



Interim Report January-June 2024
Nordea Kredit Realkreditaktieselskab

Grønjordsvej 10, 2300 Copenhagen S, Denmark
Business registration number 15134275

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***We are part of a universal bank
with a 200-year history of
supporting and growing the
Nordic economies – enabling
dreams and aspirations
for a greater good.***

***Every day, we work to
support our customers'
financial development,
delivering best-in-class
omnichannel customer
experiences and driving
sustainable change.***

***The Nordea share is listed
on the Nasdaq Helsinki,
Nasdaq Copenhagen and
Nasdaq Stockholm exchanges.***

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Financial summary

Key financial figures (DKKm)

	Jan-Jun 2024	Jan-Jun 2023	Change %
Income statement			
Total operating income	1,572	1,554	1
Total operating expenses	-920	-703	31
Profit before impairment losses on loans and receivables	652	851	-23
Impairment losses on loans and receivables	-74	4	-1,914
Profit before tax	578	855	-32
Net profit for the period	428	640	-33

	30 Jun 2024	31 Dec 2023	Change %	30 Jun 2023	Change %
Balance sheet					
Receivables from credit institutions and central banks	30,082	31,998	-6	45,042	-33
Loans and receivables at fair value	384,715	390,669	-2	381,551	1
Loans and receivables at nominal value ¹	415,044	421,030	-1	427,211	-3
Debt to credit institutions and central banks	10,503	8,117	29	14,589	-28
Bonds in issue at fair value	385,431	394,356	-2	386,054	0
Equity	21,635	22,356	-3	21,845	-1
Total assets	422,221	429,937	-2	426,805	-1

Ratios and key figures	Jan-Jun 2024	Jan-Jun 2023
Return on equity, % ²	3.9	5.8
Cost/income ratio	58.5	45.2
Write-down ratio, basis points ²	3.8	-0.2
Common equity tier 1 capital ratio, % ³	28.8	28.7
Tier 1 capital ratio, % ³	28.8	28.7
Total capital ratio, % ³	31.0	30.8
Own funds, DKKm ³	22,226	22,222
Tier 1 capital, DKKm ³	20,676	20,672
Risk exposure amount, DKKm	71,769	72,125
Average number of employees (full-time equivalents)	98	112

¹ After adjustment for provisions for loan losses.

² Calculated on a yearly basis.

³ Excluding profit for the period.

Management's report

Nordea Kredit Realkreditaktieselskab is a wholly owned subsidiary of Nordea Bank Abp.

Throughout this report the term "Nordea Kredit" refers to Nordea Kredit Realkreditaktieselskab, "Nordea" refers to the Nordea Bank Abp Group and "Nordea Bank" refers to the parent company Nordea Bank Abp.

Modest lending activity and continued strong lending book in the first half of 2024

Following the increased sales activity for especially apartments towards end-2023, which was driven by the introduction of new property taxes on 1 January 2024, activity in the housing market was modest in the beginning of 2024. Lending for change of ownership, top-up lending and remortgaging activity was modest at Nordea Kredit throughout the first half of 2024 resulting in a decrease in total lending at nominal value to DKK 415bn at end-June 2024 (end-2023: DKK 421bn).

LTVs (loan to value) remained stable at a low level. Furthermore, arrears and loan losses were at a slightly higher but still low level in a historical perspective. The credit quality remained solid for both household and corporate customers in the first half of 2024.

Results summary January-June 2024

Profit before tax decreased by 32% to DKK 578m (DKK 855m) (the comparative figures in brackets refer to the first half of 2023).

Operating income

Net interest income increased by 2% to DKK 2,025m (DKK 1,976m), driven by the higher return on own funds, which was positively affected by the increase in interest rate levels during the second half of 2023. Administration margins decreased by DKK 82m following lower lending volumes and average margins, driven by lower LTV ratios for the loans remortgaged.

Fee and commission income was down by 24% to DKK 152m (DKK 199m), mainly driven by lower lending activity.

Fee and commission expenses decreased by 1% to DKK 598m (DKK 606m), mainly related to the lower lending activity for household customers. The decrease was partly offset by higher liquidity support fees following the use of the liquidity facility.

Staff and administrative expenses

Total staff and administrative expenses increased by DKK 217m to DKK 920m (DKK 703m), driven by the increased fees for sales and distribution services provided by Nordea Bank.

Staff costs decreased by DKK 7m to DKK 51m (DKK 58m). The average number of full-time equivalent employees decreased to 98 (112) partly driven by increased outsourcing to Nordea Bank.

Impairment losses on loans and receivables

Impairment losses on loans and receivables amounted to a net loan loss of DKK 74m (net reversal of DKK 4m), mainly due to higher model-calculated provisions compared with the first half of 2023.

Overall, the loan portfolio of Nordea Kredit is well diversified with robust collateral.

The 25% first loss guarantee coverage from Nordea Bank significantly reduces the risk of impairment losses on loans at Nordea Kredit. The first loss guarantees covered an unchanged share of 99% (99% at end-2023) of all loans at Nordea Kredit.

The write-down ratio of the loan portfolio increased to 3.8bp (-0.2bp) compared with the first half of last year, reflecting higher model-calculated provisions following changes in the macro forecasts and negative migration between stages.

Tax

Income tax expense was DKK 150m (DKK 216m) and the effective tax rate increased to 26% (25.2%) following the increased tax rate for financial institutions from 25.2% in 2023 to 26% in 2024.

Net profit for the period

Net profit for the period decreased to DKK 428m (DKK 640m), corresponding to a return on equity in the first half of 2024 of 3.9% annually (5.8% annually).

Comments on the balance sheet

Assets

Total assets decreased to DKK 422.2bn (DKK 429.9bn at end-2023).

Receivables from credit institutions and central banks decreased to DKK 30.1bn (DKK 32.0bn at end-2023) due to an decrease in excess liquidity from lending activities.

Loans and receivables at nominal value after loan losses decreased by 1% to DKK 415bn (DKK 421bn at end-2023) and by 3% compared with 30 June 2023. The decrease was mainly related to owner-occupied dwellings, which were down by DKK 4bn nominal as a result of the lower activity level. Commercial properties were at the same level and agriculture decreased by DKK 2bn nominal. Fair value decreased to DKK 384.7bn (DKK 390.7bn at end-2023) due to the above-mentioned decrease in nominal lending.

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the March 2024 payment date increased slightly to 0.17% (0.16% at the December 2023 payment date) The arrears rate for the sector was 0.15%. The development has been influenced by a pause of legal collection at Nordea Denmark since the first quarter of 2023. Legal collection was partly resumed from May 2024 including legal collection for loans at Nordea Kredit.

Accumulated loan loss provisions increased by DKK 59m to DKK 581m (DKK 522m at end-2023) mainly following increased model-calculated provisions. Accumulated loan loss provisions regarding stages 1, 2 and 3 amounted to DKK 87m (DKK 72m at end-2023), DKK 226m (DKK 227m at end-2023) and DKK 268m (DKK 223m at end-2023), respectively.

Assets held temporarily remained at a low level and consisted of a total of 9 repossessed properties at the end of June 2024 (9 at end-2023) with a carrying amount of DKK 5m (DKK 5m at end-2023).

Debt

Debt to credit institutions and central banks increased by DKK 2.4bn to DKK 10.5bn (DKK 8.1bn at end-2023), mainly due to increased repurchase agreements with Nordea Bank following the refinancing auctions in the second quarter of 2024.

Bonds in issue at fair value were down by DKK 9bn to DKK 385.4bn (DKK 394.4bn at end-2023) after offsetting the portfolio of own bonds. The decrease was mainly due to the decrease in loans at nominal value.

Equity

Including the net profit for the period, total equity amounted to DKK 21.6bn at the end of June 2024 compared with DKK 22.4bn at end-2023 and DKK 21.8bn at the end of June 2023.

The property market

The economy

In recent years, the global economy has been recovering from the COVID-19 pandemic and high energy prices. Both the US and Europe have experienced high inflation, leading to monetary tightening. This has reduced economic activity, but indications are that the economy is heading for a so-called soft landing.

Inflation in the US has fallen significantly over the past year. Measured by the PCE, the Federal Reserve's preferred inflation measure, inflation in June 2024 was 2.5%, with core inflation at 2.6%. This is 0.7% point and 1.6% points lower, respectively, than in June 2023.

Interest rates

The development of inflation and expectations for monetary policy significantly impact the bond market, including the interest rates on Danish mortgage bonds.

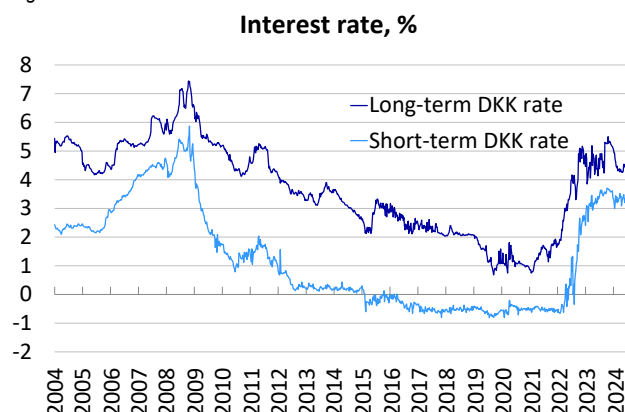
At the end of the first half of 2024, the effective rate on 30-year fixed-rate loans was 4.3%, compared with 5.2% at the same time last year.

Short-term interest rates have also fallen. At the end of the first half of 2024, the F3 and F5 rates were 3.2% and 3.1%, respectively, which is lower than last year when the F3 and F5 rates were 3.8% and 3.7%, respectively.

We expect that monetary policy interest rates will fall further in the coming year as inflation approaches central banks' targets of around 2% in the US and the Euro area.

However, there is a risk of higher interest rates for a longer period if inflation does not develop in line with monetary policy goals. Especially in the US, inflation appears persistent, partly due to high inflation in services driven by a tight labour market and relatively large wage increases. If the period of slightly higher inflation affects expectations, it could become self-reinforcing.

Figure 1. Interest rates



Property prices and market activity for owner-occupied dwellings and holiday homes

House prices increased by 5.0% on average from June 2023 to June 2024. The price increase is partly due to the property tax reform that came into effect on 1 January 2024, resulting in reduced overall property taxes for eight out of ten homeowners.

Furthermore, household money at disposal have increased in recent years, partly due to high wage increases, which are a delayed result of rising inflation in 2022. Employment has also continued to rise.

We expect continued rising house prices for the remainder of 2024 and into 2025, partly due to the prospect of further interest rate declines.

Commercial properties

Residential rental properties

The market for residential rental properties has low vacancy rates and a stable yield level. However, transaction volumes are expected to stay low until we reach a lower interest rate level.

Office and retail properties

There is still good demand for modern and well-located office properties in the larger cities due to high employment. Rent levels are stable, and vacancy rates are low and mostly related to older and not well-located properties.

The transaction volume for retail properties has seen a large decrease with downward pressure on the rent level especially in smaller cities. Besides that, the vacancy rate has increased too. However, the market for grocery stores is well maintained.

Warehouses and logistics properties

There is still solid demand for modern and well-located properties with good infrastructure, and stable yield and rent levels are seen.

Agricultural properties

The agricultural sector has been in a positive trend in recent years and this has continued into 2024, though with differences between the sectors. Milk prices have stabilised and there are satisfactory earnings in the sector. In the pig sector, the picture is more divided, where piglet producers have good earnings, while pig fattening producers are affected by high piglet prices and slaughter prices that cannot keep up. Crop producers have experienced falling prices since 2022, and earnings are now at a less satisfactory level.

Robustness has generally increased considerably in recent years, and the agricultural sector is generally in a good position. It is also positive that the agreement from the green tripartite negotiations shows that it is possible to carry out the coming green transition in a way that looks acceptable and economically sustainable for the agricultural sector.

Trading activity in land and crop properties has been good for several years, with rising prices due to better earnings in general and demand for land for other purposes, e.g. energy projects and nature projects. The turnover of properties with livestock production is more restrained, but well-maintained properties with good location and future-oriented production facilities are traded satisfactorily. Trading activity is expected to be unchanged for the coming year.

Nordea Kredit's lending

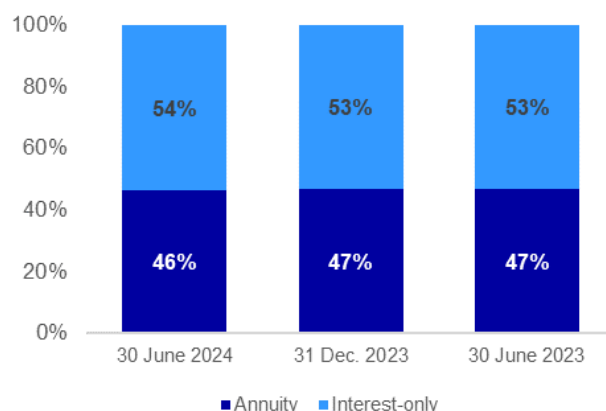
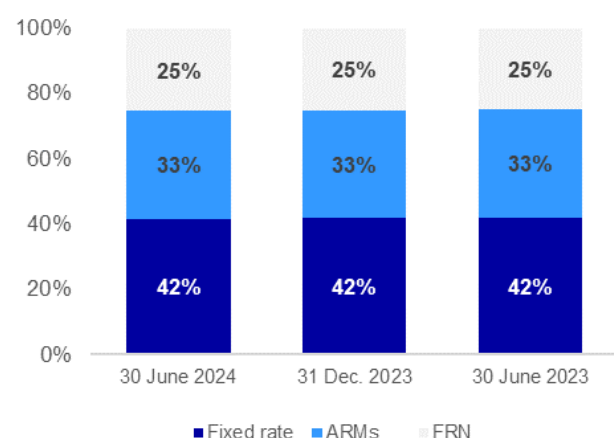
The loan portfolio

At the end of June 2024 total lending at nominal value after loan losses amounted to DKK 415bn (DKK 421bn at end-2023).

Lending activity on the mortgage market was fairly modest in the first half of 2024. The low activity at Nordea Kredit in the first half of 2024 was equally driven by low remortgaging of existing loans and limited demand for lending for change of ownership and top-up loans.

Gross new lending in the first half of 2024 amounted to DKK 19bn (DKK 26bn in the first half of 2023), of which DKK 13bn (DKK 19bn in the first half of 2023) was for owner-occupied dwellings and holiday homes.

Figure 2. Total loan portfolio by loan type



The split between fixed-rate, adjustable-rate and floating-rate mortgage loans has been stable for the last year. By end-June 42% (42% at end-2023) of the mortgage portfolio was fixed-rate loans.

52% of the new lending to household customers were fixed-rate loans in the first half of 2024. Most household customers who chose loans with variable rates in the first half of 2024 chose loans based on shorter rates, F3 and Kort Rente, while fewer chose the formerly most popular variable-rate loan type F5. This development was likely driven by expectations of lower short-term rates in the second half of 2024 and the years to come.

Floating-rate products (for example Cbor6 and Cbor6 Green loans) are the most popular loan types among corporate customers, accounting for 50% of the lending portfolio.

Lending in the green mortgage product Cbor Green for corporate customers continues to increase and accounted for DKK 16bn by end-June 2024. Nordea Kredit's market share of green mortgage lending was approximately 19% by end-June 2024.

Interest-only loans in general accounted for 54% (53% at end-2023) of the loan portfolio by end-June 2024. The 30-year interest-only product Frihed30 targeted at experienced homeowners with a maximum LTV ratio of 60% accounted for DKK 49bn for owner-occupied dwellings by end-June 2024. Frihed30 was very popular in the period 2020 to 2022, but the total volume has been stable since mid-2022.

LTV ratios

The LTV ratio for total lending at Nordea Kredit was 49% at the end of June 2024 (49% at end-2023). The LTV ratio is stable and close to the lowest level observed since the introduction of SDO/SDRO in 2007.

The LTV ratio for owner-occupied dwellings and holiday homes increased by 1% point to 53% in the first half of 2024 (52% at end-2023), while the LTV ratio for rental properties, agricultural properties and other commercial properties was 43% (44% at end-2023), 43% (43% at end-2023) and 42% (41% at end-2023), respectively, by end-June 2024.

Supplementary collateral for loans financed through covered mortgage bonds

Mortgage institutions issuing loans based on covered mortgage bonds (SDROs) must provide supplementary collateral out of their own funds if the statutory LTV limit for the individual property has been exceeded. The supplementary collateral required based on the LTV ratios for the individual loans in capital centre 2 (SDRO bonds) was DKK 3bn at end-June (DKK 3bn at end-2023).

Funding

Bond issuance

Nordea Kredit adheres to the specific balance principle and exclusively match-funds its lending by the issuance of bonds. In general, the bonds issued are highly marketable and the refinancing auctions demonstrate satisfactory demand.

Gross bond issuance amounted to DKK 56bn nominal in the first half of 2024 (DKK 62bn in the first half of 2023). The decrease was driven by lower turnover in the housing market due to uncertainty about the new property taxes effective from January 2024. Furthermore, remortgaging activity was also somewhat lower with borrowers waiting for interest rates to decrease in the near future. This expectation is also noticeable in borrowers' choice of loan type as issuance in long callables with fixed rate decreased from 50% in 2023 to 43% in first half 2024.

At the end of June 2024 the total nominal value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, increased to DKK 445bn (DKK 431bn at end-2023). At end-June 2024 the fair value of the total outstanding volume of bonds was DKK 385bn (DKK 394bn at end-2023) after offsetting the portfolio of own bonds.

Foreign investors continued their pattern by selling low-coupon callable bonds and buying high-coupon bonds throughout the first half of 2024. Despite fine demand for high-coupon bonds, foreign accounts had decreased their holdings of Danish callable bonds to 27.5% in May 2024 (30% in July 2023).

The refinancing auctions in February 2024 were characterised by low refinancing (around 30%) in maturing 5-year adjustable-rate mortgages (ARM), which again was an indication that borrowers expect lower interest soon and thereby refrain from committing to longer fixed-rate periods.

At the refinancing auctions in May 2024 Danish mortgage banks sold a record large amount of floating-rate bonds. The overall volume amounted to DKK 115bn, of which Nordea Kredit accounted for DKK 25bn. Despite the large volumes, the auctions were well received with high bid-to-covers and tighter spreads than expected prior to the auctions.

Rating

The mortgage bonds issued by Nordea Kredit are rated by the rating agency Standard & Poor's.

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

Capital adequacy and solvency

The Tier 1 capital ratio excluding the net profit for the period was 28.8% (28.5% at end-2023). The Tier 1 capital ratio increased due to a decrease in the risk exposure amount (REA) of DKK 0.7bn to DKK 71.8bn (DKK 72.4bn at end-2023). The decrease in the REA was mainly related to credit risk and exposures calculated according to the Internal Risk Based approach.

The total capital ratio excluding the net profit for the period increased by 0.3% point to 31.0% (30.7% at end-2023). The total capital ratio increased due to the above-mentioned decrease in the REA.

Under Danish legislation Nordea Kredit must publish its adequate capital base as well as its individual solvency need on a quarterly basis. Information about individual solvency needs is available on

www.nordea.com/en/investors/individual-solvency-need.

Debt buffer

The debt buffer requirement was DKK 7.7bn at the end of June 2024 (DKK 7.8bn at end-2023). The debt buffer requirement is fulfilled using Tier 1 and Tier 2 capital instruments not used for capital requirements and by unsecured senior debt.

Liquidity and funding ratios

The common European LCR requirement for Nordea Kredit is 100% of net liquidity outflows over a 30-calendar day stress period, as specified by the Delegated Act (LCR DA). In addition, Nordea Kredit has an LCR Pillar 2 add-on, which is a Danish liquidity requirement applicable to all mortgage institutions and implemented to capture entity-specific liquidity risk. Nordea Kredit reports both an LCR DA and an LCR including Pillar 2 add-on. The latter will always be the most restrictive and thus binding requirement. At the end of June 2024 the LCR DA was 346% and the LCR including Pillar 2 add-on was 194%.

The net stable funding ratio (NSFR) measures long-term liquidity risk. The NSFR requirement for Nordea Kredit is 100% according to the CRR. At 30 June 2024 Nordea Kredit's NSFR was 922%.

Supervisory diamond for mortgage institutions

At the end of June 2024 Nordea Kredit complied with the five benchmarks of the supervisory diamond for mortgage institutions.

Table 1. The supervisory diamond

	30 June 2024	Limit
1. Lending growth¹		
• Owner-occupied dwellings and holiday homes	-3%	15%
• Residential rental properties	3%	15%
• Agriculture	-4%	15%
• Other	-5%	15%
2. Borrower's interest rate risk²	11%	25%
3. Interest-only lending³	5%	10%
4. Short-term funding⁴		
• Annually	6%	25%
• Quarterly	12%	12.5%
5. Large exposures⁵	36%	100%

¹ Annual lending growth.

² Loans for owner-occupied dwellings and holiday homes and residential rental properties where the LTV ratio exceeds 75% of the lending limit and the interest rate is fixed for less than two years are limited to 25%.

³ Interest-only lending for owner-occupied dwellings and holiday homes where the LTV ratio exceeds 75% of the lending limit is limited to 10%.

⁴ Yearly/quarterly refinancing is limited to 25%/12.5% of the total portfolio.

⁵ The 20 largest exposures less CRR deductions are limited to 100% of CET1.

New regulation on capital requirements

Nordea Kredit is identified as a systemically important financial institution (SIFI). Currently Nordea Kredit is subject to a 1.5% other systemically important institutions requirement (O-SII). The requirement based on the confirmation from 27 June 2024 will be announced later in 2024 and will be valid for 2025.

On 3 October 2023 the Systemic Risk Council in Denmark announced that the Council recommended the Danish Minister of Industry, Business and Financial Affairs to activate a systemic risk buffer (SyRB) of 7% for exposures to property companies applicable from 30 June 2024. The Minister of Industry, Business and Financial Affairs decided on 26 April 2024 to follow the recommendation with the adjustment that the part of the exposure in the LTV bucket up to 15% is excluded.

On 9 July 2024 Nordea Kredit received approval from the authorities for new retail IRB models. The IRB models will be implemented in the Q3 2024 reporting.

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often called the Basel IV package, was published. The Basel IV implementation in the EU was adopted by the EU Council as the final step of the legislation process in the first half of 2024. The regulation will be applicable from 1 January 2025, with some transition rules until 2032. The directive has to be implemented in national legislation by 10 January 2026 at the latest and come into force by 11 January 2026 at the latest.

The effect of the above mentioned is included in the capital planning for Nordea Kredit.

Risks and uncertainties

See Note 7 for information about risks and uncertainties.

Income statement

	Note	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
DKKm				
Interest income		7,050	6,053	12,987
Interest expenses		-5,025	-4,077	-8,944
Net interest income	2	2,025	1,976	4,043
Fee and commission income		152	199	420
Fee and commission expenses		-598	-606	-1,194
Net interest and fee income		1,579	1,569	3,269
Value adjustments	3	-6	-14	-30
Other operating income		0	-1	0
Staff and administrative expenses		-920	-703	-1,685
Depreciation of tangible assets		-	0	0
Other operating expenses		-	-	-1
Impairment losses on loans and receivables	4	-74	4	-19
Profit from equity investment in associated undertaking		-1	-	1
Profit before tax		578	855	1,535
Tax		-150	-216	-386
Net profit for the period		428	640	1,149

Statement of comprehensive income

	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
DKKm			
Net profit for the period	428	640	1,149
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	428	640	1,149

Balance sheet

Note 30 Jun 2024 30 Dec 2023 30 Jun 2023

DKKm

Assets

Cash in hand and demand deposits with central banks		7,144	7,017	0
Receivables from credit institutions and central banks		30,082	31,998	45,042
Loans and receivables at fair value	5	384,715	390,669	381,551
Loans and receivables at amortised cost		0	0	0
Investment in associated undertaking		21	22	23
Tangible assets		-	0	0
Deferred tax assets		3	3	3
Current tax assets		7	76	-
Assets held temporarily		5	5	6
Other assets		218	138	136
Prepaid expenses		26	9	43
Total assets		422,221	429,937	426,805

Debt

Debt to credit institutions and central banks		10,503	8,117	14,589
Bonds in issue at fair value		385,431	394,356	386,054
Current tax liabilities		-	-	109
Other liabilities		3,101	3,557	2,657
Deferred income		1	0	1
Total debt		399,036	406,030	403,410

Subordinated debt

Subordinated debt		1,550	1,550	1,550
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Equity

Share capital		1,717	1,717	1,717
Other reserves		21	23	24
Retained earnings		19,897	19,467	20,104
Proposed dividends		-	1,149	-
Total equity		21,635	22,356	21,845

Total equity and debt		422,221	429,937	426,805
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Contingent liabilities

Guarantees etc.		0	0	0
Credit commitments		1,497	1,037	1,563
Total contingent liabilities		1,497	1,037	1,563

Statement of changes in equity

DKKm	Share capital ¹	Other reserves ²	Retained earnings	Proposed dividends	Total equity
Balance at 1 Jan 2024	1,717	23	19,467	1,149	22,356
Net profit for the period	-	-2	430	-	428
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	0	-	0
Dividends paid	-	-	-	-1,149	-1,149
Balance at 30 Jun 2024	1,717	21	19,897	-	21,635

DKKm					
Balance at 1 Jan 2023	1,717	24	19,464	1,075	22,280
Net profit for the year	-	-1	1,150	-	1,149
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	2	-	2
Dividends paid	-	-	-	-1,075	-1,075
Proposed dividends	-	-	-1,149	1,149	-
Balance at 31 Dec 2023	1,717	23	19,467	1,149	22,356

DKKm					
Balance at 1 Jan 2023	1,717	24	19,464	1,075	22,280
Net profit for the period	-	-	639	-	639
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	0	-	0
Dividends paid	-	-	-	-1,075	-1,075
Balance at 30 Jun 2023	1,717	24	20,104	-	21,845

¹ Total shares registered were 17,172,500 of DKK 100 each all fully owned by Nordea Bank Abp, Helsinki, Finland. All issued shares are fully paid.
All shares are of the same class and hold equal rights.

² Reserve for net revaluation according to the equity method.

Glossary

The following definitions apply for ratios and key figures.

Common equity tier 1 capital ratio

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

Cost/income ratio

Total operating expenses divided by total operating income.

Lending growth

The change in loans and receivables at nominal value during the period divided by loans and receivables at nominal value beginning of the period.

Leverage ratio

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

Loans/equity ratio

Loans and receivables at fair value divided by equity end of the period.

Operating income

Total of net interest and fee income, value adjustments, other operating income and profit from equity investment in associated undertaking.

Operating expenses

Total of staff and administrative expenses and depreciation.

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 and other items.

Return on equity

Net profit for the period as a percentage of average equity for the period. Average equity is including net profit for the period and dividend until paid.

Risk exposure amount (REA)

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 which have been deducted from the capital base and intangible assets.

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 capital includes shareholders' equity excluding proposed dividend, deferred tax assets and the full expected shortfall deduction (the negative difference between expected losses and provisions).

Tier 1 capital ratio

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 as a percentage of the closing balance of loans and receivables before impairment losses on loans and receivables.

Note 1 Accounting policies

Basis for presentation

The interim report of Nordea Kredit is prepared in accordance with the requirements of the law, including the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

The accounting policies and methods of computation are the same as for the annual report for 2023. For more information see Note 1 in the annual report for 2023.

All figures are rounded to the nearest million Danish kroner (DKK), unless otherwise specified. The totals stated are calculated on the basis of actual figures prior to rounding. Therefore the sum of individual figures and the stated totals may differ slightly. Figures rounded to zero are reported as 0. If a figure is zero it is reported as "-".

The financial statements have not been reviewed or audited.

Note 2 Net interest income

DKKm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Interest income			
Receivables from credit institutions and central banks	586	434	1,007
Loans and receivables at fair value	4,815	3,888	8,560
Administration margins	1,645	1,727	3,412
Other interest income	4	4	8
Total interest income	7,050	6,053	12,987
Interest expenses			
Debt to credit institutions and central banks	-160	-155	-316
Bonds in issue at fair value	-4,816	-3,882	-8,539
Subordinated debt	-49	-40	-89
Total interest expenses	-5,025	-4,077	-8,944
Net interest income	2,025	1,976	4,043

Note 3 Value adjustments

DKKm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Mortgage loans	1,362	3,528	20,290
Bonds	-	-	0
Foreign exchange gains/losses	0	0	0
Interest rate derivatives	-4	-2	-3
Bonds in issue ¹	-1,364	-3,540	-20,318
Total	-6	-14	-30

¹ Including value adjustments on own positions.

Note 4 Impairment losses on loans and receivables

DKKm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Stage 1			
New and increased impairment charges	-17	-3	-5
Reversals of impairment charges	2	2	3
Impairment losses on loans and receivables, non-credit impaired	-15	-1	-2
Stage 2			
New and increased impairment charges	-85	-31	-160
Reversals of impairment charges	86	31	155
Impairment losses on loans and receivables, non-credit impaired	1	0	-4
Stage 3, credit impaired			
Realised loan losses	-14	-9	-18
Decrease in impairment charges to cover realised loan losses	12	7	13
Recoveries on previous realised loan losses	1	2	3
New and increased impairment charges	-73	-30	-51
Reversals of impairment charges	15	36	40
Impairment losses on loans and receivables, credit impaired	-60	5	-13
Impairment losses on loans and receivables	-74	4	-19

Note 5 Loans and receivables at fair value

DKKm	30 Jun 2024	30 Dec 2023	30 Jun 2023
Mortgage loans, nominal value			
Value at beginning of period	421,553	434,277	434,277
New loans (gross new lending)	19,071	51,765	26,522
Foreign exchange revaluations	2	7	5
Redemptions and prepayments	-20,695	-56,047	-28,897
Net new lending for the period	-1,623	-4,275	-2,370
Scheduled principal payments	-4,304	-8,449	-4,187
Mortgage loan portfolio at end of period	415,626	421,553	427,719
Mortgage loans, fair value			
Nominal value	415,626	421,553	427,719
Adjustment for interest rate risk etc.	-30,430	-30,463	-45,741
Adjustment for credit risk (see below)	-581	-522	-508
Mortgage loan portfolio	384,614	390,568	381,470
Mortgage arrears	101	101	81
Loans and receivables at fair value	384,715	390,669	381,551

Movements of allowance account for credit risk value changes

DKKm	Stage 1 ^{1,2}	Stage 2 ²	Stage 3 ²	Total
Balance at 1 January 2024	72	227	223	522
Transfer between stages	0	8	17	25
Changes due to changes in credit risk (net)	35	99	45	179
Changes due to repayments	-20	-108	-5	-133
Write-off through decrease in allowance account	-	-	-12	-12
Balance at 30 June 2024	87	226	268	581

DKKm	Stage 1 ^{1,2}	Stage 2 ²	Stage 3 ²	Total
Balance at 1 January 2023	70	223	228	520
Transfer between stages	0	11	16	28
Changes due to changes in credit risk (net)	3	8	7	18
Changes due to repayments	-1	-15	-14	-30
Write-off through decrease in allowance account	-	-	-13	-13
Other changes	-	-	0	0
Balance at 31 December 2023	72	227	223	522

DKKm	Stage 1 ¹	Stage 2	Stage 3	Total
Balance at 1 January 2023	70	223	228	520
Transfer between stages	0	3	5	8
Changes due to changes in credit risk (net)	2	4	-4	2
Changes due to repayments	0	-8	-8	-17
Write-off through decrease in allowance account	-	-	-7	-7
Balance at 30 June 2023	71	222	214	508

¹ Stage 1 includes loans and receivables where management has assessed that there has not been a significant increase in credit risk since initial recognition.

² The management judgement was split as follows: DKK 76m (DKK 66m) in stage 1, DKK 122m (DKK 128m) in stage 2 and DKK 113m (DKK 113m) in stage 3.

Note 5 Loans and receivables at fair value, continued

Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea Kredit uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the first half of 2024, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 50%, adverse 40% and favourable 10% at the end 2023). The weight of the adverse scenario was kept at an elevated level, reflecting continued uncertainty about the macroeconomic outlook.

The macroeconomic scenarios are based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in light of the conflict in the Middle East and the war in Ukraine. This includes consideration of continued high inflation, reinforced by a renewed surge in energy prices, and how high interest rates impact financial markets and economic activity. When developing the scenarios and determining the relative weighting between them, Nordea took into account projections made by the central bank and Nordea Research.

The baseline scenario foresees soft landings for the Danish economy and slightly higher unemployment in the coming years as the pass-through of higher rates and elevated inflation continue to weigh on economic activity. In 2024 relatively high growth is expected driven by the pharmaceutical sector and a reopening of gas extraction from the North Sea. A modest recovery in home prices is expected in 2024 and beyond supported by rising household purchasing power. The risks around the baseline forecast are tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. Persistent and high inflation, reinforced by higher energy prices, may lead central banks to adopt a higher for longer strategy, triggering a deeper recession due to falling private consumption and investments. In addition, home prices may see a decline due to higher interest rates, a squeeze in household purchasing power and weak confidence. Normalising inflation and lower interest rates, on the other hand, may lead to a stronger recovery than assumed in the baseline scenario.

The model adjustments to model-based provisions amounted to DKK 311m, at the end of the first half of 2024. The management judgement covers expected credit losses not yet covered by the impairment model in stage 1, 2 and 3 as well as expected losses on loans in stage 1 covering rating migration not yet identified in the rating.

Scenarios

		2024	2025	2026	Probability weight
Favourable scenario	GDP growth, %	3.0	2.2	1.7	10%
	Unemployment, %	2.8	2.6	2.5	
	Change in household consumption, %	1.8	1.5	1.4	
	Home prices, %	4.5	2.8	2.9	
Baseline scenario	GDP growth, %	2.4	1.4	1.3	50%
	Unemployment, %	3.0	3.1	3.1	
	Change in household consumption, %	1.6	1.1	1.0	
	Home prices, %	3.7	1.6	2.4	
Adverse scenario	GDP growth, %	0.7	-0.6	1.1	40%
	Unemployment, %	3.6	4.7	4.7	
	Change in household consumption, %	1.2	0.4	0.5	
	Home prices, %	0.5	-3.7	0.8	

Note 6 Capital adequacy

Summary of items included in own funds

DKKm	30 June 2024 ¹	31 Dec 2023	30 Jun 2023 ¹
Calculation of own funds			
Equity	21,207	22,356	21,206
Proposed/actual dividend	-	-1,149	-
Common equity tier 1 capital before regulatory adjustments	21,207	21,207	21,206
IRB provisions shortfall (-)	-278	-280	-259
Other items, net	-254	-273	-275
Total regulatory adjustments to common equity tier 1 capital	-531	-553	-534
Common equity tier 1 capital (net after deduction)	20,676	20,654	20,672
Tier 1 capital (net after deduction)	20,676	20,654	20,672
Tier 2 capital before regulatory adjustments	1,550	1,550	1,550
IRB provisions excess (+)	-	3	-
Total regulatory adjustments to tier 2 capital	-	3	-
Tier 2 capital	1,550	1,553	1,550
Own funds (net after deduction)	22,226	22,206	22,222

¹ Excluded profit for the period.

Minimum capital requirement and risk exposure amount (REA)

	30 Jun 2024	30 Jun 2024	31 Dec 2023	31 Dec 2023	30 Jun 2023	30 Jun 2023
DKKm	Minimum capital requirement	REA	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	5,367	67,084	5,439	67,990	5,417	67,699
- of which counterparty credit risk	56	701	1	16	73	915
IRB	4,844	60,556	4,950	61,873	4,878	60,976
- corporate	1,810	22,622	1,870	23,376	1,834	22,921
- advanced	1,810	22,622	1,870	23,376	1,834	22,921
- retail	3,006	37,576	3,055	38,181	3,020	37,750
- secured by immovable property collateral	2,977	37,209	3,026	37,821	2,980	37,254
- other retail	29	367	29	361	40	496
- other	29	358	25	315	24	305
Standardised	522	6,528	489	6,117	539	6,723
- central governments or central banks	1	6	1	6	1	7
- institutions	515	6,434	482	6,019	530	6,623
- secured by mortgages on immovable properties	5	67	6	70	6	70
- equity	2	21	2	22	2	23
Operational risk	373	4,658	352	4,400	352	4,400
Standardised	373	4,658	352	4,400	352	4,400
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	2	27	2	30	2	26
Total	5,741	71,769	5,794	72,419	5,771	72,125

Note 6 Capital adequacy, continued

Minimum capital requirement, Pillar 2 requirement and capital buffers

	Capital buffers							
	Minimum capital requirement	Pillar 2 requirement ²	CCoB	CCyB	O-SII	SRB	Capital buffers total ¹	Total
30 Jun 2024 (%)								
Common equity tier 1 capital	4.5	1.5	2.5	2.5	1.5	-	6.5	12.5
Tier 1 capital	6.0	2.0	2.5	2.5	1.5	-	6.5	14.5
Own funds	8.0	2.6	2.5	2.5	1.5	-	6.5	17.1
30 Jun 2024 (DKKm)								
Common equity tier 1 capital	3,230	1,060	1,794	1,787	1,077	-	4,658	8,947
Tier 1 capital	4,306	1,414	1,794	1,787	1,077	-	4,658	10,377
Own funds	5,741	1,885	1,794	1,787	1,077	-	4,658	12,284

¹ Only the maximum of the SRB and the SII is used in the calculation of the total capital buffers.

² In the 2023 SREP, the supervisor has informed Nordea Kredit of its supervisory capital assessment. The supervisory assessment is included in the Pillar 2 requirement set by the Board of Directors as 2.6% in the own funds requirement and 1.5% in the CET1 requirement.

	30 Jun 2024	31 Dec 2023	30 Jun 2023
Common equity tier 1 available to meet capital buffers (percentage points of REA)			
Common equity tier 1 capital	22.8	22.5	22.7

	30 Jun 2024	31 Dec 2023	30 Jun 2023
Capital ratios (%)			
Common equity tier 1 capital ratio	28.8	28.5	28.7
Tier 1 capital ratio	28.8	28.5	28.7
Total capital ratio	31.0	30.7	30.8

	30 Jun 2024	31 Dec 2023	30 Jun 2023
Leverage ratio³			
Tier 1 capital, DKKm	20,676	20,654	20,672
Leverage ratio exposure, DKKm	422,335	429,910	427,014
Leverage ratio, %	4.9	4.8	4.8

³ Including profit for the period.

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 risk and liquidity management note in the annual report for 2023 for further information on Nordea Kredit's management of risks.

There are significant risks related to the macroeconomic environment due to geopolitical developments and broader inflationary pressures. Reduced consumer spending and cost increases may particularly impact small and medium-sized enterprises in certain industries. Depending on future developments, there may be increased credit risk in Nordea Kredit's portfolio. Potential future credit risks are addressed in Note 5.

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 2024	Jan-Jun 2023	Full year 2023
Total capital ratio	31.0	30.8	30.7
Tier 1 capital ratio	28.8	28.7	28.5
Pre-tax return on equity, %	2.6	3.9	6.9
Post-tax return on equity, %	1.9	2.9	5.1
Income/cost ratio	1.6	2.2	1.9
Foreign exchange exposure as % of tier 1 capital	1.0	0.9	1.0
Loans/equity ratio	17.8	17.5	17.5
Lending growth for the period, %	-1.4	-1.5	-2.9
Impairment ratio for the period	0.0	0.0	0.0
Return on assets, %	0.1	0.2	0.3

The 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 Firms etc.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have considered and adopted the interim report of Nordea Kredit Realkreditaktieselskab for the half-year ending 30 June 2024.

The interim report has been prepared in accordance with the requirements of the law, including the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 30 June 2024 and of the results of the company's operations for the half-year ending 30 June 2024.

Further, in our opinion, the Management's 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, 30 August 2024

Board of Directors

Mads Skovlund Pedersen
(Chair)

Anne Rømer
(Vice Chair)

Anders Frank-Læssøe

Anders Holkmann Olsen

Anita Ina Nielsen

Helene Bløcher

Peder Birkebæk Bach

Thomas Vedel Kristensen

Tina Helen Sandvik

Executive Management

Morten Boni
(Chief Executive Officer)

Claus H. Greve
(Deputy Chief Executive Officer)