



Interim Report January-June 2015
Nordea Kredit Realkreditaktieselskab

Business registration number 15134275

Nordea Kredit Realkreditaktieselskab is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

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Key financial figures

	Jan-Jun 2015	Jan-Jun 2014	Change %		
Income statement (DKKm)					
Net interest income	1,365	1,308	4		
Net fee and commission expense	-297	-321	-7		
Net result from items at fair value	-12	223	-		
Other operating income	1	-1	-		
Total operating income	1,057	1,209	-13		
Staff costs and administrative expenses	-117	-101	15		
Depreciation, amortisation and impairment charges of tangible and intangible assets	-	0	-		
Total operating expenses	-117	-101	15		
Profit before loan losses	940	1,108	-15		
Net loan losses	-110	-213	-48		
Profit before tax	830	895	-7		
Income tax expense	-195	-219	-11		
Net profit for the period	635	676	-6		
Business volumes, key items (DKKm)					
	30 Jun 2015	31 Dec 2014	Change %	30 Jun 2014	Change %
Loans and receivables at fair value	381,079	381,056	0	376,681	1
Loans and receivables at nominal value ¹	379,636	371,734	2	366,142	4
Bonds in issue at fair value	394,690	387,106	2	385,827	2
Equity	19,473	18,838	3	18,173	7
Total assets	440,552	451,927	-3	429,131	3
Ratios and key figures (%)					
	Jan-Jun 2015	Jan-Jun 2014			
Return on equity	6.6	7.6			
Cost/income ratio	11.1	8.4			
Tier 1 capital ratio excluding Basel I floor ²	28.6	24.9			
Total capital ratio excluding Basel I floor ²	28.6	24.9			
Own funds ² , DKKm	19,246	17,901			
Tier 1 capital ² , DKKm	19,246	17,901			
Risk exposure amount excluding Basel I floor, DKKm	67,231	72,003			
Loan loss ratio, bp	5.8	11.7			
Number of employees (full-time equivalents)	111	127			

¹ After adjustment for provisions for loan losses.

² End of period including net profit for the period.

Nordea Kredit Realkreditaktieselskab

Board of Directors' report

Result summary January-June 2015

Income statement

Nordea Kredit maintained a positive momentum where business volumes and lending increased in the first six months of the year resulting in a profit of DKK 635m after tax for the first half-year of 2015 (DKK 676m). The profit is satisfactory, though affected by a negative result from items at fair value.

Income from administration and reserve fees increased by 3% to DKK 1,477m (DKK 1,438m) due to growth in lending and increased fees.

Fee and commission income amounted to DKK 213m (DKK 79m) and was positively affected by large lending volumes being converted due to fluctuations in interest rate levels.

Fee and commission expense increased by 28% to DKK 510m (DKK 400m) mainly due to conversion activity.

Net result from items at fair value decreased mainly due to the implementation of a floor on certain bond series, resulting in a negative one-off effect of DKK -234m.

Total staff costs and administrative expenses increased to DKK 117m (DKK 101m) primarily due to higher IT costs.

Net loan losses amounted to DKK 110m (DKK 213m), corresponding to 0.03% (0.06%) of the loan portfolio, and total losses realised amounted to DKK 111m (DKK 228m). The provisioning is primarily related to loans to household customers and reflects the continuing weakness of the property market outside the major urban areas.

Income tax expense was DKK 195m (DKK 219m) and the effective tax rate was 23.5% (24.5%).

Comments on the balance sheet

Assets

Total assets decreased by DKK 11bn to DKK 441bn (DKK 452bn at end-2014).

Loans to credit institutions and deposits with central banks were down by DKK 11bn to DKK 59bn (DKK 70bn at end-2014).

Loans and receivables at fair value remained unchanged at DKK 381bn (DKK 381bn at end-2014).

At the end of June 2015 total mortgage lending at nominal value after loan losses increased to DKK 380bn (DKK 372bn at end-2014).

Lending at nominal value by property category

DKKbn	30 Jun 2015	31 Dec 2014	Change %
Owner-occupied dwellings and holiday homes	253	249	2%
Agricultural properties	48	47	1%
Other commercial properties	79	76	5%
Total	380	372	2%

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the December 2014 payment date was 0.21% (0.24% at end of September 2014).

Accumulated loan losses amounted to DKK 464m (DKK 460m at end-2014). Of this amount, provisions for collectively assessed loans accounted for DKK 134m (DKK 139m at end-2014).

Assets in temporary possession consisted of a total of 42 (41 at end-2014) repossessed properties at the end of June 2015 with a carrying amount of DKK 37m (DKK 38m at end-2014). The repossessed properties mainly consist of owner-occupied dwellings.

Liabilities

Deposits by credit institutions and central banks decreased DKK 19bn to DKK 23bn (DKK 42bn at end-2014).

The size of the deposits is related to refinancing activity in adjustable-rate mortgages, and the decline was due to a lower level of sale and repurchase transactions as adjustable-rate mortgages are not refinanced at the half-year point.

Bonds in issue at fair value were up DKK 8bn to DKK 395bn (DKK 387bn at end-2014) after offsetting the portfolio of own bonds.

Equity

Including the net profit for the period, equity accounted for DKK 19bn at the end of June 2015 (DKK 19bn at end-2014).

Capital adequacy

The tier 1 capital ratio and the total capital ratio including the net profit for the period were both 28.6% (28.6% at end-2014) excluding the Basel I floor. The ratios remained stable over the period were higher exposures in IRB Retail risk exposure amount (REA) were offset by an increase in own funds. Own funds increased due to the profit in the first half of 2015 as well as a reduced shortfall deduction.

REA, own funds and capital ratios are calculated according to the CRD IV/CRR. The minimum capital ratios in Denmark during 2015 are the following:

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

Nordea Kredit has a strong capital position, good profitability and thereby a solid foundation to meet future capital requirements.

On 26 June 2015 the Danish FSA announced that Nordea Bank Danmark (NBD) is still considered to be a SIFI in Denmark. As a subsidiary of NBD, Nordea Kredit also has to apply a Systemic Risk Buffer (SRB). The SRB requirement is 2% in 2019 after full implementation. Due to transitional rules the buffer is 0.4% in 2015 and 0.8% in 2016. The countercyclical buffer capital has at end June 2015 been confirmed unchanged at 0% in Denmark.

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 or under Investor Relations on www.nordea.com.

Supplementary collateral for loans financed through covered mortgage bonds

The supplementary collateral required on the basis of the LTV ratios for the individual loans decreased to DKK 17bn at the end of June 2015 (DKK 22bn at end-2014).

Rating

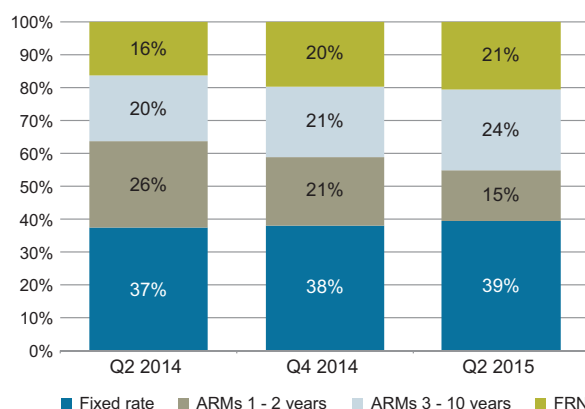
The ratings of Nordea Kredit's bonds remain unchanged. The bonds have been assigned the highest ratings by the rating agencies Moody's Investors Service (Aaa) and Standard & Poor's (AAA).

Continued change in portfolio

The shift away from loans with annual refinancing (F1) continued in the first half-year of 2015. For the April refinancing 35% of the F1 loans that were up for refinancing were changed to F3-F5, Kort Rente or fixed-rate loans. The shift away from F1 loans is to some extent a result of the continued drop in interest rates to a historically low level in the first half-year of 2015.

At 30 June 2015 F1 loans constituted 15% of Nordea Kredit's loan portfolio – a decrease of 11% points compared to 12 months earlier.

Total loan portfolio by loan type



Negative interest

On 1 July 2015 certain issued series of adjustable-rate bonds based on Cibor and Cita reference rates were fixed with negative interest rates. This follows an announcement in February from Nordea Kredit which stated that any negative interest rates would be passed on to the benefit of borrowers with existing loans funded by adjustable-rate bonds.

In May Nordea Kredit announced a floor on the existing portfolio of bond series issued. Nordea Kredit has hedged this interest rate risk. Furthermore it was announced that newly issued loans and bonds with adjustable rates would be without a floor meaning that negative interest rates would be passed on to the benefit of the borrowers at the expense of the investors.

New regulations

The EU Bank Recovery and Resolution Directive (BRRD) was implemented into Danish law and passed through the Danish parliament on 26 March 2015. The law came into force on 1 June 2015.

Under the BRRD, mortgage institutions are required to submit recovery plans to the

authorities, detailing how they can be recovered in a severe crisis. Moreover, as part of this implementation, the Danish authorities are to calibrate a crisis management buffer through a requirement to maintain sufficient liabilities with loss-absorbing capacity on the balance sheet. The aim is to ensure an orderly resolution process without having to resort to public financing, which is further ensured by giving the authorities the tools necessary to resolve large financial institutions in an orderly manner. The European Banking Authority (EBA) has during the first half-year of 2015 been running several consultation processes specifying the draft guidelines and technical standards according to which the BRRD requirements are to be specified by the national authorities.

Changes to the Board of Directors

David Hellemann, Head of Banking Danmark at Nordea Bank Danmark A/S, was appointed as new member of the Board of Directors on 27 February 2015.

Risks and uncertainties

See Note 7 for information about risk and uncertainties.

Income statement

DKKm	Note	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Interest income		5,505	5,791	11,641
Interest expense		-4,140	-4,483	-8,962
Net interest income	2	1,365	1,308	2,679
Dividend income		-	-	-
Fee and commission income		213	79	259
Fee and commission expense		-510	-400	-872
Net interest and fee income		1,068	987	2,066
Net result from items at fair value	3	-12	223	274
Other operating income		1	-1	0
Staff costs and administrative expenses		-117	-101	-201
Depreciation, amortisation and impairment charges of tangible and intangible assets		-	0	0
Other operating expenses		0	0	-
Net loan losses	5	-110	-213	-366
Profit from investment in associated undertaking		0	0	2
Profit before tax		830	895	1,775
Tax		-195	-219	-435
Net profit for the period		635	676	1,340

Statement of comprehensive income

DKKm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Net profit for the period	635	676	1,340
Other comprehensive income	0	0	0
Total comprehensive income	635	676	1,340

Balance sheet

DKKm	Note	30 Jun 2015	31 Dec 2014	30 Jun 2014
Assets				
Cash balance and demand deposits with central banks		13,200	3	1
Loans to credit institutions and central banks		45,760	70,462	52,227
Loans and receivables at fair value	4	381,079	381,056	376,681
Loans and receivables at amortised cost	4	-	-	-
Bonds at fair value		-	25	-
Investment in associated undertaking		13	13	11
Intangible assets		-	-	-
Other tangible assets		-	0	0
Current tax assets		-	-	-
Deferred tax assets		0	0	1
Assets in temporary possession		37	38	45
Other assets		452	324	160
Prepaid expenses		11	6	5
Total assets		440,552	451,927	429,131
Liabilities				
Deposits by credit institutions and central banks		22,722	42,250	21,488
Bonds in issue at fair value		394,690	387,106	385,827
Current tax liabilities		151	26	172
Other liabilities		3,468	3,671	3,441
Deferred income		48	36	30
Total liabilities		421,079	433,089	410,958
Provisions				
Deferred tax liabilities		-	-	-
Total provisions		-	-	-
Equity				
Share capital		1,717	1,717	1,717
Other reserves		14	14	11
Retained earnings		17,742	17,107	16,445
Total equity		19,473	18,838	18,173
Total liabilities and equity		440,552	451,927	429,131
Total contingent liabilities		75	74	75

Statement of changes in equity

DKKm	Share capital	Other reserves ¹	Retained earnings	Total equity
Balance at 1 Jan 2015	1,717	14	17,107	18,838
Net profit for the period	-	-	635	635
Other comprehensive income	-	0	0	0
Share-based payments	-	-	-	0
Balance at 30 Jun 2015	1,717	14	17,742	19,473
Balance at 1 Jan 2014	1,717	12	15,769	17,498
Net profit for the year	-	-	1,340	1,340
Other comprehensive income	-	2	-2	0
Share-based payments	-	0	-	0
Balance at 31 Dec 2014	1,717	14	17,107	18,838
Balance at 1 Jan 2014	1,717	12	15,769	17,498
Net profit for the period	-	-	676	676
Other comprehensive income	-	0	0	0
Share-based payments	-	-1	-	-1
Balance at 30 Jun 2014	1,717	11	16,445	18,173

¹ Reserve for net revaluation according to the equity method as well as LTIP (Long Term Incentive Programme).

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 2014.

The financial statements have not been reviewed or audited.

Note 2 Net interest income

DKKm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Interest income			
Loans to credit institutions and central banks ¹	-118	-13	-23
Loans and receivables at fair value	4,130	4,361	8,754
Administration and reserve fees receivable	1,477	1,438	2,897
Interest rate derivatives	6	0	0
Other interest income	9	5	13
Total interest income	5,505	5,791	11,641
Interest expense			
Deposits by credit institutions and central banks ²	-18	-141	-274
Bonds in issue at fair value	-4,122	-4,342	-8,687
Other interest expenses	-	-	-1
Total interest expense	-4,140	-4,483	-8,962
Net interest income	1,365	1,308	2,679
¹ Of which negative interest income	-118	-13	-23
² Of which positive interest expense	-	-	-

Note 3 Net result from items at fair value

DKKm	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Mortgage loans	-8,214	4,875	3,280
Bonds at fair value	-	-	0
Foreign exchange gains/losses	7	-1	-13
Interest rate derivatives	-42	1	15
Bonds in issue	8,237	-4,652	-3,008
Total	-12	223	274

Notes

Note 4 Loans and receivables

DKKkm	30 Jun 2015	31 Dec 2014	30 Jun 2014
Mortgage loans, nominal value			
Value at beginning of period	372,194	359,404	359,404
New loans (gross new lending)	64,026	82,298	25,193
Foreign exchange revaluations	-45	-49	-14
Redemptions and prepayments	-53,694	-64,436	-15,645
Net new lending	10,287	17,813	9,534
Scheduled principal payments	-2,668	-5,022	-2,311
Mortgage loan portfolio, end of period	379,813	372,195	366,627
Reclassification of loans relating to temporarily repossessed properties	0	-1	-2
Mortgage loan portfolio at end of period	379,813	372,194	366,625
Mortgage loans, fair value			
Nominal value	379,813	372,194	366,625
Adjustment for interest rate risk etc	1,443	9,060	10,243
Adjustment for credit risk	-464	-460	-482
Mortgage loan portfolio	380,792	380,794	376,386
Mortgage arrears and execution levied against debtors' properties	287	262	295
Loans and receivables at fair value	381,079	381,056	376,681
Loans and receivables at amortised cost	-	-	-
Total loans and receivables	381,079	381,056	376,681

Note 5 Net loan losses

DKKkm	Provisions for individually assessed loans	Provisions for collectively assessed loans	Provisions for other receivables individually assessed	Provisions for other receivables collectively assessed	Total
1 January 2015	320	139	66	-	525
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	-	-
30 June 2015	330	134	68	-	532
1 January 2014	405	73	80	-	558
Provisions during the year	506	78	26	-	610
Reversals, previous years	-241	-12	-11	-	-264
Previous provisions now written off	-326	-	-53	-	-379
Other disposals	-24	-	24	-	-
31 December 2014	320	139	66	-	525
1 January 2014	405	73	80	-	558
Provisions during the period	286	40	14	-	340
Reversals, previous periods	-134	-1	-7	-	-142
Previous provisions now written off	-172	-	-34	-	-206
Other disposals	-15	-	15	-	-
30 June 2014	370	112	68	-	550

Notes

Note 6 Capital adequacy

DKKkm	30 Jun 2015	31 Dec ¹ 2014	30 Jun 2014
Calculation of own funds			
Equity	18,838	18,838	17,498
Proposed/actual dividend	-	-	-
Common equity tier 1 capital before regulatory adjustments	18,838	18,838	17,498
IRB provisions shortfall (-)	-227	-238	-272
Total regulatory adjustments to common equity tier 1 capital	-227	-238	-272
Common equity tier 1 capital (net after deduction)	18,611	18,600	17,226
Tier 1 capital (net after deduction)	18,611	18,600	17,226
Own funds (net after deduction)	18,611	18,600	17,226

¹ Includes profit for the year.

DKKkm	30 Jun 2015	31 Dec 2014	30 Jun 2014
Own funds including profit			
Common equity tier 1 capital including profit¹	19,246	18,600	17,901
Total own funds including profit¹	19,246	18,600	17,901

¹ Auditors has not verified the interim results

Minimum capital requirement and risk exposure amount (REA)

DKKkm	30 Jun 2015 Minimum capital requirement	30 Jun 2015 REA	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA	30 Jun 2014 Minimum capital requirement	30 Jun 2014 REA
Credit risk	5,122	64,036	4,969	62,118	5,535	69,194
IRB	5,116	63,957	4,963	62,038	4,978	62,234
- of which corporate	2,518	31,474	2,532	31,653	2,537	31,731
- of which advanced	2,518	31,474	2,532	31,653	2,537	31,730
- of which foundation	-	-	-	0	0	1
- of which institutions	2	27	2	21	2	20
- of which retail	2,585	32,318	2,418	30,230	2,425	30,314
- of which other	11	138	11	134	14	169
Standardised	6	79	6	80	557	6,960
- of which sovereign	0	1	-	-	0	2
- of which retail	-	-	-	-	0	1
- of which other	6	78	6	80	557	6,957
Market risk	0	0	0	0	0	0
Operational risk	256	3,195	225	2,809	225	2,809
- of which standardised	256	3,195	225	2,809	225	2,809
Subtotal	5,378	67,231	5,194	64,927	5,760	72,003
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	8,613	107,653	8,500	106,246	7,679	95,982
Total	13,991	174,884	13,694	171,173	13,439	167,985

Notes

Note 6 Capital adequacy (continued)

Capital ratios

Capital ratios excluding Basel I floor

%	30 Jun 2015	31 Dec ¹ 2014	30 Jun 2014
Common equity tier 1 capital ratio, including profit ²	28.6	28.6	24.9
Tier 1 ratio, including profit ²	28.6	28.6	24.9
Total capital ratio, including profit ²	28.6	28.6	24.9
Common equity tier 1 capital ratio, excluding profit	27.7	28.6	23.9
Tier 1 ratio, excluding profit	27.7	28.6	23.9
Total capital ratio, excluding profit	27.7	28.6	23.9

¹ Including profit for the year.

² Auditors has not verified the interim results

Capital ratios including Basel I floor

%	30 Jun 2015	31 Dec ¹ 2014	30 Jun 2014
Common equity tier 1 capital ratio, including profit ²	11.1	11.0	10.8
Tier 1 ratio, including profit ²	11.1	11.0	10.8
Total capital ratio, including profit ²	11.1	11.0	10.8
Common equity tier 1 capital ratio, excluding profit	10.8	10.2	10.4
Tier 1 ratio, excluding profit	10.8	10.2	10.4
Total capital ratio, excluding profit	10.8	10.2	10.4

¹ Including profit for the year.

² Auditors has not verified the interim results

Note 7 Risks and uncertainties

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.

The financial crisis and the deteriorated macroeconomic situation have not had material impact on Nordea Kredit's financial position. However, the macroeconomic development remains uncertain.

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.

Note 8
Ratios and key figures (%)

	Jan-Jun 2015	Full year 2014	Jan-Jun 2014
Total capital ratio	27.7	28.6	23.9
Tier 1 capital ratio	27.7	28.6	23.9
Pre-tax return on equity	4.3	9.8	5.0
Post-tax return on equity	3.3	7.4	3.8
Income/cost ratio	4.65	4.13	3.85
Foreign exchange exposure as % of tier 1 capital	0.0	0.0	0.9
Impairment ratio for the period	0.1	0.1	0.1
Lending growth for the period	2.1	3.6	2.0
Loans/equity	19.6	20.2	20.7
Return on assets	0.1	0.3	0.2

Ratios and 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

These definitions apply to the description of the key financial figures above.

Tier 1 capital

The tier 1 capital of an institution consists of the sum of the common equity tier 1 capital and additional tier 1 capital of the institution. Common equity tier 1 includes consolidated shareholders' equity excluding proposed dividend, deferred taxes, intangible assets, 60% expected shortfall deduction (the negative difference between expected losses and provisions).

Own funds

Own funds consists of the sum of the tier 1 capital and tier 2 capital consisting of subordinated loans excluding 40% of the expected shortfall deduction. Nordea Kredit has not issued supplementary capital.

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 in accordance with regulations governing capital adequacy, excluding carrying amount of shares, intangible assets and deferred tax, which have been deducted from own funds.

Common equity tier 1 capital ratio

Common equity tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital ratio

Tier 1 capital as a percentage of the risk exposure amount.

Total capital ratio

Own funds as a percentage of the risk exposure amount.

Return on equity

Net profit for the period as a percentage of average equity for the period. Average equity including net profit for the period and dividend until paid.

Loan loss ratio

Net loan losses (annualised) divided by opening balance of loans and receivables.

Cost/income ratio

Operating expenses for the period (staff costs and administrative expenses, depreciation, amortisation and impairment charges of tangible and intangible assets and other operating expenses) divided by operating income (net interest and fee income, net result from items at fair value, profit from investments in associated undertakings and other operating income).

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 Realkreditaktieselskab for the half-year ending 30 June 2015.

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 2015 and of the results of the company's operations for the half-year ending 30 June 2015.

Further, in our opinion, the Board of 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, 16 July 2015

Board of Directors

Peter Lybecker
(Chairman)

David Hellemann

Kim Skov Jensen

Jørgen Holm Jensen

Jette Petersen

Executive Management

Charlotte Gullak Christensen
(Chief Executive Officer)

Claus H. Greve
(Deputy Chief Executive Officer)

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