

Year-end Report 2015

Nordea Kredit Realkreditaktieselskab

Financial summary

Key financial figures (DKKm)	2015	2014	Change %	2013
Income statement				
Total operating income	2,267	2,340	-3	1,986
Total operating expenses	241	201	20	214
Net loan losses	114	366	-69	390
Profit before tax	1,913	1,775	8	1,383
Net profit for the year	1,464	1,340	9	1,037
Balance sheet				
Loans to credit institutions and central banks	50,916	70,462	-28	52,873
Loans and receivables at fair value	385,583	381,056	1	363,749
Deposits by credit institutions and central banks	24,608	42,250	-42	46,470
Bonds in issue at fair value	389,568	387,106	1	349,074
Equity	20,301	18,838	8	17,498
Total assets	437,867	451,927	-3	417,038

Ratios and key figures (%)	2015	2014	2013
Return on equity after tax	7.5	7.4	6.1
Cost/income ratio	10.6	8.6	10.8
Total capital ratio, excl transition rules ^{1,3}	29.7	28.6	16.4
Tier 1 capital ratio, excl transition rules ^{1,3}	29.7	28.6	16.4
Tier 1 capital ¹ , DKKm	19,971	18,600	14,752
Risk exposure amount, excl transition rules, DKKm ³	67,191	64,927	89,994
Number of employees (full-time equivalents) ²	101	114	125

¹ Including the profit for the year.

² End of year.

³ The end-2015 and end-2014 ratios are reported under the Basel III (CRR/CRD IV) framework and the end-2013 ratios are reported using the Basel II regulatory framework.

Comments on the year-end result

(The figures in brackets refer to 2014.)

Nordea Kredit's profit for the year 2015 after tax increased by DKK 124m to DKK 1,464m (DKK 1,340m). The profit was positively affected by increasing lending and business volumes leading to higher administration and reserve fees and higher commission income. Some of the effect was offset by a lower return from net result from items at fair value. The profit for the year was as expected.

Income from administration and reserve fees increased by 3% to DKK 2,979m (DKK 2,897m) due to growth in lending.

Fee and commission income was up by 30% and was affected by large lending volumes being remortgaged especially in the first half-year due to fluctuations in interest rate levels.

Fee and commission expense increased by 14% to DKK 992m (DKK 872m) following the high remortgaging activity.

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

Total operating expenses, consisting of staff costs and administrative expenses as well as depreciation of tangible assets, increased to DKK 241m (DKK 201m). The increase was driven by Nordea Kredit's payment to the new Danish resolution fund and higher IT expenses. Staff costs continued to decrease.

Net loan losses decreased to DKK 114m (DKK 366m), corresponding to 0.03% (0.10%) of the loan portfolio. Realised losses amounted to DKK 247m (DKK 412m). The decrease in loan losses was partly due to the positive development in house prices especially in the major urban areas and historically low interest rate levels.

Comments on the balance sheet

Assets

Total assets decreased by DKK 14bn in 2015 to DKK 438bn (DKK 452bn).

Loans to credit institutions and central banks amounted to DKK 51bn (DKK 70bn). The decrease was mainly due to lower cash deposits with Nordea Bank Danmark.

Loans and receivables at fair value were up by DKK 5bn to DKK 386bn (DKK 381bn).

At the end of 2015 total lending at nominal value after loan losses increased by 3% to DKK 384bn (DKK 372bn).

Table 1. Lending at nominal value by property category

DKKbn	2015	2014	Change %
Owner-occupied dwellings and holiday homes	256	249	3%
Agricultural properties	48	47	2%
Other commercial properties	80	76	5%
Total	384	372	3%

At year-end lending for owner-occupied dwellings and holiday homes accounted for 67% (67%) of the total loan portfolio.

The quality of the loan portfolio is considered satisfactory. Accumulated loan losses amounted to DKK 328m at the end of 2015 (DKK 459m), corresponding to 0.08% (0.12%) of the loan portfolio. Provisions for collectively assessed loans accounted for DKK 46m (DKK 139m).

Loss guarantees from Nordea Bank Danmark were DKK 100bn (DKK 98bn), at end-2015 comprising loans totalling DKK 358bn (DKK 335bn).

At the beginning of 2016 the 3.5-month arrears rate for owner-occupied dwellings and holiday homes (the September 2015 payment date) was 0.17% (0.24%), a decline of 0.07% point since the beginning of 2015.

Assets in temporary possession consisted of a total of 35 (41) repossessed properties by the end of 2015 held at a value of DKK 34m (DKK 38m). The repossessed properties are predominantly owner-occupied dwellings.

Liabilities

Deposits by credit institutions and central banks were DKK 25bn (DKK 42bn).

Bonds in issue at fair value totalled DKK 390bn (DKK 387bn) after offsetting the portfolio of own bonds.

Equity

Including the net profit for the year, equity was DKK 20bn at the end of 2015 (DKK 19bn).

Changes to the Board of Directors

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

Changes to the Executive Management

Claus H. Greve, Head of Corporate Strategy & Development at Nordea Bank Danmark A/S, was appointed Deputy Chief Executive Officer on 15 January 2015.

Outlook for 2016

The positive market trends from 2015 are expected to continue in 2016, though without the high level of remortgaging activity seen in 2015.

Nordea Kredit expects stable lending volumes, which together with increasingly risk-adjusted pricing will give a satisfactory financial result in 2016.

Further information

This Year-end Report has not been subject to audit or review by the auditors.

The Annual Report for 2015 will be published on 15 February 2016 and the report will be available on nordeakredit.dk and nordea.dk.

Copenhagen, 27 January 2016

Charlotte Gullak Christensen
Chief Executive Officer

Claus H. Greve
Deputy Chief Executive Officer

Income statement

DKK ^m	2015	2014
Interest income	10,693	11,641
Interest expense	7,902	8,962
Net interest income	2,791	2,679
Dividend income	-	-
Fee and commission income	336	259
Fee and commission expense	992	872
Net interest and fee income	2,135	2,066
Net result from items at fair value	124	274
Other operating income	8	0
Staff costs and administrative expenses	241	201
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0
Other operating expenses	-	-
Net loan losses	114	366
Profit from investment in associated undertaking	1	2
Profit before tax	1,913	1,775
Tax	449	435
Net profit for the year	1,464	1,340
Statement of comprehensive income		
Net profit for the year	1,464	1,340
Other comprehensive income, net of tax	-	0
Total comprehensive income	1,464	1,340
Attributable to		
Shareholder of Nordea Kredit Realkreditatieselskab	1,464	1,340
Total	1,464	1,340

Balance sheet

DKKm	2015	2014
Assets		
Cash balance and demand deposits with central banks	609	3
Loans to credit institutions and central banks	50,916	70,462
Loans and receivables at fair value	385,583	381,056
Loans and receivables at amortised cost	-	-
Bonds at fair value	-	25
Investment in associated undertaking	15	13
Intangible assets	-	-
Other tangible assets	0	0
Current tax assets	-	-
Deferred tax assets	0	0
Assets in temporary possession	34	38
Other assets	706	324
Prepaid expenses	4	6
Total assets	437,867	451,927
Liabilities and equity		
Liabilities		
Deposits by credit institutions and central banks	24,608	42,250
Bonds in issue at fair value	389,568	387,106
Current tax liabilities	29	26
Other liabilities	3,341	3,671
Deferred income	20	36
Total liabilities	417,566	433,089
Provisions		
Deferred tax liabilities	-	-
Total provisions	-	-
Equity		
Share capital	1,717	1,717
Other reserves	15	14
Retained earnings	18,569	17,107
Total equity	20,301	18,838
Total liabilities and equity	437,867	451,927
Contingent liabilities		
Guarantees etc	75	74