit risk and the credit risk management policy documents are NH's board and NH's BRIC.

NH's board has delegated credit decisions in accordance with the mandates described in the Group Board Directive for Risk, adopted by Nordea Hypotek. The Nordea Group has established a number of committees that also deal with credit decisions for Nordea Hypotek.

According to the Group Board Directive for Risk, all limits in the Nordea Group are founded on credit decisions or authorisations from bodies bearing ultimate decision-making responsibility for the limit concerned. Credit decisions include pricing, risk mitigation and any terms and conditions related to the limit or expected utilisation. Credit decisions also serve to delegate decision-making within the approved limit to lower-level decision-makers unless otherwise explicitly decided.

Governance of risk management and compliance

Risk information is sent from the business areas and group functions to NH's board via NH's executive management and NH's BRIC. The flow of information starts with the divisions that monitor and analyse information on the relevant risk type in accordance with intra-group agreements. The information is presented and discussed in NH's executive management and is then submitted to NH's BRIC, where it is discussed and challenged prior to presentation to NH's board.

Group Compliance (GC) in Nordea Bank Abp is responsible for identifying Compliance Risks in NH, and performing monitoring and control to ensure that the risks are managed by the relevant functions. GC performs this task within the bounds of an intra-group agreement. GC provides value-added to NH and its stakeholders by performing an independent evaluation of the bank's compliance with laws, regulations, standards and supervisory requirements, as well as equivalent internal rules governing Nordea Hypotek's operations, and by means of performing various controls. GC reports to NH's BRIC and NH's board.

The risk management policy documents ensure consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking. They encompass all risks to which Nordea Hypotek is or could be exposed, including off-balance sheet risks and risks in a stressed situation. Detailed reports on all risks and NH's compliance with legal requirements are sent to the MD in NH's executive management, to NH's BRIC and to NH's board.

The Risk Identification and Materiality Assessment Process starts with identifying risks to which NH is or could be exposed. Risks are then assessed for relevance, classified and included in NH's risk taxonomy that is based on the Common Risk Taxonomy of the Nordea Group.

All risks within NH's risk taxonomy need to be classified as material or not material for risk and capital management purposes. Material risks are those assessed as having a material impact on NH's current and future financial position, its customers and stakeholders.

Risk appetite

The risk appetite policy documents contribute towards effective risk management and a sound risk culture by enabling well-founded decisions on risk-taking. The objective is to ensure that the risks and the operations keep within NH's risk appetite and that emerging risks are identified and mitigated in time.

Risk capacity is the maximum level of risk NH is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. The risk appetite sets the aggregate level for all types of risk that NH is willing to assume within its risk capacity and in line with its business model to achieve its strategic objectives. The risk appetite limits are NH's board's wording of the approved risk appetite and comprise qualitative statements and quantitative limits and triggers by main risk type to ensure a conservative risk profile.

Credit concentration metrics cover e.g. important customer groups. Stress test metrics are applied to credit, market and liquidity risk to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and limits for incidents and losses.

Risk appetite processes

The risk appetite policy documents contain all processes and controls for determining, monitoring and communicating NH's risk appetite:

- Risk capacity-setting based on capital position: On an annual basis, NH's overall risk capacity is aligned with the financial and capital planning process, based on NH's risk strategy. The risk capacity is set in line with the capital position, including an appropriate shock-absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes risk appetite limits for the main risk types to which NH is or could be exposed according to the Common Risk Taxonomy. Risk appetite triggers are also set for these main risk types, which shall act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its risk appetite limit.
- Risk limit-setting: Risk appetite limits, which are set by NH's board, serve as a basis for risk limits that are set and approved at lower decision-making levels, including NH's executive management. The risk limits are set in accordance with Swedish regulatory requirements and in line with the risk limits of the Nordea Group.
- Controlling and monitoring risk exposures against risk limits: Risk appetite limits and risk limits are subject to regular controls to ensure that risk-taking activity remains within the risk appetite.
- Risk appetite limit breach management process: Nordea Hypotek's Chief Risk Officer (NH's CRO) ensures that any breaches of risk appetite limits are escalated to NH's executive management, NH's BRIC and NH's board. NH's CRO reports at least once a quarter on any breaches to NH's executive management, NH's BRIC and NH's board and other relevant governing bodies, including follow-up on the status of actions to be taken, until the relevant risk exposure is within risk appetite.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea Hypotek's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity positions, the systemic risk profile, the recoverability and resolvability assessments as well as remuneration and incentive programmes.

Disclosure requirements of the CRR – Capital and Risk Management Report 2022

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2022, in accordance with the Capital Requirements Regulation. The report is available at www.nordea.com.

Credit risk management

Credits granted must conform to the common principles established for the Nordea Group. Nordea Hypotek aims to have a well-diversified credit portfolio that is adapted to the structure of the domestic market. The key principles for managing Nordea Hypotek's credit risk are as follows:

- three lines of defence, as further described in the Group Board Directive on Internal Governance, adopted by NH's board.
- independence, i.e. the risk control function should be independent of the business it controls.
- risk-based approach, i.e. the risk control functions shall be aligned with the nature, size and complexity of the business, ensuring that efforts undertaken are proportional to the risks in question.

NH's Chief Credit Officer in the first line of defence is responsible for introducing the Nordea Group's credit process, instructions and standard credit risk procedures into Nordea Hypotek. NH's CRO in the second line of defence is responsible for introducing the Nordea Group credit risk framework, which consists of policies and instructions. NH's CRO and Chief Credit Officer are also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. NH's Chief Credit Officer and NH's CRO are supported in this work by resources in the Nordea Group, in accordance with intra-group agreements.

The basis of credit risk management is limits for customers and customer groups that are aggregated and assigned to units responsible for their continuous monitoring. Besides the processes for the allocation of customer and customer group limits, Nordea Hypotek's credit risk management framework also includes the credit risk appetite framework which provides a comprehensive and risk-based portfolio perspective by means of relevant asset quality and concentration risk metrics. Within the powers to act granted by NH's board, internal credit risk limits are determined by credit decision-making bodies at different levels in the Nordea Group. These credit risk limits equal the maximum risk appetite in relation to the customer concerned. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU).

The risk categorisation and the overall credit volume determine the level at which the decision will be made.

Responsibility for a credit risk rests with the CRU. Customers are risk-categorised by a rating or scoring in accordance with the Nordea Group's common guidelines and models in this respect. The rating and scoring of customers aims to predict their probability of default and to consequently rank them according to their respective default risk. Rating and scoring are used as integral parts of the credit risk management and decision-making process. Independent representatives from Group Credit Management approve the rating.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk mainly stems from various forms of lending, and includes counterparty credit risk. Nordea Hypotek's loan portfolio is furthermore broken down by segment and industry. Industry credit policies are established for those industries that have a significant weight in the portfolio and are either highly cyclical/volatile, or require special industry know-how.

Credit decisions are reached after a credit risk assessment, based on principles that are defined consistently across the entire Nordea Group, and regulated in the intra-group agreement governing credit decisions. These principles emphasise the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings.

Credit decisions reflect the internal view of both the customer relationship and credit risk. The ESG evaluation of large corporate borrowers is currently integrated into the credit process through the Nordea Group credit risk framework. There are different types of ESG evaluations performed dependent on the type and size of the transaction and the customer's internal segmentation. ESG-related risks identified in the ESG evaluation process are integrated into the credit risk assessment and approval follows the established credit decision-making process.

The overall credit risk assessment shall be a combined risk conclusion on the borrower's repayment capacity and recovery position. The risk conclusion must be sufficiently forward-looking in relation to the risk profile of the customer and maturity of the transaction.

In addition to the credit risk assessment made in connection with a new or changed exposure in relation to a customer, an annual or ongoing credit review process is in place. The review process is an important part of the ongoing credit analysis. If a customer's credit profile is deemed weak, the customer is classified as a "high-risk customer" and is thus subject to more frequent review. Furthermore, an action plan is established outlining how to minimise the potential credit loss. If necessary, a work-out team is set up to support the customer responsible unit.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. Pledging of collateral is fundamental to risk mitigation technique, and collaterals are always sought to minimise the potential for credit losses. In every credit decision and review, the value of collaterals must be considered.

Collaterals consist chiefly of residential real estate, tenant-owned homes and various types of municipal guarantees. The credit assessment and assignment of limits proceed on the basis of repayment capacity.

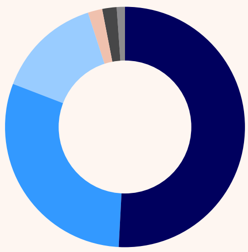
The collateral value should always be based on the market value. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

From this value, a haircut is applied to determine the collateral value. The haircut is a percentage by which the market value of the asset is expected to decrease in the event of a forced sale of the collateral. The size of the haircut is linked to the volatility of market value, liquidity and liquidation cost. A minimum haircut is set for each collateral type. The same principles of calculation must be used for all exposures.

Collateral distribution

The diagram below shows the collateral distribution in Nordea Hypotek's cover pool.

Lending distribution on colleterals



Loan-to-value ratio

The loan-to-value (LTV) ratio, i.e. the credit extended divided by the market value of the collateral, is considered a useful metric for evaluating collateral quality. The table below shows how the collateral in Nordea Hypotek's lending is distributed in different intervals based on indexed LTV ratio.

	2022-12-31	2021-12-31	
Indexed LtV	Volume, SEK	Volume, SEK	Change, %
<50%	338,798,153,565	319,968,561,583	6
50–60%	106,538,160,864	108,597,618,449	-2
60–70%	103,102,518,105	110,621,784,400	-7
70–80%	71,346,290,357	69,380,941,812	3
>80%	59,450,068,398	36,506,112,892	63

1) In the table for loan-to-value municipal loans and guarantees are excluded, as well as loans with non-standard collateral.

Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9 and are based on an expected credit loss model. In impairment testing (individual and collective), three forward-looking and weighted scenarios are applied. Assets to be tested for impairment are divided into three stages depending on the degree of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage 3 includes defaulting assets. All assets are assessed individually for staging. For significant assets in stage 3, the impairment need is tested and calculated individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are assessed for impairment collectively.

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

Nordea Hypotek only reports certain Specific Credit Risk Adjustments (SCRAs). Credit risk adjustments comprise individually and collectively assessed provisions. Credit risk adjustments during the year are recognised as credit losses in the income statement. In the balance sheet, they are recognised as allowances and provisions.

Further information on impairments is presented in Note 11.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collaterals taken into account).

Exposures with individually assigned provisions count as defaulted and belong to stage 3 according to IFRS 9. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Further information on impairments is presented in Note 11.

Default

Customers with exposures that are past due more than 90 days, that are in bankruptcy or considered unlikely to pay (UTP), are regarded as defaulted. Such customers can be either servicing debt or non-servicing. If a customer recovers from being in default, the customer is seen as cured. In order to be cured, the recovery should include the customer's total liabilities. There must also be an established satisfactory repayment plan and an assessment that the recovery is underway.

Collective provisioning

The collective model is executed quarterly. One important driver for provisions is the trigger for transferring assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the life-time probability of default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12-month expected loss. In stage 2 and 3, the provisions equal the lifetime expected loss. The output is complemented by an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions. Further information on impairments is presented in Note 11.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or being about to experience financial difficulties. The intention of granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of covenants. Forbearance is undertaken on a selective and individual basis and is subject to individual impairment testing (corporate customers). Forbearance is granted according to the powers to act. Forborne exposures can be performing or non-performing.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. Nordea Hypotek uses a relative trigger and an absolute trigger. Further information on sensitivities and triggers is provided in Note 31.

Forward-looking information

Forward-looking information is used both when judging a significant increase in credit risk and in calculating expected credit losses. Nordea Hypotek uses three macroeconomic scenarios: a base scenario, and a positive and negative scenario. The scenarios are described in more detail in Note 31.

Credit portfolio

The total credit risk exposure, including on- and off-balance sheet items, amounted to SEK 751bn (737) at year end. Credit risk exposure in the balance sheet amounted to SEK 700bn (665) at year end. See more information on, and breakdown of exposure according to the CRR definition in Note 24 and in the "Capital Management" section. Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and constitutes the majority of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance-sheet claims, i.e. loans to credit institutions and to the public, and off-balance-sheet potential claims on customers, net after allowances.

Loans to corporate customers

Loans to corporate customers at the end of 2022 amounted to SEK 128,807m (121,271), a 6.2% increase. The real estate portfolio is the single largest industry exposure; the real estate portfolio predominantly consists of relatively large and financially strong companies, with 98% (97) of the lending in rating grades 4– and higher.

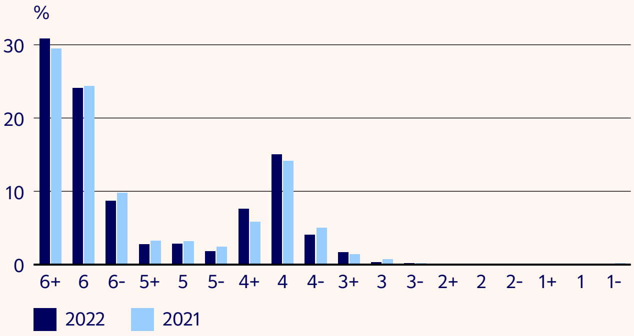
Loans to household customers

In 2022 loans to household customers increased by 5.2% to SEK 571,475m (543,344). The increase is chiefly derived from growth on the domestic mortgage market. The household customer segment consists of a great number of customers, with 99% (99) having a score equalling C– or higher.

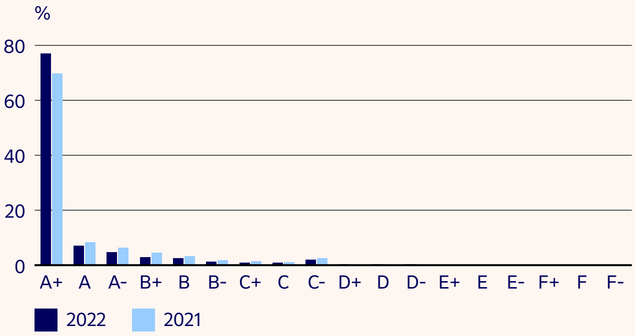
Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. household exposures. The progression of customers' rating and scoring is shown in the graphs below.

Percentage distribution of exposure by rating grade



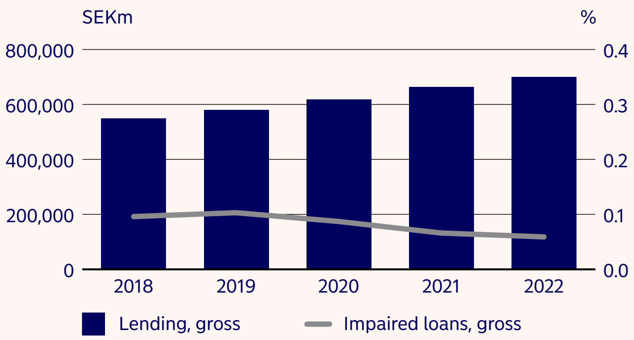
Percentage distribution of exposure by score grade



Impaired loans (stage 3)

Impaired loans (gross) fell in 2022 to SEK 410m (438), equalling 5.8 bps (6.5) of total lending. 16% (7) of impaired loans (gross) are servicing and 84% (93) are non-servicing. Impaired loans (net) after allowances for stage 3 loans amounted to SEK 342m (396), corresponding to 4.8 bps (5.9) of total lending. Allowances for stage 3 loans amounted to SEK 68m (42). Allowances for stages 1 and 2 loans were SEK 181m (90). The ratio of allowances in relation to impaired loans was 3.5 bps (2.0), and the allowance ratio for loans in stages 1 and 2 was 2.6 bps (1.3). Further information on impaired loans is provided in Note 31.

Loans to the public and impaired loans



Loans past due not impaired

The table in Note 31 shows loans past due six days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Loans past due on the corporate side, which are not considered impaired, amounted to SEK 632m at the end of the year (137), and loans past due on the household side were at SEK 554m (467).

Loan losses

Net loan losses amounted to SEK -120m (-10), and are mainly attributable to increased model-based loan provisions. Realised loan losses amounted to SEK -6m for the period (14).

Counterparty credit risk

Counterparty credit risk is the risk that a counterparty in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea Hypotek at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Nordea Hypotek only conducts derivative transactions with the Nordea Group. In total, risk-weighted assets for counterparty risk, which is entirely in relation to the Parent Company, were SEK 1,033m (1,630). The majority of counterparty risk is attributable to derivatives.

Market risk

Market risk is the risk of loss in Nordea Hypotek's positions in either the trading book or banking book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

Nordea Hypotek's market risk appetite level is determined in the risk appetite limits issued by NH's board. These risk appetite limits concern banking-book positions, as Nordea Hypotek does not have a trading book. The second line of defence ensures that the risk appetite is translated through the relevant committees into specific risk appetite limits for Group Treasury. Group Treasury is responsible for managing the market risk in accordance with an intra-group service agreement and within defined limits for risk exposure.

As part of the overall risk appetite policy documents, holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which Nordea Hypotek is exposed.

Non-traded market risk

Non-traded market risk essentially arises from the core operations of Nordea Hypotek, related hedges and regulatory or other external requirements (e.g. liquid asset buffer). Group Treasury is responsible for the comprehensive risk management of all non-traded market risk in the Nordea Group's balance sheet, including Nordea Hypotek.

For the sake of openness and a clear allocation of responsibilities within Group Treasury, the comprehensive risk management has been divided into four parts, each with a clear risk mandate and specific limits and controls. The other market risks to which Nordea Hypotek is exposed are interest-rate risk, foreign-exchange risk and credit-spread risk. The interest-rate risk in the banking-book operations is the current or future risk in Nordea Hypotek's capital and earnings attributable to unfavourable changes in interest rates. Market risks are managed centrally by Group Treasury with respect to profitability and economic value, and include gap risk, basis risk and credit-spread risk.

As at 31 December 2022, 50% of Nordea Hypotek's lending consists of floating interest rates while the remainder consists of fixed interest rates with a fixation period of 1–8 years. Nordea Hypotek's funding essentially carries a fixed rate. This is used in part to hedge fixed-rate lending, although for a substantial part of funding, swaps are used to switch the interest rate to the floating rate to make it consistent with the administrative rate used in lending. The remaining interest-rate risk is managed on behalf of Nordea Hypotek by Group Treasury. The direct interest-rate risk, net, attributable to the repricing gap, together with the limited fixed-interest-rate risk, is hedged using interest-rate swaps (IRS) and overnight index swaps (OIS).

Liquid assets are managed in accordance with the liquidity buffer policy documents. The majority of the risk of changes in interest rates attributable to bond holdings is hedged using maturity-matched IRS agreements and, to a lesser extent, OIS agreements.

Measurement of market risk

IRRBB (interest-rate risk in the banking book) is measured, monitored and managed using three key risk metrics:

- economic value (EV)
- fair value stress loss (FVSL)
- structural interest income risk (SIIR)

The three different risk metrics are used to assess differing aspects of the manifestation of interest-rate risk. These are described in more detail below.

Stress tests of economic value (EV) measure the change in the economic value of assets, liabilities and interest-bearing derivatives in banking-book operations ensuing from changes in interest rates, independently of the accounting classification and without reference to credit spreads and business margins. The model calculation is performed on the basis of a 'run-off balance sheet' and includes behavioural modelling for prepayments.

The fair value stress loss (FVSL) risk metric takes account of the potential revaluation risk with respect to positions held below fair value accounting classifications.

The earnings risk metric measures the change in net interest income relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for prepayments.

FVSL, EV and SIIR sensitivities are measured using internal scenarios determined according to the risk appetite policy documents, the six standard scenarios adopted by the Basel Committee on Banking Supervision and a number of parallel and non-parallel shock scenarios. The exposure limit is measured in relation to the worst outcome from the internal scenarios according to the risk appetite policy documents. The risk appetite scenarios are calibrated to reflect severe but plausible events and are designed to test specific exposures that are, or may be held, under the approved mandate.

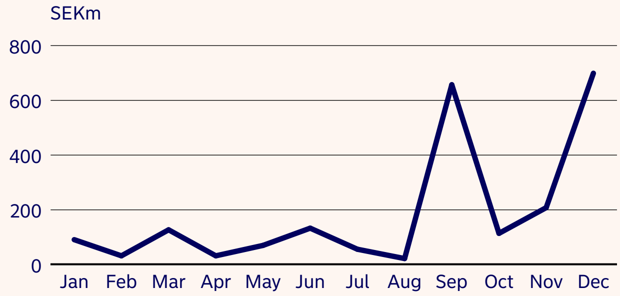
The fair-value risk appetite scenarios are applied to the banking-book portfolios, and the board risk appetite limit considers the combined impact. The fair-value stress metric is monitored daily. A range of EV scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against risk appetite limits. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea Hypotek's lending customers to execute early loan prepayments is estimated using prepayment models.

The Pillar 2 IRRBB capital allocations consist of a Fair Value Risk component and an Earnings Risk component. The Fair Value Risk component covers the impact on Nordea Hypotek's equity due to adverse movements of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI). The Earnings Risk component concerns the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

Market risk analysis

Progression of structural interest income risk (SIIR), 2022



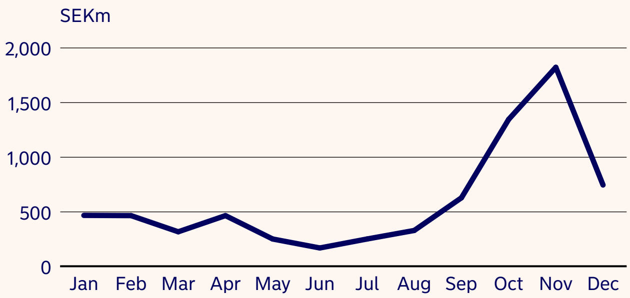
Structural interest income risk (SIIR)

In terms of structural interest-rate risk, Hypotek benefits from rising interest rates because part of the credit portfolio is funded with non-interest-bearing equity. For the structural interest-rate risk, net interest income is calculated over the next 12 months and based on a constant balance sheet. Hypotek's structural interest-rate risk follows similar seasonal patterns to the EV metric due to a concentration of changes to interest-rate terms in March, June, September and December driven by the funding hedged for interest-rate risk through mortgage bonds. However, in contrast to EV, the maximum risk utilisation for each balance sheet item occurs in the month before changes to interest-rate terms, because the baseline scenario is then applied to all remaining months over a one-year horizon.

The SIIR risk for each balance sheet item is at its highest in the month before changes to interest-rate terms, because the parallel shift is then applied to all months in the risk horizon. In the same month in which the change to interest-rate terms is made, risk utilisation is at its lowest level and then gradually increases until the change to interest-rate terms is made three months later.

In 2022, the stress scenario applied for measuring SIIR was changed from a parallel rate shift of 50 bps to 200 bps. In accordance with this, risk appetite limit was also adjusted from SEK 500m to SEK 1,400m. In 2022 SIIR was within the risk appetite limit.

Change in economic value, 2022



Economic Value (EV)

In terms of economic value, Hypotek benefits from falling interest rates because part of the fixed-rate credit portfolio is not hedged against changes in interest rates.

In 2022, EV has been within the risk appetite limit of SEK 2,100m.

Floating interest-rate risk, 3-month change to interest-rate terms (amounts to 50–60% of EV risk in Feb, May, Aug, Nov)
Floating interest-rate risk drives the seasonal pattern in risk utilisation due to a concentration of changes to interest-rate terms in March, June, September and December, driven by the funding hedged for interest-rate risk through mortgage bonds. Floating interest-rate risk amounts to 50–60% of total EV risk in February, May, August and November because the risk contribution from the funding hedged for interest-rate risk through mortgage bonds is then at its lowest.

EV risk for each balance sheet item is at its highest in connection with changes to interest-rate terms, because the EV metric discounts the present value until the next change to interest-rate terms. The EV risk for each balance sheet item is thus at its lowest in the month before the change to interest-rate terms – a substantial difference to the SIIR metric.

Interest-rate risk 1–8 years
New fixed-rate lending decreased significantly in 2022 as a result of customers choosing floating-rate loans to a greater extent.

Due to high volatility in financial markets, most fixed-rate lending was hedged for interest-rate risk continually over the year, with the exception of the three-year segment, in which risk utilisation increased in the second half of the year.

Other market risks – pension risk
Pension risk (including market and longevity risks) arises from Nordea Hypotek-sponsored defined benefit pension plans for past and current employees. The ability of the pension plans to meet the projected pension payments is maintained through investments and ongoing plan contributions.

The pension risk in Nordea Hypotek is limited because the majority of staff have most of their years of employment within the Nordea Group, as employees of the Parent Company. Newly appointed external staff are not covered by any defined benefit pension plans.

Operational risk
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risks are inherent in all of Nordea Hypotek's business and operations. Consequently all managers are accountable for the operational risks related to their area of responsibility and to manage them within the risk limits and risk appetite limits set forth in the operational risk management policy documents.

NH's CRO is, supported by the risk control functions in the Nordea Group, the second line of defence for operational risk control and is responsible for developing and maintaining the overall operational risk management policy documents as well as for monitoring and controlling the operational risk management of the first line of defence. The second line of defence performs monitoring and controls to ensure that operational risks are appropriately identified, assessed and mitigated. The second line of defence follows up risk exposures in relation to the risk appetite limits and assesses the adequacy and effectiveness of the operational risk management policy documents and implementation thereof.

Staff in the second line of defence are responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and operational risk incidents to NH's CRO, who then reports to NH's executive management, NH's SRIC and NH's board.

The Risk Appetite Statement (RAS) for operational risk addresses:

1) residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
2) total loss amount from incidents as well as incident management

Management of operational risk
Nordea's Group Board Directives on risk, risk appetite and internal governance, adopted by NH's board, set out the principles for management of risks in Nordea Hypotek. Based on these principles, the Nordea Group has prepared internal rules as part of the policy documents for managing operational risk and compliance risk.

This also applies to Nordea Hypotek. Management of operational risk and compliance risk includes all activities aimed at identifying; assessing and measuring; responding to and mitigating; controlling and monitoring; and reporting on risks. Risks are identified through various processes according to the following descriptions.

Risk and Control Self-Assessment (RCSA)
The RCSA process provides an overview of the operational risks and compliance risks in Nordea Hypotek. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks.

Compliance independent risk assessment (CIRA)
The CIRA process is an independent risk assessment performed by the second line of defence. The purpose of the CIRA process is to assess Nordea Hypotek's compliance risk. The assessment is performed based on the Risk Taxonomy for Compliance Risks and covers both external and internal rules. The assessment results in a picture of Nordea Hypotek's compliance risk and the outcome is used as a basis in devising the annual plan.

Change Risk Management and Approval (CRMA) (including quality and risk analysis)
The objective of the CRMA process is to ensure that there is a full understanding of both financial and non-financial risks arising from changes. Risks have been adequately managed consistent with Nordea Hypotek's risk strategy, risk appetite and corresponding risk limits before a change is approved or implemented.

Changes in scope of CRMA include new products, services and IT systems or significant changes thereto.

Incident reporting
The objective of incident reporting is to ensure appropriate handling and reporting of detected incidents to minimise the impact on Nordea Hypotek and its customers, prevent recurrence and to reduce the probability and impact of future incidents. In addition, incident management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Reporting suspicious activity (whistleblowing)
The purpose of the whistleblowing process (reporting suspicious activity) is to enable the staff and customers of the Nordea Group to feel safe in the knowledge that they can raise the alarm if they detect or suspect professional misconduct or unethical behaviour.

There are different ways of reporting suspected unethical behaviour or suspected breaches of internal or external rules. Concerns can be raised openly, in confidence or anonymously. There are also rules and procedures for investigating such matters.

Complaints management
The objective of complaints management is to improve customer satisfaction and identify deficiencies that can be remedied through IT development or altered processes. Complaints management is attended to by the customer responsible units together with the customer ombudsman, in accordance with an intra-group agreement. The number of complaints and types of complaint are reported each quarter to the members of NH's executive management, together

with information on current and proposed measures per area of complaint.

Third-party risk management

The objective of third party risk management is to ensure that Nordea Hypotek follows the rules and that risks related to third parties and third-party activities, including outsourcing, are appropriately managed before entering into, during, as well as when exiting a third party arrangement.

While Nordea Hypotek may delegate parts of its day-to-day operational activities to third parties, it is still always Nordea Hypotek's full responsibility to maintain effective oversight and governance of the outsourced arrangements and services.

Business continuity and crisis management at Nordea

The objective of business continuity and crisis management is the overall risk management under which Hypotek ensures building and maintaining the appropriate levels of resiliency, readiness, response and management of extraordinary events and crises. The business continuity plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis management provides the governance to execute plans and enhance decision-making during a crisis.

Information security management

The objective of information security management is the protection and preservation of information with respect to confidentiality, integrity and availability. The Nordea Group's information security management system encompasses policies, procedures, tools and methods. The system facilitates management and control of information security risks, and helps to protect and preserve information security and attain business objectives.

Material processes

The purpose of the policy documents for material processes is to identify and document the most important processes and ensure that risks and controls in these processes are assessed and managed so that they may proceed as intended. Amongst other aspects, Nordea Hypotek's customers shall always be offered products securely and in a timely manner, and in accordance with prevailing regulations.

Reputational risk

The objective of reputational risk management is to protect the reputation of the Nordea Group and Nordea Hypotek. Reputational risk is defined as the risk of damaged trust in the Nordea brand from customers, employees, authorities, investors, partners and general public with the potential for adverse economic impact.

Reputational risk often results from, or causes, other types of risks inherent in the operations, such as credit, liquidity, market, operational, compliance and legal risks. Reputational risk policy documents have been developed, with guiding principles for managing this type of risk.

These policy documents are closely linked to those for risk management and related processes to identify, assess and mitigate risk. They stipulate for instance that account shall be taken of the opinion of stakeholders when decisions are made.

Minimum requirement for own funds for operational risk

Nordea Hypotek's capital requirement for operational risk is calculated according to the standardised approach. According thereto, the activities are divided into eight standardised business areas, and the gross income for each business area is multiplied by a predetermined beta value. The consolidated own funds requirement for operational risk is calculated as the average of the own funds requirement of the last three years.

Financial reporting risk

Financial reporting risk is defined as the risk of misstatements in external financial reporting and capital adequacy disclosures. The risk is attributable to erroneous interpretation and application of accounting standards, use of judgements in reporting and inadequate governance and control processes in terms of measurement and financial reporting. Financial reporting risk management is carried out in accordance with the AKC (Accounting Key Control) policy documents, which are based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). They provide a structure and instructions for designing, operating and evaluating the system of internal control over financial reporting across the Nordea Group. It is through the AKC policy documents that management provides its assurance regarding the financial statements. The control function in the second line of defence is responsible for the independent monitoring, assessment and oversight of the risks and the Company's implementation of the AKC policy documents.

Compliance risk

The Nordea Group defines compliance risk as the risk of failing to comply with statutes, laws, regulations, business principles, ethical standards, sound business practice and equivalent internal provisions governing the bank in a country in which Nordea operates.

The key principle for the management of compliance risk is the three lines of defence. The first line of defence consists of Nordea Hypotek employees, who are risk owners and responsible for their own daily risk management and control of compliance risks. Management on all levels is responsible for operating the business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes. Group compliance constitutes, according to outsourcing agreements, the second line of defence at Nordea Hypotek. The unit coordinates, promotes and monitors the efficiency and integrity of compliance risk management. Group Compliance performs an independent evaluation of Nordea Hypotek's compliance with prevailing rules and regulations, and also advises, supports and trains the first line on various ways to effectively and efficiently handle compliance obligations.

On a quarterly basis, Group Compliance reports on all significant compliance risks to management, the Board and relevant committees such as the Nordea Hypotek Board Risk Committee (BRIC) in order to inform of Nordea Hypotek's current risk exposure in relation to the predefined risk appetite.

Group Internal Audit constitutes the third line of defence and performs audits and provides assurance to stakeholders on internal controls and risk management processes. It is important that prevailing laws and provisions are adhered to, and that controls are carried out to ensure this, partly because Nordea Hypotek is a responsible corporate citizen, and partly to prevent the banking system from being used for criminal activity. Through the classification of Nordea Hypotek into the category "other systemically important institutions" (O-SII) and the relocation of the Parent Company to Finland, Nordea Hypotek is subject to a set of stringent standards, under the supervision of both the Swedish financial supervisory authority and the European Central Bank.

The ethical guidelines and the Nordea Group's values reinforce the corporate culture and establish how employees shall act. The overarching principles, governing how the operations are to be run, how customers are to be treated and how employees are expected to act, are set out in our ethical guidelines. Acting the right way does not just mean that we ask ourselves "can we do it?", but also "should we do it?". By asking these questions, we consider the potential consequences of a decision for our stakeholders. Each year, all employees must undergo compulsory training on our ethical guidelines, thus ensuring requisite awareness and knowledge of the ethical principles. Besides, all new employees must undergo compulsory training in Nordea's ethical guidelines.

Ethical guidelines and corporate values

The ethical guidelines and the corporate values reinforce Nordea Hypotek's corporate culture and establish how employees shall act. The overarching principles, which govern how Nordea Hypotek runs its business, how Nordea Hypotek acts towards its customers and the conduct that is expected of its employees, are stipulated in the Nordea Group Ethical Guidelines. Acting the right way does not just mean that Nordea Hypotek asks itself "can we do it?", but also "should we do it?". In connection with this, employees shall consider the consequences of their decisions for all stakeholders. Each year, each employee must undergo compulsory training on the ethical guidelines, thus ensuring requisite awareness and knowledge of the ethical principles.

Customer protection

The objective of customer protection is to ensure that customers are treated fairly, with a fair outcome. Fair treatment means having open and clear communication, meeting the customer's needs (outcome-centric), awareness among employees, responding to customer complaints and communicating honestly and openly as well as developing accurate, relevant and timely management information.

Important customer protection areas are financial advice (for instance within mortgages), product governance, employees' knowledge and competence, and management of customer complaints. Customer protection within the advisory field shall ensure that the advice is adapted to the customer's needs and circumstances, that it concerns appropriate products and that lending is responsible.

Customer protection with respect to products and services concerns delivering good and valuable products and services of high quality, that meet the customer's needs. This involves defining and targeting a specific market, offering value for money and providing accurate product material and customer communication. It is also important to manage conflicts of interest concerning products and services.

Customer complaints are an important part of following up on customer protection. In the past two years, complaints management has been developed and a new process has been introduced, with clear and regular reporting, a strong feedback culture, analysis of underlying causes and implementation of measures.

Managing business ethics

Conduct risk, or the risk of deficient business ethics, is defined as risks associated with an inappropriate corporate culture or inappropriate behaviour among employees, or the risk of somebody acting, intentionally or unintentionally, in a way that could lead to unfair outcomes and detriment to customers, or undermine market integrity.

The methods for managing conduct risk are continually developed to ensure that corporate culture and employee behaviour are consistent with the values and that fair outcomes are delivered for customers throughout all stages of the customer lifecycle. This means that customers shall be given top priority in the business strategy, in devising and developing products, in sales and in the ongoing servicing of Nordea Hypotek's customers.

ESG risk

Nordea defines ESG risk as the risk of an adverse financial impact in the short to long term, deriving from the direct or indirect impact that the environment (including climate) social issues and governance matters could have on Nordea Hypotek. It is important that we integrate ESG assessments into our risk management framework.

For more information on how the Nordea Group works with ESG-related risk, please refer to the Nordea Pillar 3 report which, for the 2022 financial year, includes ESG-related risk reporting for the first time (https://www.nordea.com/en/investors/capital-and-risk-reports-pillar-3/).

Financial crime

Financial crime poses a serious threat to the security and integrity of the global financial system, and combating it calls for cooperation between banks and authorities. Improving security in the global financial system is a joint responsibility.

The Nordea Group is obliged to follow prevailing laws and regulations concerning combating money laundering and terrorist financing, sanctions, bribes and corruption in the bank's countries of operation. Nordea Hypotek refutes being used for money laundering or any other type of financial crime. The Nordea Group therefore has guidelines that stipulate effective and uniform standards for compliance. These have been adopted by NH's board and support the customer strategy, vision and values, and provide a uniform set of risk management principles and compulsory standards for Nordea Hypotek and the Nordea Group as a whole. It is important for Nordea Hypotek to have thorough risk-based customer due diligence procedures when new customers are welcomed, and continually throughout the customer relationship. A high level of familiarity with customers and counterparties can enable the bank, using screening and monitoring, to detect suspicious or illegal transactions and report them to the authorities for further investigation. Nordea Hypotek has outsourced the work on performing all customer due diligence procedures to customer responsible units in the Nordea Group, and this is regulated in an intra-group agreement.

Nordea Hypotek also has an obligation to follow all international and national sanctions programmes. Nordea Hypotek's customers and their transactions are therefore screened against prevailing sanctions lists to ensure compliance with the sanctions requirements. Since mid-2015, extensive investments have been made in technology, capacity and more advanced assessment methods to reduce the risks associated with financial crime.

Liquidity management

In 2022, Nordea Hypotek continued to benefit from its conservative liquidity management, in terms of a strong funding base and a diversified liquidity buffer. Nordea Hypotek had good access to the Swedish covered bond market and was able to carry out issuances in line with the funding plan. Nordea Hypotek issued covered bonds to a nominal value of SEK 88bn (95).

Liquidity risk definition and identification

Liquidity risk is the risk of inability to service cash flow obligations when they fall due; or inability to meet cash flow obligations without incurring significant additional funding costs. Nordea Hypotek is exposed to liquidity risk in its lending, investment, funding, off-balance-sheet exposures and other activities that result in a negative cash flow mismatch.

Management principles and control

The Nordea Group's liquidity risk is managed through three lines of defence: The first line of defence consists of Group Treasury and the business areas (including Nordea Hypotek) as well as NH's CFO. Group Treasury is responsible for the day-to-day management of the liquidity positions, liquidity buffers, external and internal funding, including the mobilisation of cash around the Nordea Group, and Funds Transfer Pricing (FTP). On a quarterly basis, Group Treasury follows up on the progression of liquidity and the outcome of the stress tests performed, and presents this to NH's CFO and CRO. NH's CFO then presents the quarterly follow-up to NH's BRIC. Furthermore, the CFO is responsible for submitting an annual qualitative assessment of the Company's liquidity risks and presenting the results to NH's management and NH's BRIC. It is also the responsibility of the CFO to ensure that the size of the liquidity buffer is reviewed and approved by the executive management and the board on an annual basis.

Nordea Hypotek and Group Treasury have signed an intra-group agreement covering liquidity risk management. The second line of defence, which includes NH's CRO and units in Nordea Group Risk & Compliance (GRC) which acts according to an intra-group agreement, is responsible for independent oversight and challenge to the first line of defence.

The third line of defence includes Group Internal Audit (GIA), which is responsible for providing independent oversight of the first and second lines of defence. NH's board defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most important metrics are the liquidity coverage ratio (LCR) and the internal liquidity stress horizon, which sets a minimum survival period of three months under Nordea-specific and market-wide stress scenarios with limited mitigation actions.

Specific policy documents with limits and monitoring metrics ensure that Nordea Hypotek stays within various risk parameters including the risk appetite.

Liquidity risk management strategy
Nordea Hypotek's liquidity risk management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea Hypotek's liquidity management shall reflect a conservative attitude towards liquidity risk. Nordea Hypotek strives to diversify its sources of funding (from a larger group of investors) and seeks to establish and maintain relationships with investors in order to ensure market access. Nordea Hypotek's funding programme only encompasses long covered bonds. Funding for the short and medium term is managed through intra-group loans at market rates.

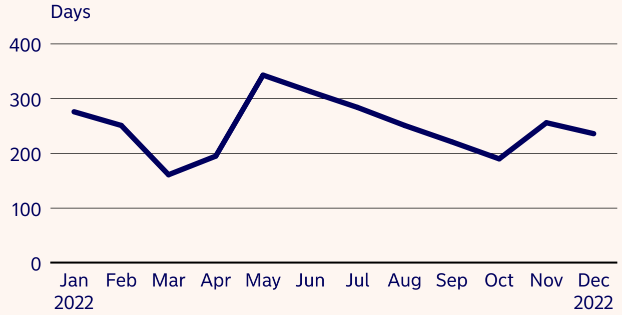
Trust is fundamental in the funding market; therefore, Nordea Hypotek periodically publishes information on the liquidity situation and cover pool. Furthermore, Nordea Hypotek performs regular stress testing of the liquidity position and the cover pool, and is also covered by the Nordea Group's contingency plans for liquidity crisis management.

Liquidity risk measurement
To ensure funding in situations when the bank is in urgent need of cash and the normal funding sources do not suffice, Nordea Hypotek holds a liquidity buffer. The liquidity buffer consists of central-bank eligible high-grade liquid securities that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. The short-term liquidity risk is measured and mitigated using LCR and the internal parameters liquidity coverage and liquidity stress horizon. The internal parameters stipulate that the liquidity buffer needs to be sufficient to cover major outflows experienced over the first three months, whereby Nordea Hypotek is subject to market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. Long-term structural liquidity risk is mitigated using the net stable funding ratio (NSFR) metric. Combined, these metrics form the basis for Nordea Hypotek's liquidity risk appetite, and are reviewed and approved by the board at least annually.

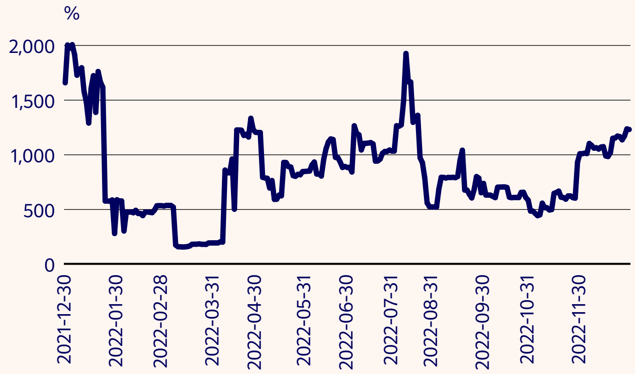
Liquidity risk analysis
Nordea Hypotek maintains a clear and prudent liquidity risk profile with a strong funding base. At the end of 2022, the total nominal value within the covered bond programme was SEK 382bn (365). More information on Nordea Hypotek's funding sources is provided in the section "Operations in 2022".

Survival horizon



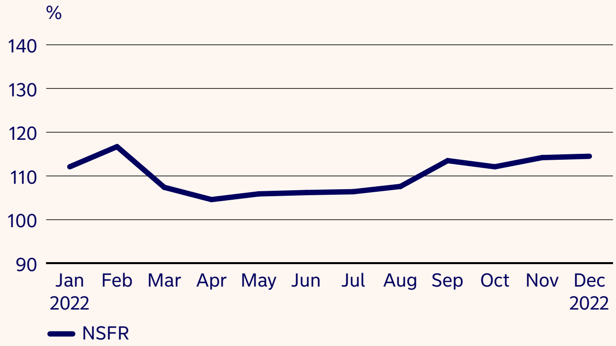
The liquidity risk position remained stable throughout 2022. The internal survival horizon was 226 days (264) at the end of 2021. The liquidity buffer has been sufficient to cover the stressed outflows longer than the Risk Appetite Framework (RAF) of 90 days or trigger of 120 days throughout 2022. The liquidity buffer amounted to SEK 20,002m at 31 December 2022, with a monthly average of SEK 22,103m during the year.

Liquidity Coverage Ratio



The combined liquidity coverage ratio (LCR) according to EBA Delegated Act rules, has remained above the Risk Appetite Framework (RAF) of 105% and trigger of 115% throughout 2022. LCR was 1,231% at the end of 2022 (375%).

Net Stable Funding Ratio, %



The net stable funding ratio (NSFR) has been above the Risk Appetite Framework (RAF) of 101.5% and the trigger of 102.5% throughout 2022. The lowest level reported for 2022 was in April, when it was 104.6%. At the end of December 2022, NSFR was 114.5%.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risks are inherent in all of Nordea Hypotek's business and operations. This means that all managers are accountable for the operational risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational risk management policy documents.

Nordea Hypotek's Chief Risk Officer (CRO) is, supported by the risk control functions in the Nordea Group, the second line of defence for operational risk control and is responsible for developing and maintaining the overall operational risk management policy documents as well as for monitoring and controlling the operational risk management of the first line of defence. The second line of defence performs monitoring and controls to ensure that operational risks are appropriately identified, assessed and mitigated, follows up risk exposures in relation to risk appetite and assesses the adequacy and effectiveness of the operational risk management policy documents and their implementation.

The focus areas of the monitoring and control work performed by the second line of defence are decided during an annual planning process that includes key risk areas and operational risk processes. Staff in the second line of defence are responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and incidents to the CRO, who then reports to the Company's management, board and risk committee.

The Risk Appetite Statement (RAS) for operational risk addresses:

- residual risk, and
- total loss amount from incidents.

Operational risk

Management of operational risk includes all activities aimed at identifying; assessing and measuring; responding to and mitigating; controlling and monitoring; and reporting on risks.

The risk management is supported by various processes including e.g. the Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Technology and Data Risk Management, Third Party Risk Management and Significant Operating processes.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides an overview and assessment of operational and compliance risks across the Company. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. In the RCSA process, the level of inherent risk and the controls in place to mitigate the inherent risks are assessed. If mitigating actions are needed to reduce the risk, these are identified and implemented.

Change Risk Management and Approval (CRMA)

The objective of Nordea Hypotek's Change Risk Management and Approval (CRMA) framework is to ensure that there is a full understanding of both financial and non-financial risks arising from the change, and that risks have been adequately managed consistent with the Company's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented. Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, markets, processes and IT systems as well as exceptional transactions and decommissioning.

Incident management

The objective of incident management is to ensure appropriate handling and reporting of detected incidents to minimise the impact on the Company and its customers. Incident Management is designed to prevent recurrence and to reduce the probability and impact of future incidents. In addition, the Incident Management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Business Continuity and Crisis Management

The objective of business continuity and crisis management is the overall risk management under which Nordea Hypotek ensures building and maintaining the appropriate levels of resiliency, readiness, response and management of extraordinary events and crises. The Business Continuity Plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis management provides the governance to execute plans and enhance decision-making during a crisis.

Third-party risk management (TPRM)

The objective of Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third-party activities, including but not limited to outsourcing, are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third-party arrangement. TPRM shall ensure risks associated with third parties and third-party activities are kept within risk appetite and risk limits.

Information and communication technology risk management
The objective of ICT risk management is to ensure that information and communication technology and data management risks are appropriately identified, assessed and managed.

Financial reporting risk management
Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting and disclosures. An internal control system is in place for managing financial reporting risk. The system provides structure and contains standards for designing, operating and evaluating the system of internal control over financial reporting across the Company. It is through the policy documents that management provides its assurance regarding the financial statements. The CRO is the risk control function for financial reporting risk and is responsible for the independent monitoring, assessment and oversight of the risks and the Company's implementation of the policy documents, and reports to the Risk Committee.

Compliance risk
Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules. Employees throughout Nordea are accountable for the compliance risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the compliance risk management framework. Group Compliance is Nordea's independent second line of defence compliance function and is responsible for developing and maintaining the risk management policy documents for compliance risks. The function will also guide the business in its implementation and application of the policy documents. Group Compliance performs this work for Nordea Hypotek under an intra-group outsourcing agreement.

A plan for compliance at Nordea Hypotek is prepared and presented annually. The annual plan contains activities for each risk area as well as Group Compliance's overall approach to key risk areas. Group Compliance reports to Nordea Hypotek's board, relevant committees and management at least once a quarter.

Nordea's Code of Conduct defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. It contains our purpose and values and sets the standards for our conduct in areas such as care for the environment, labour rights, how we treat our customers, human rights, the right to privacy, fair competition, anti-bribery and anti-corruption. The Code of Conduct is reviewed annually and was last updated in June 2022. All our employees are required to complete annual training on the Code of Conduct as part of their Licence to Work.

Nordea is committed to conducting business with the highest ethical standards and according to applicable laws, rules and regulations. Nordea's internal controls and operating procedures are designed to detect and prevent misconduct and fraudulent actions. Nordea's whistleblowing function Raise Your Concern (RYC) ensures that all our stakeholders, including customers, partners, affected communities as well as our own employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in our operations, products or services. This includes any action that constitutes a violation of laws or regulations, or of our internal policies, instructions or guidelines. We offer the possibility to report openly, by providing name and contact details, as all reports are handled with strict confidentiality. However, we also provide an electronic reporting channel, WhistleB, which is managed by an external party. The system is separate from our IT systems and does not track IP addresses or other data that could identify the sender of a message. Reports can be in Danish, English, Finnish, Norwegian and Swedish.

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance.

Combating financial crime
Nordea takes its responsibility towards society and customers seriously and has over the years built strong defences to prevent its products, services and systems from being used for unlawful purposes. Nordea continued to strengthen its financial crime defences in 2022 within areas such as i) IT support of customer due diligence processes, ii) continued strengthening of KYC files, iii) transaction monitoring capabilities, iv) updating Nordea's policies in light of changes in regulation, v) strengthening of Nordea's Sanctions programme, and vi) providing relevant training to ensure all our employees continue to maintain the right skill set and competences. Nordea's close cooperation with regulators continued during 2022 with ongoing engagement with all four Nordic regulators covering various aspects of Nordea's financial crime programme.

Management of compliance risk
The Risk Appetite Statement (RAS) for compliance risk provides direction on compliance risk management and defines the residual risk levels at which risks would breach risk appetite, and formulates requirements on mitigation of compliance risk.

Capital management

Nordea Hypotek strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure, with due consideration for regulatory requirements and internal targets. The Board of Directors ultimately decides on the targets for capital ratios, capital policy and the overall capital management framework at Nordea Hypotek. The ability to fulfil objectives and minimum capital adequacy requirements is regularly inspected by management

Minimum requirements for capital adequacy and risk exposure amount

	31 Dec 2022		31 Dec 2021	
SEKm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**3,391**	**42,380**	**3,466**	**43,322**
- of which counterparty credit risk	83	1,033	130	1,630
IRB	**3,216**	**40,198**	**3,208**	**40,092**
- sovereign			–	–
- corporate	1,501	18,758	1,360	16,996
- advanced	1,501	18,758	1,360	16,996
- foundation			–	–
- institutions	41	516	44	549
- retail	1,674	20,922	1,804	22,547
- secured by immovable property collateral	1,597	19,967	1,725	21,559
- other retail	77	955	79	988
- other	0	2	–	–
Standardised	**175**	**2,182**	**258**	**3,230**
- central governments or central banks	–	–	9	120
- regional governments or local authorities	–	–	–	–
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	175	2,182	249	3,110
- 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[1]	–	–	–	–
- banking book, Standardised Approach	–	–	–	–
Settlement risk	**–**	**–**	**–**	**–**
Operational risk	**851**	**10,638**	**854**	**10,677**
Standardised	851	10,638	854	10,677
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	**10,342**	**129,277**	**10,124**	**126,555**
Additional risk exposure amount due to Article 3 CRR	**–**	**–**	**–**	**–**
Total	**14,584**	**182,295**	**14,444**	**180,554**

Summary of items included in own funds

SEKm	31 Dec 2022	31 Dec 2021[2]
Calculation of own funds		
Equity in the consolidated situation	34,249	30,646
Proposed/actual dividend	-1,859	-2,396
Common Equity Tier 1 capital before regulatory adjustments	**32,389**	**28,250**
Deferred tax assets	–	–
Intangible assets	–	–
IRB provisions shortfall (–)	-11	-111
Pension assets in excess of related liabilities[1]	-11	-9
Other items, net	-22	150
Total regulatory adjustments to Common Equity Tier 1 capital	-44	30
Common Equity Tier 1 capital (net after deduction)	**32,345**	**28,280**
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)	**32,345**	**28,280**
Tier 2 capital before regulatory adjustments	1,650	1,650
IRB provisions excess (+)	68	32
Pension assets in excess of related liabilities	–	–
Other items, net	–	–
Total regulatory adjustments to Tier 2 capital	68	32
Tier 2 capital	1,718	1,682
Own funds (net after deduction)[1]	**34,063**	**29,962**

1) Based on conditional FSA approval.
2) Including profit of the period..

Own Funds, excluding profit

Mkr	31 Dec 2022	31 Dec 2021
Common Equity Tier 1 capital, excluding profit[1]	32,345	28,284
Total Own Funds, excluding profit[1]	34,063	29,966

1) The treatment of Nordea Hypotek group contribution in relation to Common Equity Tier 1 capital and Own Funds with profit excluded calculation was amended in Q4 2021 compared to Q4 2020. Previously group contribution amounts were deducted from Common Equity Tier 1 capital / Own Funds at year end which caused material decreases compared to prior quarters. From Q4 2021 onwards the group contribution will not be recognised in Common Equity Tier 1 capital / Own Funds until profit approval in Q1 which will reduce variances in Own Funds reporting across quarters

Capital requirements

The capital requirement and the own funds described in this section follow the CRR rules and not accounting standards, see Note 24 “Capital adequacy” for details.

Capital policy

The current capital policy states that Nordea Hypotek under normal business conditions should have minimum levels for common equity tier 1 (CET1) capital ratio, tier 1 ratio and total capital ratio that exceeds the capital requirements set out by the competent authorities. Nordea Hypotek shall, on top of this, also hold a capital buffer.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the Capital Requirements Regulation.

At the end of 2022 it was estimated that Nordea Hypotek had 94.9% of the credit risk exposure amount covered by internal rating based (IRB) approaches. The Nordea Group is authorised to use internal VaR models for calculating the capital requirement for the majority of the market risk in the trading book; Nordea Hypotek has no such risk, however. For operational risk, the standardised approach is applied.

Internal capital requirement

The internal capital requirement is calculated based on Nordea Hypotek’s internal Pillar 1 equivalent, plus an additional amount for other risks, and includes an economic stress buffer.

In addition, supervisors require Nordea Hypotek to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP).

Economic capital (EC)

Economic Capital (EC) is a method for allocating the cost of holding capital, as a result of risk taking. For Nordea Hypotek, the allocation of costs within the EC model is based on the same risk components as the ICAAP.

EC is calculated for the Nordea group whereas ICAAP, which is governed by the Capital Requirements Directive (CRD), covers Nordea Bank Abp in its consolidated situation. EC for the Nordea Group has been aligned to CET1 capitalisation requirements according to the Capital Requirements Regulation (CRR).

Own funds

Own funds are the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and Additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid-in capital and retained earnings.

Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 and Tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

New regulations on capital requirements

The Capital Requirement Directive (CRD) and Capital Requirement Regulation (CRR) entered into force in January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) in May 2014. The CRR became applicable in all EU countries in January 2014 while the directives were implemented through national law within all EU member states from 2014.

In June 2019, the 'Banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The revisions include a review of the Minimum Requirement for own funds and Eligible Liabilities (MREL), a review of the market risk requirements (Fundamental Review of the Trading Book, FRTB), the introduction of a binding Net Stable Funding Ratio (NSFR), the introduction of a strict leverage ratio requirement of 3% to be met by Tier 1 capital and amendments to the Pillar 2 and macroprudential framework.

The Swedish National Debt Office, in June 2022, communicated MREL requirements for Nordea Hypotek AB (publ). The MREL requirements for Nordea Hypotek AB (publ) are 17% of the risk exposure amount (REA) and in parallel 4.98% of leverage ratio exposure (LRE) from 1 July 2022, 18.67% of REA and in parallel 5.32% of LRE from 1 January 2023 and 22% of REA and in parallel 6% of LRE from 1 January 2024. Also, the capital used to meet the combined buffer requirement cannot be used to meet the MREL requirements expressed as percentage of REA. The requirements will be assessed and updated annually by the Swedish National Debt Office.

The Swedish FSA, in July 2022, communicated that Nordea Hypotek AB (publ) will be required to maintain a buffer for other systemically important institutions (O-SII) of 1% to be met with CET1 capital from 30 December 2022.

In March 2021, the Swedish FSA published the new approach for the setting of the CCyB rate. The Swedish FSA will apply a "positive neutral" rate of 2% going forward. This means that the buffer rate will be set at 2% during normal periods. The Swedish FSA has earlier decided to increase the CCyB requirement to 1% from 0%, to be applicable from 29 September 2022. In June 2022, the Swedish FSA decided to further increase the CCyB to 2%. The increase to 2% applies from Q2 2023.

Finalisation of Basel III framework ("Basel IV")

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk . In December 2017 the finalised Basel III framework, often called Basel IV, was published . Basel IV enters into force from 2023 and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and also introduces a new output floor .

Before being applicable to Nordea, Basel IV needs to be implemented into EU regulation . In October 2021 the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and the CRR . The proposal from the Commission is to set the start date to 1 January 2025 . In November 2022 the Council of the European Union agreed on their counterproposal to the Commission´s proposal . The next step is for the European Parliament to agree on a counterproposal after which negotiations will start in the so-called trilogue to agree on the final set of rules implementing Basel IV into EU regulation .

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total Pillar 1 REA calculated using the standardised approaches for credit, market and operational risk . The floor will be phased in, starting with 50% from 1 January 2025 to be fully implemented at 72.5% from 1 January 2030 . For the calculation of the REA for the output floor, there are transitional rules until end 2032 .

Corporate governance report 2022

Corporate governance refers to relations between a company's senior management, its board of directors, its shareholders and other stakeholders, such as employees and their representatives. It also determines the structure used to define a company's objectives, as well as the means of achieving them and of monitoring the results obtained. Strong corporate governance is thus about companies having clear and systematic decision-making processes, providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management, transparency and accountability.

Corporate governance at Nordea Hypotek AB (publ) (the Company) follows generally adopted principles of corporate governance and relevant normative frameworks.

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act.

1. Corporate Governance at Nordea Hypotek AB (publ)

The Company is a Swedish public limited liability company. It is a subsidiary of Nordea Bank Abp (in Finland) and thereby part of the Nordea Group (the Nordea Group). The Company has issued bonds that are listed on the Nasdaq exchange in Stockholm and bonds that are listed on Nasdaq First North Bond Market Finland, in Helsinki. The parent company Nordea Bank Abp's shares are listed on the Nasdaq stock exchanges in Helsinki, Stockholm and Copenhagen and its American Depository Receipts are traded in the US in US dollars. Furthermore, as part of its funding operations Nordea Bank Abp issues long-term debt instruments that are usually listed on various stock exchanges.

The corporate governance of the Company is proportionate and comprehensive with respect to the nature, scope and diversity of the Company's operations to ensure effective management in accordance with prudent conduct of business principles. Furthermore, the Company's commitment to its purpose, values and vision requires the integration of sound corporate governance practices into regular business activities.

The Board of Directors (the Board) and the Chief Executive Officer (the CEO) are responsible for the management of the Company. The main emphasis is on the Board noting and undertaking its role in the corporate governance structure, and the interaction with the other governing bodies to ensure sound corporate governance, including systems for internal control and risk management regarding financial reporting.

Corporate governance and the duties of the governing bodies of the Company are defined by the applicable external and internal frameworks. The external framework that regulates corporate governance work includes EU-law, such as Directive 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013 (CRR), as well as rules and guidelines issued by relevant financial supervisory authorities, such as the EBA Guidelines on Internal Governance and Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, as well as national level laws, such as the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Investment Firms and Covered Bond Issuance Act. The Company also complies with rules and guidelines issued by other relevant supervisory authorities, as well as EU regulations for the financial industry and Nasdaq's rules for the exchanges in Stockholm and Helsinki, respectively.

The Board has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Company. Furthermore, the Company's Code of Conduct provides an ethical framework for the conduct of all members of governing bodies and employees. These mechanisms, together with the Articles of Association, the Charter and the Committee Charters (both types of charters are defined below in section 6.3) as well as applicable internal directives, instructions and policies constitute the internal framework that regulates corporate governance at the Company.

The internal framework is designed to enable prudent conduct of business by defining the powers and responsibilities of the corporate bodies and employees.

2. Division of Powers and Responsibilities

The management and control of the Company is divided among the shareholders (at general meetings), the Board and the CEO, pursuant to the provisions of the external framework, the Articles of Association and the internal framework set forth by the Board and/or the CEO.

The Company's business is conducted in close integration with its parent company, Nordea Bank Abp, and the bank's branch business in Sweden. The Company and the bank have agreed, through several so called Intra Group Agreements, that the bank's business areas and group functions shall provide various services to the Company in among others the following areas: distribution of mortgage loans including taking credit decisions; financial crime prevention; liquidity and capital management; compliance and risk management; internal audit; funding; accounting and reporting; as well as IT system administration.

3. General Meetings

The general meeting is the Company's highest decision-making body, at which shareholders participate in the supervision and control of the Company through their voting rights and right to speak.

Applicable regulations and the Articles of Association of the Company determine the matters that have to be dealt with at a general meeting. At the general meeting, decisions are taken regarding matters such as the annual accounts, dividend, election of board members and auditor as well as remuneration for board members and the auditor.

The general meetings are held in Stockholm.

The 2023 AGM will be held on Wednesday 15 March 2023.

4. Voting Rights

All shares in the Company carry one vote each at general meetings. At general meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. All shares in the Company are held by Nordea Bank Abp.

5. Articles of Association

The Articles of Association are available at www.nordea.se.privat/produkter/bolan/nordea-hypotek. Amendments to the Articles of Association are resolved by the general meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

6. The Board

6.1 Composition and competence of the Board

According to the Articles of Association, the Board must consist of at least five and no more than twelve members elected by the shareholders at the general meeting. The term of office for board members is one year and expires at the end of the annual general meeting of the shareholders (the AGM) following the election. The Company has neither a specific retirement age for board members nor a time limit for how long a board member may serve on the Board. There are no such requirements in the external framework. However, the number of consecutive years a person has served as board member must be taken into consideration when conducting the overall evaluation of independence. Furthermore, applicable European regulatory requirements of the banking sector are taken into account in the evaluation.

The Company has a diversity policy adopted by the Board that establishes the principles of diversity. According to the diversity policy, all board member nominations must be based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. Within this, a broad set of qualities and competences is sought for and it is recognised that diversity – including age, gender, geographical provenance as well as educational and professional background – is an important factor to consider. The objective is to have a fair, equal and balanced representation of different genders and other diversifying factors in the Board collectively.

It is assessed that the Board collectively possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Company are carried out, exhibiting adequate diversity and breadth of qualities and competences and that the gender distribution is acceptable. However, the aim is to improve the balance of gender distribution in connection with future board changes.

The Board currently consists of seven members (two men and five women), who were elected by the AGM on 16 March 2022. They are Per Långsved (Chair), Peter Dalmalm (Deputy Chair), Emma Henriksson, Maria Härdling, Marte Kopperstad, Elisabeth Olin and Maria Sahlén. Magnus Montan, who was also elected by the above AGM, resigned on 10 November 2022.

The CEO is not a member of the Board. The composition of the Board is set out in the below table.

6.2 Independence of the Board

The Company complies with applicable requirements regarding independence of the Board according to Swedish laws and regulations. The Board considers all members to be independent of the Company. Maria Sahlén, who is also chair of the Audit Committee and Emma Henriksson are independent also in relation to the Company's only shareholder, Nordea Bank Abp.

6.3 The Work of the Board

The Board has adopted written work procedures governing its work that also set forth the management and risk reporting to the Board (the Charter) and separate work procedures for the work carried out by each of the Board committees (the Committee Charters). For example, the Charter determines the Board's and the Chair's respective areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest, confidentiality and the board secretary.

The Board is charged with the organisation of the Company and the administration of the Company's operations in accordance with the external and internal framework. The Board must ensure that the Company's legal and organisational structure is appropriate and transparent with a clear allocation of functions and areas of responsibility that ensures sound and efficient governance of the company, avoids the creation of complex structures and enables supervisors to conduct efficient supervision.

The Board regularly follows up on the Company's strategy, business development as well as the financial position and the performance. Furthermore, the Board regularly updates the policies and internal rules for the governance and control on which it has decided. The Board also reviews the risk appetite and regularly follows up on the development of risks, capital and liquidity. Significant organisational changes, certain senior management appointments and other resolutions of significance are other matters dealt with by the Board. In 2022, the Board also dealt with, among other things, macroeconomic developments, interest rate volatility and the downturn on the housing market following the war in Ukraine as well as various issues related to internal control and compliance.

Furthermore, the Board must ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board shall ensure that measures are taken to establish and maintain required efficient and adequate systems of internal control of the business. Group Internal Audit annually provides the appropriate governing bodies including the Company's Audit Committee with an assessment of the overall effectiveness of the governance, and the risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

In 2022, the Board held sixteen board meetings, of which six were held per capsulam.

6.4 Chair

The Board's Chair and Deputy Chair are elected by the shareholder at the General Meeting. The Board meets according to its annual meeting schedule and as necessary. The Chair is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chair is to organise and lead the Board's work, maintain regular contact with the CEO, and ensure that the Board receives sufficient information and documentation and that the work of the Board is evaluated annually.

6.5 Evaluation of the Board

The Board conducts a self-evaluation process annually, through which the performance and the work of the Board is evaluated for the purpose of continuously improving the Board's work. The evaluation is based on a methodology that includes questionnaires to evaluate the Board as a whole, the Chair and the individual board members. The result of the self-evaluation process is further discussed by the Board.

In accordance with applicable European regulatory requirements, a suitability assessment of the individual board members and of the Board as a whole is completed annually as well in connection with the selection process of any new board members. The annual suitability assessment concluded that the board members are individually and collectively assessed suitable and deemed to possess adequate knowledge, skills and experience to perform their duties.

6.6 The Board Committees

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board has established three separate working committees to assist the Board in preparing matters falling within the competence of the Board and in making decisions in matters delegated by the Board.

The duties of the Board committees, as well as the working procedures, are defined in the Committee Charters. In general, the Board committees do not have autonomous decision-making powers and each committee regularly reports on its work to the Board.

6.6.1 The Audit committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities by *inter alia* monitoring the Company's financial reporting process and providing recommendations or proposals to ensure its reliability (including efficiency of the internal control and risk management system), monitoring the effectiveness of Group Internal Audit, keeping itself informed as to

Name	Year of birth	Position	Other relevant assignments
Per Långsved	1976	Chairman	Head of Personal Banking SE & Country Senior Executive, Sweden, Nordea Bank Abp; Chairman, Böda Sand Beach Resort AB; Board member, Quinolette AB
Peter Dalmalm	1968	Vice chairman	Head of Business Banking, Sweden, Nordea Bank Abp
Emma Henriksson	1975	Board member	Chief Innovation Officer, Skandia Fastigheter AB, Board member, ÅWL Arkitekter AB
Maria Härdling	1972	Board member	Group Financial Management, Nordea Bank Abp
Marte Kopperstad	1979	Board member	Head of Products & Development Personal Banking, Nordea Bank Abp
Elisabeth Olin	1961	Board member	Head of Management Office Personal Banking, Sweden, Nordea Bank Abp
Maria Sahlén	1979	Board member	Chief Operating Officer Sweden Nordic Real Estate Partners

the statutory audit of the annual accounts and by reviewing and monitoring the impartiality and independence of the external auditors, including the offering of services other than auditing services by the auditors, prepares a recommendation of appointment of the Company's auditor, as well as by taking care of the responsibilities of the Audit Committee pursuant to applicable legal requirements.

The members of the Audit Committee are Maria Sahlén (Chair), Peter Dalmalm and Maria Härdling. Generally, the Company's Chief Internal Auditor, CEO, Chief Financial Officer and Chief Risk Officer are present at the Audit Committee meetings, with the right to participate in discussions but not in decisions. In 2022, the Audit Committee held six meetings.

The Board annually appoints the members and the chair of the Audit Committee. The Audit Committee must have at least three committee members, who are members of the Board. The chair of the Audit Committee must not be the chair of the Board or of any other Board committee. None of the members of the Audit Committee must be employed by the Company or any of its subsidiaries. The majority of the members of the committee are to be independent of the Company and its subsidiaries, if any, as well as of the Company's Executive Management. At least one of the members of the Audit Committee who is independent of the Company and its Executive Management must also be independent of the Company's significant shareholders and have competence in accounting and/or auditing.

6.6.2 The Risk Committee

The Risk Committee assists the Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the activities, including credit, market, liquidity, operational, compliance, model, ESG (environmental, social and corporate governance) and business model risk as well as related frameworks and processes.

The duties of the Risk Committee include to review and where required make recommendations on the Company's risk and compliance governance as well as review the development of the internal control framework, including the risk management framework, in reference to the development of the Company's risk profile, and changes in the regulatory framework. In addition, among other things, the Risk Committee reviews and makes recommendations regarding the Company's risk appetite and risk strategy.

The members of the Risk Committee are Elisabeth Olin (Chair), Maria Härdling and Emma Henriksson. Magnus Montan was member of the Risk Committee, until 10 November 2022 when he resigned from the Board. On the same day, he was replaced by Emma Henriksson in the Risk Committee. Generally, the Company's Chief Risk Officer, Compliance Officer, Chief Internal Auditor, CEO, Chief Financial Officer, Head of Credits and Business Risk Manager are present at meetings, with the right to participate in discussions but not in decisions. In 2022, the Risk Committee held five meetings.

The Board annually appoints the members and the chair of the Risk Committee. The Risk Committee must have at least three committee members, who are members of the Board. The chair of the Risk Committee may not be the chair of the Board or of any other Board Committee. The Risk Committee shall be composed of members of the Board who are not part of the Company's Executive Management. Members of the Risk Committee shall have, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices.

6.6.3 The Remuneration and People Committee

The Remuneration and People Committee is responsible for preparing and presenting proposals to the Board on, among other things, remuneration matters, diversity and inclusion. When preparing the proposals, the long-term interests of shareholders, investors and other stakeholders shall be considered.

At least annually, the Remuneration and People Committee follows up on the application of the *Company Directive on Remuneration*, including the use of variable pay adjustments, through an independent review by Group Internal Audit. It assesses that the remuneration system takes into account all types of risks, liquidity and capital levels. At the request of the Board, the committee also prepares other issues of principle for the consideration of the Board.

The members of the Remuneration and People Committee are Marte Kopperstad (Chair), Per Långsved and Peter Dalmalm. When deemed important and to the extent possible the person corresponding to the Nordea Group's Chief People Officer, currently the Company's People Business Partner in Group People, and the CEO are present at meetings, with the right to participate in discussions but not in decisions. Neither of them shall participate in considerations concerning his or her own respective employment terms and conditions. In 2022, the Remuneration and People Committee held three meetings, of which one was held per capsulam.

The Board annually appoints the members and the Chair of the Remuneration and People Committee. The Remuneration and People Committee must have at least three Committee members, who are members of the Board. The Chair and the majority of the members of committee shall be members of the Board who are independent of the Company, and not employed by the Company or its subsidiaries (if any), unless the member is an employee representative in the Board. The members of the committee shall have collectively sufficient knowledge, expertise and experience in issues relating to risk management and remuneration.

7. CEO and Executive Management

The CEO is in charge of the day-to-day management of the Company and the Company's affairs in accordance with the external and internal frameworks. The internal framework adopted by the Company further regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chair of the Board in terms of planning Board meetings.

The CEO is accountable to the Board for managing the Company's operations and organisation.

The CEO works together with certain senior managers in Nordea Hypotek Executive Management (below referred to as the Executive Management or NHEM). NHEM meets regularly and whenever necessary at the request of the CEO. These meetings are chaired by the CEO, who takes decisions after having consulted with the other members of NHEM. Notes of the meetings, verified by the CEO, are kept.

At the end of 2022, the NHEM members were: Maria Stolpe (acting CEO and Chief Operating Officer), Magnus Svensson (Chief Financial Officer), Johan Wikander (Head of Credit), Johan Widholm (Senior Legal Counsel), Jan Hoppe (Chief Risk Officer), Sinda Lanz (Compliance Officer) and Madeleine Qvarfordt (Business Risk Manager). As mentioned in section *Operations in 2022* in the Annual Report, it was resolved in November that Pia Tverin would become new CEO as of 1 January 2023.

The CEO and the senior managers in NHEM as of 1 January 2023 are further presented in the below table (in total eight persons).

Name	Year of birth	Position
Pia Tverin	1976	CEO
Maria Stolpe	1969	Chief Operating Officer
Johan Wikander	1979	Head of Credit
Magnus Svensson	1979	Chief Financial Officer
Jan Hoppe	1981	Chief Risk Officer
Sinda Lanz	1984	Compliance Officer
Johan Widholm	1967	Senior Legal Counsel
Madeleine Qvarfordt	1985	Business Risk Manager

8. Internal Control Framework

8.1 General

The Board is responsible for setting and overseeing an adequate and effective internal control framework. The framework sets out the responsibilities of the Board and the management regarding internal control, all group functions and business areas, including outsourced activities and distribution channels. Under the internal control framework, all business areas, group functions and units are responsible for managing the risks they incur in conducting their activities and for having controls in place that aim to ensure compliance with internal and external requirements. As part of the internal control framework, the Company has independent control functions with appropriate and sufficient authority, stature and access to the Board to fulfil their mission as well as the risk management framework.

The internal control framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, supervisory requirements and internal rules.

The internal control process is carried out by the Company's management and other staff, and by the staff of Nordea Bank Abp acting in accordance with Intra Group Agreements between the companies as well as by the bank's and the Company's respective board. The internal control process is based on five main components: (i) control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication as well as (v) monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

The roles and responsibilities with respect to internal control and risk management are divided into three lines of defence.

8.2 The First Line of Defence

The first line of defence refers to all units and employees – including employees in Nordea Bank Abp acting in accordance with Intra Group Agreements between the Company and Nordea Bank Abp –that are neither in the second nor in the third line of defence. It is those that are risk owners and thus responsible for conducting the business within risk exposure limits and the risk appetite, and in accordance with the internal control framework.

8.3 The Second Line of Defence

The Company has two separate and independent control functions in the second line of defence: (i) The Risk Control Function, which is responsible for maintaining and monitoring the implementation of the risk management framework as a fundamental part of the internal control framework; and (ii) the Compliance Function which is responsible for maintaining and monitoring the implementation of compliance risk management framework.

To ensure effective risk management, the second line of defence has access to all business lines and other internal units that have the potential to generate risk as well as to relevant subsidiaries and branches and outsourced activities.

8.3.1 The Risk Control Function

The Company's Risk Control Function – including employees in Nordea Bank Abp's risk function acting in accordance with Intra Group Agreements – is responsible, in cooperation with the Company's Compliance Function, for maintaining the risk management framework as part of the internal control framework and for monitoring the implementation of the policies and procedures within this framework. The Risk Control Function oversees the implementation of the financial and the operational risk policies and, according to a risk-based approach, monitors and controls the risk management framework and must among other things ensure that all risks to which the Company is or could be exposed, are identified, assessed, monitored, managed and reported.

The Risk Control Function is headed by the Company's Chief Risk Officer who is a member of the Company's Executive Management. The Chief Risk Officer is appointed, suspended or dismissed by the Board. The Chief Risk Officer regularly reports to the Risk Committee and the Board.

8.3.2 The Compliance Function

The Compliance Function – i.e., employees in Nordea Bank Abp acting in accordance with Intra Group Agreements – is responsible for monitoring and overseeing compliance risks that the company is or could be exposed to. It is also responsible for developing and maintaining the compliance risk management framework, which ensures an effective and efficient identification and management of compliance risks in accordance with regulatory requirements and supervisory expectations. The compliance risk management lifecycle covers key compliance processes for risk identification, independent risk assessment, oversight planning, testing and monitoring, training, advice and reporting.

The Compliance Function is headed by an appointed Compliance Officer, who is employed by Group Compliance (in Nordea Bank Abp) and covers all compliance risks in the company in accordance with an Intra Group Agreement between the Company and the bank. The Compliance officer is a member of the Company's Executive Management. The Board decides to approve or reject appointments and dismissals. The Compliance officer regularly reports to the Risk Committee and the Board.

8.4 The Third Line of Defence

Group Internal Audit – i.e., employees in Nordea Bank Abp acting in accordance with a Intra Group Agreement – which is the *third line of defence*, performs audits and provides the Board with an assessment of the overall effectiveness of the governance, and the risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile. See the next section for additional information about the internal audit.

9. Internal Audit

Group Internal Audit (GIA) is an independent audit function in the Nordea Group. The Board of Directors of Nordea Bank Abp has issued "Group Board Directive for Group Internal Audit". This Group Directive sets out the purpose of the internal audit, its scope, GIA's powers and reporting procedures. The Company has issued a corresponding directive (*Company Directive for Group Internal Audit*) setting out the purpose, scope, powers and reporting procedures of its internal audit function.

As explained above, the Company's internal audit function is performed by GIA in accordance with an Intra Group Agreement between the Company and Nordea Bank Abp. One person in GIA is appointed to be the Company's Chief Internal Auditor (CIA). The CIA reports functionally to the Company's Board and Audit Committee but reports administratively to the Group Chief Audit Executive (CAE). The Company's Board approves the appointment and dismissal of the CIA in consultation with the CAE.

In relation to the Company, the purpose of GIA is to support the Company's Board and the Executive Management in protecting the Company's assets, reputation and sustainability. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the Board, the Board Committees and the Executive Management, by assessing whether all significant risks are adequately controlled; and by challenging the Executive Management to improve the effectiveness of governance, risk management and internal controls.

GIA does not engage in consulting activities unless otherwise instructed by both the Board Audit Committee of Nordea Bank Abp and the Audit Committee of the Company.

All activities of the Company – including any outsourced activities, for example to Nordea Bank Abp – fall within the scope of GIA. GIA makes a risk-based decision as to which areas within its scope should be included in the audit plan approved by the Board.

GIA must operate free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. This means for example that GIA is authorised to inform the financial supervisory authorities of any matter without further approval. The CIA has unrestricted access to the Company's CEO, the Chair of the Audit Committee and the Chair of the Board. GIA is authorised to carry out all investigations and obtain all information required to discharge its duties. This includes the right to sufficient and timely access to the Company's records, systems, premises and staff. GIA has the right to attend and observe the Board committees, the Executive Management, and other key management decision-making fora when relevant and necessary.

10. External Audit

According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2022, Öhrlings PricewaterhouseCoopers AB was re-elected auditor until the end of the AGM 2023. Peter Sott is the auditor-in-charge.

11. Report on Internal Control and Risk Management regarding Financial Reporting

The Company's and the Nordea Group's systems for internal control and risk management with respect to financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements. The internal control and risk management activities are included in the planning and resource allocation processes. The Company's internal control and risk management with respect to financial reporting are described below.

11.1 Control Environment

The control environment is comprised of the Company's internal control and centres around the established culture and values, and the organisational structure, with clear roles and responsibilities.

The Company's organisational structure aims to support the overall strategy, ensuring business momentum and meeting increased requirements on capital and liquidity.

The primary governance principle is the adherence to the three lines of defence model, which provides the foundation for a clear division of roles and responsibilities in the organisation. The Company's 3LoD model is described in section 8 above.

Clear roles and responsibilities are crucial in the governance of Internal Control over Financial Reporting (ICFR). The first line of defence is responsible for the ongoing risk management and for compliance with applicable rules. Risk owners in the first line of defence are responsible for the risk management activities. A central function supports the Chief Financial Officer in defining standards that apply to relevant controls. These controls are implemented and maintained within significant processes and monitored by quarterly self-assessments.

11.2 Risk Assessment

Risk assessment in relation to reliable financial reporting involves the identification and assessment of risks of material misstatements or deficiencies. Financial reporting risk (FRR) is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting and disclosures, tax reporting and reporting of environment, social and governance (ESG) information.

Risk management is considered to be an integral part of running the business and the main responsibility for performing risk assessments regarding financial reporting lies with the Company's business organisation including relevant parts of Nordea Bank Abp in accordance with Intra Group Agreements. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, control functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments are the recurring Risk and Control Self-Assessments and the event driven Change Risk Management and Approval process.

11.3 Control Activities

The scope of the ICFR framework is designed to focus on areas where risk of material financial misstatements could exist, i.e. where the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the misstated item.

Each unit in the Company (and/or in the bank, acting on behalf of the Company in accordance with an Intra Group Agreement) is primarily responsible for managing risks associated with its operations and financial reporting processes. Entity-wide controls are directive measures and governance bodies in place to set the standards for internal control, such as the Group Accounting Manual (GAM), Company Instructions on Financial Control and the Financial Reporting Risk Protocol. The GAM holds information on the accounting policies to be used in the Nordea Group, including the Company, and provides detailed reporting instructions and the tools needed for producing the financial statements.

The ICFR control structure is based on principal financial controls that are identified as the primary control that is relied on to prevent, detect or mitigate high and critical financial reporting risks. This involves the identification and assessment of risks of financial reporting misstatements or deficiencies based on process flows with an end to end process focus. After deciding on the principal financial controls an analysis is performed to determine which systems/applications are relied on in financial reporting, including IT general controls.

The quality assurance achieved through the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes an important control mechanism associated with the reporting process.

11.4 Information and Communication

Group Finance is responsible for ensuring that the GAM and other relevant directive measures are up-to-date and that changes are communicated to the responsible units. These directive measures are supported by detailed guidelines and standard operating procedures in the responsible units.

Management at different levels of the organisation are provided with information related to the performance and assessment of the identified key controls and details on the outcome of the self-assessment of controls in their process .

The Company, directly or through the Nordea Group, interacts with relevant subject-matter experts externally to keep up to date with changes in reporting expectations and ensure fulfilment of financial reporting objectives. The Company, directly or through the Nordea Group, actively participates in relevant national and international forums, such as those established by the financial supervisory authorities, central banks and associations for financial institutions.

11.5 Monitoring

The Company has access to a process that the Nordea Group has established for regular monitoring of risk metrics, including results of self-assessment of internal controls with the purpose of ensuring proper monitoring of the quality of the financial reporting. The Chief Financial Officer reports on activities related to the management of FRR to the Audit Committee on a quarterly basis.

An independent Risk Control Function resides in the second line of defence and is responsible for identifying, controlling and reporting on FRR. In addition, GIA provides the Board with an assessment of the overall effectiveness of the governance, risk management and control processes throughout the organisation, including financial reporting.

The Board, the Audit Committee, the Risk Committee, the Risk Control Function, the Compliance Function and GIA have important roles with respect to governance and oversight of the internal control of financial reporting. For further information, see "The Board" (section 6), "The Audit Committee" (section 6.6.1), "The Risk Committee" (section 6.6.2), "The Second Line of Defence" (section 8.2) and "Internal Audit (section 9)" in the previous pages.

Financial statements
Nordea Hypotek

Income statement

SEK (000s)	Note	2022	2021
Operating income			
Interest income calculated using the effective interest rate method		13,262,750	9,097,862
Other interest income		65,533	-17,632
Negative yield on financial assets		-9,811	-30,151
Interest expense		-6,302,652	-1,800,345
Negative yield on financial liabilities		32,194	264,439
Net interest income	3	**7,048,014**	**7,514,173**
Fee and commission income		34,538	38,016
Fee and commission expense		-98,001	-100,499
Net fee and commission income	4	**-63,463**	**-62,483**
Net result from items at fair value		246,413	-44,739
Total operating income	5	**7,230,964**	**7,406,951**
Operating expenses			
General administrative expenses:			
Staff costs	6	-37,207	-35,816
Other expenses	7	-4,299,099	-4,088,898
Regulatory fees	8	-425,162	-245,832
Total operating expenses		**-4,761,468**	**-4,370,546**
Profit before loan losses		**2,469,496**	**3,036,405**
Net loan losses	9	-120,007	-10,325
Operating profit		**2,349,489**	**3,026,080**
Income tax expense	10	-490,271	-630,192
Net profit for the year		**1,859,218**	**2,395,888**

Statement of comprehensive income

SEK (000s)	2022	2021
Net profit for the year	**1,859,218**	**2 395 888**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
Valuation gains/losses	3,189,212	639,847
Tax on valuation gains/losses	-656,978	-131,809
Transferred to the income statement	-2,970,535	-888,623
Tax on transfers to the income statement	611,930	183,056
Fair value through other comprehensive income[1]:		
Valuation gains/losses	-5,368	10,266
Tax on valuation gains/losses	1,106	-2,066
Other comprehensive income, net of tax	**169,367**	**-189,329**
Total comprehensive income	**2,028,585**	**2,206,559**

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	31 Dec 2022	31 Dec 2021
Assets			
Loans to credit institutions	11	4,304,109	6,553,597
Loans to the public	11	700,282,421	664,614,829
Interest-bearing securities	12	20,002,237	21,052,845
Derivatives	13	15,185,233	4,125,864
Fair value changes of hedged items in portfolio hedges of interest rate risk		-10,851,998	-1,156,764
Deferred tax assets	10	–	41,929
Current tax assets	10	15,831	380,191
Other assets	14	1,380,392	739,405
Prepaid expenses and accrued income	15	62,798	106,182
Total assets		**730,381,023**	**696,458,078**
Liabilities			
Deposits by credit institutions	16	294,979,551	274,305,909
Debt securities in issue	17	382,084,433	386,134,391
Derivatives	13	14,792,329	1,481,428
Current tax liabilities		-1,004	–
Other liabilities	18	3,740,196	4,006,658
Accrued expenses and prepaid income	19	734,422	618,485
Deferred tax liabilities	10	3,118	–
Provisions	20	8,104	11,368
Subordinated liabilities	21	1,650,373	1,650,120
Total liabilities		**697,991,522**	**668,208,359**
Equity			
Share capital		110,000	110,000
Fair value reserves		19,860	-149,507
Retained earnings		30,400,423	25,893,338
Net profit for the year		1,859,218	2,395,888
Total equity		**32,389,501**	**28,249,719**
Total liabilities and equity		**730,381,023**	**696,458,078**

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Statement of changes in equity

SEK (000s)	Restricted equity Share capital[1]	Unrestricted equity Cash flow hedges	Fair value through other comprehensive income:	Retained earnings	Total equity
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					0
Fair value through other comprehensive income:					0
Valuation gains/losses	–	–	−5,368	–	−5,368
Tax on valuation gains/losses	–	–	1,106	–	1,106
Cash flow hedges:					0
Valuation gains/losses	–	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	1,859,218	2,028,585
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 payed	–	–	–	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.

SEK (000s)	Restricted equity Share capital[1]	Unrestricted equity Cash flow hedges	Fair value through other comprehensive income:	Retained earnings	Total equity
Balance at 1 Jan 2021	110,000	35,918	3,904	25,321,639	25,471,461
Net profit for the year	–	–	–	2,395,888	2,395,888
Items that may be reclassified subsequently to the income statement					
Fair value through other comprehensive income:					
Valuation gains/losses	–	–	10,266	–	10,266
Tax on valuation gains/losses	–	–	-2,066	–	-2,066
Cash flow hedges:					
Valuation gains/losses	–	639,847	–	–	639,847
Tax on valuation gains/losses	–	-131,809	–	–	-131,809
Transferred to the income statement	–	-888,623	–	–	-888,623
Tax on transfers to the income statement	–	183,056	–	–	183,056
Other comprehensive income, net of tax	–	-197,529	8,200		-189,329
Total comprehensive income	–	-197,529	8,200	2,395,888	2,206,559
Shareholders' contribution received	–	–	–	3,000,000	3,000,000
Group contribution paid	–	–	–	-3,059,185	-3,059,185
Tax on Group contribution payed	–	–	–	630,192	630,192
Share-based payments	–	–	–	692	692
Balance at 31 Dec 2021	110,000	-161,611	12,104	28,289,226	28,249,719

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

Cash flow statement

SEK (000s)	2022	2021
Operating activities		
Operating profit	2,349,489	3,026,080
Adjustment for items not included in cash flow	-5,314,475	-2,115,409
Income taxes paid	363,117	2,059
Cash flow from operating activities before changes in operating assets and liabilities	**-2,601,869**	**912,730**
Changes in operating assets		
Change in treasury bills	5,801,283	1,973,855
Change in loans to the public	-35,787,939	-45,461,993
Change in interest-bearing securities	981,950	-16,769
Change in derivatives, net	-3,247,364	-907,124
Change in other assets	-640,986	-285,820
Changes in operating liabilities		
Change in deposits by credit institutions	19,970,823	66,118,523
Change in debt securities in issue	11,919,873	-17,633,961
Change in other liabilities	-2,645,259	-5,699,606
Cash flow from operating activities	**-3,647,619**	**-1,912,895**
Financing activities		
Shareholder contribution	4,000,000	3,000,000
Amortised subordinated liabilities	–	–
Issued subordinated liabilities	–	–
Cash flow from financing activities	**4,000,000**	**3,000,000**
Cash flow for the year	**-2,249,488**	**1,999,835**
Cash and cash equivalents at the beginning of year	6,553,597	4,553,762
Cash and cash equivalents at the end of year	4,304,109	6,553,597
Change	**-2,249,488**	**1,999,835**

Comments on the cash flow statement

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

Operating activities

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

SEK (000s)	2022	2021
Loan losses	120,347	13,478
Unrealised gains/losses	-302,387	-21,776
Change in accruals and provisions	883,555	31,147
Change in fair value of the hedge items, assets/liabilities (net)	-6,185,317	-1,949,622
Other	169,327	-188,636
Total	**-5,314,475**	**-2,115,409**

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

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

SEK (000s)	2022	2021
Interest payments received	12,930,158	9,074,895
Interest expenses paid	-5,564,276	-1,938,278

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

SEK (000s)	2022	2021
Loans to credit institutions, payable on demand	4,304,109	6,553,597

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

Notes to the financial statements

Contents

Note 1. Accounting policies

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1. Basis for presentation

The financial statements for Nordea Hypotek AB (publ) are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Investment Firms (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) 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 with due consideration for the close tie between financial reporting and taxation.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the financial statements.

On 9 March 2023, the Board of Directors approved the Annual Report and the Annual General Meeting will be held on 15 March 2023.

The accounting policies and methods of computation are unchanged from Note 1 in the Annual Report 2021, except for those relating to the items presented in the section "Changed accounting policies and presentation" below.

2. Changed accounting policies and presentation

The following changes in accounting policies and presentation were initially applied by Nordea Hypotek on 1 January 2022.

Changed presentation of regulatory fees

In 2022 Nordea Hypotek began presenting resolution fees and the Swedish bank tax separately on the new row "Regulatory fees" in the income statement. The earlier policy was to present similar expenses on the row "Other expenses". The new presentation provides a more transparent depiction of Nordea Hypotek's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year.

Comparative figures have been restated accordingly and the impact on the full year of 2022 can be found in the table below.

	Full year 2022		
SEK (000s)	**Old policy**	**Change**	**New policy**
General administrative costs			
Other expenses	-4,724,261	425,162	-4,299,099
Regulatory fees	–	-425,162	-425,162
Total operating cost	**-4,761,468**	**0**	**-4,761,468**

	Full year 2021		
SEK (000s)	**Old policy**	**Change**	**New policy**
General administrative costs			
Other expenses	-4,334,730	245,832	-4,088,898
Regulatory fees	–	-245,832	-245,832
Total operating cost	**-4,370,546**	**0**	**-4,370,546**

Changed presentation of hedged items used in fair value hedges at micro level

Nordea Hypotek applies fair value hedge accounting both at the micro level (individual assets/liabilities or closed portfolios of assets/liabilities, in which one or multiple items are hedged using one or multiple hedging instruments), and at the macro level (open portfolios in which groups of items are hedged using multiple hedging instruments).

As of 2022 Nordea Hypotek presents the fair value changes of hedged items used in fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items used in fair value hedge accounting at macro level are as earlier presented on the separate balance sheet item, which from 2022 is renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". Comparative figures have been restated accordingly and the impact in 2022 and 2021 can be found in the tables below.

	31 Dec 22		
SEK (000s)	**Old policy**	**Change**	**New policy**
Debt securities in issue	397,358,205	-15,273,771	382,084,434
Fair value changes of hedged items in hedges of interest rate risk	-15,273,771	15,273,771	0
Total liabilities	**697,991,522**	**0**	**697,991,522**

Note 1. Accounting policies, cont

	31 Dec 21		
SEK (000s)	**Old policy**	**Change**	**New policy**
Debt securities in issue	385,527,612	606,779	386,134,391
Fair value changes of hedged items in hedges of interest rate risk	606,779	-606,779	–
Total liabilities	**668,208,359**	**0**	**668,208,359**

Other amended requirements

No amendments were made to the Swedish Annual Accounts Act for Credit Institutions and Investment Firms (1995:1559) during the year. Neither has the Swedish FSA published any changes applicable during the year regarding the regulation FFFS 2008:25. Furthermore, the Swedish Financial Reporting Board has not published any notifications to amend RFR 2 "Accounting for legal entities" that have had any impact on Nordea Hypotek's financial statements for 2022.

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea Hypotek on 1 January 2022, but have not had any significant impact on Nordea Hypotek's financial statements.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020

3. Changes in IFRSs not yet applied

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: 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.

The amendments have been approved by the EU and are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The gross deferred tax assets and liabilities will be disclosed but will be offset on the balance sheet if such requirements are met. However, as those amounts are expected to be offset on the balance sheet it is Nordea Hypotek's current assessment that the amendment will not have any other significant impact on its financial statements or on Nordea Hypotek's capital adequacy in the period of initial application.

Other changes in IFRS

The IASB has published the following new or amended standards, which are assessed not to have any significant impact on Nordea Hypotek's financial statements or capital adequacy in the period of initial application:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and also Classification of Liabilities as Current or Non-current – Deferral of Effective Date, as well as Non-current Liabilities with Covenants
- 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.

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can subsequently, to some extent, differ from the estimates and the assumptions made. In this section Nordea Hypotek describes:

- the sources of estimation uncertainty at the end of the reporting period, which involve a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- Net fair value result
- Fair value
- Classification of the financial instruments
- Recognition and derecognition in the balance sheet
- Impairment testing of loans to the public
- Hedge accounting
- Taxes

Nordea Hypotek applied critical judgements in the preparation of this annual report due to the uncertainty concerning the potential long-term effects of the war in Ukraine on Nordea Hypotek's financial statements. A particularly important area in 2022 was impairment testing of loans to the public.

Net fair value result

There is estimation uncertainty in the valuation of financial instruments, in particular for instruments that lack quoted prices or where recently observed market prices are not available (level 3 instruments). See Note 26 "Assets and liabilities at fair value".

Fair value

Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining the fair value of OTC derivatives and other financial instruments that lack quoted prices or where recently observed market prices are not available, such as unlisted equities.

The judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).

Note 1. Accounting policies, cont

- The calculation of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining the fair value of financial instruments that lack quoted prices or where recently observed market prices are not available also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea Hypotek's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was SEK 49,623m (22,276) and SEK 83m (0), respectively, at the end of the year. For further information, see Note 26 "Assets and liabilities at fair value".

Classification of the financial instruments

Nordea Hypotek classifies financial assets based on the business model used for managing the assets. When determining the business model for the bonds within the liquidly buffer, Nordea Hypotek makes critical judgements. The bonds in the liquidity buffer are split into two portfolios. For the first portfolio Nordea Hypotek has determined that the business model is to keep the bonds and collect contractual cash flows and to sell financial assets. For the second portfolio, Nordea Hypotek has determined that the business model is to manage the bonds with the objective of realising cash flows through the sale of assets. The bonds in the first portfolio are measured at fair value through other comprehensive income, and the bonds in the second portfolio are measured at fair value through profit or loss. Interest-bearing securities in Nordea Hypotek's liquidity buffer measured at FVOCI (the first portfolio) and FVPL (the second portfolio) amounted to SEK 9,496m (to 9,971) and SEK 10,506m (11,082), respectively.

Nordea Hypotek also classifies financial assets based on whether or not the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Some loan contracts at Nordea Hypotek include terms linking contractual cash flows to the customer's achievement of environmental, social and governance (ESG) targets. This is the case for all Swedish mortgage loans, where customers have the right to a discount if certain climate targets are met with respect to energy classification of buildings. Nordea Hypotek considers that these loans fulfil the SPPI requirements as the discount is given either at the start of the loan or when interest rates are renewed.

Nordea Hypotek classifies issued perpetual subordinated instruments into either financial liabilities or equity.

Nordea Hypotek exercises judgements when determining whether there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument.

Recognition and derecognition in the balance sheet

Loans and other financial assets for which cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from those for the old loan. Nordea Hypotek applies judgements to determine if the terms and conditions of the new loan are substantially different from those of the old loan. Nordea Hypotek considers the terms and conditions to be substantially different if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans and interest-bearing securities on the assets side of the balance sheet at the end of 2022 amounted to SEK 724,589m (692,221). For more information, see section 6 "Recognition and derecognition of financial instruments on the balance sheet".

Impairment testing of loans to the public

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea Hypotek's total lending to the public before impairment allowances was SEK 700,532m (664,747) at the end of the year.

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgements are also made to derive the probability of the various scenarios transpiring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macroeconomic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios transpiring. Judgement is also exercised in the assessment of the extent to which the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses. Nordea adjusts its collectively calculated provisions if the historical data does not adequately reflect management's view regarding expected credit losses. Estimating post-model adjustments requires management to exercise critical judgements.

Nordea Hypotek also applies significant critical judgements in the preparations of the annual report 2022 due to significant uncertainty concerning the potential long-term impact of rising inflation on Nordea Hypotek's financial statements. Critical judgement was 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. More information on the impairment testing of loans to the public/credit institutions can be found in section 11 "Loans to the public/ credit institutions". Information on sensitivities to rating and scoring migrations can be found in Note 31 "Credit risk disclosures".

Note 1. Accounting policies, cont

Hedge accounting

One important judgement in connection with cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea Hypotek applies cash flow hedge accounting, the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of the currency risk and the interest component as a fair value hedge of the interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap. Further information on hedge accounting is presented in section 8 “Hedge accounting”.

Taxes

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea Hypotek concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

The valuation of deferred tax assets is influenced by management’s assessment of Nordea Hypotek’s future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation. Further information on Taxes is presented in section 12 “Taxes” and in Note 10 “Taxes”.

The carrying amount of deferred tax assets was SEK 0m (42m) at the end of the year.

5. Recognition of operating income and impairment

Net interest income

Interest consists of compensation of time value of money plus a margin. The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability at initial recognition.

Interest income and expense are calculated and recognised with application of the effective interest rate method or, if considered appropriate, application of a method that provides a reasonable approximation in line with the effective interest rate method as the basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk).

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

The interest component of derivatives is classified as “Net result from items at fair value”, except for derivatives used for hedging purposes. In accounting hedges the interest component of derivatives is classified as “Interest income calculated using the effective interest rate method” if the derivative is used to hedge an asset and as “Interest expense” if the derivative is used to hedge a liability. In economic hedges the interest component of derivatives is classified as “Other interest income” if the derivative is used hedge an asset and as “Interest expense” if the derivative is used to hedge a liability.

The yield on financial assets is presented in three line items in the income statement: “Interest income calculated using the effective interest rate method”, “Other interest income” and “Negative yield on financial assets”. In the line item “Interest income calculated using the effective interest rate method”, Nordea Hypotek presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line also includes the effect of hedge accounting related to these assets. All other interest income is presented in the income statement line item “Other interest income”, except negative yield on financial assets which is presented under a separate line item. Negative yield on financial liabilities is also disclosed separately in the income statement. Further information on net interest income is presented in Note 3 “Net interest income”.

Net fee and commission income

Nordea Hypotek earns commission income from services related to lending to customers. Commission income and commission expenses are normally transaction-based and recognised in the period when the services were provided and obtained. For more information on different types of commission income and commission expense, see Note 4 “Net fee and commission income”.

Net fair value result

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are usually recognised in the item “Net result from items at fair value”.

The following items are in addition presented in “Net result from items at fair value”:

- Realised gains/losses from assets and liabilities measured at amortised cost such as early redemption charges received and realised gains/losses on buy-backs of issued own debt.
- The revaluation of the hedged risks in hedged items under hedge accounting.
- The ineffective portion of cash flow hedges.
- The interest component of derivatives including changes in accrued interest, except for derivatives used for hedging purposes (including economic hedges).

The following items are not presented as “Net result from items at fair value”:

- The interest component in derivatives used for hedge accounting and economic hedges. These components are presented in “Net interest income” to ensure a consistent accounting treatment with the hedged items.

Other operating income and other expenses

Other operating income, not related to any other income line, is generally recognised when it is probable that the benefits associated with the transaction will accrue to Nordea

Note 1. Accounting policies, cont

Hypotek and if the significant risks and rewards have been transferred to the buyer (generally when the transaction is finalised).

Regulatory fees

The expenses for these levies are recognised as the payment obligations arise. Resolution fees are not refundable if Nordea Hypotek discontinues its operations and the obligating event is consequently assessed to occur on the first day of the year. The Swedish bank tax is refundable for the period during which Nordea Hypotek does not operate and the obligating event is thus assessed to occur continuously over the year. Resolution fees are thus recognised in full in the first quarter while the Swedish bank tax is amortised linearly during the year. More information on the change in presentation can be found in Note 1 "Accounting policies".

Net loan losses

Impairment losses from financial assets classified as amortised cost (see section 10 "Financial instruments"), in the items "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. The accounting policies for the calculation of impairment losses on loans can be found in section 11 "Loans to the public/credit institutions". Counterparty losses attributable to financial instruments classified into the category Financial assets at fair value through profit or loss are reported under "Net result from items at fair value".

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

Trade-date accounting is applied to the recognition and derecognition (reclassification to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) of derivatives, listed securities, debt securities in issue and foreign exchange spot transactions. Other financial instruments are recognised on the balance sheet on the settlement date.

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

Loans and other financial assets for which cash flows are modified, or part of a restructuring, are derecognised,

and a new loan recognised, if the terms and conditions of the new loan are substantially different from those for the old loan.

This is normally the case if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are solely payments of principal and interest (SPPI), but the original cash flows were not SPPI and vice versa.

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

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. This usually occurs when Nordea Hypotek fulfils its part of the agreement, i.e. on the settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date. For further information, see section 10 "Financial instruments" (Reverse repurchase agreements).

7. Translation of assets and liabilities denominated in foreign currencies

Nordea Hypotek's functional currency and presentation currency is Swedish kronor (SEK).

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

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

8. Hedge accounting

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea Hypotek applies one of three types of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

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

Nordea Hypotek has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve-out version of IAS 39.

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to on-demand (core) deposits, and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom layer.

Note 1. Accounting policies, cont

At inception, Nordea Hypotek formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

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

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting
Fair value hedge accounting is applied when derivatives are hedging changes in the fair value of a recognised asset or liability attributable to a specific risk. Fair value hedge accounting can be applied both at the micro level (individual assets/liabilities or closed portfolios of assets/liabilities, in which one or multiple items are hedged using one or multiple hedging instruments), and at the macro level (open portfolios in which groups of items are hedged using multiple hedging instruments).

The risk of changes in fair value of assets and liabilities in Nordea Hypotek's financial statements originates mainly from loans, securities and fixed-rate borrowings, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The change in fair value of the hedged items held at amortised cost in hedges of interest rate risks at the macro level are reported separately in the balance sheet item "Fair value changes of hedged items in portfolio hedges of interest rate risk". Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

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

Hedging instruments
The hedging instruments used in Nordea Hypotek are interest rate swaps and cross currency interest rate swaps, which are always held at fair value. If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. For fair value hedges, the hedging instrument is measured at fair value through profit and loss and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge effectiveness
When assessing hedge effectiveness retrospectively Nordea Hypotek measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. Hedge ineffectiveness can arise from:
- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea Hypotek's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

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

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

Hedged items
A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea Hypotek uses cash flow hedges when hedging currency risk on future payments of interest and principal (both from issued debt in foreign currency and/or intra-group lending) and when hedging interest rate risk on lending at floating interest rates.

Note 1. Accounting policies, cont

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

Hedge effectiveness
The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as a proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction is no longer expected to occur.

If the expected transaction is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain in other comprehensive income until the transaction is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

9. Determination of fair value of financial instruments
Fair value is defined as the price that, at the measurement date, would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

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

Trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea Hypotek predominantly uses published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Interest-bearing securities
- Derivatives (listed)
- Debt securities in issue (mortgage bonds).

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

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

For financial instruments, for which fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Hypotek considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices.

If unobservable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the unobservable data becomes observable.

A breakdown of fair values of financial instruments measured on the basis of quoted prices in active markets for the same instrument (level 1), valuation technique using observable data (level 2), and valuation technique using non-observable data (level 3), is provided in Note 26 "Assets and liabilities at fair value".

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

New valuation models are subject to approval by the Model Risk Committee at Nordea Bank Abp and all models are reviewed on a regular basis.

For further information, see Note 26 "Assets and liabilities at fair value".

10. Financial instruments
Classification of financial instruments
Each financial instrument has been classified into one of the following categories:

Financial assets:
- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

Note 1. Accounting policies, cont

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit or loss

The classification of a financial asset is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is both to keep the instruments to collect the contractual cash flows and to sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to determine the business model, Nordea Hypotek has divided its financial assets into portfolios and/or subportfolios based on how groups of financial assets are managed together to achieve a particular business objective. When determining the right level for the portfolios, Nordea Hypotek has taken the current business area structure into account. When determining the business model for each portfolio Nordea Hypotek has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how the change in its value is recognised. In Note 25 “Classification of financial instruments”, the classification of the financial instruments on Nordea Hypotek’s balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information on the effective interest rate method, see Note 3 “Net interest income” and section 5 “Recognition of operating income and impairment”. Information about impairment under IFRS 9 is provided in section 11 below, under “Impairment testing of individually/collectively assessed loans”.

Interest on assets and liabilities classified at amortised cost is recognised in the items “Interest income” and “Interest expense” in the income statement.

This category mainly consists of all lending and deposits, with the exception of reverse repurchase agreements.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item “Net result from items at fair value”.

This category has two subcategories: “Mandatorily measured at fair value through profit and loss”, and “Designated at fair value through profit or loss” (fair value option); the latter subcategory does not occur at Nordea Hypotek. The subcategory “Mandatorily measured at fair value through profit and loss” mainly contains interest-bearing securities included in part of the liquidity buffer and derivatives.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured initially at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair value, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised under the item “Interest income” and foreign exchange effects and impairment losses under the item “Net result from items at fair value” in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item “Net result from items at fair value”. Information about impairment under IFRS 9 is provided in section 11 below, under “Impairment testing of individually/collectively assessed loans”.

Other financial liabilities

Other financial liabilities are measured at amortised cost. Interest on Other financial liabilities is recognised in the item “Interest expense” in the income statement.

Reverse repurchase agreements

Securities received under reverse repurchase agreements are not recognised in the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are recognised in the balance sheet as “Financial instruments pledged as collateral”. Cash delivered under reverse repurchase agreements is recognised on the balance sheet as “Loans to credit institutions” or as “Loans to the public”.

Derivative instruments

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets in the

Note 1. Accounting policies, cont

item "Derivatives" on the asset side. Derivatives with a negative fair value, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

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

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

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

Issued debt and equity instruments
A financial instrument issued by Nordea Hypotek is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea Hypotek having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

11. Loans to the public/credit institutions
Scope
Loans are financial instruments with fixed or determinable payments that are not readily transferable without the debtor's consent. Loans are classified in accordance with the description in Note 25 "Classification of financial instruments".

Financial instruments classified as "Amortised cost" or "Fair value through other comprehensive income" are subject to impairment testing due to credit risk. This includes assets recognised on the balance sheet as "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not subject to impairment testing. See section 6 "Recognition and derecognition of financial instruments on the balance sheet" above and Note 25 "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowances are disclosed net on the face of the balance sheet, but are disclosed separately in the notes. Changes in allowances are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Hypotek forgives its claims either through a legal-based or voluntary reconstruction, or when Nordea Hypotek, for other reasons, deems it unlikely that the claim will be recovered. See also section "Write-offs" below.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as "Fair value through other comprehensive income" are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing
Nordea Hypotek classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 (impaired loans) includes defaulted assets. Nordea Hypotek monitors whether there are indicators of exposures being credit-impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Hypotek applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the "Risk, Liquidity and Capital Management" section. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is considered impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted by the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability-weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation
For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1, this calculation is only based on the coming 12 months, while for assets in stage 2 and 3 it is based on the expected lifetime of the asset.

Provisions for exposures for which there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit-impaired, are based on the lifetime expected losses (stage 2).

Note 1. Accounting policies, cont

This is also the case for the insignificant credit-impaired exposures in stage 3.

Nordea Hypotek uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea Hypotek has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea Hypotek uses a mix of absolute and relative changes in PD as the transfer criterion.

- Retail customers with an initial 12-month PD below 1%:
  - Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%:
  - Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD below 0.5%:
  - Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20bp are transferred to stage 2.
  - Non-retail customers with an initial 12-month PD above or equal to 0.5%:
  - Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400bp are transferred to stage 2.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit-impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below will also be transferred to stage 2.

When calculating provisions, including the staging assessment, the calculation is based on probability-weighted forward-looking information. Nordea Hypotek applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency proceedings where the collateralisation of the exposure is low.
- Exposures for which legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted if there is reasonable financial evidence to show an inability of the borrower to repay the full amount, i.e. a considerable part of the debt cannot be reasonably demonstrated to be recoverable, due to forbearance measures or realising collateral.
- Restructuring cases.

Discount rate

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

Restructured loans and modifications

In this context a restructured loan is defined as a loan for which Nordea Hypotek has granted concessions to the borrower due to its deteriorated financial situation, and this concession has resulted in an impairment loss for Nordea Hypotek. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea Hypotek.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of

Note 1. Accounting policies, cont

the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the category "Fair value through profit or loss" and measured at fair value. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

12. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. Income tax expense is recognised in the income statement, unless it relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is also recognised in other comprehensive income or in equity, respectively.

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

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits, if the relevant recognition criteria in IAS 12 are fulfilled.

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

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

13. Provisions

Provisions (which are presented as a liability) are recognised when Nordea Hypotek has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed in Note 23 "Commitments" unless the possibility of an outflow is remote. A contingent liability is a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea Hypotek's control, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The accounting policies for impairment provisions for loans to the public/credit institutions are presented in section 11. Loans to the public/credit institutions.

14. Employee benefits

All forms of consideration given to employees as compensation for services performed are employee benefits. Employee benefits consist of short-term benefits, post-employment benefits and share-based payment programmes.

Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of employment. Post-employment benefits in Nordea Hypotek consist only of pensions.

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

Short-term benefits

Short-term benefits consist mainly of fixed salary. Fixed salary is expensed in the period when the employees have performed services for Nordea Hypotek. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Hypotek. Nordea Hypotek has also issued share-based payment programmes, which are further described in section 16 "Share-based payment". More information can be found in Note 6 "Staff costs".

Post-employment benefits

In 2022, pension costs comprise premiums and fees to insurance companies and pension funds as well as defined benefit pension costs for other commitments. The actuarial pension costs refer to commitments guaranteed by a pension foundation. The costs are reported in the item "Staff costs". Contributions received from the pension foundation and reported changes in pension provisions are also recognised in "Staff costs". Special payroll tax and tax on returns referring to the Swedish pension system are also recognised in "Staff costs".

For more information about benefits, please refer to Note 6 "Staff costs".

15. Equity

In accordance with Swedish law, shareholders' equity is split into funds potentially available for distribution (unrestricted equity), and non-distributable funds (restricted equity).

The distribution of amounts of Nordea Hypotek's equity into restricted equity and unrestricted equity is described in the "Statement of changes in equity".

Note 1. Accounting policies, cont

Fair value reserve
The portion of the gain or loss on hedging instruments, which is determined to be an effective hedge, is recognised in the fair value reserve. Read more in section 8 "Hedge accounting", under the subheading "Cash flow hedge accounting".

Retained earnings
Retained earnings comprise undistributed profits from previous years.

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

16. Share-based remuneration
Equity-settled programmes
Nordea has annually arranged programmes whereby participating employees are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares at Nordea at a significant discount compared to the share price at grant date.

An equity-settled share-based payment transaction occurs when Nordea receives goods or services and uses its own equity instruments as consideration. Such transactions are recognised in Nordea Hypotek as a staff expense and a corresponding increase in equity. The expense is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. In such cases, the expense is measured by reference to the fair value of the equity instruments granted, which is the approach used by Nordea Hypotek.

The grant date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at grant date and not subsequently updated. The vesting period is the period that the employees have to remain in service in Nordea Hypotek in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the grant date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at grant date. Market conditions are taken into account when estimating the fair value of the equity instruments granted. Therefore, if all other vesting conditions (e.g. service condition) are met, Nordea Hypotek recognises the expense for grants of equity instruments with market conditions irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is remeasured on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

Cash-settled plans
A share-based cash-settled payment transaction occurs when Nordea Hypotek acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price of equity instruments of Nordea. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. The liability is remeasured at fair value at the end of each reporting period, with any changes in fair value recognised in the item "Net result from items at fair value" in the income statement.

Starting from the 2019 performance year, share-based variable pay plans are partly settled in the form of cash not linked to Nordea's share price and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based plan. TSR indexation may be used for share-based variable pay programmes, subject to operational, administrative or tax issues as well as applicable regulation in certain legal entities.

More information can be found in Note 6 "Staff costs".

17. Related party transactions
Nordea Hypotek defines related parties as:
- Group undertakings
- Key management personnel
- "Group undertakings" means Nordea Bank Abp (corp. id no. 2858394-9) and its subsidiaries.

Key management personnel
Key management personnel includes the following:
- The Board of Directors
- Chief Executive Officer
- Executive management

For information about compensation, pensions and loans to key management personnel, see Note 6 "Staff costs". Information concerning other transactions between Nordea Hypotek and key management personnel is found in Note 30 "Related party transactions".

Other related parties
Other related parties comprise close family members of key management personnel as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel.

Information concerning transactions between Nordea and other related parties is found in Note 30 "Related-party transactions".

Note 2. Segment reporting

Basis of segmentation

Nordea Hypotek's main business areas are Personal Banking and Business Banking which corresponds to approximately 96% of Nordea Mortgage's lending portfolio. Large Corporates & Institutions and Asset & Wealth Management constitute the other reportable segments. Group Treasury is responsible for Nordea Hypotek's funding. Group functions as well as the result that is not fully allocated to any of the operating segments are shown separately as reconciling items. There have been no changes in the basis of segmentation during the year.

Reportable segments

Brief description of the business segments:

- Personal Banking helps Nordea Hypotek's private customers through various channels with financing real estate for housing purposes.
- Business Banking consists of Business Banking and Business Banking Direct which also works with a relationship-based service model with a customer-centric value offering for our corporate customers.
- Group Treasury is responsible for the day to day management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).
- Other operating segments mainly refer to Large Corporates & Institutions and Asset & Wealth Management. Large Corporates & Institutions is responsible for lending to large corporate customers. Private Banking (within Asset & Wealth Management) offers household loans to private customers.

Operating segments

Income statement, SEKm	Personal Banking		Business Banking		Group Treasury		Other operating segments		Total operating segments		Reconciliation		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net interest income	9,630	7,665	2,035	1,421	-4,798	-1,668	120	63	6,988	7,481	60	34	7,048	7,515
Net fee and commission income	31	35	3	3	-49	-32	-49	-68	-63	-62	0	–	-63	-62
Net result from items at fair value	10	51	2	3	234	-100	0	1	246	-45	0	–	246	-45
Total operating income	**9,671**	**7,751**	**2,040**	**1,427**	**-4,612**	**-1,800**	**72**	**-4**	**7,171**	**7,374**	**60**	**34**	**7,231**	**7,408**
Other expenses	-3,316	-3,000	-875	-829	0	–	-571	-542	-4,761	-4,371	–	–	-4,761	-4,371
Total operating expenses	**-3,316**	**-3,000**	**-875**	**-829**	**0**	**–**	**-571**	**-542**	**-4,761**	**-4,371**	**–**	**–**	**-4,761**	**-4,371**
Net loan losses	-55	-21	-64	0	0	–	-1	11	-120	-10	0	0	-120	-10
Operating profit	**6,301**	**4,730**	**1,101**	**598**	**-4,613**	**-1,800**	**-500**	**-535**	**2,289**	**2,993**	**60**	**34**	**2,349**	**3,027**
Balance sheet, SEKm														
Loans to the public	525,134	499,416	145,588	138,432	0	–	29,561	26,766	700,282	664,614	0	0	700,282	664,614
Other assets	–	–	0	–	30,078	31,465	15	379	30,094	31,844	5	–	30,099	31,844
Total assets	525,134	499,416	145,588	138,432	30,078	31,465	29,576	27,145	730,376	696,458	5	0	730,381	696,458
Total liabilities	0	0	0	–	694,888	664,542	360	264	695,248	664,806	2,744[1]	3,402[1]	697,992	668,208
Equity	525,134	499,416	145,588	138,432	-664,809	-633,077	29,216	26,881	35,128	31,652	-2,739	-3,402	32,390	28,250
Total liabilities and equity	**525,134**	**499,416**	**145,588**	**138,432**	**30,078**	**31,465**	**29,576**	**27,145**	**730,376**	**696,458**	**5**	**0**	**730,381**	**696,458**

1) The amount mainly refers to Group Contribution from Nordea Hypotek AB to Nordea Bank Abp Filial in Sweden and Nordea Finans AB (2022). During 2021 Nordea Hyptoek only provided group contribution to Nordea Bank Abp Filial in Sweden.

Reconciliation between total operating segments and financial statements

	2022		2021	
SEKm	Operating profit	Total assets	Operating profit	Total assets
Total operating segments	2,289	730,376	2,993	696,458
Group functions and unallocated items	60	5	34	0
Total	**2,349**	**730,381**	**3,026**	**696,458**

Total operating income split on product groups

In the company, all operating income, in all reportable segments, is attributable to Banking products.

Banking products is a product group consisting of three product types: account products, transaction products and financing products. Account products, including mortgages, comprise the entire product portfolio in the company.

Lending volume distribution in repotable segments by borrower domicile

The borrowers mainly have their tax residency in Sweden.

Note 3. Net interest income

Net interest income

SEK (000s)	2022	2021
Interest income calculated using the effective interest rate method	13,262,750	9,097,862
Other interest income	65,533	-17,632
Negative yield on financial assets	-9,811	-30,151
Interest expense	-6,302,652	-1,800,345
Negative yield on financial liabilities	32,194	264,439
Net interest income	7,048,014	7,514,173

Interest income calculated using the effective interest rate method

SEK (000s)	2022	2021
Loans to credit institutions	63,489	0
Loans to the public	12,178,954	9,421,293
Interest-bearing securities	84,145	17,647
Yield fees	3,399	4,198
Net interest paid or received on derivatives in accounting hedges of assets	932,763	-345,276
Interest income calculated using the effective interest rate method	13,262,750	9,097,862

Other interest income

SEK (000s)	2022	2021
Interest-bearing securities measured at fair value	90,627	7,263
Net interest paid or received on derivatives in economic hedges of assets	-25,094	-24,895
Other Interest income	65,533	-17,632

Interest expense

SEK (000s)	2022	2021
Deposits by credit institutions	-2,660,462	-380,717
Debt securities in issue	-3,062,424	-2,364,566
Subordinated liabilities	-35,034	-22,741
Other interest expense	-343,476	-330,649
Net interest paid or recevied on derivatives in hedges of liabilities	-201,256	1,298,328
Interest expense	-6,302,652	-1,800,345

Net interest income from categories of financial instruments

SEK (000s)	2022	2021
Financial assets at fair value through other comprehensive income	74,333	-12,504
Financial assets at amortised cost	12,245,842	9,425,491
Financial assets at fair value through profit or loss	998,296	-362,908
Financial liabilities at amortised cost	-6,069,202	-2,834,234
Financial liabilities at fair value through profit or loss	-201,256	1,298,328
Net interest income	7,048,014	7,514,173

Interest on impaired loans accounted for an insignificant portion of interest income.

Average interest rate, lending

Lending to the public	2022	2021
Average volume, SEKm	686,265	642,736
Average interest, %	1.77	1.47

Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 12,246m (9,425). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to SEK 6 069m (2,834).

Note 4. Net fee and commission income

SEK (000s)	2022	2021
Issuer services[1]	-48,383	-31,656
- of which income	–	–
- of which expense	-48,383	-31,656
Lending Products	34,536	36,652
- of which income[3]	34,536	36,652
- of which expense	–	–
Guarantees	–	984
- of which income	–	984
- of which expense	–	–
Other	-49,616	-68,463
- of which income	2	–
- of which expense[2]	-49,618	-68,463
Total	**-63,463**	**-62,483**

1) Mainly market maker fees.
2) Refers mainly to commission costs related to the funding.
3) Mainly concerns notification fees and commissions for mortgaged properties.

Break down by business areas

SEKm 2022	Personal Banking	Business Banking	Group Treasury	Other	Total
Issuer services	–	–	-48	–	-48
Lending Products	31	3	–	–	34
Guarantees	–	–	–	–	–
Other	–	–	-50	–	-50
Total	**31**	**3**	**-98**	**–**	**-64**

SEKm 2021	Personal Banking	Business Banking	Group Treasury	Other	Total
Issuer services	–	–	-32	–	-32
Lending Products	35	3	–	–	38
Guarantees	–	–	–	–	–
Other	–	–	-68	–	-68
Total	**35**	**3**	**-98**	**–**	**-62**

Note 5. Total net result from items at fair value

SEK (000s)	2022	2021
Interest-bearing securities and other interest-related instruments	246,413	-44,739
Total	**246,413**	**-44,739**

Net result from categories of financial instruments

SEK (000s)	2022	2021
Financial assets at fair value through other comprensive income	-166,890	-5,883
Financial assets and liabilities mandatorily at fair value through profit or loss	9,541,528	-1,956,960
Financial assets at amortised cost	-9,683,451	-1,465,882
Financial liabilities at amortised cost	554,724	3,367,992
Foreign exchange gains/losses excluding currency hedges	503	15,994
Total	**246,413**	**-44,739**

Note 6. Staff costs

Tkr	2022	2021
Salaries and remuneration[1, 4] (specification below)	-22,303	-22,000
Pension costs[4] (specification below)	-6,002	-5,255
Social security contributions	-8,459	-8,150
Other staff costs	-443	-411
Total	**-37,207**	**-35,816**

Salaries and remuneration

Senior executives[2]		
Managing Director:		
– Fixed remuneration and benefits, the period 01/01/2021–31/12/2021	–	-1,764
– Fixed remuneration and benefits, the period 01/01/2022–07/06/2022	-797	–
– Variable remuneration , for the period 01/01/2021–31/12/2021	–	-999
Vice President:		
– Fixed remuneration and benefits, the period 07/06/2022–31/12/2022	-1,070	–
– Variable remuneration	-17	–
For the managing director:[3]		
– Fixed remuneration and benefits, the period 01/01/2021–28/02/2021	–	-183
– Variable remuneration	–	-4
External board members		
Maria Sahlén	-258	-131
Emma Henriksson (as of 02/09/2021)	-226	-15
Magnus Montan (as of 10/11/2022)	-227	-117
Total external board members	**-711**	**-263**
Other senior executives	-5,668	-6,341
Total for senior executives	**-8,263**	**-9,554**
Other employees	-14,040	-12,446
Total	**-22,303**	**-22,000**

Pension costs:

Defined benefit pension plans	-4,481	-3,490
Defined contribution pension plans[4]	-1,521	-1,765
Total	**-6,002**	**-5,255**

1) Provision to the profit-sharing foundation in 2022: amounts to SEK -777k (-659) of which SEK -720k (-670) is a new provision and SEK -57k (11) concerns prior years.
2) Senior executives include the MD, deputy MD, interim MD, board members not employed in the group and company management. here are 9 (11) senior executive positions.
3) The deputy MD left Nordea Hypotek AB on 28 February 2021. After that date, there is no new appointed deputy MD for Nordea Hypotek AB, for which reason the amounts for 2021 only refer to the period 01/01/2021–28/02/2021.
4) Costs for salary sacrifice previously classified as pension expense have been reclassified as payroll expense in 2022. The comparative figures for 2021 have thus been recalculated with a full-year effect of SEK 593k.

No specific board fee has been paid to board members employed in the group. In 2022, Nordea Hypotek had one person covered by incentive programmes/performance-related remuneration for employees. See more information below in the section "Share-based remuneration".

The employment contract of the managing director stipulates a notice period of six months from the managing director and six months from the Company. In accordance with the employment contract, the MD is entitled to six months' salary during the notice period. A deduction shall be made for any salary disbursements from other employment during the payout period. After the end of the six months, the MD is subject to a three-month competition clause according to which he/she may not accept employment at any competing company in Sweden.

Lending to senior executives

Lending to board members, the MD or equivalent senior executives amounts to SEK 10,190k (27,412). Interest income on these loans amounts to SEK 124k (276). Credit commitments amounted to SEK 0k (14,500). Lending to other senior executives amounts to SEK 14,929k (14,862). Interest income on these loans is SEK 151k (133). There were no credit commitments to other senior executives, whether in 2022 or 2021.

Senior executives who are employed by Nordea Hypotek receive the same credit terms as employees of Nordea. In Sweden the employee interest rate on fixed- or floating-rate loans is 2.15 percentage points lower than the corresponding interest rate for external customers, with a floor of 0.50% for both floating- and fixed-rate loans. There is currently a cap of 57 Swedish price base amounts both on fixed and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of senior executives and who are not employed by Nordea are granted on normal market terms.

Pension costs and pension obligations for the MD and senior executives

Sek	2022	2021
Pension costs for the MD, the period 01/01/2021–31/12/2021	–	411,548
Pension costs for the MD, the period 01/01/2022–07/06/2022	197,667	–
Pension costs for the deputy MD, the period 07/06/2022–31/12/2022	43,262	–
Pension obligations for the MD	–	420,883
Pension obligations for deputy MD	8,004,434	–
Pension costs for former MD	1,480,548	549,927
Pension obligations for former MD	19,042,960	18,731,178
Pension costs for former deputy MD	269,700	266,694
Pension obligations for former deputy MD	2,948,616	3,110,938
Pension costs for external board member	174,288	170,016
Pension obligations for external board member	2,376,603	2,487,799
Pension costs for other senior executives	366,730	715,163
Pension obligations for other senior executives	15,879,739	19,275,182

Upon retirement, pension is payable according to collective agreements. Fixed salary is pensionable income.

Nordea Hypotek's former MD, who left the company in 2022, had a defined contribution pension plan, BTP1. The premium is placed in the funds chosen by the MD. Also, Nordea Hypotek had an interim MD until 31 December 2022, who has a defined benefit pension plan, BTP2. As of 1 January 2023, a new MD has joined the company.

People employed before 2013 and who have not chosen to switch to the BTP1 defined contribution pension plan, are covered by defined benefit pension obligations. Pension costs are classified as "Staff costs" in the income statement, and consist of disbursed pensions, contributions made to or received from the pension foundation and related special payroll tax.

The company's pension obligations are secured through provisions to the pension foundation of Nordea Bank Sweden.

Share-based remuneration

Nordea Hypotek operates Short Term Incentive Plans (STIPs). This includes the Nordea Incentive Plan (NIP). STIPs have been offered for several years primarily as the Executive Incentive Programme (EIP) and in 2022 in the form of NIP, which has similar terms and conditions. In 2022 Nordea Hypotek made a provision for variable remuneration according to an executive incentive programme, NIP 2022, of SEK 969k (EIP 2021 1,048k) excluding social security contributions.

NIP 2022 is based on specific goals and targets and is capped at a maximum of 70% of fixed base salary. 40% of the NIP 2022 outcome is paid out in 2023. The remaining 60% is

Note 6. Staff costs, cont.

paid out evenly distributed over a five-year period, in the amount of 12% each year. 50% of the outcome from NIP 2022 is paid out in the form of shares in Nordea Bank Abp (excluding dividend) on each transfer date. The shares are subject to retention requirements for 12 more months.

Performance goals at Group level included financial goals measuring return on equity, income and cost-to-income ratio as well as non-financial goals measuring employee engagement and customer satisfaction. The targets at business area/group function level encompassed specific financial targets for each business area/group function. At the individual level, performance was assessed in relation to the individually agreed targets, including risk management and compliance. Weighting of group targets, business area/group function targets and individual targets is established individually. Any awards were determined on the basis of achievement in relation to the agreed goals and targets following appropriate risk adjustments.

Nordea Hypotek has had EIP and VSP (Variable Salary Part) as variable remuneration for selected senior executives.

Disclosures related to the share-based plans in accordance with IFRS2 are provided below.

Until the end of the performance year 2018, Nordea's share-based variable pay programmes were partly in in the form of cash-linked total shareholder return (TSR) indexation (excluding dividends) and partly in the form of cash. The programmes were consequently all settled in cash and the portion indexed with Nordea's total shareholders' return was accounted for as a cash-settled share-based payment programme. Starting from the 2019 performance year, share-based variable pay programmes are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme. In 2022, 2,668 shares in Nordea were allotted to the participants in these programmes, corresponding to SEK 273k based on the share price at grant date. Another 2,714 shares were granted to the participants but deferred. These deferred shares had a fair value of SEK 282k based on the share price at the grant date.

The table below covers all programmes with liabilities recognised in 2022, or in the comparative figures for 2021. Figures for 2022 are provisions based on expected allotment in 2022 and all figures are excluding social security contributions.

Share-based remuneration

Programme year	Equity-settled or cash-settled	Transfer period	Cost 2022 SEKk	Cost 2021 SEK 000s	Liability 31 Dec 2022 SEK 000s	Liability 31 Dec 2021 SEK 000s	Outstanding rights
2022							
- NIP	Equity-settled	2023–2028	485	–	–	–	Yes
2021							
- VSP & EIP	Equity-settled	2022–2027	-107	524	–	–	Yes
2020							
- VSP & EIP	Equity-settled	2021–2026	-37	–	–	–	Yes
Previous years	Cash-settled	2022–2025	-3	18	33	47	No
	Equity-settled	2022–2025	–	–	–	–	Yes
Total			**338**	**542**	**33**	**47**	

Share-based variable remuneration programmes

This section covers the variable share-based programmes where the instruments TSR indexation (cash-settled programme up until 2018) and shares (equity-settled programme as from 2019) are used for deferral/retention.

The programmes are classified as: Executive Incentive Programme (EIP) and Variable Salary Part (VSP).

The programmes were annual plans with a service condition for the respective years and were fully expensed in the year when they were earned (one-year vesting period). The individual allocations were awarded at the beginning of the subsequent year.

For material risk-takers forfeiture clauses and retention apply in line with relevant remuneration regulations.

For material risk-takers, VSP awards are partly delivered in shares with subsequent retention. Parts of the awards for material risk-takers in VSP are subject to at least a four-year pro rata deferral period with forfeiture conditions applying during the deferral period.

The tables below show deferred remuneration from variable salary parts (EIP, VSP) that had not yet been paid out to participants.

The table below shows the remaining liabilities for the cash-settled share-based programmes used in 2018.

2018 sharelinked deferrals (cashsettled)

SEK (000s)	2022	2021
Opening balance	47	37
Deferred/vested during the year	–	–
TSR indexation during the year	-3	18
Payments during the year	-11	-8
Translation differences	–	–
Closing balance	**33**	**47**

Note 6. Staff costs, cont.

The closing balances are expected to be settled the following years:

SEK	2022	2021
2021	–	–
2022	–	11
2023	11	12
2024	11	12
2025	11	12
2026	–	–
2027	–	–
Total	**33**	**47**

Starting from the 2019 performance year, share-based variable pay programmes are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme. The granting of shares in the programmes for 2022 is decided during the spring of 2023 and is thus not included in the tables below, but is in full recognised as an expense in the income statement in 2022. A provision of SEK 485k (524) excl. social security contributions has been made for 2022 for the portion to be paid in cash. SEK 485k (524) was in addition recognised as an expense for the equity-settled share-based programme in the income statement and as an increase in equity.

2019–2021 share-linked deferrals (equity-settled)

Number of shares	2022	2021
Outstanding at beginning of year	4,550	478
Granted[1]	4522	6,786
Forfeited	–	0
Allotted[2]	-2,668	-2,714
Outstanding at end of year	**6,404**	**4,550**

1) Granted rights are the number of shares from 2021 variable remuneration programmes granted in 2022. Allotment of rights has been deferred following retention requirements by the Swedish FSA. There is no exercise price for the deferred rights.
2) Allotted rights are subject to a one-year retention period after allotment to participants. Includes shares that have been allotted to participants but withheld to cover income taxes or social security contributions.

The outstanding rights are expected to be allotted the following years:

Number of shares	2022	2021
2021	–	–
2022	–	860
2023	1,498	956
2024	1,498	956
2025	1,500	958
2026	1,362	820
2027	546	–
Total	**6,404**	**4,550**

Average number of employees

Full-time equivalents (FTEs)	2022	2021
Male	8	9
Female	16	15
Total average	**24**	**24**

Total employees at the end of the year were 24 (24).

Gender distribution, senior executives, %

%	31 Dec 2022	31 Dec 2021
Board of directors – men	29	38
Board of directors – women	71	62
Other senior executives – men	57	75
Other senior executives – women	43	25

Note 7. Other expenses

SEK (000s)	2022	2021
Postage, telephone and office expenses	-241	-167
Distribution costs to Nordea	-4,244,811	-4,035,032
Professional services[1]	-4,147	-4,061
Market data services	-25,691	-27,008
Other	-24,209	-22,630
Total	**-4,299,099**	**-4,088,898**

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

Auditors' fees

SEK (000s)	2022	2021
Öhrlings PricewaterhouseCoopers		
Auditing assignments	-2,059	-2,147
Audit-related services	-530	-143
Total	**-2,589**	**-2,290**

Note 8. Regulatory fees

SEK (000s)	2022	2021
Resolution fee	-239,486	-245,832
Bank tax	-185,676	–
Total	**-425,162**	**-245,832**

Note 9. Net loan losses

SEK (000s) 2022	Loans to the public[2]	Interest-bearing securities	Off balance sheet items	Total
Net loan losses, stage 1	-37,178	83	3,249	-33,846
Net loan losses, stage 2	-54,392		15	-54,377
Net loan losses, non-defaulted	**-91,570**	**83**	**3,264**	**-88,223**
Stage 3, defaulted				
Net loan losses, individually asssed, collectively calculated[1]	-26,055	–	–	-26,055
Realised loan losses	-6,070	–	–	-6,070
Decrease of provisions to cover realised loan losses	–	–	–	–
Recoveries on previous realised loan losses	341	–	–	341
Reversals of provisions	–	–	–	–
Net loan losses, defaulted	**-31,784**	**–**	**–**	**-31,784**
Net loan losses	**-123,354**	**83**	**3,264**	**-120,007**

SEK (000s) 2021	Loans to the public[2]	Interest-bearing securities	Off balance sheet items	Total
Net loan losses, stage 1	13,731	218	1,488	15,437
Net loan losses, stage 2	-8,922	–	3	-8,919
Net loan losses, non-defaulted	**4,809**	**218**	**1,491**	**6,518**
Stage 3, defaulted				
Net loan losses, individually asssed, collectively calculated[1]	-5,622	–	–	-5,622
Realised loan losses	-14,374	–	–	-14,374
Decrease of provisions to cover realised loan losses	–	–	–	–
Recoveries on previous realised loan losses	3,153	–	–	3,153
Reversals of provisions	–	–	–	–
Net loan losses, defaulted	**-16,843**	**–**	**–**	**-16,843**
Net loan losses	**-12,034**	**218**	**1,491**	**-10,325**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note 11 "Loans and impairment".

Key ratios

	31 Dec 2022	31 Dec 2021
Loan loss ratio, basis points[1]	1.7	0.2
- of which stage 1	0.5	-0.2
- of which stage 2	0.8	0.1
- of which stage 3	0.5	0.3

1) Based on IFRS 9.

Note 10. Taxes

Income tax expenses

SEK (000s)	2022	2021
Current tax[1]	-490,271	-630,192

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

SEK (000s)	2022	2021
Profit before tax	2,349,489	3,026,080
Tax calculated at a tax rate of 20.6 per cent (21.4)	-483,995	-623,372
Tax charges not related to profit	–	–
Tax-exempt income	90	–
Non-deductible expenses	-6,127	-6,820
Adjustments relating to prior years	-239	–
Tax charge	**-490 271**	**-630 192**
Average effective tax rate %	20.6%	20.6%

Deferred tax assets and deferred tax liabilities

SEK (000s)	2022	2021
Deferred tax assets	–	41,929
Deferred tax liabilities	3,118	–
Net deferred tax liability	**3,118**	**41,929**

Movements in deferred tax assets and liabilities

SEK (000s)	1 Jan 2022	Adjustments to opening balance	Charged to income statement	Charged to other comprehen-sive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2022
Deferred tax assets									
Derivatives	41,929	–	–	-41,929	–	–	–	–	–
Total	**41,929**	**–**	**–**	**-41,929**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities									
Derivatives	–	–	–	3,118	–	–	–	–	3,118
Total	**–**	**–**	**–**	**3,118**	**–**	**–**	**–**	**–**	**3,118**

SEK (000s)	1 Jan 2021	Adjustments to opening balance	Charged to income statement	Charged to other comprehen-sive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2021
Deferred tax assets									
Derivatives	–	–	–	41,929	–	–	–	–	41,929
Total	**–**	**–**	**–**	**41,929**	**–**	**–**	**–**	**–**	**41,929**
Deferred tax liabilities									
Derivatives	9,779	–	–	-9,779	–	–	–	–	–
Total	**9,779**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Note 11. Loans and impairment

SEK (000s)	31 Dec 2022	31 Dec 2021
Loans measured at amortised cost, not impaired (stage 1 and 2)	704,425,999	670,862,286
Impaired loans (stage 3)	409,936	437,921
- of which servicing	66,415	32,760
- of which non-servicing	343,521	405,161
Loans before allowances	**704,835,935**	**671,300,207**
- of which credit institutions	4,304,109	6,553,597
Allowances for individually assessed impaired loans (stage 3)	-68,147	-42,092
- of which servicing	-11,438	-3,271
- of which non-servicing	-56,709	-38,821
Allowances for collectively assessed impaired loans (stage 1 and 2)	-181,258	-89,689
Allowances	**-249,405**	**-131,781**
Loans, carrying amount	**704,586,530**	**671,168,426**

Note 11. Loans and impairments, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Credit institutions				The Public				Total			
SEK (000s)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	**6,553,597**	**–**	**–**	**6,553,597**	**654,309,988**	**9,998,701**	**437,921**	**664,746,610**	**660,863,585**	**9,998,701**	**437,921**	**671,300,207**
Changes due to origination and acquisition	–	–	–	–	156,156,755	480,432	8,735	156,645,922	156,156,755	480,432	8,735	156,645,922
Changes due to transfers between Stage 1 and Stage 2, (net)	–	–	–	–	-929,064	929,064	0	0	-929,064	929,064	0	0
Changes due to transfers between Stage 2 and Stage 3, (net)	–	–	–	–	0	8,044	-8,044	0	0	8,044	-8,044	0
Changes due to transfers between Stage 1 and Stage 3, (net)	–	–	–	–	-90,420	0	90,420	0	-90,420	0	90,420	0
Changes due to repayments and disposals	–	–	–	–	-119,934,037	-2,279,862	-117,085	-122,330,984	-119,934,037	-2,279,862	-117,085	-122,330,984
Changes due to write-offs	–	–	–	–	0	0	-6,070	-6,070	0	0	-6,070	-6,070
Other changes	-2,249,488	–	–	-2,249,488	38,112	1,434,177	4,059	1,476,348	-2,211,376	1,434,177	4,059	-773,140
Closing balance at 31 Dec 2022	4,304,109	–	–	4,304,109	689,551,334	10,570,556	409,936	700,531,826	693,855,443	10,570,556	409,936	704,835,935

Movement of allowance accounts for loans measured at amortised cost

	Credit institutions				The Public				Total			
SEK (000s)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	**–**	**–**	**–**	**–**	**-31,423**	**-58,266**	**-42,092**	**-131,781**	**-31,423**	**-58,266**	**-42,092**	**-131,781**
Changes due to origination and acquisition	–	–	–	–	-30,414	-17,607	-750	-48,771	-30,414	-17,607	-750	-48,771
Changes due to transfers from Stage 1 to Stage 2	–	–	–	–	1,324	-59,404	0	-58,080	1,324	-59,404	0	-58,080
Changes due to transfers from Stage 1 to Stage 3	–	–	–	–	33	0	-13,734	-13,701	33	0	-13,734	-13,701
Changes due to transfers from Stage 2 to Stage 1	–	–	–	–	-1,710	28,491	0	26,781	-1,710	28,491	0	26,781
Changes due to transfers from Stage 2 to Stage 3	–	–	–	–	0	1,039	-13,278	-12,239	0	1,039	-13,278	-12,239
Changes due to transfers from Stage 3 to Stage 1	–	–	–	–	-126	0	2,073	1,947	-126	0	2,073	1,947
Changes due to transfers from Stage 3 to Stage 2	–	–	–	–	0	-1,752	8,960	7,208	0	-1,752	8,960	7,208
Changes due to changes in credit risk without stage transfer	–	–	–	–	-12,118	-15,245	-21,333	-48,696	-12,118	-15,245	-21,333	-48,696
Changes due to repayments and disposals	–	–	–	–	5,833	10,087	12,007	27,927	5,833	10,087	12,007	27,927
Closing balance at 31 Dec 2022	–	–	–	–	-68,601	-112,657	-68,147	-249,405	-68,601	-112,657	-68,147	-249,405

Carrying amount of loans measured at amortised cost, before allowances

	Credit institutions				The Public				Total			
SEK (000s)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	**4,553,762**	**–**	**–**	**4,553,762**	**611,758,438**	**7,000,899**	**537,946**	**619,297,283**	**616,312,200**	**7,000,899**	**537,946**	**623,851,045**
Changes due to origination and acquisition	–	–	–	–	161,301,975	2,193,255	20,840	163,516,070	161,301,975	2,193,255	20,840	163,516,070
Changes due to transfers between Stage 1 and Stage 2, (net)	–	–	–	–	-2,482,510	2,482,510	–	–	-2,482,510	2,482,510	–	–
Changes due to transfers between Stage 2 and Stage 3, (net)	–	–	–	–	–	47,435	-47,435	–	–	47,435	-47,435	–
Changes due to transfers between Stage 1 and Stage 3, (net)	–	–	–	–	-107,195	–	107,195	–	-107,195	–	107,195	–
Changes due to repayments and disposals	1,999,835	–	–	1,999,835	-116,166,490	-1,725,593	-164,597	-118,056,680	-114,166,655	-1,725,593	-164,597	-116,056,845
Changes due to write-offs	–	–	–	–	–	–	-14,374	-14,374	–	–	-14,374	-14,374
Other changes	–	–	–	–	5,770	195	-1,654	4,311	5,770	195	-1,654	4,311
Closing balance at 31 Dec 2021	6,553,597	–	–	6,553,597	654,309,988	9,998,701	437,921	664,746,610	660,863,585	9,998,701	437,921	671,300,207

Movement of allowance accounts for loans measured at amortised cost

	Credit institutions				The Public				Total			
SEK (000s)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	**–**	**–**	**–**	**–**	**-45,154**	**-49,345**	**-36,470**	**-130,969**	**-45,154**	**-49,345**	**-36,470**	**-130,969**
Changes due to origination and acquisition	–	–	–	–	-16,496	-8,907	-1,295	-26,698	-16,496	-8,907	-1,295	-26,698
Changes due to transfers from Stage 1 to Stage 2	–	–	–	–	1,610	-32,914	–	-31,304	1,610	-32,914	–	-31,304
Changes due to transfers from Stage 1 to Stage 3	–	–	–	–	83	–	-13,812	-13,729	83	–	-13,812	-13,729
Changes due to transfers from Stage 2 to Stage 1	–	–	–	–	-897	21,312	–	20,415	-897	21,312	–	20,415
Changes due to transfers from Stage 2 to Stage 3	–	–	–	–	–	905	-6,088	-5,183	–	905	-6,088	-5,183
Changes due to transfers from Stage 3 to Stage 1	–	–	–	–	-91	–	966	875	-91	–	966	875
Changes due to transfers from Stage 3 to Stage 2	–	–	–	–	–	-1,255	6,452	5,197	–	-1,255	6,452	5,197
Changes due to changes in credit risk without stage transfer	–	–	–	–	22,737	3,811	-5,810	20,738	22,737	3,811	-5,810	20,738
Changes due to repayments and disposals	–	–	–	–	6,785	8,127	13,965	28,877	6,785	8,127	13,965	28,877
Closing balance at 31 Dec 2021	–	–	–	–	-31,423	-58,266	-42,092	-131,781	-31,423	-58,266	-42,092	-131,781

Assets subject to enforcement activities

SEK (000s)	**31 Dec 2022**	**31 Dec 2021**
Amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activities	4,536	18,945

Note 11. Loans and impairments, cont.

Rating/scoring information on loans measured at amortised cost

	31 Dec 2022				31 Dec 2021			
Gross carring amount, SEK (000s)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
7+	6,556,607	0	0	6 556 607	4,547,362	–	–	4,547,362
7	1,939,411	0	0	1 939 411	2,532,850	–	–	2,532,850
7–	0	0	0	0	–	–	–	–
6+ / A+	437,409,043	231,453	941	437 641 437	363,934,162	125,829	1	364,059,992
6 / A	75,882,244	159,143	0	76 041 387	78,143,700	29,915	–	78,173,615
6– / A–	45,675,146	256,743	0	45 931 889	52,565,766	65,141	–	52,630,907
5+ / B+	25,412,807	312,975	0	25 725 782	36,875,871	135,339	–	37,011,210
5 / B	20,268,885	737,551	0	21 006 436	27,688,582	281,672	–	27,970,254
5– / B–	11,794,241	904,080	0	12 698 321	16,309,988	446,246	–	16,756,234
4+ / C+	15,164,859	934,355	9,838	16 109 052	15,670,444	1,008,594	–	16,679,038
4 / C	22,666,526	1,182,326	784	23 849 636	22,331,427	1,837,827	–	24,169,254
4– / C–	16,604,366	950,253	0	17 554 618	2,319,299	1,094,994	–	24,287,293
3+ / D+	3,553,016	599,188	0	4 152 204	3,625,233	736,411	–	4,361,644
3 / D	1,891,512	850,527	0	2 742 039	2,147,407	1,045,064	–	3,192,471
3– / D–	1,303,852	1,100,787	0	2 404 639	1,211,052	1,021,504	380	2,232,936
2+ / E+	1,307,147	717,859	421	2 025 427	521,059	425,512	903	947,474
2 / E	493,324	343,782	0	837 105	921,128	453,405	2,249	1,376,782
2– / E–	165,851	242,986	0	408 837	162,075	204,375	–	366,450
1+ / F+	64,161	68,259	0	132 420	150,358	101,665	–	252,023
1 / F	254,407	315,723	35,296	605 427	391,592	360,878	21,844	774,314
1– / F–	737,743	533,763	0	1 271 505	554,537	543,655	–	1,098,192
0+ / 0 / 0–	161,494	99,230	362,656	623 380	139,144	69,311	412,544	620,999
Internal[1]	4,304,109	0	0	4 304 109				
Standardised/unrated	244,693	29,573	0	274 266	7,247,549	11,364	–	7,258,913
Total	**693,855,443**	**10,570,556**	**409,936**	**704 835 935**	**660,863,585**	**9,998,701**	**437,921**	**671,300,207**

1) This refers to exposures to Nordea Abp Filial in Sweden (total net balance on Nordea Hypotek's bank accounts in Nordea).

Key ratios

	31 Dec 2022	31 Dec 2021
Impairment rate (stage 3), gross[1], basis points	5.8	6.5
Impairment rate (stage 3), net[2], basis points	4.8	5.9
Total allowance rate (stage 1, 2 and 3)[3], basis points	3.5	2.0
Allowances in relation to impaired loans (stage 3)[4], %	16.6	9.6
Allowances in relation to loans in stage 1 and 2[5], basis points	2.6	1.3

1) Impaired loans (category 3) before allowances divided by total loans, measured at amortised cost, before allowances.
2) Impaired loans (category 3) after allowances divided by total loans, measured at amortised cost, before allowances.
3) Total allowances divided by total loans, measured at amortised cost, before allowances.
4) Allowances for impaired loans (category 3) divided by impaired loans measured at amortised cost (category 3), before allowances.
5) Allowances for performing loans (category 2) divided by performing loans measured at amortised cost (categories 1 and 2), before allowances.

Note 12. Interest-bearing securities

SEK (000s)	31 Dec 2022	31 Dec 2021
States, municipalities and other public bodies	11,902,838	12,650,117
Mortgage institutions	6,122,986	6,356,781
Other credit institutions	1,976,413	2,045,947
Total	**20,002,237**	**21,052,845**

Provisions for credit risks amount to SEK 278k (361).

Note 13. Derivatives and Hedge accounting

Nordea Hypotek enters into derivatives for trading and risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements.

As from 2022 the fair value and nominal amount of derivatives in this note represent derivatives before offsettingbetween assets and liabilities on the balance sheet (gross amount) and not as earlier after offsetting. The reason is thatthe gross amount better reflects Nordea's exposure.

The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

31 Dec 2022, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives not used for hedge accounting	461	-32	24,365
Derivatives used for hedge accounting	14,724	14,824	610,311
Total gross amount	**15,185**	**14,792**	**634,676**
Offset amount	–	–	–
Total derivatives	**15,185**	**14,792**	**634,676**

31 Dec 2021, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives not used for hedge accounting	-2	20	34,643
Derivatives used for hedge accounting	4,128	1,462	621,305
Total gross amount	**4,126**	**1,482**	**655,948**
Offset amount	–	–	–
Total derivatives	**4,126**	**1,482**	**655,948**

Derivatives not used for hedge accounting

31 Dec 2022, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	154	-32	23,599
Options	307	–	767
Total	**461**	**-32**	**24,366**

31 Dec 2021, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	-16	20	9,223
Options	14	–	25,420
Total	**-2**	**20**	**34,643**

Derivatives used for hedge accounting

31 Dec 2022, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Fair value hedges	10,946	14,824	571,187
Cash flow hedges	3,778	–	39,123
Total	**14,724**	**14,824**	**610,310**

31 Dec 2021, SEKm	Fair value Positive	Fair value Negative	Total nom. amount
Fair value hedges	3 508	1 397	604 429
Cash flow hedges	620	65	16 876
Total	**4 128**	**1 462**	**621 305**

Hedge Accounting

Interest rate risk

As part of Nordea Hypotek's risk management strategy, the Board has established limits on the interest rate sensitivities for the interest rate gaps in business, as set out in Risk, Liquidity and Capital Management. These limits are consistent with the Nordea Hypotek's risk appetite and Nordea Hypotek aligns its hedge accounting objectives to keep exposures within those limits. Nordea Hypotek's policy is to monitor positions on a daily basis. For further information on measurement of risks and sensitivities, see Risk, Liquidity and Capital Management.

For hedge accounting relationships related to interest rate risk, the hedged risk is the change in the fair value of the hedged item due to changes in benchmark interest rates. The hedge ratio is established by matching the notional of the derivatives against the principal of the hedged items.

In order to hedge and manage the risk and limit the impact on Nordea Hypotek's margins, profit or loss and equity, Nordea uses hedging instruments to swap interest rate exposures into either fixed or variable rates.

Nordea Hypotek designates risk component of hedged items as follows:

- benchmark interest rate risk as a component of interest rate risk, such as the LIBOR and STIBOR. Using the benchmark interest rate risk can result in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship; and
- components of cashflows of hedged items.

The benchmark interest rate risk is determined as a change in the present value of the future cash flows using benchmark discount curves. The benchmark interest rate risk is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

Nordea Hypotek enters into interest rate swaps and cross-currency interest rate swaps in order to reduce or eliminate changes in the fair value of the hedged items due to interest rate risk.

Hedged items are fixed rate financial assets and liabilities in both local and foreign currencies such as loans, FVOCI debt securities, deposits and debt securities in issue.

Hedging instruments are interest rate swaps and crosscurrency interest rate swaps (the portion related to interest rate risk is designated in fair value hedge relationships).

Nordea Hypotek applies fair value hedge accounting both at micro level at which one hedged item is hedged using one or several hedging instruments and at portfolio level where groups of items are hedged using multiple hedging instruments. Nordea Hypotek applies fair value hedge accounting at micro level for hedging of fixed-rate FVOCI debt securities and fixed-rate debt securities in issue.

Portfolio fair value hedge accounting is applied for hedging of loans and deposit, where fixed-rate loans and term deposits are initially offset and the residual exposure hedged using a portfolio of interest rate swaps up to the designated portion of either the net asset or liability in a given time bucket. For hedge effectiveness testing Nordea Hypotek uses both critical terms matching (for prospective effectiveness testing) and regression analysis (for retrospective effectiveness testing).

Note 13. Derivatives and Hedge accounting, cont.

The table below presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk 2022		Interest rate risk 2021	
SEKm	Carrying amunt of hedged assets/liabilities[1]	of which accumulated amount of fair value hedge adjustment[2,3]	Carrying amunt of hedged assets/liabilities[1]	of which accumulated amount of fair value hedge adjustment[2,3]
Fair value hedges				
Loans to the public	272,100	-10,852	274,785	-1,157
Interest-bearing securities[3]	5,701	–	5,980	–
Assets	**277,801**	**-10,852**	**280,765**	**-1,157**
Debt securitites in issue	281,407	-15,274	291,482	607
Liabilities	**281,407**	**-15,274**	**291,482**	**607**

1) This row includes "Financial instruments pledged as collateral".
2) The balance sheet row "Fair value changes of the hedged items in hedges of interest rate risk" has been split on the individual rows in this column.
3) Of which is related to discontinued hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Fair value		
31 Dec 2022, SEKm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	10,946	14,824	571,187

	Fair value		
31 Dec 2021, SEKm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	3,508	1,397	604,429

The below table presents the changes in the fair value of the hedged items and the changes in the fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
SEKm	2022	2021
Fair value hedges		
Changes in fair value of hedging instruments	-6,055	-2,008
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	6,029	2,000
Hedge ineffectiveness recognised in the income statement[1, 2]	-26	-8

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) has not been considered.

Source of ineffectiveness include the following:
- A mismatch between the reset frequency of the swap and the benchmark frequency.
- The fair value of the floating leg of the swap on a date other than the reset date.

The maturity profile of Nordea Hypotek's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2022, SEKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk,	–	33,065	112,240	421,442	4,440	571,187
Total	**–**	**33,065**	**112,240**	**421,442**	**4,440**	**571,187**

31 Dec 2021, SEKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	22,900	144,842	432,812	3,875	604,429
Total	**–**	**22,900**	**144,842**	**432,812**	**3,875**	**604,429**

Note 13. Derivatives and Hedge accounting, cont.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures as described below are limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario, see the Market risk section in the chapter "Risk, Liquidity and Capital management".

Nordea Hypotek's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency and thus exposes Nordea Hypotek to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are matched by predominantly entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. Further information regarding hedge accounting can be found in Note 1 "Accounting policies", section 8.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ration is one-to-one and is stablished by matching the notional l of the derivatives against the principle of the hedged item.

Cash flow hedges

For Nordea Hypotek's cash flow hedge of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of benchmark interest rates on forecast transactions and on recognised financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps, fixing the hedged cashflows according to Nordea's policies and risk management strategy described in Note 1, section 8, and in the Market risk section in "Risk, Liquidity and Capital management".

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date). Changes in the valuation of swaps that are part of effective cash flow hedge relationships are recognised in cash flow hedge reserves.

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Fair value		
31 Dec 2022, SEKm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	3,778	–	39,123
Total derivatives used for hedge accounting	**3,778**	**–**	**39,123**

	Fair value		
31 Dec 2021, SEKm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	620	65	16,877
Total derivatives used for hedge accounting	**620**	**65**	**16,877**

The table below specifies the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents the changes in fair value used to measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedge ineffectiveness

	Foreign exchange risk	
SEKm	2022	2021
Cash flow hedges		
Changes in fair value of hedging instruments	3,189	640
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	-3,189	-640
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	3,189	640

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments CVA, DVA and FFVA have not been considered.

Cash flow hedge reserve

	Foreign exchange risk	
SEKm	2022	2021
Balance at 1 Jan	**-162**	**36**
Cash flow hedges:		
Valuation gains/losses	3,189	640
Tax on valuation gains/losses	-657	-132
Transferred to the income statement	-2,971	-889
Tax on transfers to the income statement	612	183
Other comprehensive income, net of tax	**174**	**-198**
Total comprehensive income	174	-198
Balance at 31 Dec	**12**	**-162**
- of which relates to continuing hedges for which hedge accounting is applied	12	-162
- of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Note 13. Derivatives and Hedge accounting, cont.

The maturity profile of Nordea Hypotek's hedging instruments used to hedge foreign exchange risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2022, SEKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	1 013	–	38 110	–	39 123
Summa	**–**	**1 013**	**–**	**38 110**	**–**	**39 123**

31 Dec 2021, SEKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	–	12	16,865	–	16,877
Total	**–**	**–**	**12**	**16,865**	**–**	**16,877**

Note 14. Other assets

SEK (000s)	31 Dec 2022	31 Dec 2021
Other assets[1]	1,380,392	739,405

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

Note 15. Prepaid expenses and accrued income

SEK (000s)	31 Dec 2022	31 Dec 2021
Accrued income	5,022	–
Prepaid expenses	57,776	106,182
Total	**62,798**	**106,182**

Note 16. Deposits by credit institutions

SEK (000s)	31 Dec 2022	31 Dec 2021
Swedish banks	294,979,551	274,305,909

Note 17. Debt securities in issue[1]

SEK (000s)	31 Dec 2022	31 Dec 2021
Swedish bonds	338,467,676	345,007,635
Foreign securities	43,616,757	40,519,977
Total	**382,084,433**	**385,527,612**

1) See "Specification to Notes".

Note 18. Other liabilities

SEK (000s)	31 Dec 2022	31 Dec 2021
Accounts payable	5,648	3,662
Liabilities, group contribution	2,378,796	3,059,185
Other liabilites[1]	1,355,752	943,811
Total	**3,740,196**	**4,006,658**

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

Note 19. Accrued expenses and prepaid income

SEK (000s)	31 Dec 2022	31 Dec 2021
Accrued interest[1]	336,012	243,620
Other accrued expenses	398,078	367,385
Prepaid income	332	7,480
Total	**734,422**	**618,485**

1) The entire amount refers to accrued Resolution Fee allocated from Nordea Bank Abp.

Note 20. Provisions

SEK (000s)	31 Dec 2022	31 Dec 2021
Commitments[1]	8,104	11,368

1) For more information regarding off balance commitments, see Note 23 "Commitments".

Movements in provisions for off balance sheet items

SEK (000s)	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2022	**11,319**	**49**	**–**	**11,368**
Changes due to origination and acquisition	–	–	–	–
Changes due to transfers from Stage 1 to Stage 2	–	–	–	–
Changes due to transfers from Stage 1 to Stage 3	–	–	–	–
Changes due to transfers from Stage 2 to Stage 1	–	–	–	–
Changes due to transfers from Stage 2 to Stage 3	–	–	–	–
Changes due to transfers from Stage 3 to Stage 1	–	–	–	–
Changes due to transfers from Stage 3 to Stage 2	–	–	–	–
Changes due to changes in credit risk without stage transfer	-3,249	-15	–	-3,264
Changes due to repayments and disposals	–	–	–	–
Write-off through decrease in allowance account	–	–	–	–
Other changes	–	–	–	–
Translation differences	–	–	–	–
Closing balance at 31 Dec 2022	**8,070**	**34**		**8,104**

Movements in provisions for off balance sheet items

SEK (000s)	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	**12,807**	**52**	**–**	**12,859**
Changes due to origination and acquisition	–	–	–	–
Changes due to transfers from Stage 1 to Stage 2	–	–	–	–
Changes due to transfers from Stage 1 to Stage 3	–	–	–	–
Changes due to transfers from Stage 2 to Stage 1	–	–	–	–
Changes due to transfers from Stage 2 to Stage 3	–	–	–	–
Changes due to transfers from Stage 3 to Stage 1	–	–	–	–
Changes due to transfers from Stage 3 to Stage 2	–	–	–	–
Changes due to changes in credit risk without stage transfer	–1,488	–3	–	–1,491
Changes due to repayments and disposals	–	–	–	–
Write-off through decrease in allowance account	–	–	–	–
Other changes	–	–	–	–
Translation differences	–	–	–	–
Closing balance at 31 Dec 2021	**11,319**	**49**	**–**	**11,368**

Note 20. Provisions, cont.

Rating/scoring information on credit commitments

	31 Dec 2022				31 Dec 2021			
SEKm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
7+	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–
7–	–	–	–	–	–	–	–	–
6+ / A+	37,082	–	–	37,082	47,497	–	–	47,497
6 / A	3,340	–	–	3,340	5,653	–	–	5,653
6– / A–	2,278	–	–	2,278	4,310	–	–	4,310
5+ / B+	1,394	–	–	1,394	3,049	–	–	3,049
5 / B	1,168	–	–	1,168	2,242	–	–	2,242
5– / B–	589	–	–	589	1,255	–	–	1,255
4+ / C+	434	–	–	434	930	–	–	930
4 / C	375	–	–	375	734	–	–	734
4– / C–	895	–	–	895	1,653	–	–	1,653
3+ / D+	103	–	–	103	228	–	–	228
3 / D	143	–	–	143	178	–	–	178
3– / D–	113	–	–	113	151	–	–	151
2+ / E+	–	73	–	73	–	72	–	72
2 / E	–	26	–	26	–	69	–	69
2– / E–	–	14	–	14	–	20	–	20
1+ / F+	–	4	–	4	–	13	–	13
1 / F	–	38	–	38	–	65	–	65
1– / F–	–	60	–	60	–	78	–	78
0+ / 0 / 0–	–	–	–	–	–	–	–	–
Standardised/unrated	–	–	–	–	–	–	–	–
Total	**47,914**	**215**	**0**	**48,129**	**67,880**	**317**	**–**	**68,197**

Note 21. Subordinated liabilities[1]

SEK (000s)	31 Dec 2022	31 Dec 2021
Dated subordinated debenture loans	1,650,373	1,650,120

1) See "Specification to Notes".

These debenture loans are subordiated to other liabilities.

Note 22. Assets pledged as security for own liabilities

SEK (000s)	31 Dec 2022	31 Dec 2021
Assets pledged for own liabilities		
Loans to the public	675,547,993	637,698,451
The above pledges certain to the following liability		
Debt securities in issue	371,674,436	358,763,942

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

Note 23. Commitments

SEK (000s) (nom. Amount)	31 Dec 2022	31 Dec 2021
Credit commitments[1]	48,129,347	68,197,317
Other commitments[2]	2,196,467	4,043,821
Total	**50,325,814**	**72,241,138**

1) Since 2021, credit commitments consist of new credit commitments, and credit commitments that increase the customer's existing borrowings in connection with homebuying.
2) Refers to loans granted yet unpaid. As of 2021, loans granted yet unpaid are reported following improvements made in 2021.

Note 24. Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to risk-weighted assets. There is a worldwide capital adequacy framework drawn up by the Basel Committee on Banking Supervision. This is implemented in EU by the Capital Requirements Directive IV (CRD IV), Bank Recovery and Resolution Directive (BRRD) and Capital Requirements Regulation (CRR) in 2014. CRD IV and BRRD was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries the first of January 2014.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD IV and the CRR was adopted. The revised directives (BRRD II, CRD V) need to be implemented in Swedish legislation before entering into force, whilst the revised regulation (CRR II) became directly applicable. The majority of changes in CRR II entered into force two years later, i.e. in June 2021.

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

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

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

Common Equity Tier 1 capital and Tier 1 capital

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

Additional Tier 1 instruments

The inclusion of undated subordinated loans in AT1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. AT1 instruments may be repaid only upon decision by the Board of Directors in Nordea Hypotek and with the permission of the Swedish FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions.

For the AT1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of AT1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital

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

Tier 2 instruments

Tier 2 instruments consist mainly of subordinated debt. Tier 2 instruments include two different types of subordinated loan capital; undated loans and dated loans.

The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years. Call date is where the issuer has the legal right to redeem outstanding loan amounts according the terms of agreement. The carrying amounts may deviate from capital amounts used in own funds due to swap arrangements and adjustments for maturities.

Note 24. Capital adequacy, cont.

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 ratios

Available own funds (amounts), SEKm	**31 Dec 2022**	**31 Dec 2021**
Common Equity Tier 1 (CET1) capital, including profit	32,345	28,280
Tier 1 capital, including profit	32,345	28,280
Total capital, including profit	34,063	29,962
Risk-weighted exposures amounts (REA), SEKm		
Total risk-weighted exposure amount	182,295	180,554
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	17.7	15.7
Tier 1 ratio (%)	17.7	15.7
Total capital ratio (%)	18.7	16.6
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6	1.8
- of which: to be made up of CET1 capital (percentage points)	0.9	1.8
- of which: to be made up of Tier 1 capital (percentage points)	1.2	1.8
Total SREP own funds requirements (%)	9.2	9.8
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	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
Institution specific countercyclical capital buffer (%)	1.0	0.0
Systemic risk buffer (%)	0.0	0.0
Global Systemically Important Institution buffer (%)	0.0	0.0
Other Systemically Important Institution buffer (%)	1.0	0.0
Combined buffer requirement (%)	4.5	2.5
Overall capital requirements (%)	14.1	12.3
CET1 available after meeting the total SREP own funds requirements (%)	9.5	6.8
Leverage ratio		
Leverage ratio total exposure measure	730,101	713,835
Leverage ratio	4.4	4.0
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 (%)	0.0	0.0
- of which: to be made up of CET1 capital (percentage points)	0.0	0.0
Total SREP leverage ratio requirements (%)	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
Overall leverage ratio requirements (%)	3.0	3.0
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value – average)	19,434	18,391
Cash outflows – Total weighted value	6,313	14,253
Cash inflows – Total weighted value	4,735	9,352
Total net cash outflows (adjusted value)	1,578	4,901
Liquidity coverage ratio (%)	1,231	375
Net Stable Funding Ratio		
Total available stable funding	588,736	541,364
Total required stable funding	514,054	494,072
NSFR ratio (%)	115	110

Note 24. Capital adequacy, cont.

Minimum Capital Requirement & Capital Buffers

			Capital Buffers				
Percentage	Minimum Capital requirement	Pillar II requirement	CCoB	CCyB	O-SII[1]	Capital Buffers total[2]	Total requirement
Common Equity Tier 1 capital	4.5	0.9	2.5	1.0	1.0	4.5	9.9
Tier 1 capital	6.0	1.2	2.5	1.0	1.0	4.5	11.7
Own funds	8.0	1.6	2.5	1.0	1.0	4.5	14.1
SEKm							
Common Equity Tier 1 capital	8,203	1,641	4,557	1,823	1,823	8,203	18,047
Tier 1 capital	10,938	2,188	4,557	1,823	1,823	8,203	21,329
Own funds	14,584	2,917	4,557	1,823	1,823	8,203	25,704

1) In July 2022, the Swedish Financial Supervisory Authority announced that Nordea Hypotek AB (publ) from December 30, 2022 is obliged to hold a capital buffer for other system-important institutes (O-SII) of 1 percent, which will be covered by core Tier 1 capital.

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

Note 24. Capital adequacy, cont.

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

SEKm	On-balance exposure, SEKm	Off-balance exposure, SEKm	Exposure value (EAD), SEKm[1]	of which EAD for off-balance, SEKm	Exposure-weighted average risk weight, %
Corporate, of which foundation IRB:	**–**	**–**	**–**	**–**	**–**
- of which rating grades 6	–	–	–	–	–
- of which rating grades 5	–	–	–	–	–
- of which rating grades 4	–	–	–	–	–
- of which rating grades 3	–	–	–	–	–
- of which rating grades 2	–	–	–	–	–
- of which rating grades 1	–	–	–	–	–
- unrated	–	–	–	–	–
- defaulted	–	–	–	–	–
Corporate, of which advanced IRB:	**119,622**		**117,347**		**16,0**
- of which rating grades 6	76,071,2		74,595,9		5,7
- of which rating grades 5	9,299,4		8,703,0		23,0
- of which rating grades 4	31,385,6		31,261,3		36,9
- of which rating grades 3	2,557,5		2,499,8		34,0
- of which rating grades 2	105,0		106,2		40,6
- of which rating grades 1	100,1		90,1		52,7
- unrated	79,0		66,4		68,1
- defaulted	24,6		24,6		35,1
Institutions, of which foundation IRB:	**8,198**		**8,198**		**6,3**
- of which rating grades 6	7,786		7,786		6,2
- of which rating grades 5	412		412		8,6
- of which rating grades 4	–	–	–	–	–
- of which rating grades 3	–	–	–	–	–
- of which rating grades 2	–	–	–	–	–
- of which rating grades 1	–	–	–	–	–
- unrated	–	–	–	–	–
- defaulted	–	–	–	–	–
Retail, of which secured by real estate:	**557,676**	**50,326**	**608,001**	**50,326**	**3,3**
- of which scoring grades A	495,142	44,649	539,790	44,649	2,2
- of which scoring grades B	36,143	3,295	39,437	3,295	5,6
- of which scoring grades C	19,165	1,782	20,947	1,782	12,4
- of which scoring grades D	4,084	375	4,460	375	23,3
- of which scoring grades E	1,280	118	1,398	118	38,2
- of which scoring grades F	1,186	107	1,293	107	59,9
- not scored	164	–	164	–	61,4
- defaulted	512	–	512	–	126,6
Retail, of which other retail:	**14,388**		**14,382**		**6,6**
- of which scoring grades A	**11,764**		**11,764**	**–**	**4,3**
- of which scoring grades B	1,263		1,260	–	9,6
- of which scoring grades C	1,063		1,062	–	19,2
- of which scoring grades D	175		175	–	23,7
- of which scoring grades E	60		59	–	26,9
- of which scoring grades F	33		33	–	44,2
- not scored	11		10	–	45,3
- defaulted	19		19	–	244,9
Other non credit-obligation assets:	**2**		**2**	**–**	**100,0**

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

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

Note 25. Classification of financial instruments

Assets

31 Dec 2022, SEKm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL) Mandatorily	Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
Loans to credit institutions	4,304	–	–	–	4,304
Loans to the public	700,283	–	–	–	700,283
Interest-bearing securities	–	10,506	9,496	–	20,002
Derivatives	–	15,185	–	–	15,185
Fair value changes of hedged items in hedges of interest rate risk	-10,852				-10,852
Deferred tax assets	–	–	–	–	–
Current tax assets	–	–	–	16	16
Other assets	1,380	–	–	0	1,380
Prepaid expenses and accrued income	63	–	–	–	63
Total	**695,178**	**25,691**	**9,496**	**16**	**730,381**

Liabilities

31 Dec 2022, SEKm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL) Mandatorily	Non-financial liabilities	Total
Deposits by credit institutions	294,980	–	–	294,980
Debt securities in issue	382,085	–	–	382,085
Derivatives	–	14,792	–	14,792
Fair value changes of hedged items in hedges of interest rate risk	–	–	–	–
Current tax liabilities	–	–	-1	-1
Other liabilities	3,737	–	3	3,740
Accrued expenses and prepaid income	336	–	398	734
Deferred tax liabilities	–	–	3	3
Provisions	8	–	–	8
Subordinated liabilities	1,650	–	–	1,650
Total	**682,796**	**14,792**	**403**	**697,991**

Assets

31 Dec 2021, SEKm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL) Mandatorily	Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
Loans to credit institutions	6,554	–	–	–	6,554
Loans to the public	664,615	–	–	–	664,615
Interest-bearing securities	–	11,082	9,971	–	21,053
Derivatives	–	4,126	–	–	4,126
Fair value changes of hedged items in hedges of interest rate risk	-1,157	–	–	–	-1,157
Deferred tax assets	–	–	–	42	42
Current tax assets	–	–	–	380	380
Other assets	739	–	–	0	739
Prepaid expenses and accrued income	106	–	–	–	106
Total	**670,857**	**15,208**	**9,971**	**422**	**696,458**

Note 25. Classification of financial instruments, cont.

Liabilities

31 Dec 2021, SEKm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)	Non-financial liabilities	Total
		Mandatorily		
Deposits by credit institutions	274,306	–	–	274,306
Debt securities in issue	386,135	–	–	386,135
Derivatives	–	1,481	–	1,481
Fair value changes of hedged items in hedges of interest rate risk	–	–	–	–
Other liabilities	4,006	–	1	4,007
Accrued expenses and prepaid income	244	–	374	618
Deferred tax liabilities	–	–	–	–
Provisions	11	–	–	11
Subordinated liabilities	1,650	–	–	1,650
Total	**666,352**	**1,481**	**375**	**668,208**

Note 26. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2022		31 Dec 2021	
SEKm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	693,735	697,928	670,012	681,001
Interest-bearing securities	20,002	20,002	21,053	21,053
Derivatives	15,185	15,185	4,126	4,126
Other assets	1,380	1,380	739	739
Prepaid expenses and accrued income	63	63	106	106
Total	**730,365**	**734,558**	**696,036**	**707,025**
Financial liabilities				
Deposits and debt instruments	678,715	694,026	662,091	664,856
Derivatives	14,792	14,792	1,481	1,481
Other liabilities	3,737	3,737	4,006	4,006
Provisions	8	8	11	11
Accrued expenses and prepaid income	336	336	244	244
Total	**697,588**	**712,899**	**667,833**	**670,598**

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

Note 26. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

31 Dec 2022, SEKm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Interest-bearing securities	273	19,729	–	20,002
Derivatives		15,172	13	15,185
Total	273	**34,901**	13	**35,187**
Liabilities at fair value on the balance sheet[1]				
Derivatives	–	14,722	70	14,792
Total	–	**14,722**	70	**14,792**

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

31 Dec 2021, SEKm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Interest-bearing securities	258	20,795	–	21,053
Derivatives	4,126	–	0	4,126
Total	4,384	**20,795**	0	**25,179**
Liabilities at fair value on the balance sheet[1]				
Derivatives	–	1,481	0	1,481
Total	–	**1,481**	0	**1,481**

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

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

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

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

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

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

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea Hypotek consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front

Note 26. Assets and liabilities at fair value, cont.

office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

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

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Loans
The fair value of "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Large Corporates & Institutions respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is SEK 19,729m (20,795m) categorised in Level 2 and SEK 273m (258m) is categorised in Level 1 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of "Deposits by credit institutions", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea Hypotek´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

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

	31 Dec 2022			31 Dec 2021		
SEKm	Carrying amount	Fair value	Level in fair value hierarchy	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet						
Loans	693,735	697,928	3	670,012	681,001	3
Prepaid expenses and accrued income	63	63	3	106	106	3
Total	**693,798**	**697,991**		**670,118**	**681,107**	
Liabilities not held at fair value on the balance sheet						
Deposits and debt instruments	678,715	694,026	3	662,091	664,856	3
Other liabilities	3,737	3,737	3	4,006	4,006	3
Accrued expenses and prepaid income	336	336	3	244	244	3
Total	**682,788**	**698,099**		**666,341**	**669,106**	

Note 27. Financial instruments set off on balance or subject to netting agreements

31 Dec 2022, SEKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements[2] Financial instruments	Net amount
Assets					
Derivatives	15,185	–	15,185	-14,784	401
Liabilities					
Derivatives	14,792	–	14,792	-14,784	8

31 Dec 2021, SEKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements[2] Financial instruments	Net amount
Assets					
Derivatives	4,126	–	4,126	-1,493	2,633
Liabilities					
Derivatives	1,481	–	1,481	-1,493	-12

1) All amounts are measured at fair value.
2) There are no items related to financial collateral (including cash collateral) in the company.

Enforceable master netting agreements and similar arrangements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives and repos), would be subject to master netting agreements, and as a consequesnce Nordea Hypotek would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. In the section "Counter Party risk and exposures" of the director's report, the size of counterparty risk at 31 December 2022 is set out.

Note 28. Assets and liabilities in foreign currencies

The only exposure that Nordea Hypotek has in foreign currency is in euros (EUR). Currency exposure in other currency is driven by issuance in foreign currency, fully hedged by derivatives. The table belos shows the exposure in EUR translated into SEK.

31 Dec 2022 SEKm	EUR exposure recalculated to SEK
Assets	
Derivatives	43,939
Other assets	278
Total assets	**44,217**
Liabilities	
Debt securities in issue	43,547
Derivatives	–
Other liabilities	422
Total liabilities	**43,969**

31 Dec 2021 SEKm	EUR exposure recalculated to SEK
Assets	
Derivatives	41,889
Other assets	191
Total assets	**42,080**
Liabilities	
Debt securities in issue	40,520
Derivatives	-29
Other liabilities	1,326
Total liabilities	**41,817**

Note 29. Maturity analysis for assets and liabilities

Expected maturity 31 Dec 2022, SEKm	Note	Expected to be recovered or settled: Within 12 months	After 12 months	Total
Loans to credit institutions	11	4,304	–	4,304
Loans to the public	11	66,391	633,892	700,283
Interest-bearing securities	12	7,936	12,066	20,002
Derivatives	13	1,709	13,476	15,185
Fair value changes of hedged items in portfolio hedges of interest rate risk		-10,852	–	-10,852
Current tax assets	10	16	–	16
Other assets	14	1,380	–	1,380
Prepaid expenses and accrued income	15	63	–	63
Total assets		**70,947**	**659,434**	**730,381**
Deposits by credit institutions	16	149,060	145,920	294,980
Debt securities in issue	17	78,491	303,594	382,085
Derivatives	13	963	13,829	14,792
Current tax liabilities		-1		-1
Other liabilities	18	3,740	–	3,740
Accrued expenses and prepaid income	19	734	–	734
Deferred tax liabilities	10	–	3	3
Provisions	20	8	–	8
Subordinated liabilities	21	–	1,650	1,650
Total liabilities		**232,995**	**464,996**	**697,991**

Expected maturity 31 Dec 2021, SEKm	Note	Expected to be recovered or settled: Within 12 months	After 12 months	Total
Loans to credit institutions	11	6,554	–	6,554
Loans to the public	11	56,477	608,138	664,615
Interest-bearing securities	12	10,477	10,576	21,053
Derivatives	13	305	3,821	4,126
Fair value changes of hedged items in portfolio hedges of interest rate risk		-1,157	–	-1,157
Deferred tax assets	10	–	42	42
Current tax assets	10	380	–	380
Other assets	14	739	–	739
Prepaid expenses and accrued income	15	18	88	106
Total assets		**73,793**	**622,665**	**696,458**
Deposits by credit institutions	16	117,693	156,613	274,306
Debt securities in issue	17	83,392	302,203	386,135
Derivatives	13	114	1,367	1,481
Other liabilities	18	4,007	–	4,007
Accrued expenses and prepaid income	19	618	0	618
Provisions	20	11	–	11
Subordinated liabilities	21	–	1,650	1,650
Total liabilities		**206,375**	**461,833**	**668,208**

Note 29. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2022, SEKm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Loans to credit institutions	4,304	–	–	–	–	–	–	4,304
Loans to the public	6,403	15,605	73,103	55,290	105,232	109,607	778,947	1,144,187
Interest-bearing securities	9	2,299	5,977	2,803	9,555	705	–	21,348
Total non-derivative financial assets	**10,716**	**17,904**	**79,080**	**58,093**	**114,787**	**110,312**	**778,947**	**1,169,839**
Deposits by credit institutions	107	1,474	35,755	266,024	–	–	–	303,360
Debt securities in issue	3,193	3,026	77,169	130,701	195,084	1,884	544	411,601
- of which Debt securities in issue	3,193	2,906	70,288	124,109	185,922	1,884	544	388,846
- of which Other	–	120	6,881	6,592	9,162	–	–	22,755
Subordinated liabilities	–	16	35	1,735	–	–	–	1,786
Other non-derrivative financial liabilities	6	–	–	–	–	–	–	6
Total non-derivative financial liabilities	**3,306**	**4,516**	**112,959**	**398,460**	**195,084**	**1,884**	**544**	**716,753**
Derivatives, cash inflow	305	2,400	6,803	46,025	9,837	192	144	65,706
Derivatives, cash outflow	115	3,297	6,321	43,920	11,166	248	142	65,209
Derivatives, net cash flows	**190**	**-897**	**482**	**2,105**	**-1,329**	**-56**	**2**	**497**
Exposure	**7,600**	**12,491**	**-33,397**	**-338,262**	**-81,626**	**108,372**	**778,405**	**453,583**
Cumulative exposure	**7,600**	**20,091**	**-13,306**	**-351,568**	**-433,194**	**-324,822**	**453,583**	**–**

31 Dec 2021, SEKm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Loans to credit institutions	6,510	–	44	–	–	–	–	6,554
Loans to the public	6,405	10,324	48,822	45,189	89,587	74,707	537,455	812,489
Interest-bearing securities	3	792	10,027	7,860	2,721	367	–	21,770
Other financial assets, other than derivatives	–	-19	–	–	130	–	–	111
Total non-derivative financial assets	**12,918**	**11,097**	**58,893**	**53,049**	**92,438**	**75,074**	**537,455**	**840,924**
Deposits by credit institutions	8,620	8,571	100,806	133,734	23,163	–	–	274,894
Debt securities in issue	132	316	87,636	77,366	245,999	2,312	1,138	414,899
- of which Debt securities in issue	132	297	87,588	77,299	230,722	2,300	1,138	399,476
- of which Other	–	19	48	67	15,277	12	–	15,423
Subordinated liabilities	–	6	18	24	1,704	–	–	1,752
Other non-derrivative financial liabilities	–	5,357	–	–	1,368	–	–	6,725
Total non-derivative financial liabilities	**8,752**	**14,250**	**188,460**	**211,124**	**272,234**	**2,312**	**1,138**	**698,270**
Derivatives, cash inflow	-14	303	1,525	3,213	41,740	185	157	47,109
Derivatives, cash outflow	21	97	626	2,584	41,430	156	125	45,039
Derivatives, net cash flows	**-35**	**206**	**899**	**629**	**310**	**29**	**32**	**2,070**
Exposure	**4,131**	**-2,947**	**-128,668**	**-157,446**	**-179,486**	**72,791**	**536,349**	**144,724**
Cumulative exposure	**4,131**	**1,184**	**-127,484**	**-284,930**	**-464,416**	**-391,625**	**144,724**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments. Nordea Hypotek has credit commitments amounting to SEK 48,129m (68,197). For further information see Note 23 “Commitments”.

Note 30. Related-party transactions

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

Balance sheet

	Nordea Group companies		Other related parties[1]	
SEK (000s)	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Assets				
Loans to credit institutions	4,304,109	6,553,597	–	–
Loans to the public[2]	–	–	25,119	24,405
Derivatives	15,193,926	4,148,663	–	–
Other assets	1,380,319	739,405	–	–
Prepaid expenses and accrued income	60,883	106,182	–	–
Total assets	**20,939,237**	**11,547,847**	**25,119**	**24,405**
Liabilities				
Deposits by credit institutions	294,979,551	274,305,909	–	–
Debt securities in issue	61,007,961	58,041,306	–	–
Derivatives	14,792,329	1,478,303	–	–
Other liabilities	3,737,303	4,006,066	–	–
Prepaid income and accured expenses	702,344	587,865	–	
Subordinated liabilities	1,650,373	1,650,120	–	–
Total liabilities	**376,869,861**	**340,069,569**	**–**	**–**
Off balance[3]	610,310,651	621,305,251	–	–

1) Other related parties comprise close family members of key management personnel, as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel.

2) Lending divided by collateral type: Single family properties SEK 19,548k (18,005); Tentant-owner apartments SEK 5,571k (6,400).

3) Including nominal values on derivatives.

Income statement

	Nordea Group companies		Other related parties[1]	
SEK (000s)	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Interest income	1,031,422	-336,603	268	207
Interest expense	-3,301,217	791,470	–	–
Net fee and commission income	-58,640	-73,561	–	–
Net result from items at fair value	-5,488,950	-1,677,623	–	–
General administrative expenses:				
- Staff costs	–	–	–	–
- Other expenses	-4,244,811	-4,034,987	–	–
Total	**-12,062,196**	**-5,331,304**	**268**	**207**

1) Other related parties comprise close family members of key management personnel, as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel.

With the exception of compensation, certain loans and other commitments to key management, all related party transactions are made on the same criteria and terms as those of comparable transactions with external parties of similar standing.

Compensation and loans to key management personnel

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

Note 31. Credit risk disclosures

Allowances for credit risk

SEKm	Note	31 Dec 2022	31 Dec 2021
Loans to credit institutions	11	–	–
Loans to the public	11	250	132
Interest bearing securities measured at fair value through other comprehensive income or amortised cost	12	0	0
Off balance sheet items	13	8	11
Total		**258**	**143**

Maximum exposure to credit risk

		31 Dec 2022		31 Dec 2021	
SEKm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to credit institutions	11	4,304	–	6,554	–
Loans to the public	11	700,283	–	664,615	–
nterest bearing securities	12	9,496	10,506	9,971	11,082
Derivatives	13	–	15,185	–	4,126
Total		**714,083**	**25,691**	**681,140**	**15,208**

Loan-to-value ratio

A common way to analyse the quality of collateral in the portfolio is to measure the Loan-to-Value (LtV), i.e. the current exposure divided by the market value of the collateral pledged. In the table below, the mortgage exposures are broken down into different LtV ranges. In 2022, the lending volume increased in all ranges compared to 2021 except in the 70–75% range. With the implementation of the new covered bond directive in July 2022, the loan-to-value ratio was increased to a maximum of 80% for loans to be included in the collateral for issued covered bonds. The relative distribution of the exposures is stable with only small changes compared to 2021 with the exception of the new range 75–80% which did not exist in 2021 and which in 2022 amounts to SEK 7.8 billion.

Retail mortgage exposure[1]

	31 Dec 2022		31 Dec 2021	
	SEKbn	%	SEKbn	%
<50%	554.6	83	524.7	83
50–60%	55.9	8	54.7	9
60–70%	38.3	6	37.6	6
70–75%	11.6	2	11.7	2
75–80%	7.8	1	–	–
>80%	–	–	–	–
Total	**668.2**	**100**	**628.7**	**100**

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

Loans to corporate customers, by size of loan

Size in SEKm	31 Dec 2022	%	31 Dec 2021	%
0–10	83,679	65	77,093	64
10–50	33,469	26	32,295	27
50–100	11,298	9	10,419	8
100–250	–	–	1,071	1
250–500	–	–	–	–
500–	–	–	–	–
Total	**128,446**	**100**	**120,878**	**100**

Past due loans, excluding impaired loans

	31 Dec 2022		31 Dec 2021	
SEKm	Corporate customers	Household customer	Corporate customers	Household customer
6–30 days	519	13	132	35
31–60 days	113	318	2	248
61–90 days	–	81	–	54
>90 days	–	142	3	130
Total	**632**	**554**	**137**	**467**
Past due not impaired loans divided by loans to the public after allowances, %	0.49	0.10	0.11	0.09

Note 31. Credit risk disclosures, cont.

Sensitivites

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities for these relative triggers Nordea Hypotek has by using models calculated provisions based on two different scenarios:

	Scenario 1	Scenario 2
Retail portfolios		
Relative threshold	50%	150%
Absolute threshold, 12 months	35 basis points	55 basis points
Absolute threshold, remaining maturity	250 basis points	350 basis points
Notch	1 less	1 more
Other customer portfolios		
Relative threshold	100%	200%
Absolute threshold, 12 months	15 basis points	25 basis points
Absolute threshold, remaining maturity	350 basis points	450 basis points
Notch	1 less	1 more

The provisions would have increased by 6.4 SEKm in scenario 1 and decreased by 6,4 SEKm in scenario 2.

The provisions are sensitive to rating migration ecen if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures. It includes both the impact of the higher risk for all exposures as well as the impact of transferring from Stage 1 to Stage 2 for those exposures that reach the trigger.

31 Dec 2022, SEK (000s)	Recognised provisions	Provisions if one notch downgrade
Business Banking	16,718	29,935
Personal Banking	97,870	152,718
Large Corporates & Institutions	91	216
Other	8,972	13,977
Total	**123,651**	**196,846**

31 Dec 2021, SEK (000s)	Recognised provisions	Provisions if one notch downgrade
Business Banking	12,566	22,813
Personal Banking	88,379	136,303
Large Corporates & Institutions	92	167
Other	8,080	12,591
Total	**109,117**	**171,874**

Forward-looking information

Forward-looking information is used for both judging significant increases in credit risk and calculating expected credit losses. Nordea Hypotek uses three macroeconomic scenarios: a base scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2022, the scenarios were weighted into the final expected credit losses (ECL) as follows: 50% base scenario, 40% adverse and 10% favourable (31 December 2021: 60% base scenario, 20% adverse and 20% favourable). The weightings reflected increasing downside risks to macroeconomic projections during the year.

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 forecasts for the economic trend in the Nordic region in light of Russia's invasion of Ukraine and the introduction of sanctions and countersanctions affecting trade with Russia. The forecasts also take into account the high energy prices that have followed the invasion, continued disruptions in the supply chain and an expectation of significantly higher interest rates to mitigate the strong inflationary pressure. 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 foresees a mild recession in Sweden, triggered by high interest rates and elevated inflation. The weak growth impulse is expected to continue into 2023, weighing on the recovery. The Nordic housing market has turned downwards. Sales are showing a marked slowdown and prices have started to decline, with the price fall in Sweden being particularly pronounced. This development is expected to continue into 2023. 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. The high energy prices may lead to a deeper and longer recession due to weaker growth in private consumption and investments. In addition, house prices may see an even larger fall due to the high level of interest rates and squeeze in household purchasing power. A stabilisation of energy prices at a lower level may on the other hand lead to a milder setback over the winter and a stronger recovery going forward. At the end of the year

Note 31. Credit risk disclosures, cont.

adjustments to model-based allowances/provisions amounted to SEK 134.1m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to SEK 123.4m at year-end (SEK 11.6m). In calculating the cyclical reserve in the fourth quarter of 2022, account was taken of the extraordinary challenges arising from the energy crisis instead of, as before, the adverse impact of the covid-19 pandemic. The adequacy of allowances was analysed based on specific potential impacts of higher costs and reduced consumer spending on various economic sectors. This resulted in an increase to the cyclical reserve by SEK 111.8m as a result of the higher energy and commodity prices as well as reduced demand. Structural provisions amounted to SEK 2.8m (11.8) at 31 December 2022. The structural reserve has the purpose of covering the identified development need in the IFRS 9 models. In 2022 the structural provision decreased by SEK 9.0m mainly driven by model improvements.

Scenarios and provisions

31 Dec 2022		2023	2024	2025	Unweighted ECL SEK (000s)	Probability weight, %	Model based provisions SEK (000s)	Adjustments model based-provisions SEK (000s)	Total provisions SEK (000s)
Favourable scenario	GDP growth, %	0.7	1.7	1.9					
	Unemployment, %	7.6	7.7	7.9					
	Change in household consumption, %	0.5	2.3	2.5	114,959	10%			
	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					
	Change in household consumption, %	-0.6	1.8	2.2	118,628	50%	123,651	134,136	257,787
	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					
	Change in household consumption, %	-2.9	0.4	1.0	132,104	40%			
	Change in house prices, %	-13.1	-5.0	0.2					

Scenarios and provisions

31 Dec 2021		2022	2023	2024	Unweighted ECL SEK (000s)	Probability weight, %	Model based provisions SEK (000s)	Adjustments model based-provisions SEK (000s)	Total provisions SEK (000s)
Favourable scenario	GDP growth, %	5.2	2.4	1.8					
	Unemployment, %	7.2	6.7	6.7					
	Change in household consumption, %	6.2	2.8	2.4	102,792	20%			
	Change in house prices, %	4.6	2.5	2.4					
Base scenario	GDP growth, %	3.6	2.2	1.8					
	Unemployment, %	7.6	7.2	7.1					
	Change in household consumption, %	4.6	2.6	2.1	107,744	60%	109,117	34,032	143,149
	Change in house prices, %	2.1	1.8	3.0					
Adverse scenario	GDP growth, %	1.4	1.7	2.0					
	Unemployment, %	8.3	8.1	7.9					
	Change in household consumption, %	2.9	1.2	1.6	119,562	20%			
	Change in house prices, %	-4.7	-3.7	1.2					

Note 32. Proposed distribution of earnings

After the company paid group contributions amounting to SEK 2 378 796 370 the following amount is available for distruibution by the Annual General Meeting of Shareholders:

Other reserve	19,860,402
Retained profit	30,400,421,993
Net profit for the year	1,859,218,118
Total	**32,279,500,513**
The Board of Directors proposes that these earnings are distributed as follows:	
To be carried forward to:	**32,279,500,513**

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

Note 33. Sustainability report

Nordea Hypotek is also subject to sustainability reporting requirements (according to Chapter 7, section 31a of the Annual Accounts Act 1995:1554) and in this respect refers to the Group's statutory sustainability report which is found in the administration report of Nordea's 2022 annual report. That sustainability report covers the Parent Company Nordea Bank Abp and its subsidiaries.

Note 34. Material changes after the end of the financial year

No major events have occurred since 31 December 2022. However, there are risks linked to the poorer state of the economy in Sweden due to high inflation, higher interest rates and falling house prices. This could have adverse effects on earnings through lower net interest income, higher market volatility and reduced business activity.

Specifications to the Notes

Specification to Note 16: Swedish bonds, SEK 000s

Number	ISIN code	First sales day		Interest rate in %	Due dates for interest	Final payment day	Currency	Outstanding nominal amount 2022
5533	SE0010442731	2017-09-20	FIXED	1.2500	2023-09-20	2023-09-20	SEK	64,400,000
5534	SE0012230415	2018-09-18	FIXED	1.0000	2023-09-18	2024-09-18	SEK	79,200,000
5535	SE0013358413	2019-09-17	FIXED	1.0000	2023-09-17	2025-09-17	SEK	82,800,000
5536	SE0013358439	2020-09-16	FIXED	0.5000	2023-09-16	2026-09-16	SEK	42,800,000
5537	SE0013358447	2021-06-16	FIXED	1.0000	2023-06-16	2027-06-16	SEK	42,650,000
5703	SE0004269363	2011-10-19	FIXED	3.4600	2023-10-19	2026-10-19	SEK	3,000,000
5705	SE0004329506	2011-12-02	FIXED	3.1250	2023-12-02	2026-12-02	SEK	1,000,000
5716	SE0007158597	2015-06-01	FIXED	1.8375	2023-06-01	2027-06-01	SEK	500,000
5717	SE0008015358	2016-02-15	FIXED	1.5600	2023-02-15	2023-02-15	SEK	1,300,000
5718	SE0009414584	2016-12-15	FIXED	1.6900	2023-12-15	2026-12-15	SEK	300,000
5720	SE0011088772	2018-05-02	FIXED	1.8430	2023-05-02	2030-05-02	SEK	1,000,000
5721	SE0011062926	2018-08-16	FLOAT	3m Stibor + 0.75	2023-01-16	2023-01-16	SEK	500,000
5722	SE0011062934	2018-08-15	FLOAT	3m Stibor + 0.75	2023-03-15	2023-06-15	SEK	500,000
5723	SE0011721232	2018-09-24	FLOAT	3m Stibor + 0.75	2023-02-24	2023-05-24	SEK	1,000,000
5724	SE0011762137	2018-10-08	FIXED	1.8000	2023-10-08	2030-10-08	SEK	250,000
5725	SE0010599373	2018-10-15	FIXED	2.2500	2023-10-15	2048-10-15	SEK	400,000
5727	SE0012256675	2019-02-15	FLOAT	3m Stibor + 0.75	2023-02-15	2024-02-15	SEK	1,750,000
5728	SE0013358405	2019-10-22	FIXED	0.7925	2023-10-22	2032-10-22	SEK	500,000
5730	SE0013358454	2022-01-26	FLOAT	3m Stibor + 0.75	2023-02-27	2027-02-26	SEK	1,000,000
5731	SE0013360856	2022-11-25	FIXED	3.3750	2023-11-25	2027-11-25	SEK	6,000,000
MREL loan								
2518	HYPMREL2518	2020-03-18	FLOAT	3m Stibor + 0.75	2023-03-20	2025-03-18	SEK	4,750,000
2622	HYPMREL2622	2020-12-22	FLOAT	3m Stibor + 0.68	2023-03-22	2026-03-22	SEK	4,200,000
2412	HYPMREL2412	2021-12-17	FLOAT	3m Stibor + 0.60	2023-03-17	2024-12-17	SEK	6,100,000
2312	HYPMREL2312	2022-12-16	FLOAT	3m Stibor + 0.85	2023-03-16	2023-12-18	SEK	6,510,000

Tap issues (applies to 5533-5537).
Quarterly payment of interest, first payment date in table (applies to 5721,5722,5723,5727,5730,2518,2622,2412,2312).

Loan 5533-5537, 5703-5720, 5724, 5725, 5728, 5731: No interest rate adjustment.

Registered Covered Bond (Loans issued in foreign currency), SEK 000s

ISIN code	Issue day	Final payment day	Interest rate, %	Currency	Outstanding nominal amount in currency, 2022[1]
FI4000491097	2021-03-19	2024-03-19	3m Euribor + 0.75	EUR	33,360,450
Total other bonds issued, unlisted (converted to SEK)					7,068,217
Total					**40,428,667**

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

Specification to Note 20: Subordinated liabilities, SEK 000s

Number	Start day	Currency	Interest rate, %	Call date	Due date	Outstanding nominal amount in currency, 2022
Loan 11	2019-12-30	SEK	3m Stibor + 1,40	2024-12-30	2024-12-30	1,650,000

Signing of the Annual Report

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

Stockholm, 9 March 2023

Per Långsved
Chariman

Peter Dalmalm
Deputy Chair

Maria Härdling
Board member

Marte Kopperstad
Board member

Emma Henriksson
Board member

Elisabeth Olin
Board member

Maria Sahlén
Board member

Pia Tverin
Chief Executive Officer

Our audit report was submitted on 10 March 2023

Öhrlings PricewaterhouseCoopers AB

Peter Sott
Authorised Public Accountant
Auditor in charge

Auditor's report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Nordea Hypotek AB (publ) for the year 2022 except for the corporate governance statement on pages 24–28.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of Nordea Hypotek AB (publ) as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 24–28. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Nordea Hypotek AB (publ).

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Nordea Hypotek AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. The Company categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. To address the uncertainties inherent in the current and future environment and to reflect relevant risk factors not captured in the Companies modelled results, management developed post-model adjustments. Refer to the Annual Report Note 1 – Accounting policies (Critical judgements and estimation uncertainty), Note 9 – Net loan losses and Note 11 – Loans and impairment and note 31 Credit Risk disclosures.	Our audit included, but were not limited to, a combination of testing of controls and substantive testing related to credit allowances. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. Based on risk we selected individual loans and performed detailed credit file reviews and assessed its credit risk. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We evaluated the appropriateness of the assumptions and accuracy of underlying data used to develop post-model-adjustments and reviewed that governance procedures have been performed. We assessed the disclosures related to impairment of loans.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Director's and the Managing Director of Nordea Hypotek AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Nordea Hypotek AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Nordea Hypotek AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Nordea Hypotek AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors (and the Managing Director) are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 24–28 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nordea Hypotek AB (publ) by the general meeting of the shareholders on the 16 March 2022 and has been the company's auditor since the 12 March 2015.

Stockholm, 10 March 2023

Öhrlings PricewaterhouseCoopers AB

Peter Sott
Authorized Public Accountant
Auditor in charge

Board of Directors, Auditor and Management

Board of Directors

Chairman

Per Långsved, b 1976
Head of Personal Banking, Sweden,
Country Senior Executive, Sweden,
Nordea Bank Abp
Chairman, Böda Sand Beach Resort AB,
Board member, Quinolette AB

Members

Peter Dalmalm, b 1968
Head of Business Banking, Sweden
Nordea Bank Abp

Emma Henriksson, b 1975
External Board member
Board member, babege AB (publ)
Board member, ÅWL Arkitekter AB

Maria Härdling, b 1972
Head of Capital Management &
Regulations, Group Financial
Management, Sweden,
Nordea Bank Abp

Marte Kopperstad, b 1979
Head of Products & Development
Personal Banking,
Nordea Bank Abp

Elisabeth Olin, b 1961
Head of Business Risk Management
Personal Banking, Sweden,
Nordea Bank Abp

Maria Sahlén, b 1979
External Board member
Chief Operating Officer Sweden Nordic
Real Estate Partners

Auditor

Öhrlings Pricewaterhouse Coopers AB

Peter Sott
Authorised Public Accountant

Management

Pia Tverin, 1976
Chief Executive Officer,
Nordea Hypotek AB (publ)

Sinda Lanz, 1984
Compliance Officer,
Nordea Hypotek AB (publ)

Magnus Svensson, f 1979
Chief Financial Officer,
Nordea Hypotek AB (publ)

Jan Hoppe, b 1981
Chief Risk Officer,
Nordea Hypotek AB (publ)

Maria Stolpe, b 1969
Chief Operating Officer,
Nordea Hypotek AB (publ)

Madeleine Qvarfordt, b 1985
Business Risk Manager,
Nordea Hypotek AB (publ)

Johan Widholm, b 1967
Senior Legal Counsel,
Nordea Hypotek AB (publ)

Johan Wikander, b 1979
Head of Credit,
Nordea Hypotek AB (publ)

Upcoming publications

Nordea Hypotek's Annual Report for the financial year 2022, which includes the audited financial reports, the Board of Directors´ report and the Corporate Governance Report, will be published on 13 March 2023 by way of a stock exchange release and will then also be available on nordea.com.

Nordea Hypotek's Half-year Financial Report for the first half-year 2023 will be published on 28 August 2023 by way of a stock exchange release and will also be available on nordea.com.

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