Nordea

Interim Report January-June 2022

Nordea Kredit Realkreditaktieselskab

Business registration number 15134275

Contents

Nordea Kredit is part of the Nordea Group. Nordea is 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

	Jan-Jun 2022	Jan-Jun 2021	Change %
Income statement, key items (DKKm)			
Total operating income	1,357	1,341	1
Total operating expenses	-712	-678	5
Profit before impairment losses on loans and receivables	645	663	-3
Impairment losses on loans and receivables	34	88	-61
Profit before tax	680	751	-10
Net profit for the period	530	586	-9

Balance sheet, key items (DKKm)	30 Jun 2022	31 Dec 2021	Change %	30 Jun 2021	Change %
Receivables from credit institutions and central banks	45,564	48,523	-6	47,337	-4
Loans and receivables at fair value	398,185	432,280	-8	419,745	-5
Loans and receivables at nominal value[1]	439,943	436,116	1	420,807	5
Debt to credit institutions and central banks	28,722	14,260	101	9,443	204
Bonds in issue at fair value	390,024	441,234	-12	430,487	-9
Equity	21,735	22,311	-3	21,790	0
Total assets	444,410	481,015	-8	467,399	-5

Ratios and key figures

	Jan-Jun 2022	Jan-Jun 2021
Return on equity, %[2]	4.8	5.3
Cost/income ratio	52.5	50.6
Write-down ratio, basis points[2]	-1.7	-4.2
Common equity tier 1 capital ratio, %[3]	26.6	25.0
Tier 1 capital ratio, %[3]	26.6	25.0
Total capital ratio, %[3]	28.6	29.6
Own funds, DKKm[3]	22,116	24,285
Tier 1 capital, DKKm[3]	20,566	20,535
Risk exposure amount, DKKm	77,370	81,994
Number of employees (full-time equivalents)[4]	116	114

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

High business momentum

Overall lending activity to owner-occupied dwellings and holiday homes remained at a high level although the housing market has slowed down compared to the first half of 2021. The high activity level was supported by increased remortgaging of loans with low fixed interest rates as interest rates rose throughout the first half of 2022 as well as by top-up lending. Nordea Kredit issued more than 19,000 loans to household customers in the first half of 2022.

Many homeowners have chosen to finance their home or holiday house with Nordea Kredit in recent years. By end-June Nordea Kredit financed more than 200,000 owner-occupied dwellings and holiday homes. Since mid-2019 Nordea Kredit's retail market share has increased continuously and by end-June the market share reached 17%.

The loan to value (LTV) ratio of owner-occupied dwellings and holiday homes was historically low at 48% compared to 54% at end-2021 driven by high property prices and the customers' scheduled principal payments. Furthermore, the arrears rate for owner-occupied dwellings and holiday homes was very low.

Increased digitalisation

During the first half of 2022 Nordea continued its digital journey by replacing a number of physical documents with digitised versions sent directly to the customers' e-Boks. In addition, together with e-nettet the sector succeeded in replacing the old paper-based control code letters for personal customer loan identification with a digital consent "samtykke.nu" solution, which supports a smoother process for calculating redemption amounts for customers considering moving their mortgages between mortgage institutions or putting their home up for sale.

Result summary January-June 2022

Overall, the first half of 2022 was satisfying and in line with expectations showing a profit after tax of DKK 530m (DKK 586m) (the comparative figures in brackets refer to the first half of 2021). Lending volumes continued to increase despite the effect from customers remortgaging loans with low fixed interest rates, which lowered the customers' lending by approximately DKK 3bn. Lending volumes were up by 1% in the first half of 2022 compared to the end of 2021. Administration margins were stable, showing a slight decrease of 1bp compared to 30 June 2021. Profit before impairment losses decreased by DKK 18m (3%) to DKK 645m (DKK 663m), which is more than explained by extraordinarily high transaction activity in the first half of 2021. Impairment loan losses were positive by DKK 34m (positive by DKK 88m) reflecting a continued strong credit book and decreasing LTV ratios.

Operating income
Net interest income increased by 5% to DKK 1,729m (DKK 1,641m) driven by the growth in lending volumes. Lending volumes increased by 1% compared to the end of 2021 driven by top-up lending to household customers.

Fee and commission income was down by 9% to DKK 285m (DKK 313m) driven by lower loan processing, refinancing and pay-out fees as the lending activity for household customers was lower.

Fee and commission expenses increased by DKK 47m to DKK 663m (DKK 616m) mainly related to higher guarantee fees for the first loss guarantee driven by higher total nominal lending volumes. Furthermore, liquidity support fees increased as a result of higher use of the liquidity facility.

Staff and administrative expenses
Total staff and administrative expenses increased by DKK 34m to DKK 712m (DKK 678m) mainly due to an increased fee for sales and distribution services provided by Nordea Bank.

Staff costs increased to DKK 58m (DKK 54m) compared to last year and the average number of full-time equivalent employees increased to 116 (114).

Impairment losses on loans and receivables
Impairment losses on loans and receivables amounted to a net reversal of DKK 34m (net reversal of DKK 88m) due to a low level of realised loan losses combined with a reversal of both individual and model-calculated provisions, reflecting the good credit quality of the loan portfolio.

The management judgement provision related to the coronavirus pandemic amounted to DKK 121m and was unchanged compared to the end of 2021, thereby ensuring an adequate provision to cover credit losses related to the pandemic.

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 guarantees covered an unchanged share of 98% (98% at end-2021) of all loans at Nordea Kredit.

The write-down ratio of the loan portfolio improved to -1.7bp (-4.2bp) compared to last year.

Tax
Income tax expense was DKK 149m (DKK 165m) and the effective tax rate was unchanged at 22% (22%). In June 2022 the Danish parliament adopted a bill that will increase the income tax rate for the financial sector to 25.2% in 2023 and 26% in 2024. The deferred tax assets at 30 June 2022 were measured at the tax rate that is expected to apply when the assets are realised. This resulted in a reduced income tax expense of DKK 0.4m in the first half of 2022.

Net profit for the period
Net profit for the period decreased to DKK 530m (DKK 586m), corresponding to a return on equity in the first half of 2022 of 4.8% annually (5.3% annually).

Comments on the balance sheet

Assets
Total assets decreased to DKK 444.4bn (DKK 481.0bn at end-2021).

Receivables from credit institutions and central banks decreased to DKK 45.6bn (DKK 48.5bn at end-2021) due to a decrease in excess liquidity from lending activities.

Loans and receivables at nominal value after loan losses increased by 1% to DKK 439.9bn (DKK 436.1bn at end-2021) and 5% compared to 30 June 2021. The increase was related to owner-occupied dwellings, which were up by DKK 6bn nominal despite the decrease in volumes as a result of customers remortgaging loans with low fixed interest rates. Commercial properties and agriculture both decreased by DKK 1bn nominal. Fair value decreased to DKK 398.2bn (DKK 432.3bn at end-2021) due to increased interest rates.

The arrears rate for owner-occupied dwellings and holiday homes (the 3.5-month arrears rate) for the March 2022 payment date decreased to 0.09% (0.1% at the December 2021 payment date) compared to the arrears rate for the sector of 0.13%.

Accumulated loan loss provisions decreased by DKK 46m to DKK 465m (DKK 511m at end-2021) following the reversal of individual and model-calculated provisions. Accumulated loan loss provisions regarding stages 1, 2 and 3 amounted to DKK 67m (DKK 61m at end-2021), DKK 203m (DKK 211m at end-2021) and DKK 196m (DKK 239m at end-2021), respectively.

Assets held temporarily remained at a low level and consisted of a total of 1 repossessed property at the end of June 2022 (1 at end-2021) with a carrying amount of DKK 1m (DKK 1m at end-2021).

Debt
Debt to credit institutions and central banks was up by DKK 14.4bn to DKK 28.7bn (DKK 14.3bn at end-2021), mainly due to increased repurchase agreements with Nordea Bank following the refinancing auctions in June 2022.

Bonds in issue at fair value were down by DKK 51.2bn to DKK 390bn (DKK 441.2bn at end-2021) after offsetting the portfolio of own bonds. The decrease was due to a fair value adjustment following increased interest rates.

Equity
Including the net profit for the period, total equity amounted to DKK 21.7bn at the end of June 2022 compared to DKK 22.3bn at end-2021 and DKK 21.8bn at the end of June 2021.

The property market

Owner-occupied dwellings and holiday homes
Since the outbreak of COVID-19 house prices have risen sharply. According to the Housing Statistics from Finance Denmark the price of single-family houses increased by 17% in 2020 and 2021 and the price of owner-occupied apartments and summer cottages by 19% and 30%, respectively. In the first half of 2022 house prices have continued to rise despite rising interest rates and high inflation, albeit at a more moderate pace than previously. Trading activity has fallen, and the selling period of homes for sale and price reductions have increased, and the number of houses for sale is again on the rise after a period where supply was at its lowest level in 16 years.

The changed conditions in the housing market should be seen in the light of rising interest rates and high inflation. Moreover, temporary coronavirus-related conditions have gradually lost their significance in line with the reopening of society.

Developments in house prices will be affected in the coming years by several opposing factors. On the one hand, interest rates have already risen, and further but moderate interest rate hikes are expected in the second half of 2022, which will put clear downward pressure on house prices. The negative effect of higher interest rates on house prices will, all other things being equal, be greater in the areas where house prices have risen most in recent years. The reason for this is that there are limits to the proportion of housing costs that can be included in the budget of an ordinary family.

On the other hand, there are prospects of a continued high level of employment and high job security in the coming years, and together with the continued low supply and short (but rising) lengths of the selling period of homes for sale, this will support the desire to buy owner-occupied housing.

The new housing tax reform, which will enter into force in 2024, is expected to have a negative effect on apartment prices and a positive effect on single-family houses and summer cottages.

Overall, we expect a further slowdown on the property market and it is estimated that house prices will decline by 5-10% for the country as a whole in the second half of 2022 and in 2023. We expect the decrease to be largest in growth areas like the apartment market in Copenhagen and among the types of housing where energy costs have risen most. However, the average homeowner is well equipped to handle a possible price drop as a result of relatively low LTV ratios and resultant high home equity values, high savings and high job security.

Commercial properties
Residential rental properties
The market for residential rental properties was still good with stable prices especially in the big cities. At the same time yield levels were stable too.

Office and retail properties
For office properties rent levels remained stable and vacancy rates were still low. An effect of increased remote working has not yet been seen.

During the period with the coronavirus pandemic online trading has grown significantly. This has made it difficult for many stores to cope with the competition and resulted in increased closures. The increase in vacant retail properties put pressure on property prices. Generally, the increase in vacancies seems to have stopped in many cities, but it is difficult to say if the trend will continue.

Hotels and restaurants have been through a long period where many have suffered greatly under the coronavirus pandemic. Further supply of hotel capacity especially in Copenhagen as ongoing projects are completed will put downward pressure on property prices for this segment for an extended period.
Warehouses
Demand for modern and well-located properties with good infrastructure has been solid. For the same type of properties there has been a large decrease in yield levels.

Agricultural properties
Recent years have been characterised by satisfactory earnings for agriculture in general, which has contributed to a reduction in debt, thereby increasing the robustness of the industry. Product prices are generally rising, but not for pig production, where prices are currently very low compared to the production price. However, the latter is expected to improve during the second half of 2022 as pig production is declining in Europe. In addition to the current fluctuating prices, agriculture looks into structural uncertainties for the coming years such as the implementation of the Common Agricultural Policy reform and the green transition with, among other things, a CO2 tax.

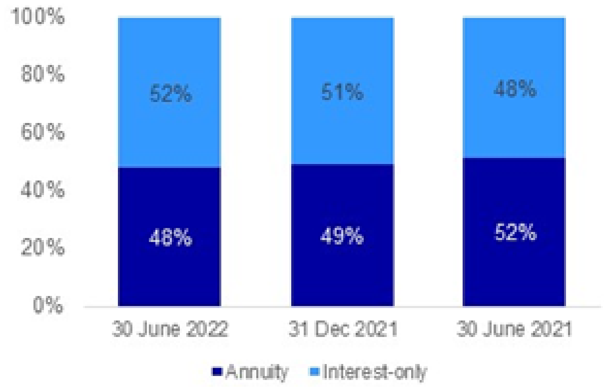
Trading activity in land and crop properties has been good in recent years and with stable/now slightly rising prices partly due to the sharply rising prices of crops. The turnover of properties with livestock production is more subdued, but well-maintained properties with good locations and future-oriented production facilities see satisfactory turnover. Trading activity is expected to be unchanged in the coming period.

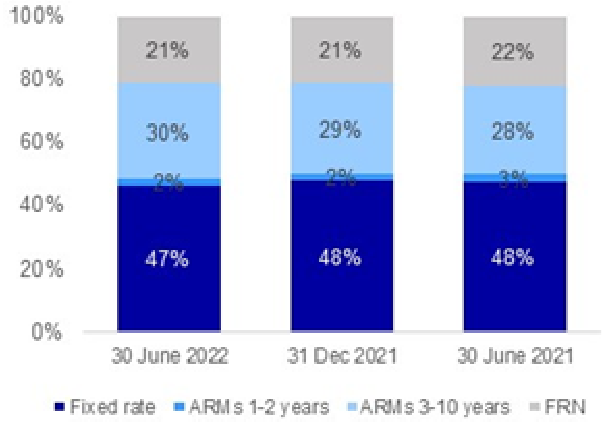
Nordea Kredit's lending

The loan portfolio
At the end of June 2022 total lending at nominal value after loan losses amounted to DKK 440bn (DKK 437bn at end-2021).

Although the housing market slowed down in the first half of 2022 lending activity stayed on a high level. Gross new lending in the first half of 2022 amounted to DKK 50bn, of which DKK 38bn was related to owner-occupied dwellings and holiday homes. While the lending activity in 2021 was driven by high sales activity on the housing market, remortgaging took somewhat over in the first half of 2022 as interest rates continued upwards.

Remortgaging of loans for owner-occupied dwellings and holiday homes amounted to DKK 18bn in the first half of 2022, while lending for change of ownership was DKK 12bn. The number of owner-occupied dwellings and holiday homes mortgaged with Nordea Kredit increased by 300 properties in the first half of 2022.

Total loan portfolio by loan


Total loan portfolio by loan type


As long-term interest rates continued upwards, the spreads between short- and long-term interest rates widened increasing the popularity of variable-rate mortgages. However, 51% of mortgages for owner-occupied dwellings and holiday homes were fixed-rate loans in the first half of 2022. By end-June 2022 47% of the total portfolio was fixed-rate loans compared to 48% by end-2021. Among household customers preferring variable-rate mortgages, two out of three chose F5 loans, while one out of four chose Kort Rente.

The 30-year interest-only loan Frihed30 is popular among household customers. By end-June Frihed30 for owner-occupied dwellings amounted to DKK 48bn. Frihed30 is targeted at experienced homeowners and is only available to customers with a maximum LTV ratio of 60%. By end-June 52% of the portfolio (51% at end-2021) was interest-only loans. The popularity of Frihed30 is the primary reason why interest-only loans constitute an increasing share of the loan portfolio.

Floating-rate products (for example Cibor6 and Cibor6 Green loans) account for 45% of the lending portfolio for corporate borrowers.

LTV ratios
The LTV ratio for total lending at Nordea Kredit was 46% at the end of June 2022 (52% at end-2021).

The LTV ratio for owner-occupied dwellings and holiday homes decreased by 6% points to 48% in the first half of 2022, while the LTV ratio for rental properties decreased by 6% points to 43%. The LTV ratios for agricultural properties and other commercial properties were 44% (47% at end-2021) and 43% (45 at end-2021), respectively, by end-June.

The LTV ratios are closely linked to trends in property prices. Consequently, the downward trend in LTV ratios for especially owner-occupied dwellings and holiday homes was mainly caused by rising house prices.

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 bonds (SDROs) must regularly monitor the value of the mortgaged properties.

The value of residential properties must be monitored at least every three years under existing legislation, whereas commercial properties must be monitored annually. In the event of significant changes in market conditions, values must be monitored more frequently.

If it is determined in the monitoring process that the statutory LTV limit for the individual property has been exceeded, the mortgage institution must provide supplementary collateral out of its own funds. Total supplementary collateral is an overcollateralisation (OC) requirement that represents the sum of statutory LTV breaches on every single loan. This is monitored and calculated over the lifetime of the individual loans.

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 5bn at end-2021).

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 100bn nominal in the first half of 2022 (DKK 76bn in the first half of 2021) mainly driven by the higher lending activity and more series being refinanced in 2022.

At the end of June 2022 the total nominal value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, increased to DKK 494bn (DKK 456bn at end-2021). At end-June 2022 the fair value of the total outstanding volume of bonds was DKK 390bn (DKK 430bn) after offsetting the portfolio of own bonds.

Nordea Kredit’s issuance of green covered mortgage bonds amounted to DKK 12bn at the end of the first half of 2022. The refinancing auction in May 2022 included the sale of green covered mortgage bonds for DKK 6bn, and investors’ appreciation was again documented by a high bid to cover (BtC) ratio.

In general the Danish covered bond market maintained high liquidity in the first quarter of 2022. However, since April 2022 the market has been challenged – in particular callable mortgage bonds. With the rise in interest rates, new issuance has shifted from being dominated by callable bonds to an even split between callable and ARMs/ floating-rate bonds.

The rapidly rising interest rates have led to the opening of a number of new callable mortgage bonds, some of which with limited volume.

At the refinancing auctions in May 2022 the Danish mortgage banks sold bonds for a total of DKK 98bn. Despite some stress in the market, the bonds were sold in the market at tighter spreads compared to analysts' expectations 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

The tier 1 capital ratio excluding the net profit for the period was 26.6% (24.7% at end-2021). The tier 1 capital ratio increased due to a decrease in the risk exposure amount (REA) of DKK 6bn to DKK 77bn (DKK 83bn at end-2021). The decrease in REA was mainly related to decreases in fair value driving the exposure at default downwards.

The total capital ratio excluding the net profit for the period increased by 2% points to 28.6% (26.6% at end-2021). The total capital ratio increased due to the above-mentioned decrease in REA.

Debt buffer

The debt buffer requirement was DKK 8.0bn at the end of June 2022 (DKK 8.6bn at end-2021). 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.

New regulation

Risk exposure amount (REA), own funds and capital ratios are calculated according to the Capital Requirements Directive (CRD) / Capital Requirements Regulation (CRR).

Several buffers apply to Nordea Kredit. The capital conservation buffer (CCoB) applies with 2.5%. In 2021 the Minister for Industry, Business and Financial Affairs announced that the countercyclical buffer rate will be set at 1% valid from 30 September 2022 and 2% from 31 December 2022. On 30 March 2022 the minister announced a further increase to 2.5% valid from 31 March 2023. Systemically important financial institutions (SIFIs) apply according to their systemicness a buffer requirement as other systemically important institutions (O-SIIs). The buffer for Nordea Kredit is 1.5% in 2022. On 24 June 2022 the Danish FSA announced that Nordea Kredit was reappointed as a SIFI. The scoring, based on the new model valid from 2022, ranks Nordea Kredit in category 2, which is unchanged compared to the previous year. Later in 2022 the SIFI buffer requirement for 2023 will be decided. In addition to this, there is a pillar 2 requirement (P2R) that is set on an individual basis.

Finalised Basel III framework ("Basel IV")
Basel III is a global regulatory framework on bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often called the Basel IV package, was published. On 27 October 2021 the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and the CRR. The proposal from the Commission is to set the start date at 1 January 2025. The proposal is currently subject to negotiations in the Parliament and the Council and later between the Commission, the Council and the Parliament before the final set of regulations is decided.

Liquidity and funding ratios

The liquidity coverage ratio (LCR) measures short-term liquidity risk. 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. In addition, Nordea Kredit has a pillar 2 LCR floor requirement of 100%, as specified by the Danish FSA, which is measured relative to 2.5% of Nordea Kredit's total lending at fair value. At 30 June 2022 the LCR requirement that was the binding constraint on the liquidity buffer was the pillar 2 LCR floor requirement, and the LCR relative to the floor was 206% (the LCR requirement as specified by the Delegated Act was 1,100%).

The net stable funding ratio (NSFR) measures long-term liquidity risk. The NSFR requirement for Nordea Kredit is 100% according to the CRR II. At 30 June 2022 Nordea Kredit's NSFR was 862%.

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 2022 Nordea Kredit complied with the five benchmarks of the supervisory diamond for mortgage institutions.

The supervisory diamond

	30 June 2022	Limit
1. Lending growth		
Owner-occupied dwellings and holiday homes	6%	15%
Residential rental properties	3%	15%
Agriculture	-5%	15%
Other	3%	15%
2. Borrower´s interest rate risk[1]	**10%**	**25%**
3. Interest-only lending[2]	**7%**	**10%**
4. Short-term funding[3]		
Annually	14%	25%
Quarterly	8%	13%
5. Large exposures[4]	**33%**	**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 1 May 2022 Anders Holkmann Olsen was elected member of the Bord of Directors.

The Board of Directors consists of Mads Skovlund Pedersen (Chair), Anne Rømer (Vice Chair and external member), Anita Nedergaard Nielsen, Marte Kopperstad, Thomas Vedel Kristensen, Torben André Petersen, Anders Frank-Læssøe and Anders Holkmann Olsen.

Risks and uncertainties

See Note 7 for information about risks and uncertainties.

Income statement

	Note	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
DKKm				
Interest income		3,821	3,610	7,313
Interest expenses		-2,092	-1,969	-3,989
Net interest income	**2**	**1,729**	**1,641**	**3,324**
Fee and commission income		285	313	629
Fee and commission expenses		-663	-616	-1,259
Net interest and fee income		**1,351**	**1,338**	**2,694**
Value adjustments	3	5	3	1
Other operating income		0	0	8
Staff and administrative expenses		-712	-678	-1,367
Depreciation of tangible assets		0	0	0
Impairment losses on loans and receivables	4	34	88	82
Profit from equity investment in associated undertaking		1	0	2
Profit before tax		**680**	**751**	**1,419**
Tax		-149	-165	-312
Net profit for the period		**530**	**586**	**1,107**

Statement of comprehensive income

	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
DKKm			
Net profit for the period	530	586	1,107
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	**530**	**586**	**1,107**

Balance sheet

DKKm	Note	30 Jun 2022	31 Dec 2021	30 Jun 2021
Assets				
Cash in hand and demand deposits with central banks		0	0	0
Receivables from credit institutions and central banks		45,564	48,523	47,337
Loans and receivables at fair value	5	398,185	432,280	419,745
Loans and receivables at amortised cost		1	1	1
Investment in associated undertaking		23	22	20
Tangible assets		0	0	0
Deferred tax assets		3	1	2
Current tax assets		-	2	-
Assets held temporarily		1	1	3
Other assets		601	177	247
Prepaid expenses		32	8	44
Total assets		**444,410**	**481,015**	**467,399**
Debt				
Debt to credit institutions and central banks		28,722	14,260	9,443
Bonds in issue at fair value		390,024	441,234	430,487
Current tax liabilities		38	-	55
Other liabilities		2,329	1,644	1,851
Deferred income		13	16	23
Total debt		**421,125**	**457,154**	**441,859**
Subordinated debt				
Subordinated debt		**1,550**	**1,550**	**3,750**
Equity				
Share capital		1,717	1,717	1,717
Other reserves		24	23	21
Retained earnings		19,994	19,464	20,052
Proposed dividend		0	1,107	-
Total equity		**21,735**	**22,311**	**21,790**
Total equity and debt		**444,410**	**481,015**	**467,399**
Contingent liabilities				
Guarantees etc		0	0	0
Credit commitments		3,544	2,721	1,737
Total contingent liabilities		**3,544**	**2,721**	**1,737**

Statement of changes in equity

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

DKKm					
Balance at 1 Jan 2021	**1,717**	**21**	**19,464**	**1,279**	**22,481**
Net profit for the year	-	2	1,105	-	1,107
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	2	-	2
Dividends paid	-	-	-	-1,279	-1,279
Proposed dividends	-	-	-1,107	1,107	-
Balance at 31 Dec 2021	**1,717**	**23**	**19,464**	**1,107**	**22,311**

DKKm					
Balance at 1 Jan 2021	**1,717**	**21**	**19,464**	**1,279**	**22,481**
Net profit for the period	-	-	586	-	586
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	2	-	2
Dividends paid	-	-	-	-1,279	-1,279
Balance at 30 Jun 2021	**1,717**	**21**	**20,052**	**-**	**21,790**

[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.

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 2021. For more information see Note 1 in the annual report for 2021.

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 2022	Jan-Jun 2021	Full year 2021
Interest income			
Receivables from credit institutions and central banks	10	0	0
Loans and receivables at fair value	1,888	1,767	3,583
Administration margins	1,804	1,726	3,503
Positive interest expenses	112	109	210
Other interest income	7	8	17
Total interest income	**3,821**	**3,610**	**7,313**
Interest expenses			
Debt to credit institutions and central banks	-3	-1,823	-3,699
Bonds in issue at fair value	-1,956	-30	-54
Subordinated debt	-16	-114	-233
Negative interest income	-117	-1,969	-3,989
Total interest expenses	**-2,092**	**1,641**	**3,324**

Note 3 Value adjustments

DKKm	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
Mortgage loans	-37,338	-9,441	-12,586
Foreign exchange gains/losses	0	0	0
Interest rate derivatives	-12	-22	-22
Bonds in issue[1]	37,355	9,466	12,609
Total	**5**	**3**	**1**

[1] Including value adjustments on own positions.

Note 4 Impairment losses on loans and receivables

DKKm	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
Stage 1			
New and increased impairment charges	-6	-4	-13
Reversals of impairment charges	0	10	12
Impairment losses on loans and receivables, non-credit impaired	-6	6	-1
Stage 2			
New and increased impairment charges	-40	-45	-54
Reversals of impairment charges	49	75	100
Impairment losses on loans and receivables, non-credit impaired	9	30	45
Stage 3, credit impaired			
Realised loan losses	-18	-35	-86
Decrease in impairment charges to cover realised loan losses	15	32	81
Recoveries on previous realised loan losses	2	2	4
New and increased impairment charges	-33	-54	-98
Reversals of impairment charges	65	107	137
Impairment losses on loans and receivables, credit impaired	31	52	37
Impairment losses on loans and receivables	**34**	**88**	**81**

Note 5 Loans and receivables at fair value

DKKm	30 Jun 2022	31 Dec 2021	30 Jun 2021
Mortgage loans, nominal value			
Value at beginning of period	436,626	409,893	409,893
New loans (gross new lending)	50,081	104,796	52,300
Foreign exchange revaluations	1	-2	-2
Redemptions and prepayments	-41,873	-68,633	-36,237
Net new lending for the period	8,209	36,161	16,061
Scheduled principal payments	-4,426	-9,428	-4,594
Mortgage loan portfolio at end of period	**440,408**	**436,626**	**421,360**
Mortgage loans, fair value			
Nominal value	440,408	436,626	421,360
Adjustment for interest rate risk etc	-41,899	-3,952	-1,241
Adjustment for credit risk (see below)	-465	-511	-553
Mortgage loan portfolio	398,045	432,164	419,566
Mortgage arrears (see below)	141	116	179
Loans and receivables at fair value	**398,185**	**432,280**	**419,745**

DKKm	Stage 1[1]	Stage 2	Stage 3	Total
Movements of allowance account for credit risk value changes				
Balance at 1 January 2022	-61	-211	-239	-511
Changes due to origination	-6	-6	-2	-14
Transfer between stages	0	-9	4	-4
Changes due to changes in credit risk (net) and modelling approach[2]	0	11	14	25
Changes due to repayments	-	11	16	27
Write-off through decrease in allowance account	-	-	12	12
Closing balance at 30 June 2022	**-67**	**-203**	**-195**	**-465**

DKKm	Stage 1[1]	Stage 2	Stage 3	Total
Movements of allowance account for credit risk value changes				
Balance at 1 January 2021	-60	-257	-354	-671
Changes due to origination	0	-11	-9	-20
Transfer between stages	0	12	9	21
Changes due to changes in credit risk (net) and modelling approach[2]	-1	12	-19	-8
Changes due to repayments	0	33	59	91
Write-off through decrease in allowance account	-	0	76	76
Closing balance at 31 December 2021	**-61**	**-211**	**-239**	**-511**

DKKm	Stage 1[1]	Stage 2	Stage 3	Total
Movements of allowance account for credit risk value changes				
Balance at 1 January 2021	-60	-257	-354	-671
Changes due to origination	-	-4	-6	-10
Transfer between stages	-	7	5	12
Changes due to changes in credit risk (net) and modelling approach[2]	7	10	20	37
Changes due to repayments	-	17	35	52
Write-off through decrease in allowance account	-	-	27	27
Closing balance at 30 June 2021	**-53**	**-227**	**-273**	**-553**

[1] Stage 1 includes loans and receivables where management has assessed that there has not been a significant increase in credit risk since first recognition.
[2] Including the impact from an update of the model and parameters for calculating expected credit losses.

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 2022, the scenarios were weighted into the final ECL as follows: baseline 50%, adverse 40% and favourable 10% (baseline 60%, adverse 20% and favourable 20% at year-end 2021). The weights reflect increasing downside risks to the macroeconomic projections during the first half of 2022.

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 economy might develop in light of Russia's invasion of Ukraine and the associated sanctions and countersanctions on trade with Russia. This includes consideration of the high level of energy prices seen after the invasion, continued supply chain disruptions and an expectation of significantly higher interest rates in response to the strong inflationary pressures. When developing the scenarios, Nordea took into account projections made by the central bank, Nordea Research and the European Central Bank's macroeconomic forecasts.

Nordea's baseline scenario is based on economic projections from the central bank and the European Central Bank. The central bank's forecast used as input for the baseline scenario was published after Russia's invasion of Ukraine. Even so, the risks around the baseline forecast are clearly tilted towards the downside. The forecast generally predicts continued growth, although at a considerably slower pace than in 2021, when the economy was recovering fast from the COVID-19 pandemic. The slower growth is driven by the squeeze on household disposable incomes from high energy and food prices, the general uncertainty related to the war and the effect of higher interest rates. This strong headwind is partially mitigated by large household savings and strong labour markets following the recovery from the COVID-19 pandemic. The outlook for housing markets is expected to be much more subdued going forward, as the higher level of interest rates reduces housing affordability.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline projection. The recent surge in energy prices may depress growth more than expected through weaker consumption growth. In addition, the conflict between Russia and Ukraine could potentially cause energy prices to rise even higher, leading to slower-than-expected growth in private consumption and investment. A reversal of these risk factors could, on the other hand, lead to a more positive outcome.

At the end of the first half of 2022, adjustments to model-based allowances/provisions amounted to DKK 465m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The management judgement was triggered by the substantial uncertainty over macroeconomic developments related to COVID-19. The management judgement is based on a stressed simulation of the ECL.

Scenarios

		2022	2023	2024	Probability weight
Favourable scenario	GDP growth, %	2.6%	2.5%	2.2%	10%
	Unemployment, %	2.5%	2.4%	2.3%	
	Household consumption, %	2.7%	1.9%	2.3%	
	Home prices, %	3.8%	3.0%	2.6%	
Baseline scenario	GDP growth, %	2.1%	2.1%	1.7%	50%
	Unemployment, %	2.5%	2.7%	2.8%	
	Household consumption, %	2.3%	1.9%	1.8%	
	Home prices, %	3.6%	1.7%	2.1%	
Adverse scenario	GDP growth, %	0.5%	0.5%	1.6%	40%
	Unemployment, %	3.0%	3.8%	4.0%	
	Household consumption, %	1.4%	0.0%	1.0%	
	Home prices, %	-1.2%	-4.8%	0.0%	

Note 6 Capital adequacy

Summary of items included in own funds

DKKm	30 Jun 2022	31 Dec[1] 2021	30 Jun 2021
Calculation of own funds			
Equity	21,205	22,311	21,204
Proposed/actual dividend	-	-1,107	-
Common equity tier 1 capital before regulatory adjustments	**21,205**	**21,205**	**21,204**
IRB provisions shortfall (-)	-323	-360	-368
Other items, net	-316	-319	-301
Total regulatory adjustments to common equity tier 1 capital	**-639**	**-679**	**-669**
Common equity tier 1 capital (net after deduction)	20,566	20,526	20,535
Tier 1 capital (net after deduction)	**20,566**	**20,526**	**20,535**
Tier 2 capital before regulatory adjustments	1,550	1,550	3,750
Total regulatory adjustments to tier 2 capital	**-**	**-**	**-**
Tier 2 capital	1,550	1,550	3,750
Own funds (net after deduction)	**22,116**	**22,076**	**24,285**

[1] Including profit for the year.

Minimum capital requirements and risk exposure amount (REA)

DKKm	30 Jun 2022 Minimum capital requirement	30 Jun 2022 REA	31 Dec 2021 Minimum capital requirement	31 Dec 2021 REA	30 Jun 2021 Minimum capital requirement	30 Jun 2021 REA
Credit risk	**5,841**	**73,012**	**6,314**	**78,930**	**6,226**	**77,825**
- of which counterparty credit risk	153	1,907	90	1,125	92	1,152
IRB	5,166	64,575	5,536	69,207	5,600	69,998
- corporate	1,872	23,394	2,031	25,394	2,159	26,993
- advanced	*1,872*	*23,394*	*2,031*	*25,394*	*2,159*	*26,993*
- institutions	-	-	-	-	0	2
- retail	3,240	40,505	3,497	43,710	3,345	41,811
- secured by immovable property collateral	*3,210*	*40,129*	*3,401*	*42,513*	*3,318*	*41,478*
- other retail	*30*	*376*	*96*	*1,197*	*27*	*333*
- other	54	676	8	103	96	1,192
Standardised	675	8,437	778	9,723	626	7,827
- central governments or central banks	1	7	0	4	0	6
- institutions	666	8,327	768	9,604	618	7,721
- corporate	0	1	0	0	0	0
- secured by mortgages on immovable properties	6	79	8	93	6	79
- equity	2	23	2	22	2	21
Market risk	-	-	-	-	-	-
Operational risk	**347**	**4,341**	**332**	**4,148**	**332**	**4,148**
Standardised	347	4,341	332	4,148	332	4,148
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	2	17	2	21	2	21
Total	**6,190**	**77,370**	**6,648**	**83,099**	**6,560**	**81,994**

Note 6 Capital adequacy, continued

Minimum capital requirement, Pillar 2 requirement & capital buffers

30 Jun 2022 (%)	Minimum capital require-ment	Pillar 2 require-ment	Capital buffers: CCoB	CCyB	SII	SRB	Capital buffers total[1]	Total
Common equity tier 1 capital	4.5	1.6	2.5	0.0	1.5	0.0	4.0	10.1
Tier 1 capital	6.0	1.2	2.5	0.0	1.5	0.0	4.0	11.2
Own funds	8.0	2.1	2.5	0.0	1.5	0.0	4.0	14.1
30 Jun 2022 (DKKm)								
Common equity tier 1 capital	3,482	1,246	1,934	1	1,161	-	3,096	7,823
Tier 1 capital	4,642	928	1,934	1	1,161	-	3,096	8,666
Own funds	6,190	1,656	1,934	1	1,161	-	3,096	10,941

[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 2022	31 Dec[1] 2021	30 Jun 2021
Common equity tier 1 capital	20.6	18.6	19.0

Capital ratios excl Basel I floor (%)	30 Jun 2022	31 Dec[1] 2021	30 Jun 2021
Common equity tier 1 capital ratio	26.6	24.7	25.0
Tier 1 capital ratio	26.6	24.7	25.0
Total capital ratio	28.6	26.6	29.6

Leverage ratio	30 Jun 2022	31 Dec[1] 2021	30 Jun 2021
Tier 1 capital, DKKm	20,566	20,526	20,535
Leverage ratio exposure, DKKm	445,433	483,979	467,403
Leverage ratio, %	4.6	4.2	4.4

[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 2021 for further information on Nordea Kredit's management of risks.

There are significant risks related to the macroeconomic environment due to geopolitical developments (including the impact of higher energy, food and commodity prices), broader inflationary pressures and continuing uncertainty regarding the long-term impact of the coronavirus pandemic. Depending on future developments, there may be increased credit risk in Nordea Kredit's portfolio. Furthermore, potential adverse impacts on income could arise due to reduced business activity impacting customer loan activity. 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 2022	Jan-Jun 2021	Full year 2021
Total capital ratio, %	28.6	29.6	26.6
Tier 1 capital ratio, %	26.6	25.0	24.7
Pre-tax return on equity, %	3.1	3.4	6.3
Post-tax return on equity, %	4.8	2.6	4.9
Income/cost ratio	2.0	2.3	2.1
Foreign exchange exposure as % of tier 1 capital	1.2	1.7	1.1
Loans/equity ratio	18.3	19.3	19.4
Lending growth for the period, %	0.9	2.8	6.6
Impairment ratio for the period, %	0.0	0.0	0.0
Return on assets, %	0.1	0.2	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.

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.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have discussed and approved the interim report of Nordea Kredit Realkreditaktieselskab for half-year ending 30 June 2022.

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. Furthermore, the interim report has been prepared in accordance with additional Danish disclosure requirements for interim reports of 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 2022 and of the results of the company's operations for the half-year ending 30 June 2022.

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, 31 August 2022

Board of Directors

Mads Skovlund Pedersen (Chair)	Anne Rømer (Vice Chair)	Anders Frank-Læssøe
Torben André Petersen	Anita Nedergaard Nielsen	Marte Kopperstad
Thomas Vedel Kristensen	Anders Holkmann Olsen	

Executive Management

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