Nordea

Interim Report January-June 2023

Nordea Kredit Realkreditaktieselskab

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

Contents

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.

Read more about us at nordea.com.

Financial summary

Key financial figures (DKKm)

	Jan-Jun 2023	Jan-Jun 2022	Change %
Income statement			
Total operating income	1,554	1,357	15
Total operating expenses	-703	-712	-1
Profit before impairment losses on loans and receivables	851	645	32
Impairment losses on loans and receivables	4	34	-88
Profit before tax	855	680	26
Net profit for the period	**640**	**530**	**21**

	30 Jun 2023	31 Dec 2022	Change %	30 Jun 2022	Change %
Balance sheet					
Receivables from credit institutions and central banks	45,042	39,264	15	45,564	-1
Loans and receivables at fair value	381,551	385,887	-1	398,185	-4
Loans and receivables at nominal value[1]	427,211	433,757	-2	439,943	-3
Debt to credit institutions and central banks	14,589	9,503	54	28,722	-49
Bonds in issue at fair value	386,054	389,737	-1	390,024	-1
Equity	21,845	22,280	-2	21,735	1
Total assets	426,805	425,506	0	444,410	-4

Ratios and key figures

	Jan-Jun 2023	Jan-Jun 2022
Return on equity, %[2]	5.8	4.8
Cost/income ratio	45.2	52.5
Write-down ratio, basis points[2]	-0.2	-1.7
Common equity tier 1 capital ratio, %[3]	28.7	26.6
Tier 1 capital ratio, %[3]	28.7	26.6
Total capital ratio, %[3]	30.8	28.6
Own funds, DKKm[3]	22,222	22,116
Tier 1 capital, DKKm[3]	20,672	20,566
Risk exposure amount, DKKm	72,125	77,370
Average number of employees (full-time equivalents)	112	116

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

Board of Directors' 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.

Continued low activity and strong credit quality

Sales activity in the housing market stayed at a relatively low level in the first half of 2023 and remortgaging and lending activity in general was significantly lower than in recent years.

Total lending at nominal value decreased slightly to DKK 427bn (end-2022: DKK 434bn) at end-June 2023, driven by the lower activity level and household customers who reduced their mortgage debt by remortgaging fixed-rate loans. Furthermore, some household customers chose to replace their mortgage loan in Nordea Kredit by a mortgage-like bank loan in Nordea Bank. The loan book remained solid across the personal and commercial segments. LTVs (loan to value) increased slightly, primarily driven by lower housing prices. However, LTVs were still at a very low level compared with previous years and the years around the financial crisis. Furthermore, arrears and losses were still at very low levels at end-June 2023 despite some increases after the historically low levels during COVID-19.

Results summary January-June 2023

Profit before tax increased by 26% to DKK 855m (DKK 680m) (the comparative figures in brackets refer to the first half of 2022). Profit before tax exceeded expectations due to a higher return on own funds, driven by increased interest rate levels.

Operating income
Net interest income increased by 14% to DKK 1,976m (DKK 1,729m), driven by the higher return on own funds, which was positively affected by the increase in interest rate levels since the first half of 2022. Administration margins decreased by DKK 77m following lower lending volumes and average margins, driven by lower LTV ratios for the loans remortgaged since the interest rate level began to increase during first half of 2022.

Fee and commission income was down by 30% to DKK 199m (DKK 285m), mainly driven by lower loan processing, refinancing and pay-out fees as lending activity for all segments decreased.

Fee and commission expenses decreased by 9% to DKK 57m to DKK 606m (DKK 663m), mainly related to the lower lending activity for household customers and lower liquidity support fees as a result of lower use of the liquidity facility.

Staff and administrative expenses
Total staff and administrative expenses decreased by DKK 9m to DKK 703m (DKK 712m), mainly due to decreased fees for sales and distribution services provided by Nordea Bank following lower volumes.

Staff costs were at the same level at DKK 58m (DKK 58m). The average number of full-time equivalent employees decreased to 112 (116).

Impairment losses on loans and receivables
Impairment losses on loans and receivables amounted to a net reversal of DKK 4m (net reversal of DKK 34m), mainly due to a lower reversal of model-calculated provisions in the first half of 2023 compared with the first half of 2022.

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

The guarantee coverage from Nordea Bank significantly reduces the risk of impairment losses on loans at Nordea Kredit. The first loss guarantee covered an unchanged share of 99% (99% at end-2022) of all loans at Nordea Kredit.

The write-down ratio of the loan portfolio increased to -0.2bp (-1.7bp) compared with the first half of last year, reflecting the lower reversals.

Tax
Income tax expense was DKK 216m (DKK 149m) and the effective tax rate increased to 25.2% (22%) following the increased tax rate for financial institutions from 22% in 2022 to 25.2% in 2023.

Net profit for the period
Net profit for the period increased to DKK 640m (DKK 530m), corresponding to a return on equity in the first half of 2023 of 5.8% annually (4.8% annually).

Comments on the balance sheet

Assets
Total assets increased to DKK 426.8bn (DKK 425.5bn at end-2022).

Receivables from credit institutions and central banks increased to DKK 45.0bn (DKK 39.3bn at end-2022) due to an increase in excess liquidity from lending activities.

Loans and receivables at nominal value after loan loss provisions decreased by 2% to DKK 427.2bn (DKK 433.8bn at end-2022) and 3% compared with 30 June 2022. The decrease was mainly related to owner-occupied dwellings, which were down by DKK 6bn nominal as a result of the lower activity level and customers remortgaging loans with low fixed interest rates. Commercial properties increased by DKK 1bn and agriculture decreased by DKK 1bn nominal. Fair value decreased to DKK 381.6bn (DKK 385.9bn at end-2022) 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 2023 payment date increased slightly to 0.15% (0.10% at the December 2022 payment date). The arrears rate for the sector was 0.15%.

Accumulated loan loss provisions decreased by DKK 12m to DKK 508m (DKK 520m at end-2022) following decreased model-calculated provisions. Accumulated loan loss provisions regarding stages 1, 2 and 3 amounted to DKK 71m (DKK 70m at end-2022), DKK 222m (DKK 223m at end-2022) and DKK 214m (DKK 228m at end-2022), respectively.

Assets held temporarily remained at a low level and consisted of a total of eight repossessed properties at the end of June 2023 (five at end-2022) with a carrying amount of DKK 6m (DKK 3m at end-2022).

Debt
Debt to credit institutions and central banks increased by DKK 5.1bn to DKK 14.6bn (DKK 9.5bn at end-2022), mainly due to increased repurchase agreements with Nordea Bank following the refinancing auctions in June 2023.

Bonds in issue at fair value were down by DKK 3.6bn to DKK 386.1bn (DKK 389.7bn at end-2022) 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 21.8bn at the end of June 2023 compared with DKK 22.3bn at end-2022 and DKK 21.7bn at the end of June 2022.

The property market

The economy
The global economy got off to a good start in 2023. The sharp fall in energy prices and the surprisingly rapid reopening of the Chinese economy provided the backdrop for an increase in confidence indicators for businesses and households globally.

It is mainly the services sector that benefits from better conditions as consumers have a pent-up need for leisure activities after the pandemic, while the manufacturing sector is more affected by the high inflation and rising interest rates. The strong demand for services has been decisive for the labour markets' resilience to monetary policy tightening. Consequently, unemployment is still very low in both the US and Europe and the demand for labour is strong.

A result of the strong labour market is historically high wage growth in many countries over the coming years, increasing the risk that high inflation will take hold. There are already signs that inflation is more stubborn than previously expected. Headline inflation has for a while been falling sharply in both the US end Europe thanks to lower energy prices. Underlying inflation – core inflation – is causing growing concern among central banks. Monetary policy easing is therefore not expected until core inflation is also under control and approaching the 2% target. We expect that this will happen in 2024 as interest rates are expected to be close to the top and to be lowered in 2024.

We expect global growth in the region of 3% this year, whereas 2024 will see slightly weaker growth. But these forecasts are subject to a lot of uncertainty, not least related to the significant monetary policy tightening. It thus remains uncertain if central banks will manage to administer just the right dose of monetary policy tightening to lower inflation without a hard landing of the economy. If the period of high inflation is extended, it will delay the recovery of the households' purchasing power.

In Denmark, average inflation reached 7.7% in 2022, which is the highest level since 1982. The peak so far was reached in October 2022 with an annualised inflation rate of 10.1%. Subsequently, however, the annual rate of price increase has fallen back again and was down to only 3.1% in July.

The labour market has continued to surprise positively. According to Statistics Denmark, employment has increased almost continuously for the past two years and by nearly 23,000 people during the first six months of 2023 alone. We expect unemployment to rise slightly in the second half of 2023 as the number of vacancies is falling and companies' own employment expectations are negative.

Property prices and market activity for owner-occupied dwellings and holiday homes
During the coronavirus pandemic Danish housing prices rose steeply. During that period low financing costs, robust growth in disposable incomes and greater appreciation of homes were the main drivers of the much stronger housing market demand.

However, in line with rising interest rates and high consumer prices, the trend has reversed, and according to Boligsiden.dk the price of both single-family houses and owner-occupied flats fell by approx. 10% from spring 2022 to February 2023. However, in recent months the fall in prices slowed down, and in many parts of the country prices increased in the period March to June 2023.

We believe that it is the low supply in particular that prevents house prices from falling further. Despite lower trading activity over the past year, there is still not much for sale. This gives sellers the opportunity to get a better price for their property.

There is great uncertainty about developments in the housing market in the coming years, but we assess that there is a risk of a small price fall in the second half of 2023. In 2024 we expect mortgage interest rates to start falling again, and that, combined with higher real wages and lower property taxes as a result of the housing tax reform on 1 January 2024, will again cause house prices to rise. For apartments in larger cities we still expect declining prices driven by the negative effect of the tax reform on these apartments.

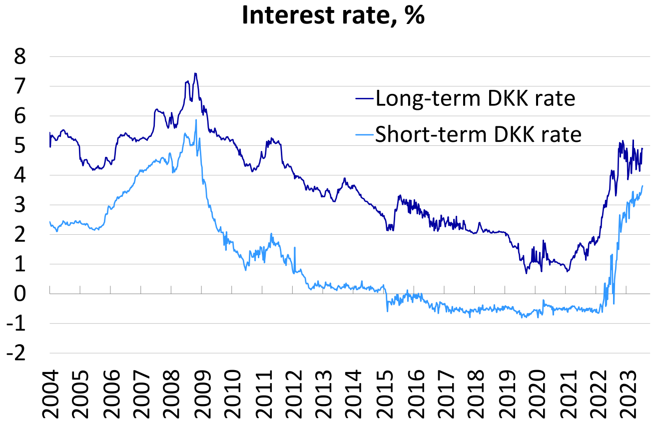
Interest rates
The bond market is affected by the macroeconomic trends and the high inflation. The coupon rate on the fixed-rate 30-year loans is currently 5%, the same rate as at the beginning of the year. However, the interest rate has risen sharply since the beginning of 2021 when the coupon rate was 0.5%.

The interest rate on variable-rate loans has increased in 2023. At the beginning of 2023 the interest rate on F3 and F5 loans was approx. 3.6%, while the interest rate at the end of June 2023 was approx. 3.9%.

The interest rate on "Kort Rente" loans has also increased in 2023. In the first half of 2023 the interest rate was set at approx. 3.0%, while it is up to 4.0% in August. Thus, short-term mortgage interest rates have risen the most in the first half of 2023.

The rise in short interest rates is due to the monetary tightening as both the US Federal Reserve and the European Central Bank (ECB) have a 2% inflation target. Both central banks therefore raised their target rates in the first half of 2023.

Figure 1. Interest rates



Residential rental properties
The market for residential rental properties is still doing well with rather low vacancy rates. Investors require higher yield levels as a result of the increased inflation and interest rates.

Office and retail properties
There is still good demand after modern and well-located office properties in the larger cities. Rent levels are stable and vacancy rates are rather low and mostly related to older and not well-located properties. Smaller cities are still seeing downward pressure on the rent level, causing lower prices. There has been a minor increase in yield levels but not everywhere, e.g. not in Copenhagen.

Rising vacancy rates for retail properties have put pressure on rent levels, resulting in unchanged to lower prices also in the larger cities. Especially in side streets vacancies are seen. Investors require higher yields in this segment as well.

Hotels and restaurants have been through a long period when many have suffered greatly due to the coronavirus pandemic. Further supply of hotel capacity especially in Copenhagen as ongoing projects have been completed will put downward pressure on property prices for this segment for an extended period. However, 2022 was a really good year for many hotels.

Warehouses and logistics properties
For several years there has been solid demand for modern and well-located properties with good infrastructure, which has caused a large decrease in yield levels, low vacancy rates and higher rent levels. A decline in private consumption will impact the segment, but demand for this type of properties is still good, especially new and well-located properties.

Agricultural properties
The agricultural sector has been in a positive trend in recent years. Farmers have acted sensibly and many have taken advantage of the situation to reduce debt and have thus become more financially robust. The outlook for 2023 looks acceptable although milk and crop production is affected by falling prices and the entire agricultural sector by rising interest costs. The green transition with an expected CO2 tax and increased focus on biodiversity will affect agriculture in the coming years and financial robustness is therefore important.

Trading activity in land and crop properties has been good in recent years, with rising prices due to better earnings and demand for land for both energy 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 in the coming period. However, the currently relatively high level of interest rates may put a dampener on the market.

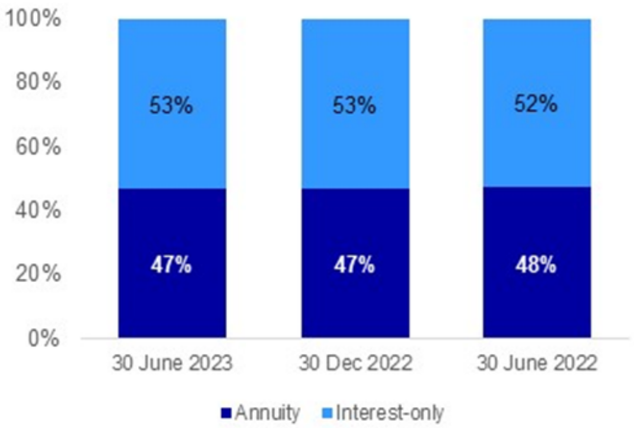
Nordea Kredit's lending

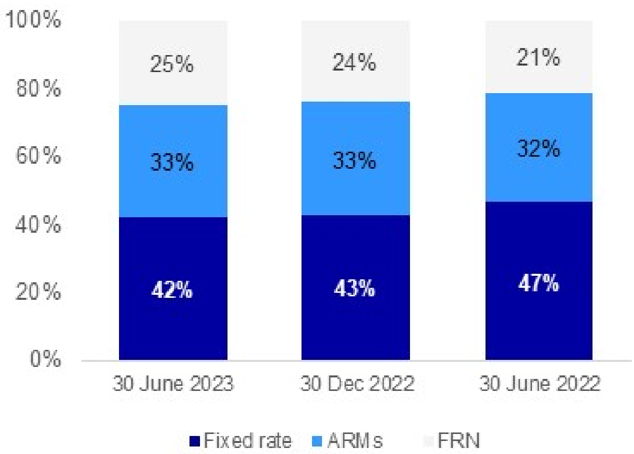
The loan portfolio
At the end of June 2023 total lending at nominal value after loan loss provisions amounted to DKK 427.2bn (DKK 433.8bn at end-2022).

Due to a slow housing market, lending for change of ownership was relatively low in the first half of 2023. Household customers did to some extent continue to take advantage of the higher interest rates to remortgage their fixed-rate loans, thereby reducing their mortgage debt, but compared with 2022 and previous years the activity level in general was significantly lower in the first half of 2023.

Gross new lending in the first half of 2023 amounted to DKK 26bn (DKK 50bn in the first half of 2022), of which DKK 19bn (DKK 38bn in the first half of 2022) was for owner-occupied dwellings and holiday homes.

Figure 2. Total loan portfolio by loan type





The shift towards adjustable-rate mortgage products continued but at a slower pace in the first half of 2023 as the spread between short- and long-term mortgage products narrowed compared with 2022. By end-June 42% (43% at end-2022) of the mortgage portfolio was fixed-rate loans.

Two-thirds of gross new lending for household customers were fixed-rate loans in the first half of 2023. The most popular adjustable-rate loan type among household customers was Kort Rente followed by F5 loans in the first half of 2023.

The 30-year interest-only loan Frihed30 has been attractive among household customers in recent years. However, since mid-2022 the shift towards Frihed30 loans in particular and interest-only loans in general has slowed down. By end-June 2023 Frihed30 for owner-occupied dwellings amounted to DKK 50bn (DKK 50bn at end-2022). Frihed30 is targeted at experienced homeowners and is only available to customers with a maximum LTV ratio of 60%. Interest-only loans in general accounted for 53% (53% at end-2022) of the loan portfolio by end-June 2023.

Floating-rate products (for example Cibor6 and Cibor6 Green loans) are the most popular loan types among corporate customers, accounting for 49% of the lending portfolio for corporate customers. Lending in Cibor Green accounted for DKK 15bn by end-June 2023.

LTV ratios

The LTV ratio for total lending at Nordea Kredit was 49% at the end of June 2023 (46% at end-2022), primarily driven by reduced housing prices. Although slightly upwards average LTVs are still near the lowest level observed since the introduction of SDO/SDRO in 2007.

The LTV ratio for owner-occupied dwellings and holiday homes increased by 3% points to 52% in the first half of 2023 (49% at end-2022), while the LTV ratio for rental properties, agricultural properties and other commercial properties was 42% (42% at end-2022), 43% (44% at end-2022) and 41% (42% at end-2022), respectively, by end-June 2023.

LTV figures can be found in the quarterly investor presentations and the European Covered Bond Council (ECBC) covered bond labelling report. Both reports are available under Investor information on www.nordeakredit.dk.

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-2022).

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 demonstrated satisfactory demand.

Bond issuance before redemptions amounted to DKK 62bn nominal in the first half of 2023 (DKK 100bn in the first half of 2022). The decrease was driven by higher lending activity and more bond series being refinanced in 2022.

At the end of June 2023 the total nominal value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, increased to DKK 461bn (DKK 445bn at end-2022). At end-June 2023 the fair value of the total outstanding volume of bonds was DKK 386bn (DKK 390bn) after offsetting the portfolio of own bonds.

Foreign investors, especially Japanese investors, continued to sell low-coupon bonds throughout the first half of 2023. On the other hand, there was good demand for high-yield bonds. In the first half of 2023 borrowers' prepayment of low-interest loans caused negative net issuance, which helped to stabilise the market and absorb foreign sales. Negative net issuance is diminishing. However, we began to see selling pressure, which caused bonds to cheapen further.

Issuance in the first half of 2023 changed so that callable bonds accounted for 53% compared with 40% in the first half of 2022. The significant switch in issuance to more long-term fixed interest rates can be explained by the remortgage activity (fixed low interest rate to fixed higher interest rate) and flat yield curve.

Generally, activity was low in the first half of 2023, and especially price fluctuations in the benchmark 5% 30-year bond were limited.

At the refinancing auctions in May 2023 Danish mortgage banks sold a very large amount of bonds. The overall volume amounted to DKK 107b of which Nordea Kredit accounted for DKK 27bn. Despite the large volumes the auctions were well received in the market while a widened price spread was observed.

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

The Tier 1 capital ratio excluding the net profit for the period was 28.7% (28.4% at end-2022). The Tier 1 capital ratio increased due to a decrease in the risk exposure amount (REA) of DKK 1bn to DKK 72bn (DKK 73bn at end-2022). The decrease in REA was mainly related to exposures calculated according to the standardised approach.

The total capital ratio excluding the net profit for the period increased by 0.3% points to 30.8% (30.5% at end-2022). The total capital ratio increased due to the above-mentioned decrease in REA.

Debt buffer

The debt buffer requirement was DKK 7.6bn at the end of June 2023 (DKK 7.7bn at end-2022). The debt buffer requirement is fulfilled using Tier 1 and Tier 2 capital instruments not used for capital requirements and by unsecured senior debt.

Individual solvency needs

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.

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 2023 the LCR DA was 657% and the LCR including Pillar 2 add-on was 262%.

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 2023 Nordea Kredit's NSFR was 719%.

Supervisory diamond

The supervisory diamond for mortgage institutions consists of five specific benchmarks that mortgage institutions in general should not exceed. The five benchmarks comprise risk areas identified by the Danish FSA.

At the end of June 2023 Nordea Kredit complied with the five benchmarks of the supervisory diamond for mortgage institutions.

Table 1. The supervisory diamond

	30 June 2023	Limit
1. Lending growth		
Owner-occupied dwellings and holiday homes	-4%	15%
Residential rental properties	4%	15%
Agriculture	-8%	15%
Other	2%	15%
2. Borrower's interest rate risk[1]	11%	25%
3. Interest-only lending[2]	6%	10%
4. Short-term funding[3]		
Annually	11%	25%
Quarterly	6%	12.5%
5. Large exposures[4]	36%	100%

[1] 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%.
[2] Interest-only lending for owner-occupied dwellings and holiday homes where the LTV ratio exceeds 75% of the lending limit is limited to 10%.
[3] Yearly/quarterly refinancing is limited to 25%/12.5% of the total portfolio.
[4] The 20 largest exposures less CRR deductions are limited to 100% of CET1.

Changes to the Board of Directors

On 27 March 2023 Marte Kopperstad left the Board of Directors and was replaced by Tina Sandvik. On 23 May 2023 Peder Birkebæk Bach was elected to the Bord of Directors.

After the changes the Board of Directors consists of Mads Skovlund Pedersen (Chair), Anne Rømer (Vice Chair and external member), Anita Ina Nielsen, Thomas Vedel Kristensen, Anders Frank-Læssøe, Anders Holkmann Olsen, Helene Bløcher, Tina Sandvik and Peder Birkebæk Bach.

Risks and uncertainties

See Note 7 for information about risks and uncertainties.

Income statement

DKKm	Note	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Interest income		6,053	3,821	8,512
Interest expenses		-4,077	-2,092	-4,995
Net interest income	**2**	**1,976**	**1,729**	**3,517**
Fee and commission income		199	285	633
Fee and commission expenses		-606	-663	-1,310
Net interest and fee income		**1,569**	**1,351**	**2,840**
Value adjustments	3	-14	5	-17
Other operating income		-1	0	4
Staff and administrative expenses		-703	-712	-1,424
Depreciation of tangible assets		0	0	0
Impairment losses on loans and receivables	4	4	34	-27
Profit from equity investment in associated undertaking		-	1	1
Profit before tax		**855**	**680**	**1,377**
Tax		-216	-149	-302
Net profit for the period		**640**	**530**	**1,075**

Statement of comprehensive income

DKKm	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Net profit for the period	640	530	1,075
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	**640**	**530**	**1,075**

Balance sheet

DKKm	Note	30 Jun 2023	31 Dec 2022	30 June 2022
Assets				
Cash in hand and demand deposits with central banks		0	0	0
Receivables from credit institutions and central banks		45,042	39,264	45,564
Loans and receivables at fair value	5	381,551	385,887	398,185
Loans and receivables at amortised cost		0	1	1
Investment in associated undertaking		23	24	23
Tangible assets		0	0	0
Deferred tax assets		3	3	3
Current tax assets		-	7	-
Assets held temporarily		6	3	1
Other assets		136	311	601
Prepaid expenses		43	7	32
Total assets		**426,805**	**425,506**	**444,410**
Debt				
Debt to credit institutions and central banks		14,589	9,503	28,722
Bonds in issue at fair value		386,054	389,737	390,024
Current tax liabilities		109	-	38
Other liabilities		2,657	2,426	2,329
Deferred income		1	10	13
Total debt		**403,410**	**401,675**	**421,125**
Subordinated debt				
Subordinated debt		**1,550**	**1,550**	**1,550**
Equity				
Share capital		1,717	1,717	1,717
Other reserves		24	24	24
Retained earnings		20,104	19,464	19,994
Proposed dividends		-	1,075	-
Total equity		**21,845**	**22,280**	**21,735**
Total equity and debt		**426,805**	**425,506**	**444,410**
Contingent liabilities				
Guarantees etc		0	0	0
Credit commitments		1,563	1,694	3,544
Total contingent liabilities		**1,563**	**1,694**	**3,544**

Statement of changes in equity

DKKm	Share capital[1]	Other reserves[2]	Retained earnings	Proposed dividends	Total equity
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**

DKKm					
Balance at 1 Jan 2022	**1,717**	**23**	**19,464**	**1,107**	**22,311**
Net profit for the year	-	1	1,074	-	1,075
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	1	-	1
Dividends paid	-	-	-	-1,107	-1,107
Proposed dividends	-	-	-1,075	1,075	-
Balance at 31 Dec 2022	**1,717**	**24**	**19,464**	**1,075**	**22,280**

DKKm					
Balance at 1 Jan 2022	**1,717**	**23**	**19,464**	**1,107**	**22,311**
Net profit for the period	-	1	530	-	530
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	0	-	0
Dividends paid	-	-	-	-1,107	-1,107
Balance at 30 Jun 2022	**1,717**	**24**	**19,994**	**-**	**21,735**

[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 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 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
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 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).

The accounting policies and methods of computation are the same as for the annual report for 2022. For more information see Note 1 in the annual report for 2022.

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.

The financial statements have not been reviewed or audited.

Note 2 Net interest income

DKKm	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Interest income			
Receivables from credit institutions and central banks	434	10	116
Loans and receivables at fair value	3,888	1,888	4,545
Administration margins	1,727	1,804	3,576
Positive interest expenses	-	112	262
Other interest income	4	7	12
Total interest income	**6,053**	**3,821**	**8,512**
Interest expenses			
Debt to credit institutions and central banks	-155	-3	-59
Bonds in issue at fair value	-3,882	-1,956	-4,522
Subordinated debt	-40	-16	-42
Negative interest income	-	-117	-372
Total interest expenses	**-4,077**	**-2,092**	**-4,995**
Net interest income	**1,976**	**1,729**	**3,517**

Note 3 Value adjustments

DKKm	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Mortgage loans	-3,528	-37,338	-41,479
Foreign exchange gains/losses	0	-	-
Interest rate derivatives	2	-12	-5
Bonds in issue[1]	3,540	37,355	41,467
Total	**14**	**5**	**-17**

[1] Including value adjustments on own positions.

Note 4 Impairment losses on loans and receivables

DKKm	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Stage 1			
New and increased impairment charges	-3	-6	-9
Reversals of impairment charges	2	0	0
Impairment losses on loans and receivables, non-credit impaired	-1	-6	-9
Stage 2			
New and increased impairment charges	-31	-40	-84
Reversals of impairment charges	31	49	73
Impairment losses on loans and receivables, non-credit impaired	0	9	-11
Stage 3, credit impaired			
Realised loan losses	-9	-18	-26
Decrease in impairment charges to cover realised loan losses	7	15	21
Recoveries on previous realised loan losses	2	2	4
New and increased impairment charges	-30	-33	-137
Reversals of impairment charges	36	65	131
Impairment losses on loans and receivables, credit impaired	5	31	-6
Impairment losses on loans and receivables	**4**	**34**	**-27**

Note 5 Loans and receivables at fair value

DKKm	30 Jun 2023	31 Dec 2022	30 Jun 2022
Mortgage loans, nominal value			
Value at beginning of period	434,277	436,626	436,626
New loans (gross new lending)	26,522	93,379	50,081
Foreign exchange revaluations	5	0	1
Redemptions and prepayments	-28,897	-86,943	-41,873
Net new lending for the period	-2,370	6,436	8,209
Scheduled principal payments	-4,187	-8,785	-4,426
Mortgage loan portfolio at end of period	**427,719**	**434,277**	**440,408**
Mortgage loans, fair value			
Nominal value	427,719	434,277	440,408
Adjustment for interest rate risk etc	-45,741	-47,989	-41,899
Adjustment for credit risk (see below)	-508	-520	-465
Mortgage loan portfolio	381,470	385,768	398,045
Mortgage arrears (see below)	81	119	141
Loans and receivables at fair value	**381,551**	**385,887**	**398,185**

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**

DKKm	Stage 1[1]	Stage 2	Stage 3	Total
Balance at 1 January 2022	61	211	239	511
Transfer between stages	0	0	-18	-18
Changes due to changes in credit risk (net)	18	119	48	185
Changes due to repayments	-9	-106	-24	-139
Write-off through decrease in allowance account	-	-	-18	-18
Balance at 31 December 2022	**70**	**223**	**228**	**520**

DKKm	Stage 1[1]	Stage 2	Stage 3	Total
Balance at 1 January 2022	61	211	239	511
Transfer between stages	0	9	-4	4
Changes due to changes in credit risk (net)	6	-5	-12	-11
Changes due to repayments	-	-11	-16	-27
Write-off through decrease in allowance account	-	-	-12	-12
Balance at 30 June 2022	**67**	**203**	**195**	**465**

[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.

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 (ECL). Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the first half of 2023, the scenarios were weighted into the final expected credit losses (ECL) as follows: 50% for the baseline scenario (50% at end-2022), 40% for the adverse scenario (40% at end-2022) and 10% for the favorable scenario (10% at end-2022). The weight of the adverse scenario was kept at an elevated level, reflecting continued uncertainty regarding 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 war in Ukraine and the associated sanctions and countersanctions on trade with Russia. They take into consideration the possibility of continued high inflation and the potential impact of significantly higher interest rates on 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 banks, Nordea Research and the European Central Bank.

The baseline scenario for the Nordic economies foresees modest growth and slightly higher unemployment in the coming years as the pass-through of higher rates and elevated inflation continues to weigh on economic activity. Inflation is expected to remain elevated. Following the strong housing market activity and price appreciation during the COVID-19 pandemic, the downward adjustment in housing prices is expected to continue this year. 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. Financial instability may lead to a deep and long recession due to falling private consumption and investment. In addition, housing prices may see an even larger decline due to high interest rates, a squeeze in household purchasing power and weak confidence. A stabilisation of energy prices at a low level may on the other hand prevent growth from turning negative in 2023 and support a stronger recovery going forward.

At the end of the first half of 2023, adjustments to model-based allowances/provisions amounted to DKK 307m, including management judgements. The management judgements cover expected credit losses not yet adequately captured by the modelled outcomes of the impairment model. The management judgements are based on applied ICAAP stress tests as the first year estimated net loan loss.

Scenarios

		2023	2024	2025	Probability weight
Favourable scenario	GDP growth, %	1.4	1.8	1.7	10%
	Unemployment, %	2.9	2.8	2.8	
	Change in household consumption, %	0.4	2.1	1.9	
	Home prices, %	-8.7	0.1	3.2	
Baseline scenario	GDP growth, %	0.9	1.2	1.2	50%
	Unemployment, %	3.0	3.2	3.3	
	Change in household consumption, %	0.2	1.8	1.2	
	Home prices, %	-9.4	-0.3	2.9	
Adverse scenario	GDP growth, %	-1.0	-0.6	1.1	40%
	Unemployment, %	3.5	4.5	4.6	
	Change in household consumption, %	-1.3	0	0.7	
	Home prices, %	-10.7	-4.7	0.3	

Note 6 Capital adequacy

Summary of items included in own funds

DKKm	30 Jun 2023[1]	31 Dec 2022	30 Jun 2022[1]
Calculation of own funds			
Equity	21,206	22,280	21,205
Proposed/actual dividend	-	-1,075	-
Common equity tier 1 capital before regulatory adjustments	**21,206**	**21,206**	**21,205**
IRB provisions shortfall (-)	-259	-275	-323
Other items, net	-275	-303	-316
Total regulatory adjustments to common equity tier 1 capital	**-534**	**-578**	**-639**
Common equity tier 1 capital (net after deduction)	20,672	20,628	20,566
Tier 1 capital (net after deduction)	**20,672**	**20,628**	**20,566**
Tier 2 capital before regulatory adjustments	1,550	1,550	1,550
Total regulatory adjustments to tier 2 capital	-	-	-
Tier 2 capital	**1,550**	**1,550**	**1,550**
Own funds (net after deduction)	**22,222**	**22,178**	**22,116**

[1] Excluded profit for the period.

Minimum capital requirement and risk exposure amount (REA)

	30 Jun 2023	30 Jun 2023	31 Dec 2022	31 Dec 2022	30 Jun 2022	30 Jun 2022
DKKm	Minimum capital requirement	REA	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**5,417**	**67,699**	**5,471**	**68,387**	**5,841**	**73,012**
- of which counterparty credit risk	73	915	77	957	153	1,907
IRB	4,878	60,976	4,867	60,832	5,166	64,575
- corporate	1,834	22,921	1,828	22,842	1,872	23,394
- advanced	*1,834*	*22,921*	*1,828*	*22,842*	*1,872*	*23,394*
- retail	3,020	37,750	3,008	37,602	3,240	40,505
- secured by immovable property collateral	*2,980*	*37,254*	*2,978*	*37,226*	*3,210*	*40,129*
- other retail	*40*	*496*	*30*	*376*	*30*	*376*
- other	*24*	*305*	*31*	*388*	*54*	*676*
Standardised	539	6,723	604	7,555	675	8,437
- central governments or central banks	1	7	0	7	1	7
- institutions	530	6,623	596	7,451	666	8,327
- corporate	-	-	-	-	0	1
- secured by mortgages on immovable properties	6	70	6	73	6	79
- equity	2	23	2	24	2	23
Operational risk	**352**	**4,400**	**347**	**4,341**	**347**	**4,341**
Standardised	352	4,400	347	4,341	347	4,341
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	2	26	2	23	2	17
Total	**5,771**	**72,125**	**5,820**	**72,751**	**6,190**	**77,370**

Note 6 Capital adequacy, continued

Minimum capital requirement, pillar 2 requirement and capital buffers

30 Jun 2023 (%)	Minimum capital require-ment	Pillar 2 require-ment	Capital buffers CCoB	CCyB	O-SII	SRB	Capital buffers total[1]	Total
Common equity tier 1 capital	4.5	1.2	2.5	2.5	1.5	-	6.5	12.2
Tier 1 capital	6.0	1.6	2.5	2.5	1.5	-	6.5	14.1
Own funds	8.0	2.2	2.5	2.5	1.5	-	6.5	16.6
30 Jun 2023 (DKKm)								
Common equity tier 1 capital	3,246	875	1,803	1,794	1,082	-	4,679	8,800
Tier 1 capital	4,328	1,167	1,803	1,794	1,082	-	4,679	10,173
Own funds	5,770	1,556	1,803	1,794	1,082	-	4,679	12,005

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

Common equity tier 1 available to meet capital buffers

Percentage points of REA	30 Jun 2023	31 Dec 2022[1]	30 Jun 2022
Common equity tier 1 capital	22.7	22.4	20.6

Capital ratios (%)	30 Jun 2023	31 Dec 2022[1]	30 Jun 2022
Common equity tier 1 capital ratio	28.7	28.4	26.6
Tier 1 capital ratio	28.7	28.4	26.6
Total capital ratio	30.8	30.5	28.6

Leverage ratio	30 Jun 2023	31 Dec 2022[1]	30 Jun 2022
Tier 1 capital, DKKm	20,672	20,628	20,566
Leverage ratio exposure, DKKm	427,014	425,831	445,433
Leverage ratio, %	4.8	4.8	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 risk and liquidity management note in the annual report for 2022 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 2023	Jan-Jun 2022	Full year 2022
Total capital ratio	30.8	28.6	30.5
Tier 1 capital ratio	28.7	26.6	28.4
Pre-tax return on equity, %	3.9	3.1	6.2
Post-tax return on equity, %	2.9	4.8	4.8
Income/cost ratio	2.2	2.0	1.9
Foreign exchange exposure as % of tier 1 capital	1.3	1.2	1.3
Loans/equity ratio	17.5	18.3	17.3
Lending growth for the period, %	-1.5	0.9	-0.5
Impairment ratio for the period	0.0	0.0	0.0
Return on assets, %	0.2	0.1	0.2

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 2023.

The interim report 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.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 30 June 2023 and of the results of the company's operations for the half-year ending 30 June 2023.

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, 5 September 2023

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 Sandvik

Executive Management

Morten Boni (Chief Executive Officer)	Claus H. Greve (Deputy Chief Executive Officer)