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Annual Report

01/07/2015 - 31/12/2016

DANSKE HYPOTEK AB (publ)

559001-4154

The Board of Directors and the Chief Executive Officer of Danske Hypotek AB (publ), 559001-4154, hereby deliver this Annual report for the period 01/07/2015 - 31/12/2016.

General information on the business

The company shall undertake financing activities, issue covered bonds and perform activities compatible therewith.

On 20 January 2015, the limited company Grundstenen 150655 (publ) was formed and later registered with the Swedish Companies Registration Office on 23/01/2015.

On 22 February 2016, the company was acquired by Danske Bank A/S. During the year 2016, the company's name was changed to Danske Hypotek AB (publ). The company has an extended financial year, 01/07/2015 - 31/12/2016.

Ownership

Danske Hypotek AB (publ), with its registered office in Stockholm, is a wholly owned subsidiary of Danske Bank A/S, Central Business Register (CVR) no. 61126228, with its registered office in Copenhagen, Denmark.

Results and profitability

In 2016, Danske Hypotek has been undergoing a start-up phase with a view to beginning operations in the first half of 2017 by acquiring mortgage loan portfolios from the Swedish Branch of Danske Bank. This means that the company has, in particular, had to bear the costs of obtaining necessary government authorisations and developing administrative support systems.

Operating profit

Negative operating profit due to start-up costs and given that the company has not yet begun to generate any revenue.

Costs

Costs consist primarily of salary costs and costs for consultants and legal services.

Loan losses and provisions

The company has no loan losses as its operations have not yet begun.

Significant events during 2016

In December 2016, a directed share issue provided the company with SEK 49.5 million.

An application to be a credit market company has been submitted to the Swedish Financial Supervisory Authority as well as a permit to issue covered bonds. The company expects approval to be granted in 2017.

Future development

The company expects that in 2017 it will receive authorisation from the Swedish Financial Supervisory Authority to be a credit market company. In addition, it is also expected that in 2017 the company will obtain a permit from The Swedish Financial Supervisory Authority to issue covered bonds.

Proposal on the distribution of the company's profit or loss

The Board proposes that the loss available for disposition of SEK 7,005,162 be distributed as follows:

Surplus brought forward	-
Net profit or loss for the period	-7 005 162
Total	<u>-7 005 162</u>
Carried forward	-7 005 162
Total	<u>-7 005 162</u>

Regarding the company's performance and position in general, refer to the following profit and loss account, balance sheets and accompanying notes.

	Note	01/07/2015 - 31/12/2016	23/01/2015 - 30/06/2015
Interest income			
Interest costs		-664	-
Commissions payable		-12	-
Total operating income		-676	-
General administration costs	1, 2.	-8 980 301	-
Total costs		-8 980 301	-
Operating profit		-8 980 977	-
Tax on profit for the period	3	1 975 815	-
Net profit or loss for the period		-7 005 162	-

	Note	31/12/2016	30/06/2015
Assets			
Lending to credit institutions		49 469 679	-
Deferred tax assets	4	1 975 815	-
Other assets		29 681	500 000
Total assets		<u>51 475 175</u>	<u>500 000</u>
Liabilities and equity			
Accrued costs and deferred income	5	8 379 537	-
Other liabilities		100 800	-
Total liabilities		<u>8 480 337</u>	<u>-</u>
Equity			
Restricted equity			
Share capital	6	<u>50 000 000</u>	<u>500 000</u>
		50 000 000	500 000
Non-restricted equity			
Net profit or loss for the period		<u>-7 005 162</u>	<u>-</u>
		-7 005 162	-
Total equity		42 994 838	500 000
Total equity and liabilities		51 475 175	500 000

Statement of changes in equity

	Share capital	Surplus brought forward	Net profit or loss for the period	Total equity
Opening balance 01/07/2015	500 000			500 000
Share issue	49 500 000		-7 005 162	42 494 838
Closing balance 31/12/2016	50 000 000	-	-7 005 162	42 994 838

	Share capital	Surplus brought forward	Net profit or loss for the period	Total equity
Opening balance 23/01/2015	-			-
Share subscriptions	500 000			500 000
Closing balance 30/06/2015	500 000	-	-	500 000

Accounting policies

Significant assessments and assumptions

The presentation of financial statements in conformity with IFRS requires that the executive management makes assessments and assumptions that affect the reported amounts of assets, liabilities and details of any assets and contingent liabilities at the Balance Sheet date, in addition to reported revenues and costs during the reporting period.

The executive management makes certain assessments and assumptions in order to determine the value of certain financial assets and liabilities. These are mainly attributable to public lending. Assessments and assumptions are based on historical experiences and a number of other factors that are deemed to be reasonable under the prevailing circumstances.

Value bases for the preparation of the company's financial statements

Assets and liabilities are recognised at historical acquisition cost. Financial assets and liabilities are recognised at amortised cost.

Financial instruments

The majority of the items in the company's Balance Sheet are financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the assets section include lending to credit institutions, for example. Financial liabilities include other liabilities, for example.

Loans and receivables

Loans and receivables are financial assets which are not derivatives, have fixed or determinable payments and that are not quoted in an active market. In the Balance Sheet, these are represented by the items 'lending to credit institutions' and 'other assets.' These assets are recognised at amortised cost. Loans receivable are initially recognised at acquisition cost, which is comprised of the loan amount paid out less fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's cost as a result of the calculation of the present value of future payments is considered the effective interest rate. The amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Other receivables other than loans receivable, which are not interest-bearing, have a short expected life whereby reporting happens at nominal value without discounting. Bad debts are judged individually and any impairments are recognised in the operating costs.

Revenue recognition

Revenues are recognised when the revenue can be calculated reliably and when it is probable that the economic benefits will accrue to the company.

Interest income and interest costs

The effective interest method is used to recognise interest income and interest costs on financial assets and financial liabilities which are measured at amortised cost. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and for the allocation over the relevant period it discounts the estimated future cash payments or receipts through the expected life of the financial instrument. Interest income and interest costs include, where applicable, accrued transaction costs of fees received included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the original reported value of the

General administration costs

General administrative costs cover personnel costs including salaries and fees, bonuses, pension costs, employer's contributions and other social contributions. Costs relating to rent, audit, training, IT and telecommunications, travel and representation are also recognised here, in addition to cash differences.

Remuneration to employees

Pensions

The company pension plans for collectively agreed occupational pensions are secured through a defined contribution plan. Pension costs for defined contributions plans are expensed during the period in which the employees performed the services that the contribution concerns.

Termination benefits

A cost for remuneration in connection with the termination of employees is recognised only if the company is demonstrably committed, without realistic possibility of withdrawal, by a formal detailed plan to terminate employment at an early stage; a cost is recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can reliably be estimated at the time. When remuneration is made available as an offer to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

Short-term employee benefits

Short-term employee benefits are calculated without discounting and recognised as costs when the related services are performed. A provision for the expected costs of profit sharing and bonus payments is recognised when the company has a valid legal or informal obligation to make such payments as a result of services received from employees and where the obligation can be calculated reliably.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in the Income Statement except when the underlying transaction is recognised directly in equity, in which case the associated tax effect is recognised in equity. Current tax refers to tax that is to be paid or refunded for the current year, calculated using tax rates and fiscal regulations enacted or substantively enacted at the Balance Sheet date. This also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated using the balance sheet approach based on temporary differences between carrying amounts and tax bases of assets and liabilities. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, or for temporary difference arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Additionally, deferred tax is not recognised on temporary differences relating to investments in associated companies to the extent that they will probably not be reversed in the foreseeable future. The measurement of deferred tax is based on how underlying assets or liabilities are expected to be realised or regulated. Deferred tax is calculated using tax rates and fiscal regulations enacted or substantively enacted at the Balance Sheet date. Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are recognised only to the extent that it is probable that it will be possible for these to be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that it will be possible for them to be realised. Current tax, deferred tax and tax for previous years are recognised under the heading 'tax on the year's profit.'

Principles for trade between the Group's companies

The Danske Bank Group consists of a number of independent legal companies. When trade occurs between the companies of the group, or when one company performs work for another, settlement occurs on market-based conditions or at cost. Trade occurs in accordance with a contractual agreement between the companies unless the transactions are of an insignificant size.

Risks and uncertainties

General Terms and Conditions

Risk is defined as a potential negative impact on a company that may arise as a result of ongoing internal processes or future internal or external events. The notion of risk in part entails the probability that an event will occur and in part the impact that the event would have on the company. In order for the company to achieve its business objectives regarding growth, profitability and economic stability, it is necessary to reevaluate the company's objectives on an ongoing basis relative to the risks that may arise.

The overall framework regarding the Board and internal control is one of the principal instruments used by the Board and management for business management and the establishment of good internal control. The Board makes decisions regarding the level of risk taking in the business and assumes shared responsibility and competency with regards to risk management.

Notes, SEK	01/07/2015 - 31/12/2016	23/01/2015 - 30/06/2015
1 Administrative expenses		
Personnel costs	-2 455 978	-
Consulting fees	-6 265 562	-
Other costs	-258 761	-
Total	-8 980 301	-
Personnel costs		
Wages and salaries	-471 840	-
Pension costs	-145 886	-
Social security costs	-148 252	-
Consultants and agency workers	-1 690 000	-
Total	-2 455 978	-
Wages and salaries		
Chief Executive Officer	-471 840	-
Of which bonuses and similar compensation to the CEO	-	-
Other employees	-	-
Total	-471 840	-
Pension cost		
Chief Executive Officer	-145 886	-
Other employees	-	-
Total	-145 886	-
Information on severance grant to the CEO	6 months' salary	-
Average number of employees	1	-
Of which male	1	-
Gender distribution in %		
Average number of employees		
Women	-	-
Men	100	-
2 Auditor's fees Deloitte AB		
Auditing assignments	46 721	-
Other assignments	150 000	-
Total	196 721	-
<p>Auditing assignments refers to the auditor's remuneration for the statutory audit. The work involves review of the annual accounts and book-keeping, the management by the Board of Directors and CEO and audit advisory fees in conjunction with auditing.</p>		
3 Tax		
Deferred tax	1 975 815	-
Tax on profit for the period	1 975 815	-

	2016-12-31	2015-06-30
4 Deferred tax		
<i>Essential temporary differences</i>		
Tax loss carry-forwards	1 975 815	-
Deferred tax assets	1 975 815	-
Temporary difference		
<i>Essential temporary differences attributable to deferred tax asset</i>		
Tax loss carry-forwards	8 980 977	-
	8 980 977	-
5 Accrued costs and deferred income		
Consultancy costs	5 927 333	-
Audit costs	196 721	-
Personnel costs	1 918 574	-
Miscellaneous	336 909	-
Total	8 379 537	-
6 Number of shares and quota value of		
Class A shares		
Number of shares	500 000	5 000
quota value	100	100
7 Pledged assets and contingent liabilities		
Pledged assets	None	None
Contingent liabilities	None	None
8 Significant events after the end of the financial year		
No significant events have occurred after the end of the financial year.		

Stockholm on 24 April 2017

Jacob Aarup-Andersen
Chairman

Stojko Gjurovski

Christoffer Mollenbach

Per Tunestam
Chief Executive Officer

Our audit report was submitted in 2017-
Deloitte AB

Patrick Honeth
Chartered accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Danske Hypotek AB (publ)
corporate identity number 559001-4154

Report on the annual accounts

Opinions

We have audited the annual accounts of Danske Hypotek AB (publ) for the financial year 2015-07-01 - 2016-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Danske Hypotek AB (publ) as of 31 December 2016 and its financial performance for the year then ended in accordance with the Annual Accounts Act. 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.

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 Danske 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.

Other matter

The audit of the annual accounts for the financial year 2015-01-23 – 2015-06-30 was performed by another auditor who submitted an auditor's report dated 1 July 2015, with unmodified opinions in the Report on the annual accounts.

Responsibilities of the Board of Directors 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. 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Danske Hypotek AB (publ) for the financial year 2015-07-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss to be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors 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 Danske 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 Directors 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 Annual Accounts Act 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 24 april 2017

Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised public accountant