



Interim Report January-June 2013
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 900 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 2013	Jan-Jun 2012	Change %
Net interest income			1,165	1,104	5%
Net fee and commission income			-280	-217	29%
Net result from items at fair value			182	-4	-
Staff costs and administrative expenses			-108	-113	-4%
Net loan losses			-206	-232	-11%
Profit before tax			757	539	40%
Net profit for the period			568	404	40%

Business volumes, key items (DKKm)	30 Jun 2013	31 Dec 2012	Change %	30 Jun 2012	Change %
Loans and receivables at fair value	360,077	358,371	0%	347,951	3%
Loans and receivables at nominal value ¹	353,882	349,484	1%	340,658	4%
Bonds in issue at fair value	370,808	336,402	10%	345,532	7%
Equity	17,029	16,461	3%	16,162	5%
Total assets	422,170	407,044	4%	409,224	3%

Ratios and key figures	Jan-Jun 2013	Jan-Jun 2012
Return on equity, %	3.4	2.5
Cost/income ratio, %	10.3	13.0
Tier 1 capital ratio ² , %	15.7	16.7
Total capital ratio ² , %	15.7	16.7
Capital base ² , DKKm	14,451	14,552
Tier 1 capital ² , DKKm	14,451	14,552
Risk-weighted assets, DKKm	91,895	87,010
Loan loss ratio, bp	11.5	13.6
Number of employees (full-time equivalents)	130	133

¹ After adjustment for provisions for loan losses.

² 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, 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).

Nordea Kredit Realkreditaktieselskab

Directors' report

Comments on results for the period

Nordea Kredit posted a profit of DKK 757m before tax for the first six months of 2013 compared with DKK 539m for the prior-year period. After tax the profit was DKK 568m (DKK 404m). Comparative figures in brackets refer to the first six months of 2012.

The improved profit is attributable to lending growth, higher administration and reserve fees, a higher net result from items at fair value as well as a small decline in loan losses. The profit was adversely affected by negative interest rates on cash investments as well as a higher cost of capital and a decline in fee income.

Income from administration and reserve fees totalled DKK 1,293m (DKK 1,111m) due to lending growth as well as the introduction of higher fees at the beginning of the year.

The return on investment and income from the bond price spread charged to borrowers when refinancing adjustable-rate mortgages amounted to DKK 51m net (DKK -11m). The return on investment comprises interest income and the net result from items at fair value relating to cash investments as well as interest expenses relating to Nordea Kredit's funding facilities. The total net return is impacted by the negative interest rates on cash investments during the period as well as rising costs to maintain the high rating.

Fee and commission income stood at DKK 98m (DKK 135m). The decline versus the first six months of 2012 reflects lower refinancing volumes. Fee and commission expenses amounted to DKK 378m (DKK 352m).

Total staff costs and administrative expenses were reduced by DKK 5m to DKK 108m (DKK 113m) mainly reflecting lower IT expenses in the first six months of 2013.

The cost/income ratio for the period fell to 10.3% (13.0%).

Loan losses declined by DKK 26m to DKK 206m (DKK 232m). Loan losses for the period correspond to 0.06% of the loan portfolio (0.06%).

Loan losses are mainly related to personal customers and are attributable to the persistent weakness of the property market in many areas in Denmark.

Comments on the balance sheet

Assets

Total assets increased by DKK 15bn to DKK 422bn at 30 June 2013 (DKK 407bn at end-2012).

Loans to credit institutions and central banks rose DKK 14bn to DKK 61bn (DKK 47bn at end-2012) due to temporary cash investments in the form of purchase and resale (reverse) transactions.

Loans and receivables at fair value increased DKK 2bn to DKK 360bn (DKK 358bn at end-2012).

At the end of June 2013 total mortgage lending at nominal value after loan losses amounted to DKK 354bn (DKK 349bn at end-2012). Year-round residences and holiday homes accounted for DKK 242bn (DKK 239bn at end-2012), agricultural properties for DKK 45bn (DKK 45bn at end-2012) and other commercial properties for DKK 67bn (DKK 65bn at end-2012).

Nordea Kredit's share of the overall mortgage market in Denmark is still growing. At 31 March 2013 the market share was 14.3% compared with 13.9% at the same time last year. Sector figures for the second quarter of 2013 will be available after the publication of this interim report.

The arrears rate for loans for year-round residences and holiday homes (the 3.5-month arrears rate) for the March 2013 payment date was 0.31%, a rise of 0.02% point since year-end (0.29%).

Accumulated loan losses amounted to DKK 575m (DKK 589m at end-2012). Of this amount, provisions for collectively assessed loans accounted for DKK 62m (DKK 34m at end-2012).

Assets in temporary possession, which consist of repossessed properties, declined from 65 properties at the end of 2012 to 48 properties at the end of June 2013 with a book value of DKK 42m (DKK 44m at end-2012).

Liabilities

Deposits by credit institutions and central banks were down DKK 19bn to DKK 30bn (DKK 49bn at end-2012) due to a lower volume of sale and repurchase (repo) transactions with Nordea Bank Danmark in connection with the price hedging of loans.

Bonds in issue at fair value increased DKK 35bn to DKK 371bn (DKK 336bn at end-2012) after off-setting the portfolio of own bonds.

Equity

After including the net profit for the period equity was DKK 17bn at 30 June 2013 (DKK 16bn at end-2012).

Capital adequacy

The tier 1 capital ratio and the total capital ratio, including the net profit for the period, were both 15.7% at the end of June 2013 (16.2% at end-2012) 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 and 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 25bn (DKK 26bn at end-2012).

See the latest published investor information (LTV report) available at nordeakredit.dk for further details.

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).

Refinancing of adjustable-rate mortgages

To ensure that the volume of adjustable-rate mortgages to be refinanced on 1 January does not increase, Nordea Kredit conducts refinancing auctions three times a year.

At the end of June 2013 the portfolio of adjustable-rate mortgages comprised DKK 92bn in loans with refinancing on 1 January, DKK 33bn in loans with refinancing on 1 April and DKK 53bn in loans with refinancing on 1 October.

At the refinancing at 1 April 2013 the interest rate for borrowers with 30-year annuity loans in Danish kroner with principal payments and annual reset was set at 0.51% (0.45% at 1 January 2013).

Changes to the Board of Directors

Charlotte Gullak Christensen, Senior Vice President, Nordea Bank Danmark, was appointed to the Board of Directors at an extraordinary general meeting held on 10 June 2013.

Risks and uncertainties

See Note 7 for information about risks and uncertainties.

Income statement

DKKm	Note	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Interest income		5,832	6,128	12,022
Interest expense		-4,667	-5,024	-9,808
Net interest income	2	1,165	1,104	2,214
Dividend income		-	-	-
Fee and commission income		98	135	288
Fee and commission expense		-378	-352	-743
Net interest and fee income		885	887	1,759
Net result from items at fair value	3	182	-4	-108
Other operating income		5	3	9
Staff costs and administrative expenses		-108	-113	-228
Depreciation, amortisation and impairment charges of tangible and intangible assets		-2	-2	-4
Other operating expenses		-	-	0
Net loan losses	5	-206	-232	-491
Profit from investment in associated undertaking		1	0	1
Profit before tax		757	539	938
Tax		-189	-135	-235
Net profit for the period		568	404	703

Statement of comprehensive income

DKKm	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Net profit for the period	568	404	703
Other comprehensive income	0	0	0
Total comprehensive income	568	404	703

Balance sheet

DKKm	Note	30 Jun 2013	31 Dec 2012	30 Jun 2012
Assets				
Cash balance and demand deposits with central banks		250	370	0
Loans to credit institutions and central banks		61,329	46,773	60,548
Loans and receivables at fair value	4	360,077	358,371	347,951
Loans and receivables at amortised cost	4	3	3	3
Bonds at fair value		-	-	-
Investment in associated undertaking		12	11	10
Intangible assets		2	3	5
Other tangible assets		0	0	1
Current tax assets		-	1	0
Deferred tax assets		1	1	-
Assets in temporary possession		42	44	159
Other assets		449	1,464	544
Prepaid expenses		5	3	3
Total assets		422,170	407,044	409,224
Liabilities				
Deposits by credit institutions and central banks		30,263	48,905	43,412
Bonds in issue at fair value		370,808	336,402	345,532
Current tax liabilities		129	-	55
Other liabilities		3,919	5,267	4,027
Deferred income		22	9	36
Total liabilities		405,141	390,583	393,062
Provisions				
Deferred tax liabilities		-	-	0
Total provisions		-	-	0
Equity				
Share capital		1,717	1,717	1,717
Other reserves		12	11	10
Retained earnings		15,300	14,733	14,435
Total equity		17,029	16,461	16,162
Total liabilities and equity		422,170	407,044	409,224
Total contingent liabilities		75	75	74

Statement of changes in equity

DKKm	Share capital	Other reserves ¹	Retained earnings	Total equity
Balance at 1 Jan 2013	1,717	11	14,733	16,461
Net profit for the period	-	-	568	568
Other comprehensive income	-	1	-1	0
Share-based payments	-	0	-	0
Balance at 30 Jun 2013	1,717	12	15,300	17,029
Balance at 1 Jan 2012	1,717	10	14,031	15,758
Net profit for the year	-	-	703	703
Other comprehensive income	-	1	-1	0
Share-based payments	-	0	-	0
Balance at 31 Dec 2012	1,717	11	14,733	16,461
Balance at 1 Jan 2012	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
Balance at 30 Jun 2012	1,717	10	14,435	16,162

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 companies 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 2012.

The financial statements have not been reviewed or audited.

Note 2 Net interest income

DKKm	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Interest income			
Loans to credit institutions and central banks ¹	-32	103	22
Loans and receivables at fair value	4,566	4,896	9,678
Administration and reserve fees receivable	1,293	1,111	2,268
Interest rate derivatives	-	0	43
Other interest income	5	18	11
Total interest income	5,832	6,128	12,022
Interest expense			
Deposits by credit institutions and central banks ²	-135	-160	-241
Bonds in issue at fair value	-4,532	-4,864	-9,567
Other interest expenses	0	-	0
Total interest expense	-4,667	-5,024	-9,808
Net interest income	1,165	1,104	2,214
¹ Of which negative interest income	32	-	14
² Of which positive interest expense	9	1	28

Note 3 Net result from items at fair value

DKKm	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Mortgage loans	-4,241	7	1,347
Bonds	-	-1	-1
Foreign exchange gains/losses	0	0	1
Interest rate derivatives	0	13	14
Bonds in issue	4,423	-23	-1,469
Total	182	-4	-108

Notes

Note 4 Loans and receivables

DKKm	30 Jun 2013	31 Dec 2012	30 Jun 2012
Mortgage loans, nominal value			
Value at beginning of period	349,921	334,939	334,939
New loans (gross new lending)	29,562	93,826	46,371
Foreign exchange revaluations	-6	104	-3
Redemptions and prepayments	-23,170	-74,815	-38,263
Net new lending	6,386	19,115	8,105
Scheduled principal payments	-1,944	-4,128	-2,005
Mortgage loan portfolio, end of period	354,363	349,926	341,039
Reclassification of loans relating to temporarily repossessed properties	-6	-5	-12
Mortgage loan portfolio at end of period	354,357	349,921	341,027
Mortgage loans, fair value			
Nominal value	354,357	349,921	341,027
Adjustment for interest rate risk etc	5,922	8,538	7,002
Adjustment for credit risk	-475	-437	-369
Mortgage loan portfolio	359,804	358,022	347,660
Mortgage arrears and execution levied against debtors' properties	273	349	291
Loans and receivables at fair value	360,077	358,371	347,951
Loans and receivables at amortised cost	3	3	3
Total loans and receivables	360,080	358,374	347,954

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
1 January 2013	403	34	152	-	589
Provisions during the period	290	38	10	-	338
Reversals, previous periods	-114	-10	-13	-	-137
Previous provisions now written off	-153	-	-62	-	-215
Other disposals	-13	-	13	-	-
30 June 2013	413	62	100	-	575
1 January 2012	247	50	121	-	418
Provisions during the year	580	24	73	-	677
Reversals, previous years	-142	-40	-25	-	-207
Previous provisions now written off	-214	-	-85	-	-299
Other disposals	-68	-	68	-	-
31 December 2012	403	34	152	-	589
1 January 2012	247	50	121	-	418
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	-	-
30 June 2012	341	28	150	-	519

Notes

Note 6 Capital adequacy

DKKm	30 Jun 2013	31 Dec 2012	30 Jun 2012
Tier 1 capital, including profit for the period	14,451	14,239	14,552
Total capital base, including profit for the period	14,451	14,239	14,552
Tier 1 capital, excluding profit for the period	13,883	14,239	14,148
Total capital base, excluding profit for the period	13,883	14,239	14,148

Capital requirements and risk-weighted assets (RWA)

DKKm	30 Jun 2013 Capital requirement	30 Jun 2013 RWA	31 Dec 2012 Capital requirement	31 Dec 2012 RWA	30 Jun 2012 Capital requirement	30 Jun 2012 RWA
Credit risk	7,153	89,413	6,846	85,571	6,779	84,730
IRB	5,713	71,412	5,683	71,040	5,557	69,456
- of which corporate	2,915	36,445	2,475	30,932	2,466	30,823
- of which institutions	0	0	0	0	0	0
- of which personal customers and small and medium-sized corporate customers	2,759	34,484	3,093	38,665	3,044	38,043
- of which other	39	483	115	1,443	47	590
Standardised	1,440	18,001	1,162	14,531	1,222	15,274
- of which other	1,440	18,001	1,162	14,531	1,222	15,274
Market risk	0	0	0	0	0	0
Operational risk	199	2,482	182	2,280	182	2,280
- of which standardised	199	2,482	182	2,280	182	2,280
Subtotal	7,352	91,895	7,028	87,851	6,961	87,010
Adjustment for transition rules						
Additional capital requirement according to transition rules	5,576	69,706	5,818	72,730	5,396	67,452
Total	12,928	161,601	12,846	160,581	12,357	154,462

Capital ratio, excl transition rules (%)	30 Jun 2013	31 Dec 2012	30 Jun 2012
Tier 1 ratio incl profit for the period	15.7	16.2	16.7
Total capital ratio incl profit for the period	15.7	16.2	16.7
Tier 1 ratio excl profit for the period	15.1	16.2	16.3
Total capital ratio excl profit for the period	15.1	16.2	16.3

Notes

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 2013	Jan-Jun 2012	Full year 2012
Total capital ratio	15.1	16.3	16.2
Tier 1 capital ratio	15.1	16.3	16.2
Pre-tax return on equity	4.5	3.4	5.8
Post-tax return on equity	3.4	2.5	4.4
Income/cost ratio	3.40	2.56	2.30
Foreign exchange exposure as % of tier 1 capital	0.7	0.4	0.6
Impairment ratio for the period	0.1	0.1	0.1
Lending growth for the period	1.2	1.8	4.5
Loans/equity	21.1	21.5	21.8

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 2013.

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 2013 and of the results of the company's operations for the half-year ending 30 June 2013.

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, 17 July 2013

Board of Directors

Anders Jensen (Chairman)

Peter Lybecker (Deputy Chairman)

Kim Skov Jensen

Jørgen Holm Jensen

Charlotte Gullak Christensen

Executive Management

Lars Bank Jørgensen
(Chief Executive Officer)

Michael Jensen

Nordea Kredit Realkreditaktieselskab
Bus reg no 15134275
Trommesalen 4
PO Box 850
DK-0900 Copenhagen C
Tel +45 33 33 36 36
Fax +45 33 33 36 37
nordeakredit.dk