



Interim Report 30 June 2011  
**Nordea Kredit Realkreditaktieselskab**  
Business registration number 15134275

## Nordea Kredit – financial summary

	2011	2010	2009	2008	2007
	Jan- June	Jan- June	Jan- June	Jan- June	Jan- June
<b>Income statement (DKKm)</b>					
Net interest and fee income	735	627	607	664	596
Securities and foreign exchange income	-7	-2	-5	-4	-2
Staff costs and administrative expenses	117	117	99	91	88
Amortisation, depreciation and impairment charges of intangible and tangible assets	6	6	6	4	4
Loan losses	73	64	30	-1	-1
Profit on shares in associated and group undertakings	0	0	0	0	19
Profit for the period before tax	529	435	466	566	521
Tax	132	109	117	142	129
Profit for the period after tax	397	326	349	424	392
<b>Balance sheet, end of period (DKKm)</b>					
Total assets	379,828	352,601	311,622	266,756	244,258
Total loans	323,868	311,212	282,242	245,693	221,901
Mortgage loans at nominal value <sup>1</sup>	326,399	306,487	285,222	264,348	234,738
Shareholders' equity	15,399	14,628	13,973	13,130	12,250
<b>Ratios and key figures</b>					
Total capital ratio (%) <sup>2</sup>	15.5	17.6	20.2	10.0	10.5
Tier 1 capital ratio (%) <sup>2</sup>	15.5	17.6	20.2	10.0	10.5
Pre-tax return on equity for the period (%)	3.5	3.0	3.4	4.4	4.3
Post-tax return on equity for the period (%)	2.6	2.3	2.5	3.3	3.3
Income/cost ratio for the period	3.71	3.33	4.45	7.01	6.69
Cost/income ratio (%) (excluding loan losses)	16.9	19.7	17.4	14.5	15.1
Foreign exchange exposure as % of tier 1 capital	0.2	0.2	0.4	0.2	0.2
Loans/shareholders' equity	21.0	21.3	20.2	18.7	18.1
Lending growth for the period (%)	2.6	3.6	3.9	5.1	5.8
Impairment ratio for the period (%)	0.02	0.02	0.01	0.00	0.00
Average number of employees	150	141	133	129	127

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

<sup>2</sup> Excluding profit for the period.

## Financial review

- **First-half profit of DKK 529m before tax**
- **Lending growth of DKK 8.1bn in first half 2011**
- **Total mortgage lending of DKK 326.4bn**
- **Loan losses of DKK 73m**
- **Continued market share growth in a recessive market environment**
- **Unchanged ratings by Moody's Investors Service and Standard & Poor's**

### Results

Nordea Kredit posted a profit for the first six months of 2011 of DKK 529m before tax compared to DKK 435m for the same period last year, an increase of 22%. The profit was DKK 397m after tax.

In the first six months of 2011 income in the form of reserve fund fees increased by DKK 129m on the prior-year period, to a total of DKK 888m. This is due to lending growth as well as the introduction of higher fees in the second half of 2010.

The return on investment was DKK 82m for the first six months of 2011 compared to DKK 85m for the same period last year. The average invested capital and the interest rate at which funds could be invested for the first six months of 2011 were in line with the level for the first half of 2010.

Total mortgage activities, not least refinancing activity, have been modest. This is also the reason why fee and commission income was almost halved, from DKK 118m for the first six months of 2010 to DKK 64m for the first half of 2011.

The profit is furthermore affected by loan losses, which amounted to DKK 73m for the first six months of 2011 compared to DKK 64m for the prior-year period.

Staff costs and administrative expenses amounted to DKK 117m for the first six months of 2011, equivalent to the level for the first half of 2010. IT costs were lower in the first six months of 2011, but additional resources were employed for the handling of non-performing loans and repossessed properties, for monitoring and control activities as well as reporting to the authorities.

The cost/income ratio was 16.9% for the first six months of 2011 compared to 19.7% for the same period last year.

### **Lending**

Mortgage loans increased by 3% or DKK 8.1bn nominal in the first six months of 2011 to DKK 326.4bn at 30 June 2011 compared to DKK 318.3bn at 31 December 2010.

Although Nordea Kredit's lending growth is below recent years' levels, the trend is satisfactory as the overall mortgage market activity is at a historical low.

Nordea Kredit continued to broaden its share of the mortgage market in Denmark. At 31 March 2011 its market share stood at 13.6% compared to 13.0% at the same time last year. Sector figures for the second quarter of 2011 will be available after the publication of this interim report.

### **Mortgage arrears and losses**

The arrears rate for loans secured by owner-occupied properties (the 3.5-month arrears rate) for the March 2011 payment date was 0.42%, a decline of 0.04% point since year-end (0.46%).

At the end of June 2011 Nordea Kredit's portfolio of repossessed properties comprised 138 properties. At the beginning of 2011 the portfolio of repossessed properties comprised 115 properties. In the first six months of 2011 Nordea Kredit repossessed 91 properties and sold 68 properties. Largely all properties in the repossessions portfolio are owner-occupied homes.

After taking loss guarantees provided by Nordea Bank Danmark A/S into account, total accumulated provisions for loan losses amounted to DKK 188m. Of this amount, provisions for collectively assessed loans account for DKK 43m. Nordea Kredit's total loan losses correspond to 0.06% of the loan portfolio. The quality of the loan portfolio thus remains high.

### **Capital and capital adequacy**

After transfer of the profit for the first half-year shareholders' equity is DKK 15.4bn at end-June 2011. At 30 June 2011 the total capital ratio stood at 15.5% compared to 16.5% at 30 June 2010.

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

### **Supplementary security for loans backed by covered mortgage bonds**

The supplementary security calculated on the basis of the LTV ratios for the individual properties totalled DKK 13.3bn at the end of June 2011.

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

### **Rating**

In June 2011 Moody's Investors Service made changes to its model for calculating the overcollateralisation (OC) requirement for Nordea Kredit's capital centres. As a result of this change, the OC requirement for Nordea Kredit's capital centre 1 (general reserves) increased from 1.5% to 4.5% and for capital centre 2 (covered mortgage bonds) from 6.0% to 16.0%.

Bonds issued by Nordea Kredit comply with the higher OC requirements and consequently maintain the rating of Aaa by Moody's Investors Service for both capital centres. The rating assigned by Standard & Poor's to bonds issued by Nordea Kredit also remains AAA.

### **New regulation under Basel III**

To strengthen the regulation of the financial sector, international cooperation in recent years has focused on new rules on liquidity risk. The final wording of the new rules and their implementation in specific directives and legislation are still highly uncertain. Nordea Kredit monitors these developments on an ongoing basis.

In preparation for the expected new liquidity rules, Nordea Kredit has announced that the date for refinancing auctions will be brought forward.

### **Scheduling of refinancing auctions**

To ensure that the refinancing of adjustable-rate mortgages in December does not increase further, since April 2010 Nordea Kredit has solely offered and disbursed new adjustable-rate mortgages with refinancing on either 1 April or 1 October. Nordea Kredit consequently holds refinancing auctions three times a year in connection with the refinancing on 1 January, 1 April and 1 October.

At the end of June 2011 Nordea Kredit had disbursed adjustable-rate mortgages with refinancing on 1 April or 1 October for a total of DKK 30.6bn compared to DKK 15.7bn at the end of 2010.

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

The Board of Directors has appointed Anders Jensen new chairman. Michael Rasmussen, the former chairman, will continue as a member of the Board of Directors.

### **Outlook for remainder of 2011**

Nordea Kredit expects continued lending growth and an increased market share.

With respect to key risks and uncertainties, preparations for the anticipated new regulations as well as rating agency requirements are expected to affect the cost level.

At the same time changes in interest rates will affect the profit due to their impact on the return on Nordea Kredit's investments.

The provisioning requirement is expected to be at the same level as in the first six months of 2011.

### **Subsequent events**

No events have occurred after the balance sheet date which may affect the assessment of the interim report for the first half-year 2011.

## Income statement

DKK m	Note	2011 Jan- June	2010 Jan- June
Interest income	2	6,033	5,976
Interest expenses	3	5,055	5,132
<b>Net interest income</b>		978	844
Dividend income		-	1
Fee and commission income		64	118
Fee and commission expenses	4	307	336
<b>Net interest and fee income</b>		735	627
Securities and foreign exchange income	5	-7	-2
Other operating income		-3	-3
Staff costs and administrative expenses	6	117	117
Amortisation, depreciation and impairment charges of intangible and tangible assets		6	6
Loan losses etc		73	64
Profit on shares in associated and group undertakings	7	0	0
<b>Profit before tax</b>		529	435
Tax	8	132	109
<b>Profit for the period</b>		397	326
<b>Comprehensive income</b>			
Profit for the period		397	326
Other comprehensive income		-	-
<b>Comprehensive income for the period</b>		397	326

## Balance sheet, end of period

DKK m	Note	30 June 2011	31 Dec 2010	30 June 2010
<b>Assets</b>				
Cash and balances with central banks		0	0	0
Balances due from credit institutions and central banks		55,612	36,527	40,385
Loans and receivables at fair value	<b>9, 10, 11</b>	323,865	318,199	311,209
Loans and receivables at amortised cost		3	3	3
Bonds at fair value		-	-	-
Shares etc		-	-	7
Shares in associated undertakings		11	12	13
Intangible assets		13	18	23
Other tangible assets		2	2	2
Temporarily repossessed assets	<b>12</b>	153	125	78
Other assets	<b>13</b>	168	1,283	876
Prepayments		1	12	5
<b>Total assets</b>		<b>379,828</b>	<b>356,181</b>	<b>352,601</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Balances due to credit institutions and central banks		34,337	70,141	13,946
Mortgage bonds in issue at fair value		326,200	265,964	319,435
Current tax liabilities		300	236	341
Other liabilities	<b>14</b>	3,583	4,819	4,231
Deferred income		5	15	14
<b>Total liabilities</b>		<b>364,425</b>	<b>341,175</b>	<b>337,967</b>
<b>Provisions</b>				
Provisions for deferred tax		4	4	6
<b>Total provisions</b>		<b>4</b>	<b>4</b>	<b>6</b>
<b>Equity</b>				
Share capital	<b>15</b>	1,717	1,717	1,717
Other reserves		11	11	11
- Statutory reserves		10	10	11
- Other reserves		1	1	0
Retained earnings		13,671	13,273	12,900
<b>Total equity</b>		<b>15,399</b>	<b>15,002</b>	<b>14,628</b>
<b>Total liabilities and equity</b>		<b>379,828</b>	<b>356,181</b>	<b>352,601</b>
<b>Off-balance-sheet items</b>				
Guarantees etc		75	75	75
<b>Total off-balance-sheet items</b>		<b>75</b>	<b>75</b>	<b>75</b>

## Equity

<b>Changes in equity</b> DKKm	Share capital	Other reserves	Retained earnings	Total
Shareholders' equity at 1 January 2011	1,717	11	13,273	15,002
Comprehensive income				
Profit for the year	-	-	397	397
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	397	397
Transactions with owner	-	-	-	-
Total transactions with owner	-	-	-	-
<b>Shareholders' equity at 30 June 2011</b>	<b>1,717</b>	<b>11</b>	<b>13,671</b>	<b>15,399</b>
Shareholders' equity at 1 January 2010	1,717	11	12,573	14,301
Comprehensive income				
Profit for the year	-	-	326	326
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	326	326
Transactions with owner	-	-	-	-
Total transactions with owner	-	-	-	-
<b>Shareholders' equity at 30 June 2010</b>	<b>1,717</b>	<b>11</b>	<b>12,900</b>	<b>14,628</b>

## Notes

DKKm	30 June 2011 <sup>1</sup>	31 Dec 2010	30 June 2010 <sup>1</sup>
<b>Note 1 Capital base</b>			
Tier 1 capital	13,523	13,536	12,956
Total capital base	13,523	13,536	12,956

<sup>1</sup> Excluding profit for the period

	30 June 2011 Capital require- ment	30 June 2011 Risk- weighted assets	31 Dec 2010 Capital require- ment	31 Dec 2010 Risk- weighted assets	30 June 2010 Capital require- ment	30 June 2010 Risk- weighted assets
<b>Capital requirements</b>						
<b>Credit risk</b>	<b>6,820</b>	<b>85,255</b>	<b>6,382</b>	<b>79,773</b>	<b>5,717</b>	<b>71,468</b>
IRB	5,468	68,345	5,328	66,605	5,249	65,618
- of which corporate customers	2,420	30,248	2,402	30,019	2,406	30,069
- of which credit institutions	0	0	0	0	0	2
- of which retail customers	3,033	37,909	2,829	35,366	2,776	34,695
- of which other	15	188	98	1,220	67	852
Standardised	1,353	16,910	1,053	13,168	468	5,850
- of which retail customers	-	-	-	-	-	-
- of which other	1,353	16,910	1,053	13,168	468	5,850
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>24</b>
- of which currency risk	0	0	0	0	2	24
<b>Operational risk</b>	<b>160</b>	<b>1,997</b>	<b>159</b>	<b>1,983</b>	<b>159</b>	<b>1,983</b>
Standardised	160	1,997	159	1,983	159	1,983
<b>Subtotal</b>	<b>6,980</b>	<b>87,252</b>	<b>6,540</b>	<b>81,756</b>	<b>5,878</b>	<b>73,475</b>
<b>Adjustment for transition rules</b>						
Additional capital requirement according to transition rules	4,598	57,472	4,088	51,103	5,309	66,365
<b>Total</b>	<b>11,578</b>	<b>144,724</b>	<b>10,629</b>	<b>132,859</b>	<b>11,187</b>	<b>139,840</b>

	30 June 2011 <sup>1</sup>	31 Dec 2010	30 June 2010 <sup>1</sup>
<b>Capital ratio</b>			
Tier 1 ratio (%) incl transition rules	9.3	10.2	9.3
Total capital ratio (%) incl transition rules	9.3	10.2	9.3
Tier 1 ratio (%) excl transition rules	15.5	16.5	17.6
Total capital ratio (%) excl transition rules	15.5	16.5	17.6

<sup>1</sup> Excluding profit for the period.



## Notes

DKKm		2011 Jan- June	2010 Jan- June
Note 2	<b>Interest income</b>		
	Balances due from credit institutions and central banks	242	185
	Loans and receivables	4,898	5,021
	Reserve fund fees receivable	888	759
	Total bonds	-	-
	Total derivatives	1	5
	- Foreign exchange derivatives	-	-
	- Interest rate derivatives	1	5
	Other interest income	4	6
	<b>Total</b>	<b>6,033</b>	<b>5,976</b>
	Of which interest income on purchase and resale transactions entered under:		
	Balances due from credit institutions and central banks	128	68
Note 3	<b>Interest expenses</b>		
	Credit institutions and central banks	186	122
	Mortgage bonds in issue	4,867	5,006
	Other interest expenses	2	4
	<b>Total</b>	<b>5,055</b>	<b>5,132</b>
	Of which interest expense on sale and repurchase transactions entered under:		
	Balances due to credit institutions and central banks	5	8
Note 4	<b>Fee and commission expenses</b>		
	Guarantee commissions etc to Nordea Bank Danmark A/S	270	278
	Brokerage payable to Nordea Bank Danmark A/S	17	33
	Other fees and commissions	20	25
	<b>Total</b>	<b>307</b>	<b>336</b>
Note 5	<b>Securities and foreign exchange income</b>		
	Mortgage loans	-2,839	5,859
	Bonds	-	-
	Shares etc	-	-
	Currencies	0	0
	Total derivatives	8	0
	- Foreign exchange derivatives	-	-
	- Interest rate derivatives	8	0
	Bonds in issue	2,824	-5,861
	<b>Total</b>	<b>-7</b>	<b>-2</b>

## Notes

DKKm		2011 Jan- June	2010 Jan- June
Note 6	<b>Staff costs and administrative expenses</b>		
	Salaries and emoluments to the Executive Management and the Board of Directors Executive Management	2	2
	<b>Total</b>	<b>2</b>	<b>2</b>
	<b>Staff costs</b>		
	Salaries	41	36
	Pension costs	5	4
	Social security contributions	6	6
	<b>Total</b>	<b>52</b>	<b>46</b>
	Other administrative expenses	63	69
	<b>Total</b>	<b>117</b>	<b>117</b>
Note 7	<b>Profit on shares in associated and group undertakings</b>		
	Profit on shares in associated and group undertakings	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>
	Shares in associated undertakings comprise e-nettet Holding A/S, Copenhagen, which provides services for instance to the mortgage sector. Shareholding: 20%. Shareholders' equity amounted to DKK 58m and the year-end result to DKK -5m according to the latest annual report for 2010.		
Note 8	<b>Tax</b>		
	Nordea Kredit is taxed jointly with Danish companies and branches etc of the Nordea Group. Nordea Kredit is jointly and severally liable for that part of the tax of the jointly taxed income concerning Nordea Kredit until payment to the management company in Nordea Bank Danmark A/S has taken place.		
		30 June 2011	31 Dec 2010
Note 9	<b>Loans and receivables</b>	30 June 2011	31 Dec 2010
	Mortgage loan portfolio, beginning of period – nominal value	318,445	294,400
	New loans (gross new lending)	19,372	81,859
	Currency translation adjustment	17	52
	Redemptions and prepayments	9,176	53,796
	Net new lending	10,213	28,115
	Scheduled principal payments	2,056	4,060
	Mortgage loan portfolio, end of period – nominal value	326,602	318,455
	Reclassification of loans relating to temporarily repossessed properties	-15	-10
	Mortgage loan portfolio – nominal value	326,587	318,445
	Adjustment for interest rate risk etc	-2,761	-273
	Adjustment for credit risk	-188	-157
	Mortgage loan portfolio – fair value	323,638	318,015
	Mortgage arrears and execution levied against debtors' properties	227	185
	<b>Total loans and receivables – fair value</b>	<b>323,865</b>	<b>318,200</b>
	Loans at amortised cost	3	3
	<b>Total loans and receivables</b>	<b>323,868</b>	<b>318,203</b>

## Notes

DKK m	30 June 2011	31 Dec 2010	30 June 2010
<b>Note 10 Provisions for individually assessed loans</b>			
Accumulated provisions, beginning of period	101	44	44
Movements during the year:			
- Provisions and value adjustment during the year	99	143	63
- Reversals of provisions made in previous financial years	25	34	16
- Other movements	-16	-24	-9
- Previous provisions now written off	14	28	12
<b>Total</b>	<b>145</b>	<b>101</b>	<b>70</b>
<b>Note 11 Provisions for collectively assessed loans</b>			
Accumulated provisions, beginning of period	56	71	71
Movements during the year:			
- Provisions and value adjustment during the year	7	85	34
- Reversals of provisions made in previous financial years	20	99	22
- Previous provisions now written off	-	-	-
<b>Total</b>	<b>43</b>	<b>56</b>	<b>83</b>
<b>Note 12 Provisions for other balances due from credit institutions and other items with credit risk</b>			
Accumulated provisions, beginning of period	59	18	18
Movements during the year:			
- Provisions and value adjustment during the year	19	27	5
- Reversals of provisions made in previous financial years	8	6	3
- Other movements	16	24	9
- Previous provisions now written off	5	4	2
<b>Total</b>	<b>81</b>	<b>59</b>	<b>27</b>
<b>Note 13 Other assets</b>			
Positive market value of derivatives etc	0	0	0
Interest etc receivable on mortgage loans included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	34	1,207	831
Interest receivable on bonds etc	26	7	7
Other assets	108	69	38
<b>Total</b>	<b>168</b>	<b>1,283</b>	<b>876</b>
<b>Note 14 Other liabilities</b>			
Negative market value of derivatives etc	0	0	0
Interest etc payable on mortgage bonds in issue included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	3,406	3,962	3,364
Other interest and commissions payable	45	47	46
Other liabilities	132	810	821
<b>Total</b>	<b>3,583</b>	<b>4,819</b>	<b>4,231</b>

## Notes

**Note 15    Share capital**

The company's share capital consists of 17,172,500 shares of DKK 100 each. Nordea Bank Danmark A/S, PO Box 850, DK-0900 Copenhagen C, holds all shares in the company. The parent company of the Nordea Group is Nordea Bank AB (publ), Hamngatan 10, 105 71 Stockholm, Sweden.

**Note 16    Accounting policies**

No changes have been made to the accounting policies compared with the most recent annual report of Nordea Kredit.

The interim report of Nordea Kredit has been prepared in accordance with the Danish Financial Business Act, the Executive Order on financial reports for credit institutions and investment companies etc (the Executive Order), the Copenhagen Stock Exchange (Nasdaq OMX Nordic) rules for issuers and generally accepted accounting principles.

This interim report has not been subject to audit or review by the auditors.

## **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 2011.

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 2011 and of the results of the company's operations and cash flows for the half-year ending 30 June 2011.

Further, in our opinion, the Directors' report provides a fair review of the development in the company's operations and financial matters, the results of the company's operations and financial position and describes the material risks and uncertainties affecting the company.

Copenhagen, 18 July 2011

### **Executive Management**

Lars Bank Jørgensen  
(Chairman)

Michael Jensen

### **Board of Directors**

Anders Jensen  
(Chairman)

Peter Lybecker  
(Deputy Chairman)

Jørgen Holm Jensen

Michael Rasmussen