

**Nordea**

Interim Report January-June 2016  
**Nordea Kredit Realkreditaktieselskab**

Business registration number 15134275

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## Key financial figures

Income statement (DKKm)	Jan-Jun 2016	Jan-Jun 2015	Change %
<b>Operating income</b>			
Net interest income	1,443	1,365	6
Net fee and commission expense	-235	-57	-
Net result from items at fair value	-1	-252	-
Other operating income	3	1	-
<b>Total operating income</b>	<b>1,210</b>	<b>1,057</b>	<b>14</b>
Staff costs and administrative expenses	-137	-117	17
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	-	-
<b>Total operating expenses</b>	<b>-137</b>	<b>-117</b>	<b>17</b>
<b>Profit before loan losses</b>	<b>1,073</b>	<b>940</b>	<b>14</b>
Net loan losses	-74	-110	-33
<b>Profit before tax</b>	<b>999</b>	<b>830</b>	<b>20</b>
Income tax expense	-220	-195	13
<b>Net profit for the period</b>	<b>779</b>	<b>635</b>	<b>23</b>

Business volumes, key items (DKKm)	30 Jun 2016	31 Dec 2015	Change %	30 Jun 2015	Change %
Loan and receivables at fair value	391,865	385,583	2	381,079	3
Loans and receivables at nominal value <sup>1</sup>	383,872	383,773	0	379,349	1
Bonds in issue at fair value	394,421	389,568	1	394,690	-0
Equity	21,080	20,301	4	19,473	8
Total assets	438,122	437,867	0	440,552	-1

Ratios and key figures (%)	Jan-Jun 2016	Jan-Jun 2015
Return on equity <sup>2</sup>	7.5	6.6
Cost/income ratio	11.3	11.1
Tier 1 capital ratio	30.4	27.7
Total capital ratio	30.4	27.7
Own funds	19,976	18,611
Tier 1 capital, DKKm	19,976	18,611
Risk exposure amount excluding Basel I floor, DKKm	65,748	67,231
Loan loss ratio, bp <sup>2</sup>	3.8	5.8
Number of employees (full-time equivalents) <sup>3</sup>	101	111

<sup>1</sup> After adjustment for provisions for loan losses.

<sup>2</sup> Calculated on a yearly basis.

<sup>3</sup> End of period.

# Nordea Kredit Realkreditaktieselskab

## Board of Directors' report

### Result summary January-June 2016

Nordea Kredit has, in line with expectations, seen a continued positive market trend in the first half of 2016, without the high level of remortgaging activity experienced in 2015. Average lending volumes increased 2%, which together with increased risk-adjusted pricing for corporate customers resulted in acceptable operating income of DKK 1,210m (DKK 1,057m). When comparing the first half of 2016 with 2015, it should be noted that 2015 was affected by a non-recurring cost of DKK -234m from the implementation of a hedge against negative interest rates on certain bond series.

#### Income

Income from administration and reserve fees increased by 4% to DKK 1,532m (DKK 1,477m) due to increased fees for corporate customers and higher average lending volumes.

Lower remortgaging activity and customers moving from loans with short-term refinancing to loans with longer refinancing terms or fixed-rate loans impacted fee and commission income, which decreased by DKK -198m to DKK 255m (DKK 453m).

Fee and commission expenses decreased by 4% to DKK 490m (DKK 510m) mainly due to lower remortgaging activity. Guarantee commissions, however, increased as more loans were covered by the guarantee provided by Nordea Bank Danmark A/S.

Net result from items at fair value increased mainly because of the non-recurring effect of the implementation of a floor on certain floating-rate bond series in 2015.

Total staff costs and administrative expenses increased to DKK 137m (DKK 117m) primarily due to payments to the Danish resolution fund in 2016 (DKK 0m).

Net loan losses amounted to DKK 74m (DKK 110m), corresponding to 0.02% (0.03%) of the loan portfolio, and total losses realised amounted to DKK 145m (DKK 111m). The provisioning was primarily related to loans to household customers and reflects the continuing weakness of the property market outside urban areas.

Income tax expense was DKK 220m (DKK 195m) and the effective tax rate was 22.0% (23.5%).

### Comments on the balance sheet

#### Assets

Total assets remained stable at DKK 438bn (DKK 438bn at end-2015).

Loans to credit institutions and central banks were down by DKK 6bn to DKK 45bn (DKK 51bn at end-2015) due to seasonal fluctuations.

Loans and receivables at fair value increased to DKK 392bn (DKK 386bn at end-2015). The increase mostly related to changes in the fair value due to low interest rate levels.

At the end of June 2016 total mortgage lending at nominal value after loan losses was stable at DKK 384bn (DKK 384bn at end-2015).

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the March 2016 payment date continued the downward trend and was 0.16% (0.17% at the end of December 2015).

Accumulated loan losses amounted to DKK 294m (DKK 328m at end-2015). Of this amount, provisions for collectively assessed loans accounted for DKK 24m (DKK 46m at end-2015).

Assets in temporary possession consisted of a total of 25 (35 at end-2015) repossessed properties at the end of June 2016 with a carrying amount of DKK 26m (DKK 34m at end-2015). The repossessed properties mainly consist of owner-occupied dwellings.

#### Liabilities

Deposits were affected by lower repurchase transactions as refinancing activity in general is lower at the half-year stage.

Bonds in issue at fair value were up DKK 4bn to DKK 394bn (DKK 390bn at end-2015) after offsetting the portfolio of own bonds. The increase was driven by fair value changes due to low interest rate levels.

## Equity

Including the net profit for the period, total equity accounted for DKK 21bn at the end of June 2016 (DKK 20bn at end-2015).

## Capital adequacy

The tier 1 capital ratio and the total capital ratio excluding the net profit for the period were both 30.4% (26.9% at end-2015) excluding the Basel I floor. The ratios improved over the period due to decreased REA mainly seen in the IRB Corporate portfolio slightly offset by an increase in IRB Retail portfolio. Total own funds remained stable over the period.

REA, own funds and capital ratios are calculated according to the CRD IV/CRR. The minimum capital ratios in Denmark during 2016 are the following:

- common equity tier 1 (CET1): 4.5%
- tier 1: 6.0%
- total capital ratio: 8.0%.

## Systemically important financial institutions (SIFIs)

At present Nordea Kredit has to apply a systemic risk buffer (SRB) due to the parent company Nordea Bank Danmark A/S being considered a SIFI in Denmark. At the end of 2016 Nordea Bank Danmark A/S is expected to be transformed into a branch under Nordea Bank AB (publ). Nordea Kredit expects from that point on to be considered a SIFI in Denmark. The SRB requirement is 2% in 2019 when fully implemented. Due to transitional rules the buffer in 2016 and 2017 is 0.8% and 1.2%, respectively.

## Debt buffer

As a mortgage institution and as part of the implementation of the Bank Recovery and Resolution Directive, Nordea Kredit has to fulfil a buffer requirement of 2% of its total mortgage loans. The capital requirement can be fulfilled using tier 1 or tier 2 capital instruments as well as senior debt instruments which fulfil certain requirements. The buffer has been phased in starting with 0.6% in June 2016 and will be fully implemented in June 2020.

Under Danish legislation Nordea Kredit must publish its adequate capital base as well as its individual solvency need on a quarterly basis.

Information about individual solvency needs is available on [www.nordeakredit.dk](http://www.nordeakredit.dk) or under Investor Relations on [www.nordea.com](http://www.nordea.com).

## Liquidity coverage ratio (LCR)

The common European liquidity coverage ratio (LCR) requirement has been effective from October 2015. For Nordea Kredit, the LCR requirement is 100%, as specified by the Delegated Act. At the end of June 2016 the actual LCR was 208%.

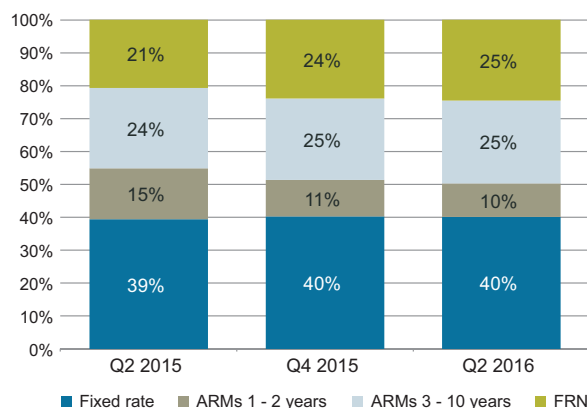
## Supplementary collateral for loans financed through covered mortgage bonds

The supplementary collateral required on the basis of the LTV ratios for the individual loans increased to DKK 19bn at the end of June 2016 (DKK 18bn at end-2015).

## Continued change in the loan portfolio

Fixed-rate and adjustable-rate loans based on Cibor and Cita were the preferred loan types in the first half of 2016. Yet, due to the overall low activity level the composition of the loan portfolio was almost unchanged compared to year-end 2015.

## Total loan portfolio by loan type



Nordea Kredit's first auctions to refinance Cita-based Kort Rente loans took place in May 2016 where after the interest rates were fixed at a historically low range between -0.02% and 0.07%.

In June 2016 Nordea Kredit announced a rise in administration and reserve fees for household customers, effective from 1 October 2016 to accommodate the requirement of the new debt buffer. Furthermore, the adjustment will support a required reduction in interest-only loans and

ensure a sustainable future level of remortgaging, in line with the upcoming supervisory diamond.

### **Legal structure**

At the annual general meeting of Nordea Bank AB (publ), shareholders approved the plan for the merger of Nordea Kredit's parent company Nordea Bank Danmark A/S with Nordea Bank AB (publ). The intention is to execute the merger plan by early 2017 with accounting effect at 31 December 2016. Nordea Kredit will from that point on be a subsidiary directly owned by Nordea Bank AB (publ).

### **Changes to the Board of Directors**

David Hellemann, Head of Banking Denmark at Nordea Bank Danmark A/S, left as a member of the Board of Directors on 13 June 2016. After the change the Board of Directors of Nordea Kredit consists of Peter Lybecker (Chairman), Jørgen Holm Jensen, Kim Skov Jensen and Jette Petersen.

### **Risks and uncertainties**

See Note 7 for information about risks and uncertainties.

## Income statement

DKK <sup>m</sup>	Note	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Interest income		5,085	5,505	10,693
Interest expense		-3,642	-4,140	-7,902
<b>Net interest income</b>	2	<b>1,443</b>	<b>1,365</b>	<b>2,791</b>
Dividend income		-	-	-
Fee and commission income		255	453	769
Fee and commission expense		-490	-510	-992
<b>Net interest and fee income</b>		<b>1,208</b>	<b>1,308</b>	<b>2,568</b>
Net result from items at fair value	3	-1	-252	-309
Other operating income		3	1	8
Staff costs and administrative expenses		-137	-117	-241
Depreciation, amortisation and impairment charges of tangible and intangible assets		0	-	0
Other operating expenses		-	0	-
Net loan losses	5	-74	-110	-114
Profit from investment in associated undertaking		0	0	1
<b>Profit before tax</b>		<b>999</b>	<b>830</b>	<b>1,913</b>
Tax		-220	-195	-449
<b>Net profit for the period</b>		<b>779</b>	<b>635</b>	<b>1,464</b>

## Statement of comprehensive income

DKK <sup>m</sup>	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
<b>Net profit for the period</b>	<b>779</b>	<b>635</b>	<b>1,464</b>
Other comprehensive income, net of tax	0	0	0
<b>Total comprehensive income</b>	<b>779</b>	<b>635</b>	<b>1,464</b>

## Balance sheet

DKKm	Note	30 Jun 2016	31 Dec 2015	30 Jun 2015
<b>Assets</b>				
Cash balance and demand deposits with central banks		375	609	13,200
Loans to credit institutions and central banks		45,218	50,916	45,760
Loans and receivables at fair value	4	391,865	385,583	381,079
Loans and receivables at amortised cost	4	-	-	-
Bonds at fair value		-	-	-
Investment in associated undertaking		15	15	13
Intangible assets		-	-	-
Other tangible assets		0	0	-
Current tax assets		-	-	-
Deferred tax assets		0	0	0
Assets in temporary possession		26	34	37
Other assets		602	706	452
Prepaid expenses		21	4	11
<b>Total assets</b>		<b>438,122</b>	<b>437,867</b>	<b>440,552</b>
<b>Liabilities</b>				
Deposits by credit institutions and central banks		19,512	24,608	22,722
Bonds in issue at fair value		394,421	389,568	394,690
Current tax liabilities		164	29	151
Other liabilities		2,904	3,341	3,468
Deferred income		41	20	48
<b>Total liabilities</b>		<b>417,042</b>	<b>417,566</b>	<b>421,079</b>
<b>Provisions</b>				
Deferred tax liabilities		-	-	-
<b>Total provisions</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity</b>				
Share capital		1,717	1,717	1,717
Other reserves		15	15	14
Retained earnings		19,348	18,569	17,742
<b>Total equity</b>		<b>21,080</b>	<b>20,301</b>	<b>19,473</b>
<b>Total liabilities and equity</b>		<b>438,122</b>	<b>437,867</b>	<b>440,552</b>
<b>Contingent liabilities</b>				
Guarantees etc		74	75	75
<b>Total contingent liabilities</b>		<b>74</b>	<b>75</b>	<b>75</b>



## Statement of changes in equity

DKKm	Share capital	Other reserves <sup>1</sup>	Retained earnings	Total equity
<b>Balance at 1 Jan 2016</b>	1,717	15	18,569	20,301
Net profit for the period	-	-	779	779
Other comprehensive income	-	0	0	0
Share-based payments	-	0	-	-
<b>Balance at 30 Jun 2016</b>	1,717	15	19,348	21,080
<b>Balance at 1 Jan 2015</b>	1,717	14	17,107	18,838
Net profit for the year	-	1	1,462	1,463
Other comprehensive income	-	0	0	0
Share-based payments	-	0	-	0
<b>Balance at 31 Dec 2015</b>	1,717	15	18,569	20,301
<b>Balance at 1 Jan 2015</b>	1,717	14	17,107	18,838
Net profit for the period	-	-	635	635
Other comprehensive income	-	0	0	0
Share-based payments	-	-	-	0
<b>Balance at 30 Jun 2015</b>	1,717	14	17,742	19,473

<sup>1</sup> Reserve for net revaluation according to the equity method.

## Notes

### Note 1 Accounting policies

#### Basis of presentation

The interim report of Nordea Kredit has been prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc (the Executive Order), as well as the Nasdaq OMX Nordic rules for issuers of bonds.

No changes have been made to the accounting policies compared with the annual report for 2015.

The financial statements have not been reviewed or audited.

#### Changed presentation of refinancing fees and payout fees

Refinancing fees and payout fees have been reclassified from "Net result from items at fair value" to "Net fee and commission income" in the income statement in order to align with Nordea's classification policy for loan processing fees. A refinancing fee is charged when an adjustable-rate mortgage loan is refinanced, and a payout fee is charged when a loan is initially paid out. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the operating profit, balance sheet or equity.

DKKkm	Jan-Jun 2016			Jan-Jun 2015			Full year 2015		
	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy
Fee and commission income	87	168	255	213	240	453	336	433	769
Net result from items at fair value	167	-168	-1	-12	-240	-252	124	-433	-309

### Note 2 Net interest income

DKKkm	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
<b>Interest income</b>			
Loans to credit institutions and central banks <sup>1</sup>	-105	-118	-245
Loans and receivables at fair value	3,654	4,130	7,936
Administration and reserve fees receivable	1,532	1,477	2,979
Interest rate derivatives	-1	6	6
Other interest income	5	10	17
<b>Total interest income</b>	<b>5,085</b>	<b>5,505</b>	<b>10,693</b>
<b>Interest expense</b>			
Deposits by credit institutions and central banks <sup>2</sup>	-1	-18	-5
Bonds in issue at fair value	-3,642	-4,122	-7,897
Other interest expenses	1	-	0
<b>Total interest expense</b>	<b>-3,642</b>	<b>-4,140</b>	<b>-7,902</b>
<b>Net interest income</b>	<b>1,443</b>	<b>1,365</b>	<b>2,791</b>

<sup>1</sup> Of which negative interest income

-105 -118 -245

<sup>2</sup> Of which positive interest expense

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## Notes

### Note 3 Net result from items at fair value

DKKm	Jan-Jun 2016	Jan-Jun <sup>1</sup> 2015	Full year 2015
Mortgage loans	5,322	-8,214	-8,471
Bonds at fair value	0	-	-
Foreign exchange gains/losses	0	7	7
Interest rate derivatives	83	-42	-70
Bonds in issue	-5,406	7,997	8,225
<b>Total</b>	<b>-1</b>	<b>-252</b>	<b>-309</b>

<sup>1</sup> Mortgage loans were affected by the implementation of an interest rate floor on certain bond series, resulting in a negative non-recurring effect of DKK -234m.

### Note 4 Loans and receivables

DKKm	30 Jun 2016	31 Dec 2015	30 Jun 2015
<b>Mortgage loans, nominal value</b>			
Value at beginning of period	384,101	372,194	372,194
New loans (gross new lending)	24,129	103,028	64,026
Foreign exchange revaluations	-52	51	-45
Redemptions and prepayments	-20,843	-85,184	-53,694
Net new lending for the period	3,234	17,895	10,287
Scheduled principal payments	-3,167	-5,986	-2,668
Mortgage loan portfolio, end of period	384,168	384,103	379,813
Reclassification of loans relating to temporarily repossessed properties	-1	-2	0
<b>Mortgage loan portfolio at end of period</b>	<b>384,167</b>	<b>384,101</b>	<b>379,813</b>
<b>Mortgage loans, fair value</b>			
Nominal value	384,167	384,101	379,813
Adjustment for interest rate risk etc	7,773	1,573	1,443
Adjustment for credit risk	-294	-328	-464
Mortgage loan portfolio	391,646	385,346	380,792
Mortgage arrears and execution levied against debtors' properties	219	237	287
<b>Loans and receivables at fair value</b>	<b>391,865</b>	<b>385,583</b>	<b>381,079</b>
Loans and receivables at amortised cost	-	-	-
<b>Total loans and receivables</b>	<b>391,865</b>	<b>385,583</b>	<b>381,079</b>

## Notes

### Note 5 Net loan losses

DKKm	Provisions for individually assessed loans	Provisions for collectively assessed loans	Provisions for other receivables individually assessed	Provisions for other receivables collectively assessed	Total
<b>1 January 2016</b>	<b>282</b>	<b>46</b>	<b>78</b>	<b>-</b>	<b>406</b>
Provisions during the period	165	17	6	-	188
Reversals, previous periods	-69	-39	-4	-	-112
Previous provisions now written off	-104	-	-35	-	-139
Other disposals <sup>1</sup>	-4	-	4	-	-
<b>30 June 2016</b>	<b>270</b>	<b>24</b>	<b>49</b>	<b>-</b>	<b>343</b>
<b>1 January 2015</b>	<b>320</b>	<b>139</b>	<b>66</b>	<b>-</b>	<b>525</b>
Provisions during the year	390	23	21	-	434
Reversals, previous years	-200	-116	-9	-	-325
Previous provisions now written off	-210	-	-18	-	-228
Other disposals	-18	-	18	-	-
<b>31 December 2015</b>	<b>282</b>	<b>46</b>	<b>78</b>	<b>-</b>	<b>406</b>
<b>1 January 2015</b>	<b>320</b>	<b>139</b>	<b>66</b>	<b>-</b>	<b>525</b>
Provisions during the period	211	11	9	-	231
Reversals, previous periods	-101	-16	-4	-	-121
Previous provisions now written off	-93	-	-10	-	-103
Other disposals	-7	-	7	-	-
<b>30 June 2015</b>	<b>330</b>	<b>134</b>	<b>68</b>	<b>-</b>	<b>532</b>

<sup>1</sup> Other disposals relate to transfer of provisions for loans to assets in temporary possession or to other assets.

## Notes

### Note 6 Capital adequacy

DKKkm	30 Jun 2016	31 Dec <sup>1</sup> 2015	30 Jun 2015
<b>Calculation of own funds</b>			
Equity	20,301	20,301	18,838
IRB provisions shortfall (-)	-325	-330	-227
<b>Common equity tier 1 capital (net after deduction)</b>	<b>19,976</b>	<b>19,971</b>	<b>18,611</b>
<b>Tier 1 capital (net after deduction)</b>	<b>19,976</b>	<b>19,971</b>	<b>18,611</b>
<b>Own funds (net after deduction)</b>	<b>19,976</b>	<b>19,971</b>	<b>18,611</b>

<sup>1</sup> Including profit for the year.

#### Minimum capital requirement and risk exposure amount (REA)

DKKkm	30 Jun 2016 Minimum capital requirement	30 Jun 2016 REA	31 Dec 2015 Minimum capital requirement	31 Dec 2015 REA	30 Jun 2015 Minimum capital requirement	30 Jun 2015 REA
<b>Credit risk</b>	<b>4,904</b>	<b>61,306</b>	<b>5,045</b>	<b>63,066</b>	<b>5,122</b>	<b>64,036</b>
IRB	4,902	61,277	5,039	62,994	5,116	63,957
- of which corporate	2,295	28,686	2,443	30,546	2,518	31,474
- of which advanced	2,295	28,686	2,443	30,546	2,518	31,474
- of which foundation	-	-	-	-	-	-
- of which institutions	-	-	-	4	2	27
- of which retail	2,585	32,310	2,558	31,970	2,585	32,318
- of which other	22	281	38	474	11	138
Standardised	2	29	6	72	6	79
- of which retail	-	-	-	-	-	-
- of which institutions	-	-	-	1	-	-
- of which equity	2	22	2	23	-	-
- of which other	0	7	4	48	6	79
<b>Market risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operational risk</b>	<b>283</b>	<b>3,536</b>	<b>256</b>	<b>3,195</b>	<b>256</b>	<b>3,195</b>
- of which standardised	283	3,536	256	3,195	256	3,195
Additional risk exposure amount due to Article 3 of the CRR	73	906	74	930	-	-
<b>Subtotal</b>	<b>5,260</b>	<b>65,748</b>	<b>5,375</b>	<b>67,191</b>	<b>5,378</b>	<b>67,231</b>
<b>Adjustment for transition rules</b>						
Additional capital requirement according to transition rules	8,688	108,606	8,437	105,453	8,613	107,653
<b>Total</b>	<b>13,948</b>	<b>174,354</b>	<b>13,812</b>	<b>172,644</b>	<b>13,991</b>	<b>174,884</b>

## Notes

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### Note 6

#### Capital adequacy (continued)

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##### Capital ratios

	30 Jun 2016	31 Dec <sup>1</sup> 2015	30 Jun 2015
<b>Capital ratios excluding transition rules (%)</b>			
Common equity tier 1 capital ratio	30.4	29.7	27.7
Tier 1 capital ratio	30.4	29.7	27.7
Total capital ratio	30.4	29.7	27.7

<sup>1</sup> Including profit for the year.

	30 Jun 2016	31 Dec <sup>1</sup> 2015	30 Jun 2015
<b>Capital ratios including transition rules (%)</b>			
Common equity tier 1 capital ratio	11.6	11.8	10.8
Tier 1 capital ratio	11.6	11.8	10.8
Total capital ratio	11.6	11.8	10.8

<sup>1</sup> Including profit for the year.

	30 Jun 2016	31 Dec <sup>2</sup> 2015	30 Jun 2015
<b>Leverage ratio<sup>1</sup></b>			
Tier 1 capital, transitional definition, DKKm	19,976	19,971	18,611
Leverage ratio exposure, DKKm	431,177	436,023	438,811
Leverage ratio	4.6	4.6	4.2

<sup>1</sup> Leverage ratio and volumes presented are based on a 3-month average according to the Danish Financial Supervisory Authority's reporting process.

<sup>2</sup> Including profit for the year.

### Note 7

#### Risks and uncertainties

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Nordea Kredit's main risk exposure is credit risk. Nordea Kredit only assumes limited market risks, liquidity risks and operational risks. See the annual report for further information on risk composition.

None of the above exposures and risks is expected to have any significant adverse effect on Nordea Kredit or its financial position in the medium term.

Nordea Kredit is not involved in legal proceedings or disputes which are considered likely to have any significant adverse effect on Nordea Kredit or its financial position.

## Notes

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### Note 8 The Danish Financial Supervisory Authority's ratio system

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(%)	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Total capital ratio	30.4	27.7	29.7
Tier 1 capital ratio	30.4	27.7	29.7
Pre-tax return on equity	4.8	4.3	9.8
Post-tax return on equity	3.8	3.3	7.5
Income/cost ratio	5.73	4.65	6.39
Foreign exchange exposure as % of tier 1 capital	0.7	0.0	0.2
Impairment ratio for the period	0.1	0.1	0.1
Lending growth for the period	0.0	2.1	3.2
Loans/equity	18.6	19.6	19.0
Return on assets	0.2	0.1	0.3

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The key figures have been computed in accordance with the Danish Financial Supervisory Authority's definitions, see the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

## Business definitions

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### **Allowances in relation to impaired loans**

Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

### **Cost/income ratio**

Total operating expenses divided by total operating income.

### **Leverage ratio**

The leverage ratio is the institution's capital as tier 1 capital divided by that institution's total exposure measure and expressed as a percentage.

### **Loan loss ratio**

Net loan losses divided by closing balance of loans to the public (lending).

### **Non-performing, not impaired**

Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

### **Own funds**

Own funds include the sum of the tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the potential deduction for expected shortfall.

### **Payout fee**

A payout fee is charged when a loan is initially paid out.

### **Refinancing fee**

A refinancing fee is charged when an adjustable-rate mortgage loan is refinanced.

### **Return on equity**

Net profit for the period annualised excluding non-controlling interests as a percentage of average equity for the period. Average equity including net profit for the period and dividend until paid, non-controlling interests excluded.

### **Risk exposure amount**

Total assets and off-balance sheet items valued on the basis of the credit and market risks, as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base, intangible assets and shortfall.

### **Tier 1 capital**

Proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets and intangible assets in the banking operations.

### **Tier 1 capital ratio**

Tier 1 capital as a percentage of risk exposure amount. The common equity tier 1 capital ratio is calculated as common equity tier 1 capital as a percentage of risk exposure amount.

### **Total capital ratio**

Own funds as a percentage of risk exposure amount.



## **Statement by the Board of Directors and the Executive Management**

The Board of Directors and the Executive Management have today discussed and approved the interim report of Nordea Kredit Realkreditatieselskab for the half-year ending 30 June 2016.

The interim report has been presented in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for interim reports for issuers of listed bonds.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 30 June 2016 and of the results of the company's operations for the half-year ending 30 June 2016.

Further, in our opinion, the Directors' report provides a fair review of the development in the company's operations and financial matters, the results of the company's operations and financial position and describes the material risks and uncertainties affecting the company.

Copenhagen, 20 July 2016

### **Board of Directors**

Peter Lybecker  
(Chairman)

Jørgen Holm Jensen

Kim Skov Jensen

Jette Petersen

### **Executive Management**

Charlotte Gullak Christensen  
(Chief Executive Officer)

Claus H. Greve  
(Deputy Chief Executive Officer)

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