Nordea

Interim Report January-June 2017

Nordea Kredit Realkreditaktieselskab

Business registration number 15134275

We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions.
Nordea Kredit is part of the Nordea Group. Nordea is the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 11 million customers, 31,500 employees and 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. Read more about us on nordea.com.

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Key financial figures

Income statement (DKKm)	Jan-Jun 2017	Jan-Jun 2016	Change %
Operating income			
Net interest income	1,632	1,443	13
Net fee and commission expense	-274	-235	16
Value adjustments	11	-1	-
Other operating income	1	3	-
Total operating income	**1,370**	**1,210**	**13**
Staff and administrative expenses	-153	-137	12
Amortisation and depreciation as well as impairment losses of tangible and intangible assets	0	0	-
Total operating expenses	**-153**	**-137**	**12**
Profit before impairment losses	**1,217**	**1,073**	**13**
Impairment losses on loans and receivables	-78	-74	5
Profit before tax	**1,139**	**999**	**14**
Tax	-251	-220	14
Net profit for the period	**888**	**779**	**14**

Business volumes, key items (DKKm)	30 Jun 2017	31 Dec 2016	Change %	30 Jun 2016	Change %
Loans and receivables at fair value	388,214	390,028	0	391,865	-1
Loans and receivables at nominal value[1]	381,150	383,093	-1	383,872	-1
Bonds in issue at fair value	395,871	405,197	-2	394,421	0
Equity	21,190	21,980	-4	21,080	1
Total assets	434,459	437,012	-1	438,122	-1

Ratios and key figures	Jan-Jun 2017	Jan-Jun 2016
Return on equity[2], %	8.2	7.5
Cost/income ratio	11.2	11.3
Common equity tier 1 capital ratio[3]	29.4	30.4
Tier 1 capital ratio[3]	29.4	30.4
Total capital ratio[3]	32.6	30.4
Own funds[3], DKKm	22,227	19,976
Tier 1 capital[3], DKKm	20,029	19,976
Risk exposure amount excluding Basel I floor, DKKm	68,189	65,748
Write-down ratio, basis points[2]	4.0	3.8
Average number of employees (full-time equivalents)	103	101

1 After adjustment for provisions for loan losses.
2 Calculated on a yearly basis.
3 Excl. profit for the period.

Nordea Kredit Realkreditaktieselskab
Board of Directors' report

Result summary January-June 2017

In line with expectations, Nordea Kredit saw an improvement in net profit for the period with a 14% increase to DKK 888m (DKK 779m) (the comparative figures in brackets refer to the first half of 2016), mainly driven by adjusted pricing for household customers. Average lending volumes were fairly stable compared to the first half of 2016.

Operating income

Net interest income increased by 13% to DKK 1,632m (DKK 1,443m) following the adjusted pricing for household customers at 1 October 2016.

Fee and commission income was down by DKK 13m to DKK 242m (DKK 255m) mainly due to decreasing refinancing fees caused by fewer series being refinanced in 2017, but also reflecting customers' reorientation towards loans with fixed interest rates or long-term refinancing. This trend was in line with expectations as it was supported by the behavioural intentions in the adjusted pricing structure. The decrease was partly offset by increasing market activity.

Fee and commission expense increased by 5% to DKK 516m (DKK 490m) mainly due to higher guarantee commissions, reflecting an increase in volumes being covered by the guarantee provided by Nordea Danmark, filial of Nordea Bank AB (publ), Sverige.

Net result from items at fair value was up by DKK 12m to DKK 11m (DKK -1m) mainly due to a positive revaluation of own positions.

Staff and administrative expenses

Total staff and administrative expenses increased to DKK 153m (DKK 137m) primarily driven by continued digitalisation investments in both the eBolig portal and the new loan calculator, adding to the improved customer experience. Staff costs were affected by a slightly higher number of FTEs following the SIFI announcement and the increase in the payroll tax rate.

Impairment losses on loans and receivables

Net loan losses amounted to DKK 78m (DKK 74m), corresponding to 4.0 bps (3.8 bps) of the loan portfolio. Net loan losses for individually assessed loans decreased by DKK 26m to DKK 70m (DKK 96m). Loan losses for collectively assessed loans amounted to DKK 8m compared to a net reversal of DKK 22m in the first half of 2016. In line with last year impairment losses primarily related to loans to household customers. The credit quality remained solid.

Tax

Income tax expense was DKK 251m (DKK 220m) and the effective tax rate was 22% (22%).

Net profit for the period

Net profit for the period increased to DKK 888m (DKK 779m), corresponding to a return on equity in the first half of 2017 of 8.2% (7.5%).

Comments on the balance sheet

Assets

Total assets remained stable at DKK 434bn (DKK 437bn at end-2016).

Loans to credit institutions and central banks were unchanged at DKK 46bn (DKK 46bn at end-2016).

Loans and receivables at fair value decreased to DKK 388bn (DKK 390bn at end-2016), while total mortgage lending at nominal value after loan losses decreased slightly to DKK 381bn (DKK 383bn at end-2016), affected by remortgaging activities at the end of the period. The decrease was related to agriculture and other commercial properties, while owner-occupied dwellings increased somewhat. There was a positive trend in new gross lending compare to the first half of 2016.

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the March 2017 payment date continued the downward trend and was 0.14% (0.15% at end-2016).

Accumulated loan losses amounted to DKK 255m (DKK 270m at end-2016). Of this amount, provisions for collectively assessed loans accounted for DKK 31m (DKK 24m at end-2016).

Assets in temporary possession remained at a low level and consisted of a total of 25 repossessed properties at the end of June 2017 (25 at end-

2016) with a carrying amount of DKK 22m (DKK 28m at end-2016).

Liabilities

Deposits by credit institutions were up by DKK 8bn to DKK 13m (DKK 5m at end-2016) affected by higher reverse repurchase transactions.

Bonds in issue at fair value were down DKK 9bn to DKK 396bn (DKK 405bn at end-2016) after offsetting the portfolie of own bonds.

Equity

Including the net profit for the period, total equity accounted for DKK 21bn at the end of June 2017 (DKK 22bn at end-2016).

Development in the property market

Owner-occupied dwellings and holiday homes

The housing market has seen rising prices the last five years, but the annual rate of increase has slowed down slightly over the past year. The price increases are still strongest in and around the large cities led by the centre of Copenhagen, but all parts of Denmark have seen increasing prices. Nordea Kredit monitors the market development closely.

The supply of houses and flats for sale is falling. The property turnover is reasonable compared to the period before the housing bubble in the 00s.

The improving housing market is a result of historically low financing costs, the progress in the labour market and increased consumer confidence.

The positive trend is expected to continue in the coming year. At the same time the pace of price increases are set to slow down as a result of slightly higher interest rates and stricter requirements for mortgages loans.

The main risk in the Danish housing market is increasing interest rates. If mortgage rates come under severe upward pressure, it could trigger a relatively strong price correction, especially in those segments which have seen the sharpest increases over the past years. This risk is mitigated by advising customers to take up loans with either fixed interest rates or long-term refinancing. Another variation to the current level is the new system for property valuations and the adjustment of property taxes after 2020; which will likely impact regional price trends.

Commercial properties

The market valuation for rental properties increased significantly in both 2016 and the first half of 2017. The positive market trend continued around the largest cities, whereas smaller cities and outskirt areas developed more slowly through the first half of 2017. A continued positive trend in the market is expected for the rest of 2017.

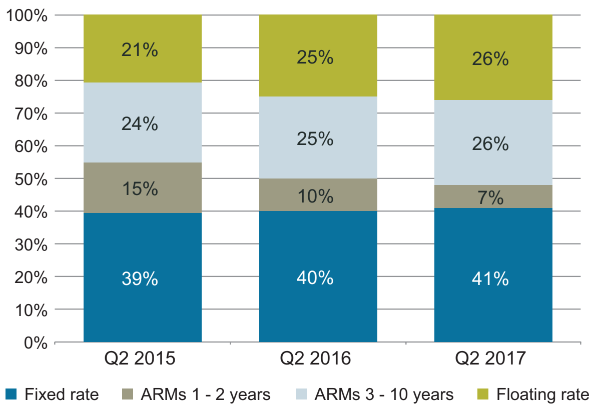
In agriculture the outlook for the rest of 2017 seems better for pig, dairy and crop production due to expected higher sales prices. This has affected trading activity especially in livestock properties positively. Crop properties and land have seen good trading activity. Overall the prices of agricultural properties are more stable, and this is expected to continue during the rest of 2017.

Nordea Kredit's lending

The loan portfolio

At the end of June 2017 total lending at nominal value after provisions for loan losses amounted to DKK 381bn (DKK 383bn at end-2016).

Total loan portfolio by loan type



A breakdown by loan type showed that the overall composition of the portfolio continued to follow the trend away from ARMs 1-2 years. Fixed-rate loans and adjustable-rate mortgages (ARMs) were still the preferred loan types in the first half of 2017.

LTV ratios and supplementary collateral for loans financed through covered mortgage bonds

The LTV ratio for total lending at Nordea Kredit was unchanged at 62% at the end of the first half 2017 (62% at end-2016).

The supplementary collatereal required on the basis of the LTV ratios for the individual loans remained unchanged at DKK 15bn at the end of June 2017 (DKK 15bn at end-2016).

Bond issuance

Rating

The mortgage bonds issued by Nordea Kredit are rated by the rating agencies Moody's Investors Service and Standard & Poor's.

The bonds are issued through capital centre 1 and capital centre 2 and have all been assigned the highest ratings of Aaa and AAA by the two rating agencies.

Funding

Nordea Kredit adheres to the specific balance principle and exclusively match fund its lending by the issuance of bonds. The bonds issued are of high marketability and the refinancing auctions held in February and May continued to display high bid-to-cover levels.

Bond issuance before redemptions amounted to DKK 27bn nominal in the first half of 2017 (DKK 27bn in the first half 2016), of which DKK 13bn was in fixed-rate callable bonds, DKK 6bn in floating-rate bonds and DKK 7bn in bonds based on adjustable-rate loans.

At the end of June 2017 the total nominal value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, amounted to DKK 409bn (DKK 423bn at end-2016). The fair value of the total volume of bonds issued at the end of June 2017 was DKK 396bn (DKK 405bn at end-2016), after offsetting the portfolio of own bonds.

Capital adequacy

The tier 1 capital ratio excluding the net profit for the period was 29.4% (31.8% at end-2016) and the total capital ratio excluding the net profit for the period was 32.6% (35.3% at end-2016) excluding the Basel I floor. The ratios decreased slightly over the period. This was a result of increased risk exposure amounts due to the new legal structure in Nordea and to a lesser extent an increase in the Article 3 CRR buffer.

Capital requirements

REA, own funds and capital ratios are calculated according to the CRD IV/CRR.

According to the CRR, local authorities have the option to phase in the new requirements. This option has been used by the Danish FSA in a number of cases. The capital conservation buffer (CCoB) will be phased in from 2016 to 2019. The buffer is 1.25% in 2017 and 2.5% when fully phased in. The countercyclical capital buffer (CCyB) will be phased in from 2015 to 2019. However, the buffer has at present been set at 0%. The systemic risk buffer (SRB) requirement for systemically important institutions will be phased in between 2015 and 2019. The buffer is 0.9% in 2017 and 1.5% when fully phased in. In addition to this, there is a possible pillar II requirement that is set on an individual basis.

Debt buffer requirement

As part of the implementation of the Bank Recovery and Resolution Directive (BRRD) in Denmark, mortgage institutions such as Nordea Kredit have to fulfil a debt buffer requirement of 2% of nominal lending. The requirement is 1.2% from June 2017 and 2.0% when fully implemented in June 2020. The capital requirement is fulfilled using tier 1 or tier 2 capital instruments.

Individual solvency needs

Under Danish legislation Nordea Kredit must publish its adequate capital base as well as its individual solvency need on a quaterly basis. Information about individual solvency needs is available on www.nordeakredit.dk or under Investor Relations on www.nordea.com.

Liquidity coverage ratio (LCR)

The common European LCR requirement has been effective from October 2015. For Nordea Kredit, the LCR requirement is 100%, as specified by the Delegated Act. In addition, Nordea Kredit also has an LCR floor requirement of 100%, as specified by the Danish FSA, which is measured relative to 2.5% of Nordea Kredit's total lending. At the end of June 2017 the LCR requirement that was the binding constraint on the liquidity buffer was the floor requirement, and the LCR relative to the floor was 240%.

Supervisory diamond

Nordea Kredit reviews the five benchmarks on an ongoing basis and will be compliant when the supervisory diamond for mortgage institutions takes effect during 2018-20.

At the end of June 2017 Nordea Kredit complied with the requirements of the supervisory diamond for mortgage institutions.

Changes to the Executive Management and the Board of Directors

Kamilla Hammerich Skytte joined the Executive Management in May 2017. The Board of Directors of Nordea Kredit was changed when the previous chairman, Peter Lybecker, retired from the Nordea Group in May 2017. Frank Vang-Jensen was appointed a member of the Board of Directors at an extraordinary general meeting on 30 May 2017. The Board of Directors appointed Frank Vang-Jensen as Chairman at 2 June 2017.

After the change the Executive Management consists of Peter Smith (CEO), Claus H. Greve (Deputy CEO) and Kamilla Hammerich Skytte (Deputy CEO). The Board of Directors consists of Frank Vang-Jensen (Chairman), Nicklas Ilebrand (Vice Chairman), Jørgen Holm Jensen, Torben Laustsen, Kim Skov Jensen and Anne Rømer (external member).

Risks and uncertainties

See Note 7 for information about risks and uncertainties.

Income statement

DKKm	Note	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Interest income		4,791	5,085	10,149
Interest expense		-3,159	-3,642	-7,157
Net interest income	2	**1,632**	**1,443**	**2,992**
Dividends on shares etc		-	-	-
Fee and commission income		242	255	618
Fee and commission expense		-516	-490	-1,032
Net interest and fee income		**1,358**	**1,208**	**2,578**
Value adjustments	3	11	-1	-4
Other operating income		1	3	8
Staff and administrative expenses		-153	-137	-293
Amortisation and depreciation as well as impairment losses of tangible and intangible assets		0	0	0
Other operating expenses		-	-	-
Impairment losses on loans and receivables	4	-78	-74	-138
Profit from equity investment in associated undertaking		0	0	1
Profit before tax		**1,139**	**999**	**2,152**
Tax		-251	-220	-473
Net profit for the period		**888**	**779**	**1,679**

Statement of comprehensive income

DKKm	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net profit for the period	**888**	**779**	**1,679**
Other comprehensive income, net of tax	-	0	-
Total comprehensive income	**888**	**779**	**1,679**

Balance sheet

DKKm	Note	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets				
Cash balance and demand deposits with central banks		300	375	375
Receivables from credit institutions and central banks		45,507	45,985	45,218
Loans and receivables at fair value	5	388,214	390,028	391,865
Loans and receivables at amortised cost		-	-	-
Bonds at fair value		-	-	-
Investment in associated undertaking		16	15	15
Intangible assets		-	-	-
Tangible assets		0	0	0
Current tax assets		-	-	-
Deferred tax assets		1	1	0
Assets in temporary possession		22	28	26
Other assets		373	575	602
Prepaid expenses		26	5	21
Total assets		**434,459**	**437,012**	**438,122**
Liabilities				
Debt to credit institutions and central banks		12,567	4,515	19,512
Bonds in issue at fair value		395,871	405,197	394,421
Current tax liabilities		161	13	164
Other liabilities		2,426	3,072	2,904
Deferred income		44	35	41
Total liabilities		**411,069**	**412,832**	**417,042**
Provisions				
Deferred tax liabilities		-	-	-
Total provisions		**-**	**-**	**-**
Subordinated debt				
Subordinated debt		2,200	2,200	-
Equity				
Share capital		1,717	1,717	1,717
Other reserves		16	16	15
Retained earnings		19,457	18,569	19,348
Proposed dividend		-	1,678	-
Total equity		**21,190**	**21,980**	**21,080**
Total liabilities and equity		**434,459**	**437,012**	**438,122**
Contingent liabilities				
Guarantees etc		74	74	74
Total contingent liabilities		**74**	**74**	**74**

Statement of changes in equity

DKKm	Share capital	Other reserves[1]	Retained earnings	Proposed dividend	Total
Balance at 1 Jan 2017	1,717	16	18,569	1,678	21,980
Net profit for the period	-	-	888	-	888
Other comprehensive income	-	-	-	-	-
Share-based payments	-	-	-	-	-
Dividends paid	-	-	-	-1,678	-1,678
Proposed dividend	-	-	-	-	-
Balance at 30 Jun 2017	**1,717**	**16**	**19,457**	**-**	**21,190**
Balance at 1 Jan 2016	1,717	15	18,569	-	20,301
Net profit for the period	-	1	1,678	-	1,679
Other comprehensive income	-	0	0	-	0
Share-based payments	-	0	-	-	0
Dividends paid	-	-	-	-	-
Proposed dividend	-	-	-1,678	1,678	-
Balance at 31 Dec 2016	**1,717**	**16**	**18,569**	**1,678**	**21,980**
Balance at 1 Jan 2016	1,717	15	18,569	-	20,301
Net profit for the period	-	-	779	-	779
Other comprehensive income	-	0	0	-	0
Share-based payments	-	0	-	-	0
Dividends paid	-	-	-	-	-
Proposed dividend	-	-	-	-	-
Balance at 30 Jun 2016	**1,717**	**15**	**19,348**	**-**	**21,080**

1 Reserve for net revaluation according to the equity method.

Notes to the financial statements

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 2016.

The financial statements have not been reviewed or audited.

Changes to the Executive Order not yet applied
Based on the IASB's new standard for financial instruments, IFRS 9 Financial Instruments, the Danish FSA has drafted changes to the Executive Order and drafted guidelines on impairment charges for credit losses on loans measured at fair value. The draft Executive Order will adopt changes in IFRS 9 regarding classification, measurement and impairment. The revised Executive Order will be effective as from annual periods beginning on 1 January 2018.

Classification and measurement
The classification and measurement requirements in the draft Executive Order state that financial assets and liabilities should be classified as and measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Based on the analyses of the business model and the SPPI review, no significant changes were identified compared to the classification and measurement under the current Executive Order.

Impairment
In accordance with the draft Executive Order, loans and receivables will continue to be measured at fair value through profit and loss. However, the requirements for the impairment test have ben updated reflecting an expected loss model as opposed to the current incurred loss model in the requirements for amortised cost loans (with relevant fair value adjustments).

The financial assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets.

It is expected that the new requirements will increase loan loss provisions and decrease equity in the period of initial application. The impact on capital adequacy is not possible to determine as it is expected that the European Parliament and the Council will issue new rules for transition to IFRS 9 that are expected to be replicated in the Danish rules, but these are not yet final.

Note 2
Net interest income

DKKm	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Interest income			
Receivables from credit institutions and central banks[1]	-108	-105	-235
Loans and receivables at fair value	3,185	3,654	7,208
Administration and reserve fees receivable	1,709	1,532	3,165
Interest rate derivatives	-	-1	-2
Other interest income	5	5	13
Total interest income	**4,791**	**5,085**	**10,149**
Interest expense			
Debt to credit institutions and central banks[2]	9	-1	9
Bonds in issue at fair value	-3,155	-3,642	-7,160
Subordinated debt	-13	-	-7
Other interest expenses	-	1	1
Total interest expense	**-3,159**	**-3,642**	**-7,157**
Net interest income	**1,632**	**1,443**	**2,992**

1 Of which negative interest income	-108	-105	-236
2 Of which positive interest expense	11	9	34

Note 3
Value adjustments

DKKm	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Mortgage loans	-164	5,322	4,028
Bonds at fair value	-	0	0
Foreign exchange gains/losses	0	0	-1
Interest rate derivatives	-56	83	-22
Bonds in issue[1]	231	-5,406	-4,009
Total	**11**	**-1**	**-4**

1 Including value adjustments on own positions.

Note 4
Impairment losses on loans and receivables

DKKm	Loans, individual impairment losses	Loans, group impairment losses	Other receivables, individual impairment losses	Other receivables, group impairment losses	Total
Balance at 1 January 2017	246	24	44	-	314
Impairment losses during the period	137	8	7	-	152
Reversal of impairment losses effected in previous financial periods	-71	-1	-3	-	-75
Finally lost, previously written down	-85	-	-19	-	-104
Other changes[1]	-3	-	3	-	-
Balance at 30 June 2017	**224**	**31**	**32**	**-**	**287**
Balance at 1 January 2016	282	46	78	-	406
Impairment losses during the period	314	20	11	-	345
Reversal of impairment losses effected in previous financial periods	-154	-42	-6	-	-202
Finally lost, previously written down	-184	-	-51	-	-235
Other changes[1]	-12	-	12	-	-
Balance at 31 December 2016	**246**	**24**	**44**	**-**	**314**
Balance at 1 January 2016	282	46	78	-	406
Impairment losses during the period	165	17	6	-	188
Reversal of impairment losses effected in previous financial periods	-69	-39	-4	-	-112
Finally lost, previously written down	-104	-	-35	-	-139
Other changes[1]	-4	-	4	-	-
Balance at 30 June 2016	**270**	**24**	**49**	**-**	**343**

1 Other changes relate to transfer of provisions for loans to assets in temporary possession or to other assets.

The amount finally lost (written off) not previously individually written down/provided for was DKK 6m (DKK 7m). Recoveries amounted to DKK 6m (DKK 9m).

Note 5
Loans and receivables at fair value

DKKm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Mortgage loans, nominal value			
Value at beginning of period	383,363	384,101	384,101
New loans (gross new lending)	26,038	71,285	24,129
Foreign exchange revaluations	4	-10	-52
Redemptions and prepayments	-24,394	-63,306	-20,843
New lending for the period (net)	1,648	7,969	3,234
Scheduled principal payments	-3,606	-8,700	-3,167
Mortgage loans, end of period	381,405	383,370	384,168
Reclassification of loans relating to temporarily repossessed properties	-	-7	-1
Mortgage loans, end of period	**381,405**	**383,363**	**384,167**
Mortgage loans, fair value			
Mortgage loans, nominal value	381,405	383,363	384,167
Adjustment for interest rate risk etc	6,864	6,587	7,773
Adjustment for credit risk	-255	-270	-294
Mortgage loans	388,014	389,680	391,646
Mortgage arrears and execution levied against debtors' properties	200	348	219
Loans and receivables at fair value	**388,214**	**390,028**	**391,865**

Note 6
Capital adequacy

DKKm	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Calculation of own funds			
Equity	20,302	21,980	20,301
Proposed/actual dividend	-	-1,678	-
Common equity tier 1 capital before regulatory adjustments	**20,302**	**20,302**	**20,301**
IRB provisions shortfall (-)	-299	-324	-325
Other items, net	26	62	-
Total regulatory adjustments to common equity tier 1 capital	-273	-262	-325
Common equity tier 1 capital (net after deduction)	**20,029**	**20,040**	**19,976**
Tier 1 capital (net after deduction)	**20,029**	**20,040**	**19,976**
Tier 2 capital before regulatory adjustments	2,200	2,200	-
IRB provisions excess (+) / shortfall (-)	28	16	-
Other items, net	-30	-64	-
Total regulatory adjustments to tier 2 capital	**-2**	**-48**	**-**
Tier 2 capital	**2,198**	**2,152**	**-**
Own funds (net after deduction)	**22,227**	**22,192**	**19,976**

1 Including profit for the year.

Note 6
Capital adequacy *(continued)*

Minimum capital requirement and risk exposure amount (REA)

DKKm	30 Jun 2017 Minimum capital requirement	30 Jun 2017 REA	31 Dec 2016 Minimum capital requirement	31 Dec 2016 REA	30 Jun 2016 Minimum capital requirement	30 Jun 2016 REA
Credit risk	**4,980**	**62,251**	**4,717**	**58,960**	**4,904**	**61,306**
IRB	4,430	55,380	4,714	58,929	4,902	61,277
- sovereign	1	15	-	-	-	-
- corporate	2,098	26,230	2,175	27,189	2,295	28,686
- advanced	2,098	26,230	2,175	27,189	2,295	28,686
- foundation	-	-	-	-	-	-
- institutions	0	1	-	-	-	-
- retail	2,315	28,938	2,513	31,416	2,585	32,310
- secured by immovable property collateral	2,175	27,188	2,370	29,625	2,363	29,538
- other retail	140	1,750	143	1,791	222	2,772
- other	16	196	26	324	22	281
Standardised	550	6,871	3	31	2	29
- central governments or central banks	0	3	0	3	-	-
- regional governments or local authorities	-	-	1	4	-	-
- institutions	548	6,843	-	-	-	-
- corporate	-	-	-	-	-	-
- retail	-	-	-	-	-	-
- equity	2	25	2	24	2	22
- other	-	-	-	-	0	7
Market risk	**-**	**-**	**-**	**-**	**-**	**-**
Operational risk	**310**	**3,874**	**283**	**3,536**	**283**	**3,536**
- standardised	310	3,874	283	3,536	283	3,536
Additional risk exposure amount due to Article 3 of the CRR	165	2,064	36	458	73	906
Subtotal	**5,455**	**68,189**	**5,036**	**62,954**	**5,260**	**65,748**
Adjustment for transition rules						
Additional capital requirement according to transition rules	8,255	103,190	8,920	111,491	8,688	108,606
Total	**13,710**	**171,379**	**13,956**	**174,445**	**13,948**	**174,354**

Note 6
Capital adequacy *(continued)*

Minimum Capital Requirement & Capital Buffers

Pct., 30 Jun 2017	Minimum Capital requirements	Capital Buffers					Total
		CCoB	CCyB	SII	SRB	Capital Buffers total	
Common Equity Tier 1 capital	4.5	1.25	0.0	-	0.9	2.2	6.7
Tier 1 capital	6	1.25	0.0	-	0.9	2.2	8.2
Own funds	8	1.25	0.0	-	0.9	2.2	10.2

DKKm, 30 Jun 2017							
Common Equity Tier 1 capital	3,069	852	6	-	614	1,472	4,541
Tier 1 capital	4,091	852	6	-	614	1,472	5,563
Own funds	5,455	852	6	-	614	1,472	6,927

Common Equity Tier 1 available to meet Capital Buffers

Pct. points of REA	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Common Equity Tier 1 capital	23.4	25.8	22.4

[1] Including profit for the year.

Capital ratios

Capital ratios excluding transition rules (%)	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Common equity tier 1 capital ratio	29.4	31.8	30.4
Tier 1 capital ratio	29.4	31.8	30.4
Total capital ratio	32.6	35.3	30.4

[1] Including profit for the year.

Capital ratios including transition rules (%)	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Common equity tier 1 capital ratio	11.7	11.6	11.6
Tier 1 capital ratio	11.7	11.6	11.6
Total capital ratio	13.1	12.9	11.6

[1] Including profit for the year.

Leverage ratio	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Tier 1 capital, transitional definition, DKKm	20,029	20,040	19,976
Leverage ratio exposure, DKKm	435,001	437,369	431,177
Leverage ratio	4.6	4.6	4.6

[1] Including profit for the year.

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.

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
The Danish Financial Supervisory Authority's ratio system

(%)	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Total capital ratio	32.6	30.4	35.3
Tier 1 capital ratio	29.4	30.4	31.8
Pre-tax return on equity	5.3	4.8	10.2
Post-tax return on equity	4.1	3.8	7.9
Income/cost ratio	5.9	5.7	6.0
Foreign exchange exposure as % of tier 1 capital	0.2	0.7	0.1
Impairment ratio for the period	0.1	0.1	0.1
Lending growth for the period	-0.5	0.0	-0.2
Loans/equity	18.3	18.6	17.7
Return on assets	0.2	0.2	0.4

The key figures have been computed in accordance with the Danish Financial Supervisory Autority's definitions, see the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

Business definitions

Cost/income ratio
Total operating expenses divided by total operating income.

Leverage ratio
The leverage ratio is the institution's capital as tier 1 capital divided by that institution's total exposure measure and expressed as a percentage.

Own funds
Own funds include the sum of the tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the potential deduction for expected shortfall.

Return on equity
Net profit for the period annualised excluding non-controlling interests as a percentage of average equity for the period. Average equity including net profit for the period and dividend until paid, non-controlling interests excluded.

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 of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base and intangible assets.

Tier 1 capital
Proportion of the capital base, which includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets and intangible assets.

Shortfall is deducted with 90% in tier 1 capital and 10% in tier 2 capital in 2017. For 2016 the shortfall was 80% in tier 1 and 20% in tier 2 capital. Subsequent to the approval of the supervisory authorities, tier 1 capital also includes qualified forms of subordinated loans.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount. The common equity tier 1 capital ratio is calculated as common equity tier 1 capital as a percentage of risk exposure amount.

Total capital ratio
Own funds as a percentage of risk exposure amount.

Write-down ratio
Impairment losses on loans and receivables during the period (annualised) as a percentage of loans and receivables before impairment losses on loans and receivables.

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 2017.

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.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 30 June 2017 and of the results of the company's operations for the half-year ending 30 June 2017.

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, 20 July 2017

Board of Directors

Frank Vang-Jensen (Chairman)	Kim Skov Jensen	Anne Rømer
Nicklas Ilebrand (Vice Chairman)	Jørgen Holm Jensen	Torben Laustsen

Executive Management

Peter Smith (Chief Executive Officer)	Claus H. Greve (Deputy Chief Executive Officer)	Kamilla Hammerich Skytte (Deputy Chief Executive Officer)

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