



Annual Report 2012  
**Nordea Kredit Realkreditaktieselskab**

Business registration number 15134275

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*The following is a translation of the Danish original document. The original Danish text is the governing text for all purposes and in case of any discrepancy the Danish wording is applicable.*

*Nordea Kredit Realkreditaktieselskab is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 1,000 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

## Key financial figures

### Income, profit and business volumes, key items (DKK m)

	2012	2011	Change %	2010	2009
Net interest and fee income	1,759	1,583	11	1,388	1,362
Staff costs and administrative expenses	-228	-236	-3	-250	-197
Net loan losses	-491	-284	73	-118	-114
Profit before tax	938	1,009	-7	934	908
Net profit for the year	703	756	-7	700	678
Loans to credit institutions and central banks	46,773	40,152	16	36,527	16,382
Loans and receivables at fair value	358,371	340,874	5	318,199	294,558
Deposits by credit institutions and central banks	48,905	63,547	-23	70,141	51,314
Bonds in issue at fair value	336,402	302,951	11	265,964	240,480
Equity	16,461	15,758	4	15,002	14,301
Total assets	407,044	387,392	5	356,181	311,615

### Ratios and key figures (%)

Return on equity	4.4	4.9		4.8	4.9
Cost/income ratio	14.0	16.1		19.9	16.9
Total capital ratio <sup>1</sup>	16.2	17.4		16.5	18.5
Tier 1 capital ratio <sup>1</sup>	16.2	17.4		16.5	18.5
Tier 1 capital <sup>1</sup> , DKK m	14,239	14,348		13,536	13,042
Risk-weighted assets <sup>1</sup> , DKK m	87,851	82,248		81,756	70,354
Number of employees (full-time equivalents) <sup>1</sup>	131	133		148	145

<sup>1</sup> End of period.

# Nordea Kredit Realkreditaktieselskab

## Directors' report

Nordea Kredit Realkreditaktieselskab is a wholly owned subsidiary of Nordea Bank Danmark A/S.

Nordea Kredit Realkreditaktieselskab is domiciled in Copenhagen and its business registration number is 15134275.

Throughout this report the term "Nordea Kredit" refers to Nordea Kredit Realkreditaktieselskab, "Nordea Bank" to Nordea Bank Danmark A/S and "Nordea" to the Nordea Bank AB Group. The figures in brackets refer to 2011.

### Comments on the income statement

Nordea Kredit posted a profit of DKK 703m in 2012 compared with DKK 756m the year before.

Income from administration and reserve fees increased by 26% to DKK 2,268m (DKK 1,807m) due to continued lending growth as well as the introduction of higher administration and reserve fees in January 2012.

The return on investment was negative at DKK 239m net versus a gain of DKK 220m in 2011. The return on investment includes all interest income and the net result from items at fair value relating to cash investments as well as interest expenses relating to Nordea Kredit's funding facilities. The negative net return in 2012 was attributable to the rising cost of capital to maintain the high rating as well as the falling level of interest rates which led to negative rates on cash investments in the second half of 2012.

Fee and commission income increased by DKK 140m, whereas Fee and commission expense was up DKK 110m driven by a higher level of activity.

IT expenses were down in 2012, whereas expenses for the handling of non-performing loans and repossessed properties increased. Total staff costs and administrative expenses were reduced to DKK 228m (DKK 236m). The cost/income ratio improved to 14% (16%).

Net loan losses amounted to DKK 491m (DKK 284m) and total losses realised amounted to DKK 324m (DKK 83m). The increase in net loan losses should be viewed in light of the persistent weakness of the property market and loss risks to a greater extent than previously being identified on loans where the parent company's

loss guarantee has expired. The provisioning requirement is mainly attributable to loans to personal customers and involves considerable geographical variations.

### Comments on the balance sheet

#### Assets

Total assets increased by DKK 20bn in 2012 to DKK 407bn (DKK 387bn).

Loans to credit institutions and central banks amounted to DKK 47bn (DKK 40bn). The increase was mainly due to greater cash deposits with the parent company.

Loans and receivables at fair value increased DKK 17bn to DKK 358bn (DKK 341bn).

At the end of 2012 total lending at nominal value after loan losses amounted to DKK 349bn (DKK 335bn). Year-round residences and holiday homes accounted for DKK 239bn (DKK 230bn), agricultural properties for DKK 45bn (DKK 43bn) and other commercial properties for DKK 65bn (DKK 62bn).

At year-end lending for year-round residences and holiday homes accounted for 68% (69%) of the total loan portfolio.

Accumulated loan losses amounted to DKK 437m at the end of 2012 (DKK 297m), corresponding to 0.12% (0.09%) of the loan portfolio. The quality of the loan portfolio is still considered satisfactory. Of the total accumulated loan losses of DKK 437m at the end of 2012, provisions for collectively assessed loans accounted for DKK 34m (DKK 50m).

At end-2012 loss guarantees from Nordea Bank comprised loans totalling DKK 292bn (DKK 265bn). Of this amount guarantees covered a total of DKK 82bn (DKK 73bn).

At the beginning of 2013 the 3.5-month arrears rate for year-round residences and holiday homes (the September 2012 payment date) was 0.29% (0.34%), a decline of 0.05% point since the beginning of 2012.

Nordea Kredit's share of the overall mortgage market in Denmark is still growing. At 31 December 2012 the market share was 14.2%

(13.9%). For year-round residences and holiday homes the market share was 16.8% (16.4%).

Assets in temporary possession consisted of a total of 65 (131) repossessed properties by the end of 2012 at a value of DKK 44m (DKK 235m). The reduction in the portfolio of repossessed properties is the result of targeted efforts.

### Liabilities

Deposits by credit institutions and central banks were down DKK 15bn to DKK 49bn (DKK 64bn) due to reduced drawings on credit facilities with Nordea Bank.

Bonds in issue at fair value totalled DKK 336bn (DKK 303bn) after offsetting the portfolio of own bonds. The increase was attributable to bond issuance as a result of the growth in lending.

### Equity

Equity was DKK 16.5bn at the end of 2012 compared with DKK 15.8bn at the end of 2011, the increase reflecting transfer of the profit for the year.

### Annual General Meeting

The Board of Directors will propose to the Annual General Meeting to be held on 28 February 2013 in Copenhagen that the profit for the year after tax of DKK 703m is transferred to equity and that no dividend is paid for 2012.

Nordea Kredit will announce its half-year 2013 results on 17 July 2013.

### Capital adequacy

At the end of 2012 the risk-weighted assets of Nordea Kredit amounted to DKK 87.9bn (DKK 82.2bn). The change compared with 2011 is mainly due to increased lending volumes.

The tier 1 capital ratio and the total capital ratio were both 16.2% at end-2012 (17.4%).

The Board of Directors confirms the assumption that Nordea Kredit is a going concern, and the annual financial statements have been prepared based on this assumption.

## The property market

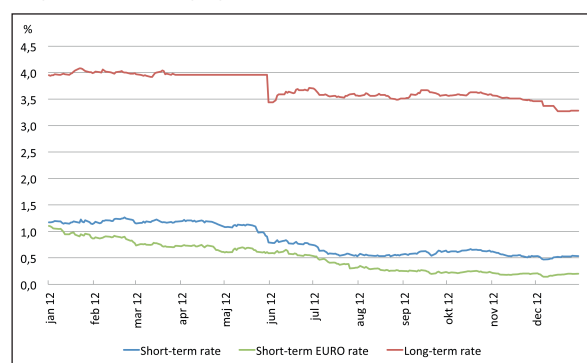
### The economy

In 2012 the Danish economy was affected by uncertainty and stagnant growth, and this especially impacted domestic consumption. Two factors are behind the low level of consumer spending. Firstly, recent developments in the labour market have led to greater uncertainty and prompted consumers to save more. Secondly, the housing market is in a wait-and-see situation after the relatively sharp price declines in 2011, even though prices stabilised in 2012.

In the course of 2013 economic activity is likely to pick up slightly, chiefly driven by the pent-up demand stemming from recent years' stagnant consumer spending.

Economic growth in the Euro area was also hard hit in 2012. This resulted in low interest rates, which also fed through to Denmark owing to the country's fixed exchange rate policy. In addition, the considerable uncertainties over the debt crisis in Southern Europe made investors prefer greater safety, underpinning Denmark's position as a safe haven. The Danish central bank cut interest rates independently several times to keep the krone stable, resulting in mortgage rates repeatedly reaching new lows. In 2013 interest rates are set to remain at a low level – albeit with a slight upward trend.

Figure 1. Mortgage interest rates – 2012



### Property prices and market activity

Prices of single-family and terraced houses fell by around 1% nationwide during the first nine months of 2012, whereas prices of holiday homes were close to unchanged. In comparison prices of owner-occupied flats rose nearly 2%. Housing prices thus reflect a trend towards stabilisation – although the foundation remains fragile.

This stabilisation is expected to continue into 2013, with housing prices 1-1.5% higher in nominal terms at year-end compared with the level at the beginning of the year. The sharpest price rises are expected around the large cities.

Overall, prices of single-family and terraced houses have dropped nearly 20% nationwide from their peak in the second quarter of 2007. Prices of owner-occupied flats have declined around 25% since the second quarter of 2006, whereas holiday home prices have dropped nearly 21% from their peak in the third quarter of 2007. As a result of the price declines, property prices nationwide are now back at the mid-2005 level.

Property turnover was low in the first three quarters of 2012 and only marginally higher than in the comparable period of 2011, which was the lowest level on record since the Danish Mortgage Banks' Federation and the Association of Danish Mortgage Banks began the publication of Housing Market Statistics in 2004.

### The mortgage market

Total lending by the mortgage sector measured by outstanding bond debt increased from DKK 2,406bn at end-2011 to DKK 2,457bn at end-2012 – an increase of DKK 51bn or 2%. Net lending increased by DKK 8bn or 19% from DKK 43bn in 2011 to DKK 51bn.

### Nordea Kredit's lending

At the end of 2012 total lending at nominal value after loan losses amounted to DKK 349bn (DKK 335bn). Year-round residences and holiday homes accounted for DKK 239bn (DKK 230bn), agricultural properties for DKK 45bn (DKK 43bn) and other commercial properties for DKK 65bn (DKK 62bn).

A breakdown by loan type shows that the share of adjustable-rate mortgages, both loans with amortisation and interest-only loans, as well as fixed-rate loans with amortisation increased, whereas the share of fixed-rate interest-only mortgages decreased (Table 1).

**Table 1. Lending at nominal value by loan type**

	2012		2011	
	DKKbn	%	DKKbn	%
<b>Adjustable rates</b>				
Cibor/Euribor	36.4	10.4	35.1	10.5
Capped floaters, annuity	2.6	0.8	2.2	0.7
Capped floaters, interest-only	3.8	1.1	3.0	0.9
Adjustable-rate, annuity	61.2	17.5	56.9	17.0
Adjustable-rate, interest-only	114.3	32.7	106.4	31.8
<b>Fixed rates</b>				
Cash loans	6.4	1.8	5.5	1.6
Bond loans, annuity	69.2	19.8	64.3	19.2
Bond loans, interest-only	55.6	15.9	61.2	18.3
<b>Total</b>	<b>349.5</b>	<b>100.0</b>	<b>334.6</b>	<b>100.0</b>

### Mortgage arrears and losses

Mortgage arrears rates reflect the financial situation of borrowers.

At the beginning of 2013 the 3.5-month arrears rate for year-round residences and holiday homes (the September 2012 payment date) was 0.29% (0.34%), an improvement of 0.05% point since the beginning of 2012.

### Loss guarantees

According to a cooperation agreement between Nordea Kredit and Nordea Bank, the latter provides a guarantee of 25% of the cash value of a loan. For loans granted for non-profit rental housing, youth housing and housing for the elderly, the guarantees provided constitute 10%.

For year-round residences and holiday homes guarantees are provided on a current basis for five years and for commercial properties on a current basis for ten years as from disbursement of the loans.

If Nordea Kredit has several loans on the same property, the guarantees cover the top portion of the combined commitment. These guarantees imply a reduced loss risk for Nordea Kredit.

At the end of 2012 loss guarantees from Nordea Bank comprised loans totalling DKK 292bn (DKK 265bn). Of this amount guarantees covered a total of DKK 82bn (DKK 73bn).

### Loan losses

After taking loss guarantees into account, the

total accumulated loan losses amounted to DKK 437m (DKK 297m). Of this amount, provisions for collectively assessed loans accounted for DKK 34m (DKK 50m). The total accumulated loan losses at the end of 2012 corresponded to 0.12% (0.09%) of the loan portfolio. The quality of the loan portfolio is still considered satisfactory.

### Reposessed properties

Nordea Kredit's portfolio of properties decreased from 131 properties at the end of 2011 to 65 properties by the end of 2012, with a carrying amount of DKK 44m (DKK 235m). During the year Nordea Kredit reposessed 129 properties and sold 195 properties. The reduction in the portfolio of reposessed properties is the result of targeted efforts.

### Refinancing of adjustable-rate mortgages

At the auction in November 2012 bonds equivalent to DKK 77bn were sold. Compared with the December 2011 auction when bonds equivalent to DKK 98bn were sold, this reflects a decline of 21%. The decline is due to Nordea Kredit's scheduling of auctions over the year. For example, at the refinancing at the end of 2011, around 6,000 of Nordea Kredit's customers chose to change their future refinancing date to 1 October.

Based on the advice provided, around 15% of borrowers with very short-term adjustable-rate mortgages chose to refinance into mortgages with interest reset for example every three or five years or into fixed-rate mortgages.

Yet again the auction resulted in record-low interest rates. For 30-year annuity loans in Danish kroner with annual reset the interest rate for 2013 was set at 0.45% (1.06% in 2012). At the auction the interest rate on a comparable loan in euros was set at 0.49% (1.02% in 2012).

At end-2012 Nordea Kredit had originated adjustable-rate mortgages with refinancing on 1 April for a total of DKK 30bn (DKK 20bn) and with refinancing on 1 October for a total of DKK 50bn (DKK 25bn).

### LTV ratios

The loan to value (LTV) ratio expresses the loan amount as a percentage of the value of the property.

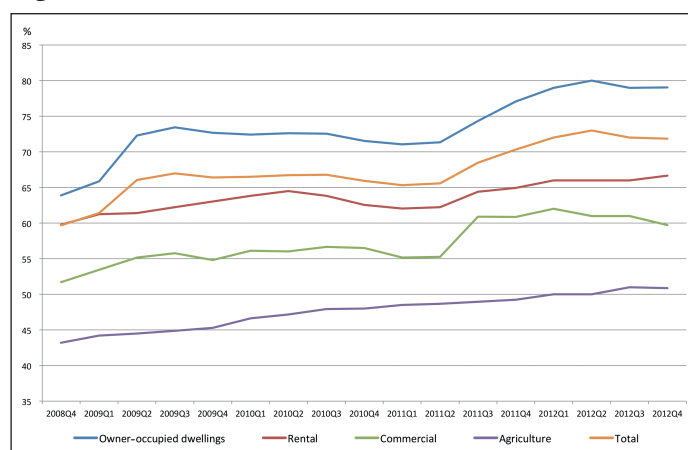
The moderate decline in property prices since

end-2008 resulted in rising LTV ratios until the end of 2009 (Figure 2).

LTV ratios maintained their level until the beginning of 2011. After this time falling property prices notably in the second half of 2011 and in early 2012 increased the LTV ratios for total lending. Over the remainder of 2012 property prices stabilised again, and the LTV ratio for the total loan portfolio stood at 72%, or 2% points above the end-2011 level.

The LTV ratio for year-round residences and holiday homes stood at 79% in the fourth quarter of 2012, an increase of 2% points compared with the same period in 2011.

Figure 2. LTV ratios



Nordea Kredit publishes quarterly LTV Reports and Investor Presentations. These reports are available at [nordeakredit.dk/investor](http://nordeakredit.dk/investor) information.

### Supplementary collateral for loans financed through covered mortgage bonds

Where loans have been granted on the basis of covered mortgage bonds, mortgage institutions must regularly and currently monitor the value of the mortgaged property.

The value of year-round residences, private rental properties, cooperative homes and non-profit rental housing must be assessed at least every three years under existing legislation, whereas other properties must be assessed annually. In the event of significant changes in market conditions, the value must be assessed 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. In this way the necessary collateral for outstanding bonds is ensured at all times. Nordea Kredit focuses on monitoring the value of mortgaged properties on an ongoing basis.

At the end of 2012 the total nominal lending volume of Nordea Kredit based on covered mortgage bonds was DKK 300bn (DKK 255bn).

The supplementary collateral required on the basis of the LTV ratios for the individual loans was DKK 26bn at end-2012 (DKK 22bn).

At year-end Nordea Kredit was able to provide supplementary collateral equivalent to DKK 43bn (DKK 41bn) in the form of capital base and other overcollateralisation.

If necessary, the parent company Nordea Bank will provide additional capital.

## **Bond issuance**

### **Rating**

The mortgage bonds issued by Nordea Kredit are rated by the rating agencies Moody's Investors Service and Standard & Poor's. Bonds are issued in capital centre 1 and capital centre 2. All bonds, irrespective of capital centre, have been assigned the highest ratings of Aaa and AAA by the two rating agencies.

### **Funding**

Since the end of 2007 new lending by Nordea Kredit – including the refinancing of adjustable-rate mortgages – has been financed through the issuance of covered mortgage bonds.

Bond issuance before redemptions amounted to DKK 252bn nominal in 2012 (DKK 165bn), which was financed by means of covered mortgage bonds.

At end-2012 the total value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, amounted to DKK 407bn (DKK 382bn). Of this amount, the issuance of mortgage bonds accounted for DKK 56bn (DKK 85bn) and covered mortgage bonds accounted for DKK 351bn (DKK 297bn).

At end-2012 the fair value of the total volume of

bonds issued was DKK 336bn (DKK 303bn) after offsetting the portfolio of own bonds.

## **Risk, liquidity and capital management**

### **Market and liquidity risks**

Market risk is the risk of a loss in the market value of financial assets as a result of movements in financial market variables.

The Board of Directors of Nordea Kredit has defined the overall limits for market risks assumed by the company. These limits are significantly below the allowed statutory limits.

Nordea Kredit's most significant financial market risk is the interest rate risk associated with the investment of capital. In addition, Nordea Kredit has a modest currency risk exposure relating to its lending denominated in euros. Nordea Kredit assumes neither equity risks nor option risks.

As lending activities are match-funded in terms of both interest rates and liquidity, only insignificant interest rate and liquidity risks arise relating to mortgage lending and the associated bond issuance.

The matched funding is undertaken on the basis of the statutory balance principle. Nordea Kredit applies the specific balance principle to both capital centres.

### **Interest rate risk**

Interest rate risk is measured as the loss in the market value of interest rate positions resulting from an overall upward/downward shift in interest rates of 1% point. This risk is calculated for the lending portfolio as well as for the securities portfolio. For the lending portfolio the law stipulates that the interest rate risk resulting from differences between incoming payments on loans and outgoing payments on mortgage bonds issued must not exceed 1% of the capital base, or DKK 165m. For the securities portfolio the interest rate risk must not exceed 8% of the capital base, or DKK 1,139m. At year-end 2012 the total interest rate risk with effect on profit before tax and equity was DKK 0.3m (DKK 0.5m) for the lending portfolio and DKK 32m (DKK 32m) for the securities portfolio.



### Currency risk

Currency risk is measured by means of a statistical method expressed by a Value at Risk (VaR) measure equivalent to the foreign exchange indicator 2 of the Danish Financial Supervisory Authority. The risk is measured based on the last two years' historical changes in exchange rates with a holding period of ten banking days and a probability of 99%. The legislative framework allows for a maximum currency risk of DKK 14m, corresponding to 0.1% of the capital base.

At end-2012 the currency risk amounted to DKK 0.1m (DKK 0.1m) with effect on profit before tax and equity and relates solely to exposures in euros.

Risks are calculated, monitored and reported to the management of Nordea Kredit on an ongoing basis. Financial market risks are described in Note 26.

### Capital management

Nordea Kredit aims to attain the most efficient use of capital. Nordea Kredit reports risk-weighted assets according to applicable external Basel II requirements (the Capital Requirements Directive), which stipulate the limits for the minimum capital (the capital requirement).

Nordea Kredit has received approval to report its capital requirement in accordance with the internal ratings-based (IRB) advanced approach for commitments with retail customers and the (IRB) foundation approach for large enterprises and credit institutions, in line with Nordea Bank.

### Capital requirements

Rating and scoring are key components in credit risk management. Common to both the rating and scoring models is the ability to predict defaults and rank Nordea Kredit's customers. While the rating models are used for corporate customers and bank counterparties, scoring models are used for personal customers and small corporate customers.

The most important parameters when quantifying the credit risk are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). The parameters are used for calculation of risk-weighted assets. In general, historical losses and defaults are used to calibrate the PDs assigned to each rating grade. LGD is measured taking into account the

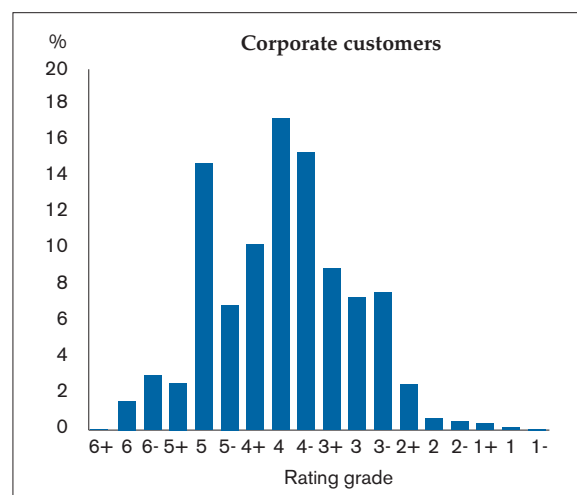
collateral type and the counterparty's balance-sheet components. Scoring models are pure statistical methods to predict the probability of customer default. The models are mainly used in the personal customer segment as well as for small corporate customers. Nordea Kredit collaborates with Nordea Bank in utilising bespoke behavioural scoring models developed on internal data to support both the credit approval process and the risk management process.

As a complement to the ordinary credit risk quantification, comprehensive stress testing is performed at least annually in accordance with the Basel II requirements (Internal Capital Adequacy Assessment Process, ICAAP), after which capital requirements are measured.

### Credit quality

The rating distribution of loans to corporate customers (Figure 3) and the risk scoring of loans to personal and small and medium-sized corporate customers for 2012 (Figure 4) are shown below.

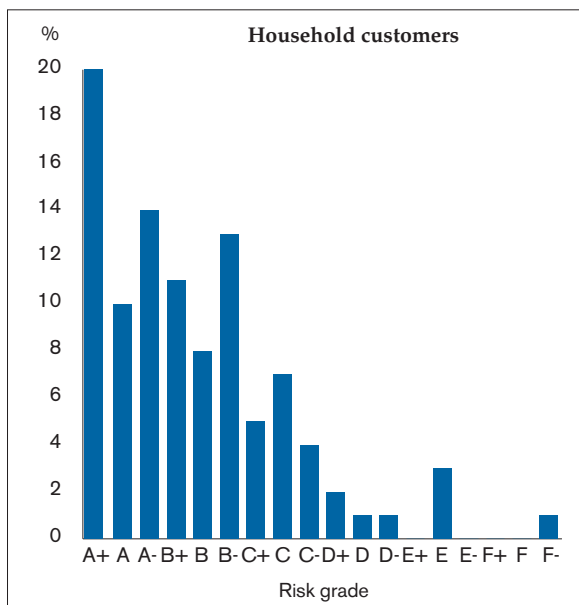
**Figure 3. Rating distribution of loans to corporate customers**



Note: Nordea's best rating is 6+.

Credit quality was positively affected in 2012, as loans to corporate customers with high ratings of 4- or higher accounted for 72% at the end of 2012 compared with 67% at the end of 2011.

**Figure 4. Risk scoring of loans to personal as well as small and medium-sized corporate customers**



Note: Nordea's best score is A+.

The scoring distribution of personal as well as small and medium-sized corporate customers was positively affected in 2012, as loans with high grades of C- or higher accounted for 92% at the end of 2012 (91%).

### Total capital ratio

At the end of 2012 the risk-weighted assets of Nordea Kredit amounted to DKK 87.9bn (DKK 82.2bn). The change is mainly due to increased lending volumes. With a capital base of DKK 14bn at the end of 2012 (DKK 14bn), the total capital ratio at end-2012 was 16.2% (17.4%).

### Individual solvency needs

Information about individual solvency needs is available on [nordeakredit.dk](http://nordeakredit.dk) or under Investor Relations on [nordea.com](http://nordea.com).

### Basel III regulation

To strengthen the regulation of the financial sector, international cooperation in recent years has focused on new rules on liquidity risk, credit risk and capital requirements, including capital buffers.

Together with Nordea Bank, Nordea Kredit actively participates in discussions in various forums and assesses the implications of the proposed changes on an ongoing basis. The final proposals still involve significant uncertainties

relating to their wording and implementation in specific directives and legislation both at EU and national level.

## Control and risk management systems

Nordea Kredit has established the internal controls which are deemed relevant for the preparation and presentation of the annual report. These controls and existing risk management systems provide a solid platform concerning the reliability of financial reporting and the preparation of the annual report.

The internal control and risk management activities of Nordea Kredit are included in Nordea Bank's overall internal control and risk management processes.

### Control environment

Internal control at Nordea Kredit is based on a control environment which includes the following elements: values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, functional segregation, the four-eyes principle, quality and efficient internal communication and an independent evaluation process.

The documentation of the internal control framework consists of internal business procedures and Standard Operating Procedures (SOPs) supported by the Nordea Group directives.

To further support internal controls and guidelines, Nordea Kredit has established Controller as well as Compliance functions.

### Risk assessment

Nordea Kredit maintains a high standard of risk management, and risk management is considered an integral part of running the business.

### Control activities

The control activities include general as well as more detailed controls, which aim at preventing, revealing and correcting errors and deviations. The control activities are documented by Nordea Kredit and reported to the parent company.

### Information and communication

Nordea Kredit is included in the consolidated

financial statements of Nordea Bank AB and follows Nordea's accounting principles as defined in the Group Accounting Manual (GAM), which contains the principal guidelines for accounting and financial reporting. Reporting to the Group is based on a standard concept.

Nordea Kredit actively participates in relevant national forums, for example forums established by the Danish Mortgage Banks' Federation, the Danish Financial Supervisory Authority and the Danish central bank.

### **Monitoring**

Nordea Kredit has established a process with the purpose of ensuring proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies.

The Executive Management of Nordea Kredit reports on an ongoing basis to the Board of Directors on significant matters affecting the internal control in relation to financial reports.

Nordea Kredit's internal audit function reviews the company's processes, to test and report whether these are in accordance with the objectives set out by management. This review includes an assessment of the reliability of financial reporting as well as compliance with legislation and regulations. The internal audit function annually issues an assurance statement to the Board of Directors on the governance, risk management and internal controls of Nordea Kredit.

Nordea Kredit has established an audit committee. The audit committee assists the Board of Directors of Nordea Kredit in fulfilling its oversight responsibilities, inter alia by monitoring the financial reporting process, the statutory audit of the annual financial statements, the effectiveness of the internal controls, audit and risk management and by reviewing and monitoring the independence of the external auditors. The audit committee reviews the planning and budget of the internal audit function prior to the presentation to the Board of Directors.

In accordance with the Danish Financial Business Act Nordea Kredit has appointed a Chief Risk Officer (CRO). The CRO reports to the Executive Management of Nordea Kredit and is responsible for the overall risk management of Nordea Kredit.

In addition, the CRO is responsible for the preparation of recommendations to the Executive Management and the Board of Directors of Nordea Kredit regarding the individual solvency need (ISN). The CRO furthermore ensures that the individual solvency need is included in the ICAAP report.

### **Financial reporting by Nordea Kredit and communication with auditors**

The manner in which the Board of Directors ensures the quality of the financial reports, is presented in the above section on monitoring.

Furthermore, the external and the internal auditors present the results of their audits of Nordea Kredit's annual report to the Board of Directors.

## **Corporate Social Responsibility**

Nordea issues a Corporate Social Responsibility (CSR) report based on the United Nations Principles for Responsible Investments. The report serves as Nordea's annual progress report to the United Nations Global Compact and includes Nordea Kredit.

The CSR report is available at [nordea.com/csr](http://nordea.com/csr).

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

Kim Skov Jensen, Managing Director, Nordea Group Treasury, joined the Board of Directors in March 2012 and Michael Rasmussen, head of Retail Banking at Nordea, left the Board of Directors.

## **Human resources**

As a relationship bank, Nordea is committed to People, not least our employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea Great.

### **People Strategy**

Nordea's People Strategy emphasises that Nordea can reach its goals only if our employees reach theirs. This means that Nordea aims at providing opportunities for our people to grow

professionally by high ambitions and continuous development and at the same time live well-balanced lives. This mindset is ensured among all managers through leadership training and management programmes.

There are two main tools for annual follow-up. The Employee Satisfaction Survey (ESI) is designed to give an overview of how our employees evaluate Nordea, and as a result identify and prioritise actions how to make Nordea Great.

The other tool is the mandatory Performance and Development Dialogue that takes place between immediate manager and employee, requiring preparation by both parties as well as follow-up throughout the year.

### **Focus on values and leadership**

Nordea's values and leadership are the strongest drivers for both performance and for building our corporate culture. It takes great leaders to build a Great European bank. Great leadership in Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen.

### **Opportunities to develop and grow**

Nordea aims at being a company with many possibilities for employees to develop within the Group. Development is a joint responsibility of the manager and the employee.

Nordea facilitates internal mobility. It is a strategic and necessary precondition for our business. The pace of change within the financial industry is rapid. Changing demands create changing competence and staffing needs. We continuously need flexibility to find the right person for the right place to meet these external changes.

### **Remuneration**

Nordea is offering competitive, but not market-leading compensation packages. Nordea has a total remuneration approach to compensation acknowledging the importance of well-balanced but different remuneration packages derived from business and local market needs, as well as the importance of compensation being consistent with and promoting sound and effective risk management not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

### **Nordea remuneration components**

**Fixed Salary** is compensating employees for full satisfactory performance. The individual salary is based on three cornerstones: job complexity and responsibility, performance and local market conditions.

**Profit Sharing** is aiming at stimulating value creation for the customers and shareholders and is offered to all employees. The performance criteria reflect Nordea's long-term targets: Risk-Adjusted Profit, Total Shareholder Return compared to Nordic peers and Customer Satisfaction.

**Variable Salary Part (VSP)** is offered to selected managers and specialists to ensure focus and strong performance. Assessment of individual performance is based on a pre-determined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

**Bonus scheme** is offered only to selected groups of employees in specific business areas or units. The aim is to ensure focus and strong performance and maintain cost flexibility for Nordea. Judgement of individual performance is based on a pre-determined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

**One Time Payment (OTP)** can be granted to employees in case of extraordinary performance exceeding requirements or expectations. Employees participating in a Bonus scheme cannot be offered an OTP and employees having a Variable Salary Part can only in extraordinary situations be offered an OTP.

**Long Term Incentive Programme (LTIP)** is aiming at improving the long-term shareholder value and at strengthening Nordea's capability to retain and recruit the best talents. The programme targets managers and key employees identified as essential to the future development of the Nordea Group. The performance criteria reflect Nordea's long-term financial targets: Risk-Adjusted Profit and Total Shareholder Return compared to Nordic and European peers.

The Board of Directors of Nordea Bank AB has decided not to propose a LTIP to the Annual General Meeting 2013.

### **Executive Incentive Programme**

Nordea will for 2013 introduce an Executive Incentive Programme 2013 (EIP 2013) which aims to strengthen Nordea's capability to retain and recruit the best talents. The EIP rewards performance meeting agreed pre-determined targets on Nordea Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. The EIP cannot exceed the fixed salary. The EIP is paid in the form of cash and share-price related payment and is subject to deferral, forfeiture clauses and retention as per relevant remuneration regulations. The EIP 2013 substitutes Nordea's previous Long Term Incentive Programme and VSP for the invited employees.

### **Subsequent events**

No events have occurred after the balance sheet date which may affect the assessment of the annual report.

### **Outlook for 2013**

Compared with 2012, which was characterised by very high prepayment activity, the overall level of activity is likely to be lower.

A new fee structure was implemented from 1 January 2013 to better reflect the risk and the cost of capital associated with the various loan to value ratios and loan types. The revised fee structure was introduced in response to the coming EU regulation which will change the framework for financial services companies. Nordea Kredit must adjust to these changes in good time in line with all other institutions in the sector. At the same time it is necessary to support financial stability in society and thus reassure customers and investors.

With the new fee structure, the trend from the fourth quarter of 2012 is likely to continue, with customers increasingly switching out of very short-term adjustable-rate mortgages into mortgages with interest reset for example every three or five years or into fixed-rate mortgages. Customers are also expected to increasingly prefer loans with amortisation.

Nordea Kredit expects continued growth in its market share.

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## Income statement

DKKm	Note	2012	2011
<b>Operating income</b>			
Interest income		12,022	12,462
Interest expense		-9,808	-10,394
<b>Net interest income</b>	2	<b>2,214</b>	<b>2,068</b>
Dividend income		-	-
Fee and commission income	3	288	148
Fee and commission expense	3	-743	-633
<b>Net interest and fee income</b>		<b>1,759</b>	<b>1,583</b>
Net result from items at fair value	4	-108	-40
Other operating income		9	-1
Staff costs and administrative expenses	5	-228	-236
Depreciation, amortisation and impairment charges of tangible and intangible assets	6	-4	-11
Other operating expenses		0	-1
Net loan losses	11	-491	-284
Profit from investment in associated undertaking	7	1	-1
<b>Profit before tax</b>		<b>938</b>	<b>1,009</b>
Tax	8	-235	-253
<b>Net profit for the year</b>		<b>703</b>	<b>756</b>

## Statement of comprehensive income

DKKm	2012	2011
Net profit for the year	703	756
Other comprehensive income, net of tax	0	0
<b>Total comprehensive income</b>	<b>703</b>	<b>756</b>
<b>Attributable to</b>		
Shareholder of Nordea Kredit Realkreditaktieselskab	703	756
<b>Total</b>	<b>703</b>	<b>756</b>



## Balance sheet

DKKm	Note	31 Dec 2012	31 Dec 2011
<b>Assets</b>			
Cash balance and demand deposits with central banks		370	1
Loans to credit institutions and central banks	10	46,773	40,152
Loans and receivables at fair value	11	358,371	340,874
Loans and receivables at amortised cost		3	3
Bonds at fair value	12	-	5,001
Investment in associated undertaking	13	11	11
Intangible assets	14	3	7
Other tangible assets	15	0	1
Current tax assets		1	15
Deferred tax assets	8	1	-
Assets in temporary possession	16	44	235
Other assets	17	1,464	1,090
Prepaid expenses		3	2
<b>Total assets</b>		<b>407,044</b>	<b>387,392</b>
<b>Liabilities</b>			
Deposits by credit institutions and central banks	18	48,905	63,547
Bonds in issue at fair value	19	336,402	302,951
Current tax liabilities	8	-	-
Other liabilities	20	5,267	5,132
Deferred income		9	4
<b>Total liabilities</b>		<b>390,583</b>	<b>371,634</b>
<b>Provisions</b>			
Deferred tax liabilities	8	-	0
<b>Total provisions</b>		<b>-</b>	<b>0</b>
<b>Equity</b>			
Share capital		1,717	1,717
Other reserves		11	10
Retained earnings		14,733	14,031
<b>Total equity</b>		<b>16,461</b>	<b>15,758</b>
<b>Total liabilities and equity</b>		<b>407,044</b>	<b>387,392</b>
<b>Contingent liabilities</b>			
Guarantees etc		75	74
<b>Total contingent liabilities</b>		<b>75</b>	<b>74</b>

## Statement of changes in equity

DKKm	Share capital <sup>1</sup>	Other reserves <sup>2</sup>	Retained earnings	Total
Balance at 1 Jan 2012	1,717	10	14,031	15,758
Net profit for the year	-	-	703	703
Other comprehensive income, net of tax <sup>2</sup>	-	1	-1	0
Total comprehensive income	-	1	702	703
Proposed dividends	-	-	-	-
Balance at 31 Dec 2012	1,717	11	14,733	16,461

DKKm	Share capital <sup>1</sup>	Other reserves <sup>2</sup>	Retained earnings	Total
Balance at 1 Jan 2011	1,717	11	13,273	15,002
Net profit for the year	-	-	756	756
Other comprehensive income, net of tax <sup>2</sup>	-	-1	1	0
Total comprehensive income	-	-1	757	756
Proposed dividends	-	-	-	-
Balance at 31 Dec 2011	1,717	10	14,031	15,758

A description of items in equity is included in Note 1 Accounting policies.

<sup>1</sup> Total shares registered were 17,172,500 of DKK 100 each all fully owned by Nordea Bank Danmark A/S, Copenhagen, Denmark. All issued shares are fully paid. All shares are of the same class and hold equal rights. The annual report for Nordea Bank Danmark A/S is available at [nordea.com](http://nordea.com).

<sup>2</sup> Refers to reserve for net revaluation according to the equity method.

## 5-year overview

<b>Income statement</b> (DKKm)	2012	2011	2010	2009	2008
Net interest income	2,214	2,068	1,809	1,813	1,901
Net fee and commission income	1,759	1,583	1,388	1,362	1,429
Net result from items at fair value	-108	-40	-65	-126	20
Other operating income	9	-1	-8	-2	-1
Staff costs and administrative expenses	-228	-236	-250	-197	-187
Depreciation, amortisation and impairment charges of tangible and intangible assets	-4	-11	-12	-12	-8
Net loan losses	-491	-284	-118	-114	-25
Profit from investment in associated undertaking	1	-1	0	-3	-3
<b>Profit before tax</b>	<b>938</b>	<b>1,009</b>	<b>934</b>	<b>908</b>	<b>1,225</b>
Tax	-235	-253	-234	-230	-308
<b>Net profit for the year</b>	<b>703</b>	<b>756</b>	<b>700</b>	<b>678</b>	<b>917</b>

<b>Balance sheet</b> (DKKm)	2012	2011	2010	2009	2008
Loans to credit institutions and central banks	46,773	40,152	36,527	16,382	7,722
Loans and receivables at fair value	358,371	340,874	318,199	294,558	265,418
Loans and receivables at nominal value <sup>1</sup>	349,484	334,643	318,288	295,719	274,442
Other assets	1,900	6,366	1,455	675	206
<b>Total assets</b>	<b>407,044</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>	<b>273,346</b>
Deposits by credit institutions and central banks	48,905	63,547	70,141	51,314	24,700
Bonds in issue at fair value	336,402	302,951	265,964	240,480	230,225
Other liabilities	5,276	5,136	5,074	5,520	4,797
Equity	16,461	15,758	15,002	14,301	13,624
<b>Total liabilities and equity</b>	<b>407,044</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>	<b>273,346</b>

<b>Ratios and key figures</b> (%)	2012	2011	2010	2009	2008
Return on equity	4.4	4.9	4.8	4.9	7.0
Income/cost ratio	2.3	2.9	3.5	3.8	6.6
Cost/income ratio	14.0	16.1	19.9	16.9	13.5
Loans/equity	21.8	21.6	21.2	20.6	19.5
Lending growth for the year	4.5	5.2	7.6	7.3	9.1
Impairment ratio for the year	0.1	0.1	0.0	0.0	0.0
Total capital ratio <sup>2</sup>	16.2	17.4	16.5	18.5	21.5
Tier 1 capital ratio <sup>2</sup>	16.2	17.4	16.5	18.5	21.5
Tier 1 capital <sup>2</sup> , DKKbn	14.2	14.3	13.5	13.0	12.9
Risk-weighted assets <sup>2</sup> , DKKbn	87.9	82.2	81.8	70.4	59.8
Number of employees (full-time equivalents) <sup>2</sup>	131	133	148	145	136
Average number of employees	135	144	143	138	130

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

<sup>2</sup> End of period.

The Danish Financial Supervisory Authority's ratio system is shown in Note 24.

# Notes to the financial statements

## Note 1 Accounting policies

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### General

The financial statements of Nordea Kredit have been prepared in accordance with the Danish Financial Business Act, the Executive Order on financial reports for credit institutions etc (the Executive Order) and the NASDAQ OMX Copenhagen A/S's rules on the issuance of listed bonds.

The accounting policies applied are unchanged from the annual report for 2011.

In 2012 the Danish Financial Supervisory Authority made a number of clarifications to the accounting principles for loan losses. These clarifications did not materially affect the level of Nordea Kredit's losses in 2012.

### Recognition and measurement in general

In the income statement income is recognised as earned, while expenses are recognised by the amounts that concern the financial year.

### Fair value adjustment of mortgage loans and bonds in issue

The fair value of mortgage loans is based on the fair value of the underlying issued bonds and is adjusted for the credit risk associated with the borrower.

The fair value of bonds in issue is initially based on the NASDAQ OMX Copenhagen A/S's closing prices of the bonds at year-end. Illiquid bonds as well as bonds for which notification has been given that the bonds will be drawn for redemption, are valued using a valuation model based on discounted cash flows.

The fair value adjustment is recognised in the income statement under Net result from items at fair value and as adjustment of the items Loans and receivables at fair value and Bonds in issue at fair value.

### Provisions for loan losses

Nordea Kredit monitors loans and receivables on an individual and on a collective basis.

If objective evidence is ascertained that a loan is impaired to the effect that the future expected payments are affected, an impairment charge is made of the loan on an individual basis.

Objective evidence of impairment is considered to have occurred if the borrower is in significant financial difficulties, if the borrower is in arrears by more than one payment period or if it is probable that the borrower will enter into bankruptcy proceedings or become subject to financial reorganisation.

The provision is made if the present value of the estimated future payments of the loan is lower than the carrying amount of the loan or receivable before provisions. The computation takes into account the realisable value of the security in the mortgaged properties and other security, if any.

Provisions for collectively assessed loans comprise loans and other receivables with the exception of individually assessed loans and receivables.

Provisions for collectively assessed loans are made on groups of loans and receivables with uniform characteristics as regards credit risk.

For each group it is assessed whether observable data exist that indicate a measurable decline in expected future payments from the group. The provision is subsequently made by any difference between the carrying amount of the group and the present value of the future payments from the group.

Provisions for individually as well as collectively assessed loans are deducted from the asset item which the provision concerns and are charged to the item Net loan losses in the income statement.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when Nordea Kredit becomes a party to the contractual provisions of the financial instruments.

A financial asset is derecognised from the balance sheet when the contractual right to the cash flow from the financial asset expires or the financial asset is sold.

A financial liability is derecognised from the balance sheet when the liability is extinguished, that is, when the liability is settled, cancelled or expires pursuant to the contract.

As a result of the recognition criteria listed securities, currency transactions and derivatives in the trading portfolio are recognised and derecognised on the trade date, while transactions outside the trading portfolio are recognised and derecognised in the balance sheet on the settlement date.

### Foreign currencies

The functional currency of Nordea Kredit is Danish kroner (DKK).

Transactions made in another currency than the functional currency are translated into the functional currency at the exchange rate prevailing on the date of the transaction.

Balance sheet items are translated at the official closing rate of the Danish central bank at the balance sheet date, and all adjustments resulting from changes in the exchange rate are recognised in the income statement.

### Taxation

#### Tax on operating profit

The tax for the year, consisting of the current tax for the year and change in deferred tax, is recognised in the income statement with the share attributable to the profit for the year and directly in equity with the share attributable to movements directly in equity.

#### Corporation tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the taxable income for the year adjusted for tax on previous years' taxable income and on account tax paid.

Deferred tax is measured under the balance-sheet liability method of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In those cases, for instance, concerning shares where the determination of the tax base can be made according to alternative taxation rules deferred tax is measured on the basis of the planned use of the asset or the settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to be realised as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

### **Loans to credit institutions and central banks**

Loans to credit institutions and central banks mainly comprise reverse transactions, balances with credit institutions and deposits with central banks.

Reverse transactions are securities purchased under agreements to resell at a later date. The purchase price paid is included as balances due from counterparties and carries interest as agreed.

### **Financial assets**

#### **Loans and receivables at fair value**

Mortgage loans are measured at fair value, corresponding to the closing price of the NASDAQ OMX Copenhagen A/S. If impairment of loans and receivables or a group hereof can be objectively identified, provisions for loan losses are made, corresponding to the impairment. Changes in fair value are recognised directly in the income statement.

#### **Loans and receivables at amortised cost**

Other loans which are not included in the calculation of the statutory balance between mortgage loans and mortgage bonds in issue are measured at amortised cost.

#### **Shares and bonds**

Shares and bonds must be initially measured at fair value. The fair value of listed shares and bonds is determined using the closing prices at the balance sheet date or, where such prices are not available, other published prices which are deemed to provide the best equivalent prices. Changes in fair value are recognised on a current basis and directly in the income statement.

The portfolio of own bonds is offset against the bonds in issue. Interest receivable on own bonds is similarly offset against interest payable under Other liabilities in the balance sheet.

The fair value of bonds drawn is measured as the present value of the bonds.

For shares and other financial instruments not listed on an exchange or for which market prices reflecting the value of

the instrument are not available, the fair value is determined using recognised valuation methods.

### **Derivatives**

Derivatives comprise spot transactions and forward contracts. Derivatives are measured at fair value.

### **Investments in associated undertakings**

Investments in associated undertakings are stated at net asset value. Other significant holdings of shares are measured at fair value.

### **Intangible assets**

Intangible assets comprise IT software and development expenses which are recognised as assets if they are major investments with an expected useful life exceeding three years, expected to generate future economic benefits.

Amortisation of intangible assets is provided on a straight-line basis over a period of five years. Intangible assets concerning projects in progress are not amortised until the individual projects have been concluded and the asset has been put into use.

### **Tangible assets**

Tangible assets comprise furniture, IT equipment, leasehold improvements as well as machinery and equipment. Tangible assets are recognised at cost adjusted for any depreciation and write-downs made.

Depreciation is made on the basis of an estimate of the asset's useful life.

If the value of the assets is lower, such assets are entered at the lower value.

Machinery and equipment are depreciated systematically over a maximum period of five years.

### **Assets in temporary possession**

Repossessed properties are included in the item Assets in temporary possession. The item comprises own loans and prior claims of other mortgagees as well as other cash outlays etc transferred from the item Loans and receivables at fair value. The item is reduced by provisions for losses on these properties and for impairment.

### **Financial liabilities**

#### **Deposits by credit institutions and central banks**

The item mainly comprises repo transactions in securities sold under agreements to repurchase at a later date. The securities sold remain on the balance sheet and the purchase price received is entered as a liability owed to the transferee and carries interest as agreed. The securities are revalued as if the securities were still held.

#### **Bonds in issue at fair value**

Mortgage bonds in issue are measured at fair value, corresponding to the closing price of the NASDAQ OMX Copenhagen A/S at the balance sheet date. Announced scheduled payments for the next payment date are measured at the discounted value. Changes in fair value are recognised directly in the income statement. The portfolio of own bonds is offset against the item Bonds in issue at fair value.

**Share-based payment**

Nordea issued Long Term Incentive Programmes annually from 2007 to 2012. Employees participating in these programmes are granted share-based and equity-settled rights, that is, rights to acquire shares in Nordea at a significant discount to the share price at grant date. The value of such rights is expensed and the expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the Group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date, and is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest.

**Pension obligations**

Pension obligations are covered either in an independent pension fund or through an insurance company. Nordea Kredit has no pension obligations towards the management and staff.

**Equity**

The total net revaluation of shares in associated undertakings according to the equity method is recognised in the equity item Statutory reserves.

Equity includes adjustments relating to the Nordea Group's share-based payment programme which are measured at fair value on the day of grant. The share-based payment programme is included in the income statement as a cost item.

**Comprehensive income**

Comprehensive income is the sum of the profit for the year and other comprehensive income.

**Ratios and key figures**

Ratios and key figures are listed in the five-year financial summary in compliance with the Danish Financial Supervisory Authority's ratio definitions, see page 37.

## Note 2 Net interest income

DKKm	2012	2011
<b>Interest income</b>		
Loans to credit institutions and central banks <sup>1,3</sup>	22	706
Loans and receivables at fair value	9,678	9,939
Administration and reserve fees receivable	2,268	1,807
Interest rate derivatives	43	-6
Other interest income	11	16
<b>Total interest income</b>	<b>12,022</b>	<b>12,462</b>
<b>Interest expense</b>		
Deposits by credit institutions and central banks <sup>2,4</sup>	-241	-603
Bonds in issue at fair value	-9,567	-9,790
Other interest expenses	0	-1
<b>Total interest expense</b>	<b>-9,808</b>	<b>-10,394</b>
<b>Net interest income</b>	<b>2,214</b>	<b>2,068</b>
<sup>1</sup> Of which interest income on purchase and resale transactions	20	355
<sup>2</sup> Of which interest expense on sale and repurchase transactions (2012: interest income)	11	-35
<sup>3</sup> Of which negative interest income	14	-
<sup>4</sup> Of which positive interest expense	28	-

## Note 3 Net fee and commission income

DKKm	2012	2011
Loan processing fees	142	68
Brokerage	100	50
Other fee and commission income	46	30
<b>Fee and commission income</b>	<b>288</b>	<b>148</b>
Guarantee commissions etc payable to Nordea Bank Danmark A/S	-590	-544
Brokerage payable to Nordea Bank Danmark A/S	-93	-42
Other fee and commission expenses	-60	-47
<b>Fee and commission expenses</b>	<b>-743</b>	<b>-633</b>
<b>Net fee and commission income</b>	<b>-455</b>	<b>-485</b>

## Note 4 Net result from items at fair value

DKKm	2012	2011
Mortgage loans	1,347	5,799
Bonds at fair value	-1	-5
Foreign exchange gains/losses	1	-1
Interest rate derivatives	14	34
Bonds in issue	-1,469	-5,867
<b>Total</b>	<b>-108</b>	<b>-40</b>



## Note 5 Staff costs

DKKm	2012	2011
Salaries and remuneration (specification below)	-81	-82
Pension costs (specification below)	-9	-13
Social insurance contributions	-13	-13
Other staff costs	0	0
<b>Total</b>	<b>-103</b>	<b>-108</b>
Average number of employees	135	144
<b>Salaries and remuneration</b>		
To the Board of Directors:		
- Fixed salary and benefits	-	-
- Performance-related compensation	-	-
To the Executive Management:		
- Fixed salary and benefits	-3	-4
- Performance-related compensation	0	0
To employees that have significant influence on Nordea Kredit's risk profile:		
- Fixed salary and benefits	-1	-1
- Performance-related compensation	0	0
<b>Total</b>	<b>-4</b>	<b>-5</b>
To other employees	-77	-77
<b>Total</b>	<b>-81</b>	<b>-82</b>
<b>Pension costs</b>		
Defined benefits plans	-	-
Defined contribution plans:		
- Executive Management	-1	0
- Employees that have significant influence on Nordea Kredit's risk profile	-	-
- Other employees	-8	-13
<b>Total</b>	<b>-9</b>	<b>-13</b>
<b>Compensation including pension</b>		
Board of Directors <sup>1</sup>	-	-
Executive Management <sup>2</sup>	-4	-4
Employees that have significant influence on Nordea Kredit's risk profile <sup>3</sup>	-1	-1
<b>Total</b>	<b>-5</b>	<b>-5</b>

<sup>1</sup> The Board of Directors included unchanged four individuals in 2012.

<sup>2</sup> The Executive Management included unchanged two individuals in 2012. The Executive Management participates in the incentive programmes VSP (Variable Salary Part) and LTIP (Long Term Incentive Programme). These programmes are described in the Directors' report.

<sup>3</sup> Employees that have significant influence on Nordea Kredit's risk profile included two individuals in 2012.

Further information about Nordea Kredit's salary policy and practice is available at [nordea.com/remuneration](http://nordea.com/remuneration).

## Note 5 Staff costs (continued)

### Disclosure according to section 77 d (3) of the Danish Financial Business Act

The total remuneration for 2012 to the Board of Directors and the Executive Management paid by the Nordea Bank AB Group is disclosed according to section 77 d (3) of the Danish Financial Business Act:

DKKm <sup>2</sup>	2012	2011	DKKm <sup>2</sup>	2012	2011
<b>Board of Directors<sup>1</sup></b>			<b>Executive Management</b>		
Anders Jensen	4.0	1.2	Lars Bank Jørgensen	2.2	2.4
Peter Lybecker	6.3	6.6	Michael Jensen	1.5	1.5
Michael Rasmussen <sup>3</sup>	2.8	8.4			
Jørgen Holm Jensen <sup>4</sup>	-	-			
Kim Skov Jensen <sup>3,4</sup>	-	-			

According to section 77 d (3) of the Danish Financial Business Act, Nordea Kredit is required to disclose the total remuneration for members of the Board of Directors and the Executive Management, including the remuneration the person has received as a member of the Board of Directors and/or the Executive Management in companies within the Nordea Bank AB Group.

<sup>1</sup> No board members earn remuneration as members of the Board of Directors of Nordea Kredit Realkreditaktieselskab. All remuneration earned from Nordea Bank Danmark A/S, Nordea Bank AB or their subsidiaries.

<sup>2</sup> Total remuneration includes fixed salary for 2012, variable salary earned as a member of the Executive Management and paid in 2012, Long Term Incentive Programmes exercised in 2012, benefits for 2012 and pension premiums paid in defined contribution plans 2012.

<sup>3</sup> Michael Rasmussen left the board on 28 March 2012 and Kim Skov Jensen joined the board. The total remuneration of Michael Rasmussen covers the period 1 January to 28 March 2012 when he was on the board of Nordea Kredit.

<sup>4</sup> Jørgen Holm Jensen and Kim Skov Jensen are not paid any remuneration as members of a Board of Directors within the Nordea Group or as members of the Executive Management of any company within Nordea.

**Note 6**  
**Depreciation, amortisation and**  
**impairment charges of tangible and intangible assets**

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**Depreciation/amortisation**

DKKm	2012	2011
<b>Intangible assets</b> (Note 14)		
Internally developed software	-4	-11
<b>Other tangible assets</b> (Note 15)		
Machinery and equipment	0	-0
<b>Total</b>	<b>-4</b>	<b>-11</b>

**Impairment charges/reversed impairment charges**

DKKm	2012	2011
<b>Intangible assets</b> (Note 14)		
Internally developed software	-	-
<b>Other tangible assets</b> (Note 15)		
Machinery and equipment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-4</b>	<b>-11</b>

**Note 7**  
**Profit from investment in associated undertaking**

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DKKm	2012	2011
Profit from investment in associated undertaking	1	-1
<b>Total</b>	<b>1</b>	<b>-1</b>

## Note 8 Taxes

### Income tax expense

DKKm	2012	2011
Current tax	-236	-256
Deferred tax	1	4
Adjustment relating to prior years	0	0
<b>Total</b>	<b>-235</b>	<b>-253</b>

Profit before tax	938	1,009
Tax calculated at a tax rate of 25%	-235	-252
Non-deductible expenses	0	-1
Adjustment relating to prior years	0	0
<b>Tax charge</b>	<b>-235</b>	<b>-253</b>

Average effective tax rate	25%	25%
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### Deferred tax

DKKm	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
<b>Deferred tax related to:</b>				
Property and equipment	1	-	-	0
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>0</b>

DKKm	2012	2011
------	------	------

### Movements in deferred tax assets/liabilities, net are as follows:

Deferred tax in the income statement	1	4
<b>Total change</b>	<b>1</b>	<b>4</b>

<b>Current tax assets</b>	<b>1</b>	<b>15</b>
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<b>Current tax liabilities</b>	<b>-</b>	<b>-</b>
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Nordea Kredit is liable for that part of the tax of the jointly taxed income concerning Nordea Kredit until payment to the management company Nordea Bank Danmark A/S has taken place.

## Note 9 Commitments with the Board of Directors and the Executive Management

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Loans to and charges or guarantees issued for the members of Nordea Kredit's Executive Management and Board of Directors and related parties:

DKKm	31 Dec 2012	31 Dec 2011
<b>Loans etc</b>		
Executive Management	7	7
Board of Directors	8	9

Interest income on these loans to members of Nordea Kredit's Executive Management and Board of Directors amounts to DKK 0.2m (DKK 0.4m).

Loans to members of Nordea Kredit's Executive Management and Board of Directors consist of mortgage loans on terms based on market conditions. At the end of 2012 interest on the loans was payable at the rate of 0.8-3.0% pa. Loans to related parties of the Executive Management and the Board of Directors are granted on the same terms.

Loans etc to members of the Executive Management and the Board of Directors of the parent companies Nordea Bank Danmark A/S and Nordea Bank AB (publ) consist of mortgage loans on market-based terms. At the end of 2012 the loans amounted to DKK 12m (DKK 9m) with interest rates of 1.6-3.9%.

Nordea Kredit has not pledged any assets or provided other collateral or committed to contingent liabilities on behalf of any member of the Executive Management and the Board of Directors and related parties.

## Note 10 Loans to credit institutions and central banks

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DKKm	31 Dec 2012	31 Dec 2011
Loans to credit institutions	43,473	29,535
Loans with notice to central banks	3,300	10,617
<b>Total</b>	<b>46,773</b>	<b>40,152</b>
Of which purchase and resale transactions	42,266	28,144

## Note 11 Loans and receivables at fair value

DKKm	31 Dec 2012	31 Dec 2011
<b>Mortgage loans, nominal value</b>		
Value at beginning of year	334,939	318,445
New loans (gross new lending)	93,826	46,866
Foreign exchange revaluations	104	-82
Redemptions and prepayments	-74,820	-26,142
Net new lending for the year	19,110	20,642
Scheduled principal payments	-4,128	-4,148
Mortgage loan portfolio at end of year	349,921	334,939
<b>Mortgage loans, fair value</b>		
Nominal value	349,921	334,939
Adjustment for interest rate risk etc	8,538	5,963
Adjustment for credit risk	-437	-297
Mortgage loan portfolio	358,022	340,605
Mortgage arrears and execution levied against debtors' properties	349	269
<b>Loans and receivables</b>	<b>358,371</b>	<b>340,874</b>

DKKm	31 Dec 2012	31 Dec 2011
<b>Mortgage arrears</b>		
Mortgage arrears before provisions	143	144
Execution levied against debtors' properties before provisions	206	125
<b>Total mortgage arrears and execution levied against debtors' properties</b>	<b>349</b>	<b>269</b>
Mortgage arrears mid-January following year	107	119

DKKm, 31 Dec 2012	Individually assessed	Collectively assessed
<b>Provisions for loans</b>		
At beginning of year	247	50
Movements during the year:		
- New provisions and value adjustments	580	24
- Reversals of provisions made in previous financial years	-142	-40
- Previous provisions now written off	-214	-
- Other disposals <sup>1</sup>	-68	-
<b>At end of year</b>	<b>403</b>	<b>34</b>

DKKm, 31 Dec 2011	Individually assessed	Collectively assessed
<b>Provisions for loans</b>		
At beginning of year	101	56
Movements during the year:		
- New provisions and value adjustments	287	25
- Reversals of provisions made in previous financial years	-48	-31
- Previous provisions now written off	-55	-
- Other disposals <sup>1</sup>	-38	-
<b>At end of year</b>	<b>247</b>	<b>50</b>

<sup>1</sup> Other disposals relate to transfer of provisions for loans to Assets in temporary possession or to Other assets.

**Note 11**  
**Loans and receivables at fair value** (continued)

DKKm	31 Dec 2012	31 Dec 2011
<b>Loans, with objective evidence of impairment</b>		
Loans at fair value with objective evidence of impairment, individually, before provisions	4,592	3,467
Loans at fair value with objective evidence of impairment, individually, after provisions	4,189	3,220
Loans at fair value with objective evidence of impairment, collectively, before provisions	114,814	110,238
Loans at fair value with objective evidence of impairment, collectively, after provisions	114,780	110,188

Impaired loans at fair value are including loans covered by loss guarantees from Nordea Bank Danmark A/S. Factors taken into account for the determination of provisions for individually assessed loans are described in Note 1 Accounting policies.

DKKm	31 Dec 2012	31 Dec 2011
<b>Provisions for other receivables from credit institutions and other items with credit risk</b>		
At beginning of year	121	59
Movements during the year:		
- New provisions and value adjustments	73	59
- Reversals of provisions made in previous financial years	-25	-14
- Previous provisions now written off	-85	-21
- Other additions <sup>1</sup>	68	38
<b>Total</b>	<b>152</b>	<b>121</b>
Impaired other receivables before provisions and value adjustments	263	315
Impaired other receivables after provisions and value adjustments	111	194

<sup>1</sup> Other additions relate to transfer of provisions for loans to Assets in temporary possession or to Other assets.

DKKm	31 Dec 2012	31 Dec 2011
<b>Age distribution of mortgage loans in arrears before provisions</b>		
More than 3 months and up to 6 months	1,803	2,342
More than 6 months and up to 1 year	506	882
More than 1 year	631	788
<b>Total</b>	<b>2,940</b>	<b>4,012</b>

(%)	31 Dec 2012	31 Dec 2011
<b>Mortgage loan portfolio by property category</b>		
Year-round residences	65	66
Holiday homes	3	3
Subsidised housing	0	0
Private rental property	6	6
Commercial property	2	2
Office and retail property	9	9
Agricultural property etc	13	13
Property for social, cultural and educational purposes	1	1
Other property	1	0
<b>Total</b>	<b>100</b>	<b>100</b>



## Note 12 Bonds at fair value

DKKm	31 Dec 2012	31 Dec 2011
Bonds	79,710	90,977
Own bonds offset against bonds in issue	-79,710	-85,976
<b>Total</b>	<b>-</b>	<b>5,001</b>
Assets sold as part of sale and repurchase transactions:		
Bonds at fair value	35,406	35,768
Bonds offset against bonds in issue	35,406	35,768

## Note 13 Investment in associated undertaking

DKKm	31 Dec 2012	31 Dec 2011
Acquisition value at beginning of year	2	2
Acquisitions during the year	-	-
Sales during the year	-	-
<b>Acquisition value at end of year</b>	<b>2</b>	<b>2</b>
Revaluation at beginning of year	9	10
Revaluation during the year	1	-1
<b>Total revaluation at end of year</b>	<b>10</b>	<b>9</b>
<b>Total</b>	<b>11</b>	<b>11</b>

The associated undertaking aggregated balance sheet and income statement can for the latest available annual reports be summarised as follows:

DKKm	31 Dec 2012	31 Dec 2011
Total assets	190	198
Total liabilities	137	141
Operating income	21	23
Operating profit/loss	-5	-5

DKKm, 31 Dec 2012	Registration number	Domicile	Carrying amount	Voting power of holding %
e-nettet Holding A/S	28308019	Copenhagen	11	20

## Note 14 Intangible assets

DKKm	31 Dec 2012	31 Dec 2011
Internally developed software	3	7
<b>Total</b>	<b>3</b>	<b>7</b>

DKKm	31 Dec 2012	31 Dec 2011
<b>Internally developed software</b>		
Acquisition value at beginning of year	54	54
Acquisitions during the year	-	-
Sales/disposals during the year	-	-
<b>Acquisition value at end of year</b>	<b>54</b>	<b>54</b>
Accumulated amortisation at beginning of year	-47	-36
Amortisation according to plan for the year	-4	-11
Accumulated amortisation on sales/disposals during the year	-	-
Reclassifications	-	-
Translation differences	-	-
<b>Accumulated amortisation at end of year</b>	<b>-51</b>	<b>-47</b>
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
<b>Accumulated impairment charges at end of year</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3</b>	<b>7</b>

## Note 15 Other tangible assets

DKKm	31 Dec 2012	31 Dec 2011
<b>Machinery and equipment</b>		
Acquisition value at beginning of year	6	7
Acquisitions during the year	-	-
Sales/disposals during the year	-1	-1
<b>Acquisition value at end of year</b>	<b>5</b>	<b>6</b>
Accumulated depreciation at beginning of year	-5	-5
Accumulated depreciation on sales/disposals during the year	-	-
Depreciation according to plan for the year	0	0
<b>Accumulated depreciation at end of year</b>	<b>-5</b>	<b>-5</b>
Accumulated impairment charges at beginning of year	-	-
Accumulated impairment charges on sales/disposals during the year	-	-
Reversed impairment charges during the year	-	-
Impairment charges during the year	-	-
<b>Accumulated impairment charges at end of year</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>0</b>	<b>1</b>

**Note 16**  
**Assets in temporary possession**

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DKKm	31 Dec 2012	31 Dec 2011
Repossessed properties	44	235
<b>Total</b>	<b>44</b>	<b>235</b>

**Note 17**  
**Other assets**

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DKKm	31 Dec 2012	31 Dec 2011
Interest receivable etc	1,369	880
Interest receivable on bonds etc	7	107
Other	88	103
<b>Total</b>	<b>1,464</b>	<b>1,090</b>

**Note 18**  
**Deposits by credit institutions and central banks**

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DKKm	31 Dec 2012	31 Dec 2011
Central banks	-	-
Other banks	48,905	63,547
Other credit institutions	-	-
<b>Total</b>	<b>48,905</b>	<b>63,547</b>
Of which sale and repurchase transactions	36,021	36,283

## Note 19 Bonds in issue at fair value

DKKm	31 Dec 2012	31 Dec 2011
Bonds in issue at beginning of year (nominal value)	382,379	397,146
Bonds issued during the year	251,590	164,538
Translation differences	104	-83
Scheduled payments and notified prepayments	-69,428	-37,800
Redemptions and other prepayments	-157,783	-141,422
<b>Bonds in issue at end of year (nominal value)</b>	<b>406,862</b>	<b>382,379</b>
Adjustment at fair value	9,250	6,548
Own bonds at fair value offset	-79,710	-85,976
<b>Bonds in issue at end of year at fair value</b>	<b>336,402</b>	<b>302,951</b>
Of which pre-issued (nominal value)	34,780	32,167
Drawn for redemption at next payment date (nominal value)	9,647	7,499

### Changes in fair value of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss are issued bonds, DKK 336bn (DKK 303bn). For the issued bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loan. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

The fair value of issued bonds increased in 2012 by approximately DKK 1bn (decrease of approximately DKK 2bn) due to changes in own credit risk. The cumulative change since designation was a decrease of approximately DKK 5bn (decrease of approximately DKK 4bn). The calculation method of the estimated fair value changes attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yield on Danish and German government bonds and for adjustable rates, the swap rate. The calculation method is subject to uncertainty related to a number of assumptions and estimates.

## Note 20 Other liabilities

DKKm	31 Dec 2012	31 Dec 2011
Interest payable on bonds in issue	4,615	4,712
Other interest and commissions payable	54	47
Other	598	373
<b>Total</b>	<b>5,267</b>	<b>5,132</b>

## Note 21 Capital adequacy

### Calculation of total capital base

DKKm	31 Dec 2012	31 Dec 2011
Equity	16,461	15,758
Intangible assets	-3	-7
IRB provisions excess (+)/shortfall (-)	-2,218	1,403
Other items, net	-1	-
<b>Tier 1 capital (net after deduction)</b>	<b>14,239</b>	<b>14,348</b>
<b>Total capital base</b>	<b>14,239</b>	<b>14,348</b>

### Capital requirements and risk-weighted assets (RWA)

DKKm	31 Dec 2012 Capital requirement	31 Dec 2012 RWA	31 Dec 2011 Capital requirement	31 Dec 2011 RWA
<b>Credit risk</b>	<b>6,846</b>	<b>85,571</b>	<b>6,420</b>	<b>80,251</b>
IRB foundation	5,683	71,040	5,471	68,383
- of which corporate	2,475	30,932	2,539	31,735
- of which institutions	0	0	26	324
- of which personal customers and small and medium-sized corporate customers	3,093	38,665	2,823	35,284
- of which other	115	1,443	83	1,039
Standardised	1,162	14,531	949	11,868
- of which personal customers and small and medium-sized corporate customers	-	-	-	-
- of which other	1,162	14,531	949	11,868
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- of which FX, non-VaR	0	0	0	0
<b>Operational risk</b>	<b>182</b>	<b>2,280</b>	<b>160</b>	<b>1,997</b>
- of which standardised	182	2,280	160	1,997
<b>Sub-total</b>	<b>7,028</b>	<b>87,851</b>	<b>6,580</b>	<b>82,248</b>
<b>Adjustment for transition rules</b>				
Additional capital requirement according to transition rules	5,818	72,730	5,611	70,142
<b>Total</b>	<b>12,846</b>	<b>160,581</b>	<b>12,191</b>	<b>152,390</b>

<b>Total capital ratio excluding transition rules (%)</b>	31 Dec 2012	31 Dec 2011
Tier 1 capital ratio	16.2	17.4
Total capital ratio	16.2	17.4

## Note 22 Maturity analysis for assets and liabilities

### Remaining maturity

31 Dec 2012, DKKm	Note	On demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash balance and demand deposits with central banks		370	-	-	-	-	-	370
Loans to credit institutions and central banks	10	1,250	45,523	-	-	-	-	46,773
Loans and receivables at fair value and amortised cost	11	143	-	218	6,816	351,197	-	358,374
Bonds at fair value	12	-	-	-	-	-	-	-
<b>Total assets with fixed maturities</b>		<b>1,763</b>	<b>45,523</b>	<b>218</b>	<b>6,816</b>	<b>351,197</b>	<b>0</b>	<b>405,517</b>
Non-financial assets	13, 14, 15, 16	-	-	-	-	-	58	58
Current tax assets		-	2	-	-	-	-	2
Other assets	17	-	1,464	-	-	-	-	1,464
Prepaid expenses		-	3	-	-	-	-	3
<b>Total assets</b>		<b>1,763</b>	<b>46,992</b>	<b>218</b>	<b>6,816</b>	<b>351,197</b>	<b>58</b>	<b>407,044</b>
Deposits by credit institutions	18	884	36,021	-	12,000	-	-	48,905
Bonds in issue at fair value	19	-	52,999	62,453	74,164	146,786	-	336,402
<b>Total liabilities with fixed maturities</b>		<b>884</b>	<b>89,020</b>	<b>62,453</b>	<b>86,164</b>	<b>146,786</b>	<b>0</b>	<b>385,307</b>
Non-financial liabilities	8	-	-	-	-	-	-	-
Other liabilities	20	-	5,267	-	-	-	-	5,267
Deferred income		-	9	-	-	-	-	9
Equity		-	-	-	-	-	16,461	16,461
<b>Total liabilities and equity</b>		<b>884</b>	<b>94,296</b>	<b>62,453</b>	<b>86,164</b>	<b>146,786</b>	<b>16,461</b>	<b>407,044</b>

31 Dec 2011, DKKm	Note	On demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash balance and demand deposits with central banks		1	-	-	-	-	-	1
Loans to credit institutions and central banks	10	1,390	38,762	-	-	-	-	40,152
Loans and receivables at fair value and amortised cost	11	269	-	128	2,320	338,160	-	340,877
Bonds at fair value	12	-	5,001	-	-	-	-	5,001
<b>Total assets with fixed maturities</b>		<b>1,660</b>	<b>43,763</b>	<b>128</b>	<b>2,320</b>	<b>338,160</b>	<b>-</b>	<b>386,031</b>
Non-financial assets	13, 14, 15, 16	-	-	-	-	-	269	269
Other assets	17	-	1,090	-	-	-	-	1,090
Prepaid expenses		-	2	-	-	-	-	2
<b>Total assets</b>		<b>1,660</b>	<b>44,855</b>	<b>128</b>	<b>2,320</b>	<b>338,160</b>	<b>269</b>	<b>387,392</b>
Deposits by credit institutions	18	27,264	36,283	-	-	-	-	63,547
Bonds in issue at fair value	19	-	57,675	53,467	43,848	147,961	-	302,951
<b>Total liabilities with fixed maturities</b>		<b>27,264</b>	<b>93,958</b>	<b>53,467</b>	<b>43,848</b>	<b>147,961</b>	<b>-</b>	<b>366,498</b>
Non-financial liabilities	8	-	-	-	-	-	-	-
Other liabilities	20	-	5,132	-	-	-	-	5,132
Deferred income		-	4	-	-	-	-	4
Equity		-	-	-	-	-	15,758	15,758
<b>Total liabilities and equity</b>		<b>27,264</b>	<b>99,094</b>	<b>53,467</b>	<b>43,848</b>	<b>147,961</b>	<b>15,758</b>	<b>387,392</b>

Mortgage loans are match-funded and are undertaken on the basis of the statutory balance principle. The majority of these loans are long-term loans and are therefore categorised as >5 years in the maturity analysis, while the debt securities in issue are allocated through the maturity distribution in comparison to the refinancing period.

## Note 23 Related-party transactions

The information below is presented from a Nordea Kredit perspective, meaning that the information shows the effect from related-party transactions on the Nordea Kredit figures.

DKKm	31 Dec 2012	31 Dec 2011
<b>Operating items</b>		
Interest income:		
Interest on loans to credit institutions	22	706
Forward premium on derivatives	43	-6
Interest expense:		
Interest on loans to credit institutions	-241	-603
Fee and commission expense:		
Guarantee commissions etc	-579	-536
Brokerage	-93	-42
Staff costs and administrative expenses:		
IT expenses	-22	-32
Other administrative expenses	-24	-16
Systems development costs	-18	-26
Rent	-16	-13
Internal audit	-2	-2
Profit from investment in associated undertaking	1	-1
<b>Assets</b>		
Loans to credit institutions	46,773	29,534
Interest due from credit institutions	6	7
Investment in associated undertaking	11	11
<b>Liabilities</b>		
Deposits by credit institutions	48,905	63,547
Interest payable	3	32
IT expenses payable	2	4
Guarantee commissions payable	54	47
<b>Guarantees</b>		
Nordea Kredit's parent company, Nordea Bank Danmark A/S, provides on an ongoing basis 5- and 10-year guarantees to cover the top 25% of the principal of mortgage loans disbursed.	81,557	72,564

Nordea Bank Danmark A/S has provided guarantees relating to registration with the Land Registry, loans disbursed ahead of building start as well as other statutory guarantees towards Nordea Kredit.

The majority of the mortgage loans originated by Nordea Kredit is disbursed through Nordea Bank Danmark A/S.

Nordea Bank Danmark A/S has acted as intermediary for a number of securities and financial instruments transactions during the year. Intragroup transactions are provided on market terms.

In 2012 there were no exceptional related-party transactions.

### Compensation and loans to Board of Directors and Executive Management (key management personnel)

Compensation to the Board of Directors and the Executive Management is specified in Note 5.

Loans to the Board of Directors and the Executive Management and related parties are specified in Note 9.

### Related parties

Related parties are shareholders with significant influence, other Nordea Group companies, associated undertakings and other related parties. Other related parties are companies significantly influenced by key management personnel of Nordea Kredit as well as companies significantly influenced by related parties to key management personnel.



**Note 24**  
**The Danish Financial Supervisory Authority's ratio system**

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DKKm	2012	2011	2010	2009	2008
<b>Key figures (%)</b>					
Total capital ratio	16.2	17.4	16.5	18.5	21.5
Tier 1 capital ratio	16.2	17.4	16.5	18.5	21.5
Pre-tax return on equity	5.8	6.6	6.4	6.5	9.3
Post-tax return on equity	4.4	4.9	4.8	4.9	7.0
Income/cost ratio	2.30	2.90	3.46	3.81	6.57
Foreign exchange exposure as % of tier 1 capital	0.6	0.4	0.8	0.5	0.5
Loans/equity	21.8	21.6	21.2	20.6	19.5
Lending growth for the year	4.5	5.2	7.6	7.3	9.1
Impairment ratio for the year	0.1	0.1	0.0	0.0	0.0

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.

## Note 25 Series financial statements for 2012

DKKkm	Note	Capital centre 2	Capital centre 1 (General Capital Centre)	Total
<b>Income statement</b>				
Income from lending		1,871	408	2,279
Interest, net		-144	-21	-165
Administrative expenses, net		-599	-87	-686
Provisions for loan losses		-193	-297	-490
Tax		-234	-1	-235
<b>Total</b>		<b>701</b>	<b>2</b>	<b>703</b>
<b>Balance sheet</b>				
<b>Assets</b>				
Mortgage loans		306,152	52,222	358,374
Other assets		116,245	13,936	130,181
<b>Total assets</b>	<b>1</b>	<b>422,397</b>	<b>66,158</b>	<b>488,555</b>
<b>Liabilities and equity</b>				
Bonds in issue	2	361,838	59,284	421,122
Other liabilities		45,697	5,275	50,972
Equity	3	14,862	1,599	16,461
<b>Total liabilities and equity</b>		<b>422,397</b>	<b>66,158</b>	<b>488,555</b>

### Note 1 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	407,044
Own bonds, not offset in series financial statements	79,710
Interest receivable on own bonds	1,801
<b>Balance sheet total, series financial statements</b>	<b>488,555</b>

### Note 2 Bonds in issue, series financial statements

Bonds in issue, Nordea Kredit's annual financial statements	336,402
Own bonds, not offset in series financial statements	79,710
Deferred income	5,010
<b>Bonds in issue, series financial statements</b>	<b>421,122</b>

### Note 3 Equity

Movements in capital, net	675	-675
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### Background to series financial statements

Pursuant to the Danish Financial Supervisory Authority's Executive Order no 872 of 20 November 1995 on series financial statements in mortgage credit institutions, special series financial statements must be prepared for series with series reserve funds.

The series financial statements have been prepared on the basis of Nordea Kredit Realkreditaktieselskab's annual report for 2012.

Complete series financial statements for the individual series are available from Nordea Kredit.

## Note 26 Risk disclosures

### Market risk<sup>1</sup>

DKKkm	31 Dec 2012	31 Dec 2011
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#### Derivatives

Currency forwards		
Market value, positive	0	0
Market value, negative	0	0
Nominal value	4	60

At the end of 2011 and 2012 there were no spot transactions.

DKKkm, 31 Dec 2012	Total risk	Max	Min
Interest rate risk	32	39	14
Currency risk	0	0	0
<b>Total</b>	<b>32</b>	<b>39</b>	<b>14</b>

DKKkm, 31 Dec 2011	Total risk	Max	Min
Interest rate risk	33	33	21
Currency risk	0	0	0
<b>Total</b>	<b>33</b>	<b>33</b>	<b>21</b>

<sup>1</sup> Market risk is described in the Directors' report under Risk, liquidity and capital management, pages 8-10.

### Credit risk<sup>2</sup>

DKKkm	31 Dec 2012	31 Dec 2011
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#### Maximum credit risk of on-balance-sheet items

Loans to credit institutions and central banks	46,773	40,152
Loans and receivables at fair value	358,371	340,874
- of which year-round residences and holiday homes	246,573	234,869
- of which commercial properties	111,798	106,005
Loans and receivables at amortised cost	3	3
Bonds at fair value	-	5,001
Investment in associated undertaking	11	11
Other asset items	1,516	1,350

#### Security received

The maximum credit risk on loans to credit institutions is secured by own bonds in connection with purchase and resale transactions	42,266	28,144
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The security underlying loans at fair value is the physical collateral represented by the mortgaged properties in accordance with Danish mortgage legislation. The security position (LTV) of the loan portfolio is described in detail in the Directors' report, page 7.

In addition, the parent company Nordea Bank Danmark A/S provides on an ongoing basis 5- and 10-year loss guarantees covering the top 25% of the principal of mortgage loans disbursed	81,557	72,564
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In connection with the disbursement of loans, Nordea Bank Danmark A/S additionally provides statutory guarantees relating to registration with the Land Registry	10,699	15,484
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There are also statutory limits on the size of commitments with a single customer or a group of mutually related customers, implying that a commitment, after deduction of particularly secure claims, cannot exceed 25% of the capital base.

<sup>2</sup> Credit risk is described and illustrated in the section on Risk, liquidity and capital management in the Directors' report, pages 8-10. See also Note 11, under Age distribution of mortgage loans in arrears before provisions.

## Proposed distribution of earnings

According to the company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

DKKm	
Retained earnings	14,031
Net profit for the year	703
Transferred to Other reserves	-1
<b>Total</b>	<b>14,733</b>

The Board of Directors proposes that the profit for 2012 is distributed as follows:

DKKm	
Dividends paid to the shareholder	-
To be carried forward	14,733
<b>Total</b>	<b>14,733</b>

The company's distributable earnings amount to DKK 14,733m. After the proposed distribution of earnings, the company's unrestricted equity amounts to DKK 16,461m.

### Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today discussed and approved the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 2012.

The annual report has been presented in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports for issuers of listed bonds.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 31 December 2012 and of the results of the company's operations and cash flows for the financial year 1 January-31 December 2012.

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

We propose to the Annual General Meeting that the annual report should be adopted.

Copenhagen, 5 February 2013

### Executive Management

Lars Bank Jørgensen (Chief Executive Officer)

Michael Jensen

### Board of Directors

Anders Jensen (Chairman)

Peter Lybecker (Deputy Chairman)

Kim Skov Jensen

Jørgen Holm Jensen

## Independent auditors' report

### To the shareholders of Nordea Kredit Realkreditaktieselskab

We have audited the financial statements of Nordea Kredit Realkreditaktieselskab for the financial year 1 January-31 December 2012. The financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements have been prepared in accordance with the Danish Financial Business Act.

### Management's responsibility

Management is responsible for the preparation and fair presentation of financial statements in accordance with the Danish Financial Business Act. Further, Management is responsible for the internal control deemed relevant by the Management for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2012 and of the results of the Company's operations for the financial year 1 January-31 December 2012 in accordance with the Danish Financial Business Act.

### Statement on the Directors' report

Pursuant to the Danish Financial Business Act, we have read the Directors' report. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information given in the Directors' report is consistent with the financial statements.

Copenhagen, 5 February 2013

KPMG

Statsautoriseret Revisionspartnerselskab

Finn L. Meyer  
State-Authorised Public Accountant

Henrik Barner Christiansen  
State-Authorised Public Accountant

# Management

## Board of Directors of Nordea Kredit

**Anders Jensen** (Chairman)

### Internal assignments

Member of the Executive Management of Nordea Bank Danmark A/S.

Member of the Boards of Directors of Nordea Liv & Pension Livsforsikringselskab A/S and Fionia Asset Company A/S.

### External assignments

Deputy Chairman of the Board of Directors of the Danish Employers' Association for the Financial Sector.

Member of the Boards of Directors of Erhvervsakademiet Copenhagen Business Academy and DSEB (FUHU).

Member of the Board of Directors of LR Realkredit A/S.

**Peter Lybecker** (Deputy Chairman)

### Internal assignments

Member of the Executive Management of Nordea Bank Danmark A/S.

Chairman of the Board of Directors of Fionia Asset Company A/S.

Member of the Boards of Directors of Nordea Finans Danmark A/S, Nordea Finans Sverige AB and Nordea Finance Finland Ltd.

Member of the Board of Directors of OJSC Nordea Bank Russia.

Member of the Board of Directors of Pensionskassen for direktører i Sparekassen SDS.

### External assignments

Chairman of the Board of Directors of Nets Holding A/S, Bluegarden A/S and Bankernes Kontantservice A/S.

**Kim Skov Jensen**

### Internal assignments

Managing Director, Group Asset & Liability Management, Group Treasury, Nordea Bank Danmark A/S.

Chairman of the Board of Directors of NJK1 ApS.

Member of the Board of Directors of Fionia Asset Company A/S.

Member of the Board of Directors of Pensionskassen for direktører i Sparekassen SDS and Nordea Bank Sveriges Pensionsstiftelse.

### External assignments

None.

**Jørgen Holm Jensen**

### Internal assignments

Executive Vice President in Group Credit Denmark.

### External assignments

Member of the credit council of the Danish Bankers Association.

## Executive Management of Nordea Kredit

**Lars Bank Jørgensen** (Chief Executive Officer)

### Internal assignments

None.

### External assignments

Deputy Chairman of the Board of Directors of the Danish Mortgage Banks' Federation.

Member of the Boards of Directors of e-nettet A/S, e-nettet Holding A/S and danbolig A/S.

**Michael Jensen**

### Internal assignments

None.

### External assignments

Member of the Board of Directors of the Danish Mortgage Banks' Federation.

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