



Interim Report January-June 2012  
**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, more than 1,000 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.*

## **Contents**

Key financial figures . . . . .	3
Directors' report . . . . .	4
Income statement . . . . .	6
Statement of comprehensive income . . . . .	6
Balance sheet . . . . .	7
Statement of changes in equity . . . . .	8
Notes . . . . .	9
Statement by the Board of Directors and the Executive Management . . . . .	13

*The following is a translation of the Danish original document. The original Danish text is the governing text for all purposes and in case of any discrepancy the Danish wording is applicable.*

## Key financial figures

Income statement (DKKm)	Jan-Jun 2012	Jan-Jun 2011	Change %
Net interest income	1,104	978	13%
Net fee and commission income	-217	-243	-11%
Net result from items at fair value	-4	-7	-43%
Staff costs and administrative expenses	-113	-117	-3%
Net loan losses	-232	-73	-
Profit before tax	539	529	2%
Net profit for the period	404	397	2%

Business volumes, key items (DKKm)	30 Jun 2012	31 Dec 2011	Change %	30 Jun 2011	Change %
Loans and receivables at fair value	347,951	340,874	2%	323,865	7%
Loans and receivables at nominal value <sup>1</sup>	340,658	334,643	2%	326,399	4%
Bonds in issue at fair value	345,532	302,951	14%	326,200	6%
Equity	16,162	15,758	3%	15,399	5%
Total assets	409,224	387,392	6%	379,828	8%

Ratios and key figures	Jan-Jun 2012	Jan-Jun 2011
Return on equity, %	2.5	2.6
Cost/income ratio, %	13.0	16.9
Tier 1 capital ratio <sup>2</sup> , %	16.7	15.9
Total capital ratio <sup>2</sup> , %	16.7	15.9
Capital base <sup>2</sup> , DKKm	14,552	13,920
Tier 1 capital <sup>2</sup> , DKKm	14,552	13,920
Risk-weighted assets, DKKm	87,010	87,252
Loan loss ratio, basis points	13.6	4.6
Number of employees (full-time equivalents)	133	150

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

<sup>2</sup> End of period including net profit for the period.

## Business definitions

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

### Tier 1 capital

The proportion of the capital base, which includes shareholders' equity excluding proposed dividend, deferred tax assets as well as intangible assets and the expected shortfall deduction – the negative difference between expected losses and provisions.

### Capital base

The capital base includes the sum of tier 1 capital and supplementary capital. Nordea Kredit has not issued supplementary capital.

### Risk-weighted assets

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.

### Tier 1 capital ratio

Tier 1 capital as a percentage of risk-weighted assets.

### Total capital ratio

Capital base as a percentage of risk-weighted assets.

### 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, amortisation, depreciation and impairment charges of intangible and tangible 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).

# Nordea Kredit Realkreditatieselskab

## Directors' report

### Comments on results

Nordea Kredit's profit before tax was DKK 539m for the first six months of 2012 compared to DKK 529m for the prior-year period or an increase of 2%. After tax the profit was DKK 404m (DKK 397m). Comparative figures in brackets refer to the first six months of 2011.

The profit for the first six months of 2012 reflects an increase in income from reserve fund fees, a decline in the return on investment and in expenses as well as a rise in loan losses.

Income from reserve fund fees totalled DKK 1,111m (DKK 888m) due to continued lending growth as well as the introduction of higher fees at the beginning of the year stemming from the rise in the cost of capital.

The return on investment was negative at DKK 67m net versus a gain of DKK 82m in the same period the previous year due to the rising cost of capital as well as the overall decline in interest rates. The rise in the cost of capital stems from the need for supplementary collateral for mortgage loans driven by the decline in property prices as well as demands from the rating agencies Standard & Poor's and Moody's Investors Service.

Fee and commission income increased to DKK 135m (DKK 64m) as a result of higher refinancing volumes compared to the same period last year. Fee and commission expense rose by 15% to DKK 352m (DKK 307m).

Income from the bond price spread charged to borrowers when refinancing adjustable-rate mortgages, which was introduced with effect for the refinancing at 1 January 2012, amounted to DKK 55m.

Staff costs and administrative expenses amounted to DKK 113m (DKK 117m). IT expenses were down in the first six months of 2012, whereas expenses for the handling of non-performing loans and repossessed properties increased.

The cost/income ratio for the period fell to 13.0% (16.9%).

The profit is furthermore impacted by higher loan losses of DKK 232m (DKK 73m). The increase in loan losses should be viewed in light of the

continued downtrend in property prices, modest property trading activity and the large number of properties for sale. The increase is also the result of potential risk of losses, to a greater extent than previously, being ascertained on loans where the parent company's 5-year loss guarantee has expired. The provisioning requirement is mainly attributable to personal customers.

### Comments on the balance sheet

#### Assets

Total assets increased by DKK 22bn to DKK 409bn at 30 June 2012 (DKK 387bn at end-2011).

Loans to credit institutions and central banks rose DKK 21bn to DKK 61bn (DKK 40bn at end-2011).

Loans and receivables at fair value increased DKK 7bn to DKK 348bn (DKK 341bn at end-2011).

Total lending at nominal value increased by 2% to DKK 341bn against DKK 335bn at end-2011. Lending at nominal value amounted to DKK 234bn (DKK 230bn at end-2011) for residential properties, DKK 44bn (DKK 43bn at end-2011) for agricultural properties and DKK 63bn (DKK 62bn at end-2011) for other commercial properties.

Nordea Kredit's share of overall mortgage lending in Denmark is still growing. At 31 March 2012 the share was 13.9% compared to 13.6% at the same time last year. Sector figures for the second quarter of 2012 will be available after the publication of this interim report.

The arrears rate for loans for residential properties and holiday homes (the 3.5-month arrears rate) for the March 2012 payment date was 0.32%, a decline of 0.02% point since year-end (0.34%).

Accumulated loan losses amounted to DKK 369m (DKK 297m at end-2011). Of this amount, provisions for collectively assessed loans accounted for DKK 28m (DKK 50m at end-2011).

The total accumulated loan losses corresponded to 0.11% of the loan portfolio (0.09% at end-2011).

The Danish Financial Supervisory Authority has made a number of clarifications to the accounting principles for loan losses which must be applied

in the Interim Report January-June 2012. The Danish Financial Supervisory Authority's clarifications did not materially affect the level of the losses in the first half of 2012.

At the end of June 2012 Nordea Kredit held 103 repossessed properties in its portfolio under Assets in temporary possession (131 properties at end-2011) with a book value of DKK 159m (DKK 235m at end-2011).

### **Liabilities**

Deposits by credit institutions and central banks were down DKK 21bn to DKK 43bn (DKK 64bn at end-2011) due to a lower volume of sale and repurchase (repo) transactions with Nordea Bank Danmark.

Bonds in issue at fair value increased DKK 43bn to DKK 346bn (DKK 303bn at end-2011) after off-setting the portfolio of own bonds.

### **Equity**

After including the net profit for the period equity was DKK 16bn at 30 June 2012.

### **Capital adequacy**

The tier 1 capital ratio and the total capital ratio, including the net profit for the period, were both 16.7% at the end of June 2012 (17.4% at end-2011) excluding transition rules.

Under Danish legislation Nordea Kredit must publish its adequate capital base as well as its individual solvency need on a quarterly basis. This report is available at [nordeakredit.dk](http://nordeakredit.dk) and [nordea.com](http://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 was DKK 27bn (DKK 22bn at the end of 2011).

See the latest published investor information (LTV report) available at [nordeakredit.dk](http://nordeakredit.dk) for further details.

### **Rating**

In June 2012 Moody's Investors Service imposed tighter requirements on a number of credit institutions in Denmark, including Nordea Bank Danmark. These requirements have indirect implications for Nordea Kredit, which has pro-

vided additional capital as collateral for its bond issuance.

The bonds issued by Nordea Kredit comply with the higher overcollateralisation (OC) requirements and are thus still rated Aaa by Moody's Investors Service for both capital centres. With Standard & Poor's the rating of the bonds issued by Nordea Kredit remains unchanged at AAA.

### **Scheduling of refinancing auctions**

To ensure that the volume of adjustable-rate mortgages to be refinanced on 1 January does not increase further, Nordea Kredit now holds refinancing auctions three times a year (1 January, 1 April and 1 October).

Yet again the refinancing at 1 April 2012 resulted in record-low interest rates. For 30-year annuity loans in Danish kroner with principal payments and annual reset the interest rate was set at 0.87% (1.06% at 1 January 2012). At the auction the interest rate on a similar loan in euros was set at 0.93% (1.02% at 1 January 2012).

At the auction bonds equivalent to DKK 12bn were sold. At the end of June 2012 Nordea Kredit had disbursed adjustable-rate mortgages with refinancing on 1 April or 1 October for a total of DKK 68bn (DKK 45bn at end-2011).

### **New product**

Nordea has decided to introduce a new short-term interest rate product for personal customers as an alternative to adjustable-rate mortgages. This product will be launched in the autumn concurrently with the introduction of a new pricing structure. The introduction will be complemented by the option of fee-free refinancing of 1- and 2-year adjustable-rate mortgages into other loan types for a period of time. Nordea Kredit anticipates considerable refinancing activity as a result.

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

Kim Skov Jensen, Managing Director, Nordea Group Treasury, joined the Board of Directors in March 2012. Michael Rasmussen, member of Nordea Bank AB's Group Executive Management, resigned from the Board of Directors.

### **Risks and uncertainties**

See Note 7 for information about risks and uncertainties.

## Income statement

DKKm	Note	Jan-Jun 2012	Jan-Jun 2011	Full year 2011
Interest income		6,128	6,033	12,462
Interest expense		-5,024	-5,055	-10,394
<b>Net interest income</b>	2	<b>1,104</b>	<b>978</b>	<b>2,068</b>
Dividend income		-	0	0
Fee and commission income		135	64	148
Fee and commission expense		-352	-307	-633
<b>Net interest and fee income</b>		<b>887</b>	<b>735</b>	<b>1,583</b>
Net result from items at fair value	3	-4	-7	-40
Other operating income		3	-3	-1
Staff costs and administrative expenses		-113	-117	-236
Amortisation, depreciation and impairment charges of intangible and tangible assets		-2	-6	-11
Other operating expenses		-	0	-1
Net loan losses	5	-232	-73	-284
Profit from investments in associated undertakings		0	0	-1
<b>Profit before tax</b>		<b>539</b>	<b>529</b>	<b>1,009</b>
Tax		-135	-132	-253
<b>Net profit for the period</b>		<b>404</b>	<b>397</b>	<b>756</b>

## Statement of comprehensive income

DKKm	Jan-Jun 2012	Jan-Jun 2011	Full year 2011
<b>Net profit for the period</b>	<b>404</b>	<b>397</b>	<b>756</b>
Other comprehensive income	0	-	0
<b>Total comprehensive income</b>	<b>404</b>	<b>397</b>	<b>756</b>

## Balance sheet

DKKm	Note	30 Jun 2012	31 Dec 2011	30 Jun 2011
<b>Assets</b>				
Cash balance and demand deposits with central banks		0	1	0
Loans to credit institutions and central banks		60,548	40,152	55,612
Loans and receivables at fair value	4	347,951	340,874	323,865
Loans and receivables at amortised cost	4	3	3	3
Bonds at fair value		-	5,001	0
Investments in associated undertakings		10	11	11
Intangible assets		5	7	13
Other tangible assets		1	1	2
Current tax assets		0	15	0
Assets in temporary possession		159	235	153
Other assets		544	1,090	168
Prepaid expenses		3	2	1
<b>Total assets</b>		<b>409,224</b>	<b>387,392</b>	<b>379,828</b>
<b>Liabilities</b>				
Deposits by credit institutions and central banks		43,412	63,547	34,337
Bonds in issue at fair value		345,532	302,951	326,200
Current tax liabilities		55	0	300
Other liabilities		4,027	5,132	3,583
Deferred income		36	4	5
<b>Total liabilities</b>		<b>393,062</b>	<b>371,634</b>	<b>364,425</b>
<b>Provisions</b>				
Deferred tax liabilities		0	0	4
<b>Total provisions</b>		<b>0</b>	<b>0</b>	<b>4</b>
<b>Equity</b>				
Share capital		1,717	1,717	1,717
Other reserves		10	10	11
Retained earnings		14,435	14,031	13,671
<b>Total equity</b>		<b>16,162</b>	<b>15,758</b>	<b>15,399</b>
<b>Total liabilities and equity</b>		<b>409,224</b>	<b>387,392</b>	<b>379,828</b>
Total contingent liabilities		74	74	75

## Statement of changes in equity

DKKm	Share capital	Other reserves <sup>1</sup>	Retained earnings	Total equity
<b>Balance at 1 Jan 2012</b>	1,717	10	14,031	15,758
Net profit for the period	-	-	404	404
Other comprehensive income	-	0	0	0
Share-based payments	-	0	-	0
<b>Balance at 30 Jun 2012</b>	1,717	10	14,435	16,162
<b>Balance at 1 Jan 2011</b>	1,717	11	13,273	15,002
Net profit for the year	-	0	756	756
Other comprehensive income	-	-1	1	0
Share-based payments	-	0	-	0
<b>Balance at 31 Dec 2011</b>	1,717	10	14,031	15,758
<b>Balance at 1 Jan 2011</b>	1,717	11	13,273	15,002
Net profit for the period	-	0	397	397
Other comprehensive income	-	-	-	-
Share-based payments	-	-	-	-
<b>Balance at 30 Jun 2011</b>	1,717	11	13,670	15,399

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

## Notes

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### Note 1 Accounting policies

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#### 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 companies etc (the Executive Order), as well as the NASDAQ OMX Nordic rules for issuers of bonds.

The Danish Financial Supervisory Authority has made a number of clarifications to the accounting principles for loan losses which must be applied in the Interim Report January-June 2012. The Danish Financial Supervisory Authority's clarifications did not materially affect the level of the losses in the first half of 2012.

No changes have been made to the accounting policies compared with the annual report for 2011.

The financial statements have not been reviewed or audited.

### Note 2 Net interest income

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DKKm	Jan-Jun 2012	Jan-Jun 2011	Full year 2011
<b>Interest income</b>			
Loans to credit institutions and central banks	103	242	706
Loans and receivables at fair value	4,896	4,898	9,939
Reserve fund fees receivable	1,111	888	1,807
Interest rate derivatives	0	1	-6
Other interest income	18	4	16
<b>Total interest income</b>	<b>6,128</b>	<b>6,033</b>	<b>12,462</b>
<b>Interest expense</b>			
Deposits by credit institutions and central banks	-160	-186	-603
Bonds in issue at fair value	-4,864	-4,867	-9,790
Other interest expenses	-	-2	-1
<b>Total interest expense</b>	<b>-5,024</b>	<b>-5,055</b>	<b>-10,394</b>
<b>Net interest income</b>	<b>1,104</b>	<b>978</b>	<b>2,068</b>

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

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DKKm	Jan-Jun 2012	Jan-Jun 2011	Full year 2011
Mortgage loans	7	-2,839	5,799
Bonds	-1	0	-5
Foreign exchange gains/losses	0	0	-1
Interest rate derivatives	13	8	34
Bonds in issue	-23	2,824	-5,867
<b>Total</b>	<b>-4</b>	<b>-7</b>	<b>-40</b>

## Notes

### Note 4 Loans and receivables

DKKm	30 Jun 2012	31 Dec 2011	30 Jun 2011
<b>Mortgage loans, nominal value</b>			
Value at beginning of period	334,939	318,445	318,445
New loans (gross new lending)	46,371	46,866	19,372
Foreign exchange revaluations	-3	-82	17
Redemptions and prepayments	-38,263	-26,129	-9,176
Net new lending	8,105	20,655	10,213
Scheduled principal payments	-2,005	-4,148	-2,056
Mortgage loan portfolio, end of period	341,039	334,952	326,602
Reclassification of loans relating to temporarily repossessed properties	-12	-13	-15
<b>Mortgage loan portfolio, end of period - nominal value</b>	<b>341,027</b>	<b>334,939</b>	<b>326,587</b>
<b>Mortgage loans, fair value</b>			
Nominal value	341,027	334,939	326,587
Adjustment for interest rate risk etc	7,002	5,963	-2,761
Adjustment for credit risk	-369	-297	-188
Mortgage loan portfolio	347,660	340,605	323,638
Mortgage arrears and execution levied against debtors' properties	291	269	227
<b>Loans and receivables at fair value</b>	<b>347,951</b>	<b>340,874</b>	<b>323,865</b>
Loans and receivables at amortised cost	3	3	3
<b>Total loans and receivables</b>	<b>347,954</b>	<b>340,877</b>	<b>323,868</b>

### Note 5 Loan losses etc

DKKm	Provisions for individually assessed loans	Provisions for collectively assessed loans	Provisions for receivables individually assessed	Provisions for receivables collectively assessed	Total
<b>1 January 2012</b>	<b>247</b>	<b>50</b>	<b>121</b>	-	<b>418</b>
Provisions during the period	280	13	41	-	334
Reversals, previous periods	-61	-35	-14	-	-110
Previous provisions now written off	-93	-	-30	-	-123
Other disposals	-32	-	32	-	-
<b>30 June 2012</b>	<b>341</b>	<b>28</b>	<b>150</b>	-	<b>519</b>
<b>1 January 2011</b>	<b>101</b>	<b>56</b>	<b>59</b>	-	<b>216</b>
Provisions during the year	287	25	59	-	371
Reversals, previous years	-48	-31	-14	-	-93
Previous provisions now written off	-55	-	-21	-	-76
Other disposals	-38	-	38	-	-
<b>31 December 2011</b>	<b>247</b>	<b>50</b>	<b>121</b>	-	<b>418</b>
<b>1 January 2011</b>	<b>101</b>	<b>56</b>	<b>59</b>	-	<b>216</b>
Provisions during the period	99	7	19	-	125
Reversals, previous periods	-25	-20	-8	-	-53
Previous provisions now written off	-14	-	-5	-	-19
Other disposals	-16	-	16	-	-
<b>30 June 2011</b>	<b>145</b>	<b>43</b>	<b>81</b>	-	<b>269</b>

## Notes

### Note 6 Capital adequacy

DKKm	30 Jun 2012	31 Dec 2011	30 Jun 2011
Tier 1 capital, including net profit for the period	14,552	14,348	13,920
Total capital base, including net profit for the period	14,552	14,348	13,920
Tier 1 capital, excluding net profit for the period	14,148	14,348	13,523
Total capital base, excluding net profit for the period	14,148	14,348	13,523

#### Capital requirements and risk-weighted assets (RWA)

DKKm	30 Jun 2012 Capital requirement	30 Jun 2012 RWA	31 Dec 2011 Capital requirement	31 Dec 2011 RWA	30 Jun 2011 Capital requirement	30 Jun 2011 RWA
<b>Credit risk</b>	<b>6,779</b>	<b>84,730</b>	<b>6,420</b>	<b>80,251</b>	<b>6,820</b>	<b>85,255</b>
IRB	5,557	69,456	5,471	68,383	5,468	68,345
- of which corporate	2,466	30,823	2,539	31,735	2,420	30,248
- of which institutions	0	0	26	324	0	0
- of which personal customers and small and medium-sized corporate customers	3,044	38,043	2,823	35,284	3,033	37,909
- of which other	47	590	83	1,039	15	188
Standardised	1,222	15,274	949	11,868	1,353	16,910
- of which other	1,222	15,274	949	11,868	1,353	16,910
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operational risk</b>	<b>182</b>	<b>2,280</b>	<b>160</b>	<b>1,997</b>	<b>160</b>	<b>1,997</b>
- of which standardised	182	2,280	160	1,997	160	1,997
<b>Subtotal</b>	<b>6,961</b>	<b>87,010</b>	<b>6,580</b>	<b>82,248</b>	<b>6,980</b>	<b>87,252</b>
<b>Adjustment for transition rules</b>						
Additional capital requirement according to transition rules	5,396	67,452	4,598	70,142	4,598	57,472
<b>Total</b>	<b>12,357</b>	<b>154,462</b>	<b>11,578</b>	<b>152,390</b>	<b>11,578</b>	<b>144,724</b>

Capital ratio, excl transition rules (%)	30 Jun 2012	31 Dec 2011	30 Jun 2011
Tier 1 capital ratio, incl net profit for the period	16.7	17.4	15.9
Total capital ratio, incl net profit for the period	16.7	17.4	15.9
Tier 1 capital ratio, excl net profit for the period	16.3	17.4	15.5
Total capital ratio, excl net profit for the period	16.3	17.4	15.5

## Notes

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### Note 7 Risks and uncertainties

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Nordea Kredit's main risk exposure is credit risk. Nordea Kredit also assumes limited risks such as market risk, liquidity risk and operational risk. 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 (%)

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	Jan-Jun 2012	Jan-Jun 2011	Full year 2011
Total capital ratio	16.3	15.5	17.4
Tier 1 capital ratio	16.3	15.5	17.4
Pre-tax return on equity	3.4	3.5	6.6
Post-tax return on equity	2.5	2.6	4.9
Income/cost ratio	2.56	3.71	2.90
Foreign exchange exposure as % of tier 1 capital	0.4	0.2	0.4
Impairment ratio for the period	0.1	0.0	0.1
Lending growth for the period	1.8	2.6	5.2
Loans/equity	21.5	21.0	21.6

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 companies etc.

## **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 2012.

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 2012 and of the results of the company's operations for the half-year ending 30 June 2012.

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, 18 July 2012

### **Board of Directors**

Anders Jensen (Chairman)

Peter Lybecker (Deputy Chairman)

Kim Skov Jensen

Jørgen Holm Jensen

### **Executive Management**

Lars Bank Jørgensen (Chairman)

Michael Jensen

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