



Interim Report January-June 2014
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 800 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 2014	Jan-Jun 2013	Change %		
Income statement (DKKm)					
Net interest income	1,308	1,165	12%		
Net fee and commission income	-321	-280	15%		
Net result from items at fair value	223	182	22%		
Other operating income	-1	6	-		
Total operating income	1,209	1,073	13%		
Staff costs and administrative expenses	-101	-108	-7%		
Depreciation of tangible and intangible assets	0	-2	-		
Total operating expenses	-101	-110	-8%		
Profit before loan losses					
Net loan losses	-213	-206	4%		
Profit before tax	895	757	18%		
Income tax expense	-219	-189	16%		
Net profit for the period	676	568	19%		
Business volumes, key items (DKKm)					
	30 Jun 2014	31 Dec 2013	Change %	30 Jun 2013	Change %
Loans and receivables at fair value	376,681	363,749	3%	360,077	5%
Loans and receivables at nominal value ¹	366,142	358,925	2%	353,882	3%
Bonds in issue at fair value	385,827	349,074	11%	370,808	4%
Equity	18,173	17,498	4%	17,029	7%
Total assets	429,131	417,038	3%	422,170	2%
Ratios and key figures					
	Jan-Jun 2014	Jan-Jun 2013			
Return on equity, %	3.8	3.4			
Cost/income ratio, %	8.4	10.3			
Tier 1 capital ratio ² , %	24.9	15.7			
Total capital ratio ² , %	24.9	15.7			
Own funds ² , DKKm	17,901	14,451			
Tier 1 capital ² , DKKm	17,901	14,451			
Risk exposure amount excl transition rules, DKKm	72,003	91,895			
Loan loss ratio, bp	11.7	11.5			
Number of employees (full-time equivalents)	127	130			

¹ After adjustment for provisions for loan losses.

² End of period including net profit for the period.

Nordea Kredit Realkreditaktieselskab

Directors' report

Throughout this report the term "Nordea Kredit" refers to Nordea Kredit Realkreditaktieselskab, "Nordea Bank" to Nordea Bank Danmark A/S and "Nordea" to the Nordea Bank AB Group. The figures in brackets refer to the first six months of 2013.

Comments on results for the period

Nordea Kredit posted a profit of DKK 676m after tax for the first six months of 2014 (DKK 568m).

The profit is satisfactory and should be seen in light of the positive trend in business volumes, increased market shares and lending as well as adjusted fees.

Income from administration and reserve fees totalled DKK 1,438m (DKK 1,293) and was due to lending growth and increased fees.

The return on investment amounted to DKK 98m net (DKK 51m). The return on investment comprises all interest income and the net result from items at fair value relating to cash investments, interest expenses relating to Nordea Kredit's funding as well as income from the bond price spread charged to borrowers when refinancing adjustable-rate mortgages.

The net return from items at fair value was positively affected by income from the refinancing of adjustable-rate mortgages and was impacted by the positive rates on cash investments towards the end of the period.

Fee and commission income stood at DKK 79m (DKK 98m). The decline versus the first six months of 2013 reflects lower refinancing volumes and was affected by a fee-free switch offered to customers for certain types of refinancings. Fee and commission expense was DKK 400m (DKK 378m).

Total staff costs and administrative expenses were reduced to DKK 101m (DKK 108m) primarily due to continued focus on cost reductions.

Net loan losses amounted to DKK 213m (DKK 206m) and were affected by the unchanged weakness of the property market outside the major urban areas. Loan losses for the period correspond to 0.06% of the loan portfolio (0.06%).

Income tax expense was DKK 219m (DKK 189m) and the effective tax rate was 24.5% (25.0%).

Comments on the balance sheet

Assets

Total assets increased by DKK 12bn to DKK 429bn (DKK 417bn at end-2013).

Loans to credit institutions and central banks decreased DKK 0.6bn to DKK 52bn (DKK 53bn at end-2013).

Loans and receivables at fair value increased DKK 13bn to DKK 377bn (DKK 364bn at end-2013).

At the end of June 2014 total mortgage lending at nominal value after loan losses amounted to DKK 366bn (DKK 359bn at end-2013). Owner-occupied dwellings and holiday homes accounted for DKK 246bn (DKK 244bn at end-2013), agricultural properties for DKK 46bn (DKK 46bn at end-2013) and other commercial properties for DKK 74bn (DKK 69bn at end-2013).

Nordea Kredit's share of the overall mortgage market in Denmark continued growing. At 31 March 2014 the market share was 14.7% compared with 14.3% at the same time last year. Sector figures for the second quarter of 2014 will be available after the publication of the interim report.

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the March 2014 payment date was 0.25%, a decline of 0.03% point since the year-end (0.28%).

Accumulated loan losses amounted to DKK 550m (DKK 558m at end-2013). Of this amount, provisions for collectively assessed loans accounted for DKK 112m (DKK 73m at end-2013).

Assets in temporary possession consisted of a total of 42 (41 at end-2013) repossessed properties at the end of June 2014 with a carrying amount of DKK 45m (DKK 37m at end-2013).

Liabilities

Deposits by credit institutions and central banks

were down DKK 25bn to DKK 21bn (DKK 46bn at end-2013). 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 increased DKK 37bn to DKK 386bn (DKK 349bn at end-2013) after off-setting the portfolio of own bonds.

Equity

Including the net profit for the period, equity was DKK 18.2bn at the end of June 2014 (DKK 17.5bn at end-2013).

Capital adequacy

The tier 1 capital ratio and the total capital ratio including the net profit for the period were both 24.9% (16.4% at end-2013) excluding transition rules. The increase was mainly driven by the Danish FSA's approval in early 2014 of Nordea's advanced rating-based approach (IRB) for corporate exposure. Furthermore, the capital ratios were positively affected by the profit for the first half of 2014.

The risk exposure amount, own funds and capital ratios are calculated according to the CRD IV/CRR. The CRR was valid from 1 January 2014 and the Danish Financial Business Act implementing the CRD IV was finalised during Q1 and entered into force from 31 March 2014. In addition, the Danish FSA has published rules for specific items, such as transitional rules, buffers etc. The minimum capital ratios in Denmark during 2014 are the following:

- common equity tier 1 (CET1): 4.0%
- tier 1: 5.5%
- total capital ratio: 8.0%.

In Nordea Kredit the CRR affects the risk exposure amount and own funds only in a limited way. However, the discount in risk weights for exposure to small and medium-sized enterprises (SMEs) reduces the risk exposure amount.

In 2014 the capital conservation buffer and the countercyclical capital buffer are all set to zero, but will be phased in until 2019.

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

At the end of June 2014 the Danish FSA announced that Nordea Bank Danmark is considered a SIFI in Denmark. The SIFI buffer will according to regulation also apply to Nordea Kredit. A SIFI buffer will therefore apply to Nordea Kredit from 2015 with a transition period until 2019.

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/investor +Relations](http://nordea.com/investor+Relations).

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 24bn at the end of June 2014 (DKK 22bn at end-2013).

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 activity

Over the past year a large number of Nordea Kredit customers with 1-year adjustable-rate mortgages switched into loans with a longer interval between refinancings or into loans with a fixed rate for the entire term of the loan. Activity has been underpinned by the introduction of the mortgage "Kort Rente", a revised fee structure and a period of fee-free switches.

Regulation of refinancing risk

On 1 April 2014 the new regulation of refinancing risk took effect for 1-year adjustable-rate mortgages. Other loan types with current refinancing will be covered from 1 January 2015. The purpose of the regulation is to reduce the risk when

refinancing mortgage loans, by allowing bonds which have matured to be extended by 12 months if new bonds cannot be sold at a refinancing auction. Also, a cap is introduced to limit the interest rate increase short term for loans financed by 1- or 2-year bonds.

Changes to the Board of Directors

Anders Jensen, the former Chairman of Nordea Kredit, resigned from the Board of Directors in June 2014. The Board of Directors subsequently appointed Peter Lybecker as Chairman.

Changes to the Executive Management

Charlotte Gullak Christensen was appointed new Chief Executive Officer to replace Lars Bank Jørgensen, who left Nordea Kredit by the end of February 2014. Charlotte Gullak Christensen will join as Chief Executive Officer on 1 August 2014 and will resign from the Board of Directors of Nordea Kredit in July 2014.

Risks and uncertainties

See Note 7 for information about risk and uncertainties.

Income statement

DKKm	Note	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Interest income		5,791	5,832	11,661
Interest expense		-4,483	-4,667	-9,306
Net interest income	2	1,308	1,165	2,355
Dividend income		-	-	-
Fee and commission income		79	98	185
Fee and commission expense		-400	-378	-780
Net interest and fee income		987	885	1,760
Net result from items at fair value	3	223	182	218
Other operating income		-1	5	8
Staff costs and administrative expenses		-101	-108	-210
Depreciation, amortisation and impairment charges of tangible and intangible assets		0	-2	-4
Other operating expenses		0	-	0
Net loan losses	5	-213	-206	-390
Profit from investment in associated undertaking		0	1	1
Profit before tax		895	757	1,383
Tax		-219	-189	-346
Net profit for the period		676	568	1,037

Statement of comprehensive income

DKKm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Net profit for the period	676	568	1,037
Other comprehensive income	0	0	0
Total comprehensive income	676	568	1,037

Balance sheet

DKKm	Note	30 Jun 2014	31 Dec 2013	30 Jun 2013
Assets				
Cash balance and demand deposits with central banks		1	250	250
Loans to credit institutions and central banks		52,227	52,873	61,329
Loans and receivables at fair value	4	376,681	363,749	360,077
Loans and receivables at amortised cost	4	-	2	3
Bonds at fair value		-	-	-
Investment in associated undertaking		11	13	12
Intangible assets		-	0	2
Other tangible assets		0	0	0
Current tax assets		-	0	-
Deferred tax assets		1	1	1
Assets in temporary possession		45	37	42
Other assets		160	108	449
Prepaid expenses		5	5	5
Total assets		429,131	417,038	422,170
Liabilities				
Deposits by credit institutions and central banks		21,488	46,470	30,263
Bonds in issue at fair value		385,827	349,074	370,808
Current tax liabilities		172	13	129
Other liabilities		3,441	3,973	3,919
Deferred income		30	10	22
Total liabilities		410,958	399,540	405,141
Provisions				
Deferred tax liabilities		-	-	-
Total provisions		-	-	-
Equity				
Share capital		1,717	1,717	1,717
Other reserves		11	12	12
Retained earnings		16,445	15,769	15,300
Total equity		18,173	17,498	17,029
Total liabilities and equity		429,131	417,038	422,170
Total contingent liabilities		75	75	75

Statement of changes in equity

DKKm	Share capital	Other reserves ¹	Retained earnings	Total equity
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
Balance at 1 Jan 2013	1,717	11	14,733	16,461
Net profit for the year	-	-	1,037	1,037
Other comprehensive income	-	1	-1	0
Share-based payments	-	0	-	0
Balance at 31 Dec 2013	1,717	12	15,769	17,498
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

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 2013.

The financial statements have not been reviewed or audited.

Note 2 Net interest income

DKKm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Interest income			
Loans to credit institutions and central banks ¹	-13	-32	-58
Loans and receivables at fair value	4,361	4,566	9,093
Administration and reserve fees receivable	1,438	1,293	2,614
Interest rate derivatives	0	-	0
Other interest income	5	5	12
Total interest income	5,791	5,832	11,661
Interest expense			
Deposits by credit institutions and central banks ²	-141	-135	-287
Bonds in issue at fair value	-4,342	-4,532	-9,018
Other interest expenses	-	0	-1
Total interest expense	-4,483	-4,667	-9,306
Net interest income	1,308	1,165	2,355
¹ Of which negative interest income	-13	-32	-58
² Of which positive interest expense	-	9	-

Note 3 Net result from items at fair value

DKKm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Mortgage loans	4,875	-4,241	-5,928
Bonds	-	-	-
Foreign exchange gains/losses	-1	0	1
Interest rate derivatives	1	0	-1
Bonds in issue	-4,652	4,423	6,146
Total	223	182	218

Notes

Note 4 Loans and receivables

DKKm	30 Jun 2014	31 Dec 2013	30 Jun 2013
Mortgage loans, nominal value			
Value at beginning of period	359,404	349,921	349,921
New loans (gross new lending)	25,193	62,887	29,562
Foreign exchange revaluations	-14	-1	-6
Redemptions and prepayments	-15,645	-49,043	-23,170
Net new lending	9,534	13,843	6,386
Scheduled principal payments	-2,311	-4,355	-1,944
Mortgage loan portfolio, end of period	366,627	359,409	354,363
Reclassification of loans relating to temporarily repossessed properties	-2	-5	-6
Mortgage loan portfolio at end of period	366,625	359,404	354,357
Mortgage loans, fair value			
Nominal value	366,625	359,404	354,357
Adjustment for interest rate risk etc	10,243	4,547	5,922
Adjustment for credit risk	-482	-479	-475
Mortgage loan portfolio	376,386	363,472	359,804
Mortgage arrears and execution levied against debtors' properties	295	277	273
Loans and receivables at fair value	376,681	363,749	360,077
Loans and receivables at amortised cost	-	3	3
Total loans and receivables	376,681	363,752	360,080

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 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
1 January 2013	403	34	152	-	589
Provisions during the year	569	55	23	-	647
Reversals, previous years	-234	-16	-19	-	-269
Previous provisions now written off	-294	-	-115	-	-409
Other disposals	-39	-	39	-	-
31 December 2013	405	73	80	-	558
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

Notes

Note 6 Capital adequacy

DKKkm	30 Jun 2014	31 Dec 2013	30 Jun 2013
Own funds			
Common equity tier 1 capital incl profit for the period	17,901	14,752	14,451
Tier 1 capital incl profit for the period	17,901	14,752	14,451
Own funds incl profit for the period	17,901	14,752	14,451
Common equity tier 1 capital excl profit for the period	17,226	14,752	13,883
Tier 1 capital excl profit for the period	17,226	14,752	13,883
Own funds excl profit for the period	17,226	14,752	13,883

Minimum capital requirement and risk exposure amount (REA)

DKKkm	30 Jun 2014 Minimum capital requirement	30 Jun 2014 REA	31 Dec 2013 Minimum capital requirement	31 Dec 2013 REA	30 Jun 2013 Minimum capital requirement	30 Jun 2013 REA
Credit risk	5,535	69,194	7,001	87,512	7,153	89,413
IRB	4,978	62,234	5,688	71,095	5,713	71,412
- of which corporate	2,537	31,731	2,872	35,898	2,915	36,445
- of which advanced	2,537	31,730	-	-	-	-
- of which foundation	0	1	2,872	35,898	2,915	36,445
- of which institutions	2	20	0	0	0	0
- of which retail	2,425	30,314	2,809	35,109	2,759	34,484
- of which other	14	169	7	88	39	483
Standardised	557	6,960	1,313	16,417	1,440	18,001
- of which sovereign	0	2	-	-	-	-
- of which retail	0	1	-	-	-	-
- of which other	557	6,957	1,313	16,417	1,440	18,001
Market risk	0	0	0	0	0	0
Operational risk	225	2,809	199	2,482	199	2,482
- of which standardised	225	2,809	199	2,482	199	2,482
Subtotal	5,760	72,003	7,200	89,994	7,352	91,895
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	7,679	95,982	5,854	73,173	5,576	69,706
Total	13,439	167,985	13,053	163,167	12,928	161,601

Capital ratios, excl transition rules (%)	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common equity tier 1 capital incl profit for the period	24.9	16.4	15.7
Tier 1 ratio incl profit for the period	24.9	16.4	15.7
Total capital ratio incl profit for the period	24.9	16.4	15.7
Common equity tier 1 capital excl profit for the period	23.9	16.4	15.1
Tier 1 ratio excl profit for the period	23.9	16.4	15.1
Total capital ratio excl profit for the period	23.9	16.4	15.1

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 2014	Jan-Jun 2013	Full year 2013
Total capital ratio	23.9	15.1	16.4
Tier 1 capital ratio	23.9	15.1	16.4
Pre-tax return on equity	5.0	4.5	8.1
Post-tax return on equity	3.8	3.4	6.1
Income/cost ratio	3.85	3.40	3.30
Foreign exchange exposure as % of tier 1 capital	0.9	0.7	1.0
Impairment ratio for the period	0.1	0.1	0.1
Lending growth for the period	2.0	1.2	2.7
Loans/equity	20.7	21.1	20.8

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.

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 2014.

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 2014 and of the results of the company's operations for the half-year ending 30 June 2014.

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 2014

Board of Directors

Peter Lybecker (Chairman)

Charlotte Gullak Christensen

Kim Skov Jensen

Jørgen Holm Jensen

Executive Management

Michael Jensen
(Chief Executive Officer)

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