



Annual Report 2013  
**Nordea Kredit Realkreditaktieselskab**

Business registration number 15134275

*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 800 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.*

## **Contents**

Key financial figures . . . . . 3

### **Board of Directors' report**

Comments on the income statement . . . . . 4  
 Comments on the balance sheet . . . . . 4  
 Capital adequacy . . . . . 5  
 New legislation . . . . . 5  
 The property market . . . . . 6  
 Nordea Kredit's lending . . . . . 6  
 Bond issuance . . . . . 8  
 Risk, liquidity and capital management . . . . . 8  
 Control and risk management systems . . . . . 10  
 Corporate Social Responsibility . . . . . 11  
 Changes to the Board of Directors . . . . . 11  
 Balanced gender composition . . . . . 11  
 Human resources . . . . . 12  
 Subsequent events . . . . . 13  
 Outlook for 2014 . . . . . 13

### **Financial statements**

Income statement . . . . . 15  
 Statement of comprehensive income . . . . . 15  
 Balance sheet . . . . . 16  
 Statement of changes in equity . . . . . 17  
 5-year overview . . . . . 18  
 Notes to the financial statements . . . . . 19  
 Proposed distribution of earnings . . . . . 40

### **Statement and report**

Statement by the Board of Directors and the Executive Management . . . . . 41  
 Independent auditors' report . . . . . 42

### **Directorship**

Management . . . . . 43

## Key financial figures

### Income, profit and business volumes, key items (DKKm)

	2013	2012	Change %	2011	2010
<b>Income statement</b>					
Total operating income	1,986	1,660	20	1,542	1,388
Total operating expenses	-214	-232	-8	-248	-250
Net loan losses	-390	-491	-21	-284	-118
Profit before tax	1,383	938	48	1,009	934
Net profit for the year	1,037	703	48	756	700
<b>Balance sheet</b>					
Loans to credit institutions and central banks	52,873	46,773	13	40,152	36,527
Loans and receivables at fair value	363,749	358,371	2	340,874	318,199
Deposits by credit institutions and central banks	46,470	48,905	-5	63,547	70,141
Bonds in issue at fair value	349,074	336,402	4	302,951	265,964
Equity	17,498	16,461	6	15,758	15,002
Total assets	417,038	407,044	2	387,392	356,181

### Ratios and key figures

Return on equity	6.1	4.4		4.9	4.8
Cost/income ratio	10.8	14.0		16.1	19.9
Total capital ratio <sup>1</sup>	16.4	16.2		17.4	16.5
Tier 1 capital ratio <sup>1</sup>	16.4	16.2		17.4	16.5
Tier 1 capital <sup>1</sup> , DKKm	14,752	14,239		14,348	13,536
Risk-weighted assets <sup>1</sup> , DKKm	89,994	87,851		82,248	81,756
Number of employees (full-time equivalents) <sup>1</sup>	125	131		133	148

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

# Nordea Kredit Realkreditaktieselskab

## Board of 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 2012.

### Comments on the income statement

Nordea Kredit posted a profit after tax of DKK 1,037m in 2013 compared with DKK 703m the year before.

Total operating income rose by DKK 326m to DKK 1,986m (DKK 1,660m). The growth in operating income reflects several factors: an increase in lending, higher administration and reserve fees and an improved return on investment.

Income from administration and reserve fees was DKK 2,614m (DKK 2,268m), whereas the return on investment was negative at DKK 51m net (negative at DKK 171m).

The return on investment comprises all interest income and the net result from items at fair value relating to cash investments, interest expenses relating to Nordea Kredit's funding facilities as well as income from the bond price spread charged to borrowers when refinancing adjustable-rate mortgages.

The negative net return on investment in 2013 was attributable to the continued negative interest rates on cash investments during the period as well as the high cost of capital to maintain Nordea Kredit's rating.

Fee and commission income stood at DKK 185m (DKK 288m), a decline reflecting lower refinancing activity compared with the previous year. In both 2012 and 2013 fee income was affected by the fee-free switch offered to customers for certain types of refinancings. Fee and commission expense was DKK 780m (DKK 743m).

Total operating expenses, consisting of staff

costs and administrative expenses as well as depreciation, amortisation and impairment charges of tangible and intangible assets, were DKK 214m (DKK 232m). This is a decline of 8% as a result of lower staff costs and IT expenses. The cost/income ratio for the year fell to 10.8% (14.0%).

Net loan losses amounted to DKK 390m (DKK 491m) and total losses realised amounted to DKK 430m (DKK 324m). The provisioning requirement is still mainly attributable to loans to personal customers and involves considerable geographical dispersion.

### Comments on the balance sheet

#### Assets

Total assets increased by DKK 10bn in 2013 to DKK 417bn (DKK 407bn).

Loans to credit institutions and central banks amounted to DKK 53bn (DKK 47bn). The increase was mainly due to greater cash deposits with the parent company.

Loans and receivables at fair value increased DKK 6bn to DKK 364bn (DKK 358bn). At the end of 2013 total lending at nominal value after loan losses amounted to DKK 359bn (DKK 349bn). Owner-occupied dwellings and holiday homes accounted for DKK 244bn (DKK 239bn), agricultural properties for DKK 46bn (DKK 45bn) and other commercial properties for DKK 69bn (DKK 65bn).

At year-end lending for owner-occupied dwellings and holiday homes accounted for 68% (68%) of the total loan portfolio.

Of the total accumulated losses on loans and receivables of DKK 559m at the end of 2013 (DKK 589m), provisions for collectively assessed loans accounted for DKK 73m (DKK 34m). Accumulated loan losses amounted to DKK 479m at the end of 2013 (DKK 437m), corresponding to 0.13% (0.12%) of the loan portfolio. The quality of the loan portfolio is still considered satisfactory.

Loss guarantees from Nordea Bank were DKK 88bn (DKK 82bn), at end-2013 comprising loans totalling DKK 309bn (DKK 292bn). In December 2013 the maturity of the loss guarantees was extended. For all property types they now

cover the entire term of the loan, whereas they previously covered the first five years of the loan for owner-occupied dwellings and holiday homes and ten years for other property types.

At the beginning of 2014 the 3.5-month arrears rate for owner-occupied dwellings and holiday homes (the September 2013 payment date) was 0.28% (0.29%), a decline of 0.01% point since the beginning of 2013.

Nordea Kredit's share of the overall mortgage market in Denmark is still growing. At 31 December 2013 the market share was 14.5% (14.2%). For owner-occupied dwellings and holiday homes the market share was 17.1% (16.8%).

Assets in temporary possession consisted of a total of 41 (65) repossessed properties by the end of 2013 at a value of DKK 37m (DKK 44m). The repossessed properties are predominantly year-round residences.

### **Liabilities**

Deposits by credit institutions and central banks were DKK 46bn (DKK 49bn).

Bonds in issue at fair value totalled DKK 349bn (DKK 336bn) after offsetting the portfolio of own bonds.

### **Equity**

Including the net profit for the year, equity was DKK 17.5bn at the end of 2013 (DKK 16.5bn).

### **New loan type and new fee structure**

Nordea Kredit introduced a new mortgage named "Kort Rente" in the third quarter of 2013 with the interest rate based on the 6-month CITA rate. The "Kort Rente" product, an alternative to 1-year adjustable-rate mortgages, was well received by customers and is an integrated part of the individual advisory services to customers.

Alongside the introduction of "Kort Rente" a revised fee structure was announced for new and existing loans with adjustable rates and interest-only periods. One of the purposes was to give customers an incentive to amortise their mortgage loans. With this initiative Nordea Kredit also aims to reduce the share of loans with frequent refinancing to mitigate its refinancing risk.

As a result of the revised fee structure, administration and reserve fees on adjustable-

rate mortgages and loans with interest-only periods were increased at 1 January 2014. The bond price spread charged to borrowers when refinancing all types of adjustable-rate mortgages was increased.

Customers affected by the price increases have been offered a fee-free switch to other loan types with a longer refinancing frequency or loans with amortisation.

### **Annual General Meeting**

The Board of Directors will propose to the Annual General Meeting to be held on 28 February 2014 in Copenhagen that the profit for the year after tax of DKK 1,037m is transferred to equity and that no dividend is paid for 2013.

Nordea Kredit will announce its half-year 2014 results on 17 July 2014.

### **Capital adequacy**

At the end of 2013 the risk-weighted assets of Nordea Kredit amounted to DKK 90.0bn (DKK 87.9bn). The change compared with 2012 is mainly due to increased lending volumes. The tier 1 capital ratio and the total capital ratio were both 16.4% at end-2013 (16.2%). 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.

### **New legislation**

The Danish Minister for Business and Growth presented a draft bill on 28 November 2013, with the aim of regulating the risk associated with the refinancing of bond-based loans at mortgage institutions and banks.

The bill regulates situations where a refinancing auction fails or where the auction leads to very large interest rate increases for borrowers.

Nordea Kredit participates in the hearing process and the ongoing discussions with the ministry and the Danish Financial Supervisory Authority regarding the bill.

It is anticipated that the bill will be finalised by the end of February 2014.

## The property market

### The economy

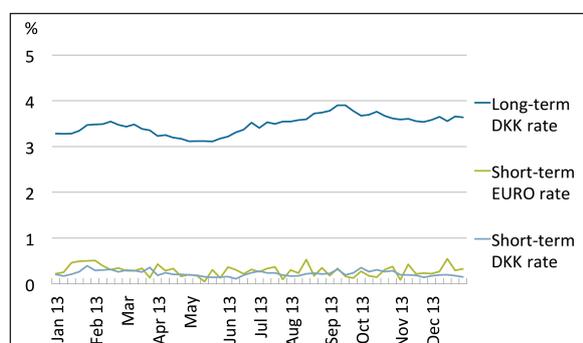
The Danish economy slowly started to show signs of improvement in 2013, with GDP growth in both the second and third quarter of the year. This gain was attributable to an improvement in international economic trends as well as the gradual pick-up in domestic demand.

Long-term interest rates rose slightly over the year, with demand strongly affected by the US Federal Reserve's (Fed) bond-buying programme.

The bond-buying programme has increased the demand for bonds. This is to keep prices up and yields down. The Fed has now decided to phase out its programme and interest rates therefore rose in the second half of 2013.

Short-term rates did not change significantly in 2013 and remain at a very low level historically. Interest rates are set to rise slightly in 2014.

**Figure 1. Mortgage interest rates – 2013**



### Property prices and market activity

The Danish housing market improved in 2013. At national level there was a trend towards stabilising home prices, albeit with very large local variations. This was especially the case for prices of owner-occupied flats in the greater Copenhagen area.

Prices of single-family and terraced houses nationwide rose by 1.2% during the first nine months of 2013 according to the housing market statistics of the Danish Mortgage Banks' Federation. By comparison prices of owner-occupied flats rose by 5.8% over the same period, whereas prices of holiday homes were up 2.4%. In the municipality of Copenhagen prices of flats

rose by more than 10% and regained some of previous years' drop.

The stabilisation is expected to continue into 2014, with home prices around 2% 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.

Property turnover was low in the first three quarters of 2013 according to the housing market statistics of the Danish Mortgage Banks' Federation. In the same period, trading activity for single-family and terraced houses as well as owner-occupied flats was marginally lower than in 2012. Market activity for holiday homes was above the level seen in 2012. In general trading activity is set to increase slightly in 2014.

### Nordea Kredit's lending

At the end of 2013 total lending at nominal value after loan losses amounted to DKK 359bn (DKK 349bn). Owner-occupied dwellings and holiday homes accounted for DKK 244bn (DKK 239bn), agricultural properties for DKK 46bn (DKK 45bn) and other commercial properties for DKK 69bn (DKK 65bn).

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

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

	2013		2012	
	DKKbn	%	DKKbn	%
<b>Adjustable rates</b>				
Cita/Cibor/Euribor	48.3	13.5	36.4	10.4
Capped floaters, annuity	2.6	0.7	2.6	0.8
Capped floaters, interest-only	3.7	1.0	3.8	1.1
Adjustable-rate, annuity	60.0	16.7	61.2	17.5
Adjustable-rate, interest-only	108.7	30.2	114.3	32.7
<b>Fixed rates</b>				
Cash loans	7.8	2.2	6.4	1.8
Bond loans, annuity	73.4	20.5	69.2	19.8
Bond loans, interest-only	54.4	15.2	55.6	15.9
<b>Total</b>	<b>358.9</b>	<b>100.0</b>	<b>349.5</b>	<b>100.0</b>

### Refinancing of adjustable-rate mortgages

At the auction in November 2013 bonds equivalent to DKK 54bn were sold. Compared with the December 2012 auction where bonds equivalent to DKK 77bn were sold, this reflects

a decline of 30%. This decline was attributable to the decision by many borrowers ahead of the refinancing to switch to the “Kort Rente” product or to fixed-rate mortgages. In addition, volumes were affected by Nordea Kredit’s continued efforts to distribute refinancing auctions over the year.

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 2014 was set at 0.43% (0.45% in 2013). At the auction the interest rate on a comparable loan in euros was set at 0.56% (0.49% in 2013).

At end-2013 Nordea Kredit had originated adjustable-rate mortgages with refinancing on 1 April for a total of DKK 36bn (DKK 30bn) and with refinancing on 1 October for a total of DKK 54bn (DKK 50bn).

### LTV ratios

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

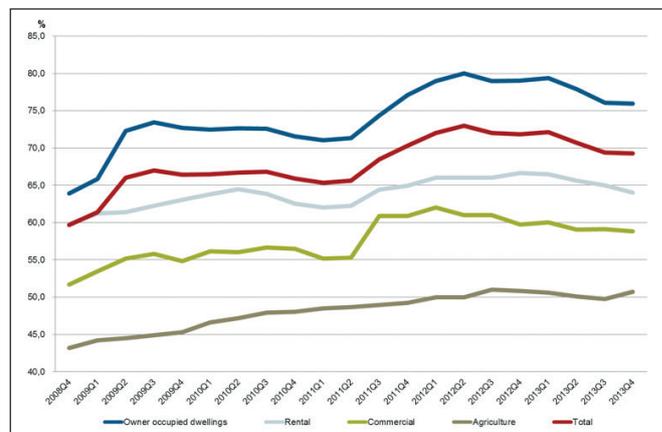
The moderate decline in property prices since end-2008 resulted in rising LTV ratios until the end of 2009 (Figure 2).

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.

In 2013 price trends for owner-occupied dwellings varied geographically with increasing prices in the Copenhagen region and mostly stable or decreasing prices in the rest of Denmark. The LTV ratio for owner-occupied dwellings and holiday homes stood at 76% in the fourth quarter of 2013, a decrease of 3.1% points compared with the same period in 2012.

A similar trend applies to the rest of the property market, also resulting in decreasing LTV ratios. The LTV ratio for total lending therefore decreased by 2.6% points in 2013 and stood at 69.3% in the fourth quarter of 2013.

Figure 2. LTV ratios



Nordea Kredit publishes quarterly LTV Reports and Investor Presentations. These reports are available at [www.nordeakredit.dk/investor-information](http://www.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 owner-occupied dwellings, 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 2013 the total nominal lending volume of Nordea Kredit based on covered mortgage bonds was DKK 323bn (DKK 300bn).

The supplementary collateral required on the basis of the LTV ratios for the individual loans was DKK 22bn at end-2013 (DKK 26bn). At year-end Nordea Kredit was able to provide supplementary collateral equivalent to DKK 55bn (DKK 43bn) in the form of capital base and other overcollateralisation.

## 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 185bn nominal in 2013 (DKK 252bn), which was financed by means of covered mortgage bonds.

At end-2013 the total value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, amounted to DKK 401bn (DKK 407bn). Of this amount, the issuance of mortgage bonds accounted for DKK 39bn (DKK 56bn) and covered mortgage bonds accounted for DKK 362bn (DKK 351bn).

At end-2013 the fair value of the total volume of bonds issued was DKK 349bn (DKK 336bn) 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 175m. For the securities portfolio the interest rate risk must not exceed 8% of the capital base, or DKK 1,180m.

At year-end 2013 the total interest rate risk with effect on profit before tax and equity was DKK 0.1m (DKK 0.3m) for the lending portfolio and DKK 24m (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-2013 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 Advanced Internal Rating Based (AIRB) 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.

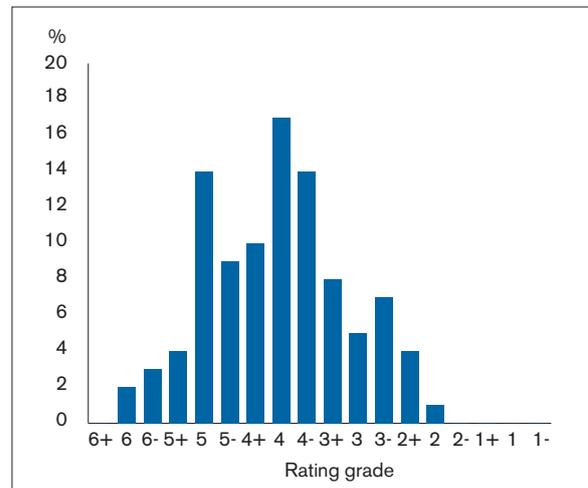
The most important parameters when quantifying the credit risk are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). The parameters are used for calculation of risk-weighted assets. In general, historical losses and defaults are used to calibrate the PDs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

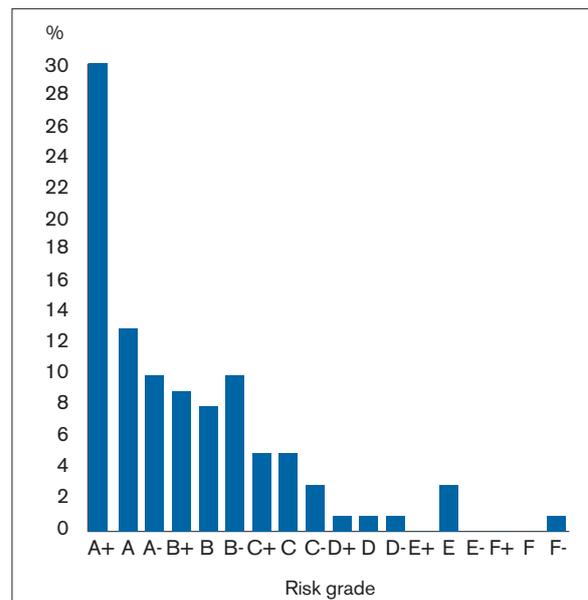
The rating distribution of loans to corporate customers (Figure 3) and the risk scoring of loans to personal and small and medium-sized corporate customers for 2013 (Figure 4) are shown below.

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



Note: Nordea's best rating is 6+.

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



Note: Nordea's best score is A+.

Improving credit quality was seen in 2013, mainly in the corporate credit portfolio. 74% (72%) of the corporate exposure was rated 4- or higher. Defaulted loans are not included in the rating/scoring distributions.

### Total capital ratio

At the end of 2013 the risk-weighted assets (RWA) of Nordea Kredit amounted to DKK 90.0bn (DKK 87.9bn). The change is mainly due to increased lending volumes. With a capital base

of DKK 14.8bn at the end of 2013 (DKK 14.2bn), the total capital ratio at end-2013 was 16.4% (16.2%).

At the beginning of January 2014 Nordea was approved to use the Advanced Internal Rating Based (AIRB) approach for the corporate portfolio.

### **Individual solvency needs**

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

### **CRD IV and CRR regulations**

The CRD IV/CRR is intended to set a single rule book for all banks in all EU member states in order to avoid divergent national rules. The CRD IV/CRR includes several key initiatives which change the current requirements. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of liquidity standards.

The CRD IV/CRR requires banks to comply with the following minimum capital ratios:

- common equity tier 1 (CET1) capital ratio of 4.5%
- tier 1 capital ratio of 6%
- total capital ratio of 8%.

The CRD IV also introduces a number of additional capital buffers. All buffers are to be expressed in relation to RWA and to be covered by CET1. The buffers are a capital conservation buffer of 2.5% and a countercyclical capital buffer in the range 0-2.5%. Breaching these buffer requirements will restrict banks' capital distribution, such as dividend.

RWA will also be affected by additional requirements for counterparty credit risk.

The CRD IV/CRR introduces two new quantitative liquidity standards: liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The LCR requires that a bank holds liquidity buffers which are adequate to face stressed conditions over a period of 30 days, while the NSFR requires that a bank must ensure that long-term obligations are adequately funded. The LCR is expected to be phased in

from January 2015 while the NSFR might be introduced by January 2018.

## **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 procedures, controls and 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 is part of the audit committee established for the Group. 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 and the audit committee.

## **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 [www.nordea.com/csr](http://www.nordea.com/csr).

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

Charlotte Gullak Christensen, Senior Vice President, Nordea Bank Danmark, was appointed to the Board of Directors at an extraordinary general meeting held on 10 June 2013.

## **Balanced gender composition**

The Board of Directors of Nordea Kredit has set a target of one female board member. This target has been fulfilled.

The Nordea Group Board has in 2013 approved a policy to promote gender balance. The Board of Directors of Nordea Kredit has endorsed the policy. According to the policy Nordea strives to secure that the right person is employed for the right job at the right time, while ensuring the right mix of competencies needed, including an appropriate gender composition in leading positions.

To ensure focus on a balanced gender composition, Nordea is relying on its Recruitment Policy and People Processes, and continuously reviewing them to identify improvement areas, and launches new initiatives when deemed necessary. HR initiatives to support an equal gender composition in leading positions include, but are not limited to, diversity efforts to identify barriers preventing female employees from taking on leading positions.

Nordea publishes on a regular basis a follow-up on the diversity measures by including selected information in its CSR report with regard to social data and diversity. For further information, see [www.nordea.com/csr](http://www.nordea.com/csr)

## Human resources

Working at Nordea is working at a relationship bank in which everybody is responsible for supporting great customer experiences. It is our skilled and dedicated employees that make us stand out from our competitors and make Nordea Great. This is why attracting, developing and maintaining highly motivated people are among our main priorities.

### People Strategy

Our People Strategy is based on our values and the needs of our business to achieve the ambitious goal of building the future relationship bank. The People Strategy emphasises that Nordea can reach its goals only if its employees reach theirs, which is why we provide opportunities for our people to develop and live well-balanced lives. Teamwork is an integral part of working at Nordea and a key to our success.

### Great leaders build the right team

Our values are incorporated into all our people processes, our training and everyday leadership, and are the foundation for our leadership competencies. Our values and leadership are the strongest drivers for both performance and building our corporate culture. It takes great leaders to build a Great European bank. Great leadership at 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.

Competence development is crucial for our business. At Nordea, we believe that performance

provides the opportunity to learn, and learning provides the capability to perform. Nordea provides group-wide leadership and employee development. The business areas provide training in specific skills and knowledge developed for ensuring common competence in a market area. Development is the joint responsibility of the manager and the employee.

### A company with many possibilities

Mobility is key to competence development. We advertise our vacancies internally and strive to find candidates among our colleagues. One way to learn about jobs and competence needs within the Group is to join our career days, which are run on a country basis. Nordea's Graduate Programme plays an important role in bringing new talents into the bank. The programme is in high demand, and hence a measure of our ability to attract some of the best young talents.

### Remuneration

Nordea offers competitive, but not market-leading compensation packages. Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but varied remuneration structures based on business and local market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

### Nordea remuneration components

#### - purpose and eligibility

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

**Profit Sharing** aims to stimulate value creation for the customers and shareholders and is offered to all employees. The performance criteria for the 2013 programme reflect Nordea's long-term targets: return on equity (ROE) and customer satisfaction.

**Variable Salary Part (VSP)** is offered to selected managers and specialists to reward strong performance. Individual performance is assessed based on a predetermined set of well-defined financial and 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 strong performance and maintain cost flexibility for Nordea. Assessment of individual performance is based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

**One Time Payment (OTP)** can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.

**Executive Incentive Programme (EIP)** may be offered to recruit, motivate and retain selected managers and key employees, and aims to reward strong performance and efforts. The EIP contains predefined financial and non-financial performance criteria at Nordea Group and business unit/individual level.

## Subsequent events

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

## Outlook for 2014

In 2014 mortgage market activity is set to remain modest in line with the level seen in 2013.

Customers are increasingly switching to loan types with a longer refinancing frequency or to fixed-rate loans and this trend is expected to continue. Nordea Kredit expects continued growth in its market share.

It is anticipated that the Nordea Bank Danmark Group will be designated as a SIFI, and the resultant capital requirements will also comprise the Group's portfolio of mortgage loans. One result of this is likely to be a continued increase in the cost of capital.

## Financial statements – contents

Income statement  
Statement of comprehensive income  
Balance sheet  
Statement of changes in equity  
5-year overview

### Notes to the financial statements

1 Accounting policies

### Notes to the income statement

2 Net interest income  
3 Net fee and commission income  
4 Net result from items at fair value  
5 Staff costs  
6 Depreciation, amortisation  
and impairment charges of tangible  
and intangible assets  
11 Net loan losses  
7 Profit from investment in associated undertaking  
8 Taxes  
9 Commitments with the Board of Directors  
and the Executive Management

### Notes to the balance sheet

10 Loans to credit institutions and central banks  
11 Loans and receivables at fair value  
12 Bonds at fair value  
13 Investment in associated undertaking  
14 Intangible assets  
15 Other tangible assets  
16 Assets in temporary possession  
17 Other assets  
18 Deposits by credit institutions and central banks  
19 Bonds in issue at fair value  
20 Other liabilities

### Other notes

21 Capital adequacy  
22 Maturity analysis for assets and liabilities  
23 Related-party transactions  
24 The Danish Financial Supervisory Authority's  
ratio system  
25 Series financial statements for 2013  
26 Risk disclosures

## Income statement

DKKm	Note	2013	2012
<b>Operating income</b>			
Interest income		11,661	12,022
Interest expense		-9,306	-9,808
<b>Net interest income</b>	2	<b>2,355</b>	<b>2,214</b>
Dividend income		-	-
Fee and commission income	3	185	288
Fee and commission expense	3	-780	-743
<b>Net interest and fee income</b>		<b>1,760</b>	<b>1,759</b>
Net result from items at fair value	4	218	-108
Other operating income		8	9
Staff costs and administrative expenses	5	-210	-228
Depreciation, amortisation and impairment charges of tangible and intangible assets	6	-4	-4
Other operating expenses		0	0
Net loan losses	11	-390	-491
Profit from investment in associated undertaking	7	1	1
<b>Profit before tax</b>		<b>1,383</b>	<b>938</b>
Tax	8	-346	-235
<b>Net profit for the year</b>		<b>1,037</b>	<b>703</b>

## Statement of comprehensive income

DKKm	2013	2012
Net profit for the year	1,037	703
Other comprehensive income, net of tax	0	0
<b>Total comprehensive income</b>	<b>1,037</b>	<b>703</b>
<b>Attributable to</b>		
Shareholder of Nordea Kredit Realkreditaktieselskab	1,037	703
<b>Total</b>	<b>1,037</b>	<b>703</b>

## Balance sheet

DKKm	Note	31 Dec 2013	31 Dec 2012
<b>Assets</b>			
Cash balance and demand deposits with central banks		250	370
Loans to credit institutions and central banks	10	52,873	46,773
Loans and receivables at fair value	11	363,749	358,371
Loans and receivables at amortised cost		2	3
Bonds at fair value	12	-	-
Investment in associated undertaking	13	13	11
Intangible assets	14	0	3
Other tangible assets	15	0	0
Current tax assets		0	1
Deferred tax assets	8	1	1
Assets in temporary possession	16	37	44
Other assets	17	108	1,464
Prepaid expenses		5	3
<b>Total assets</b>		<b>417,038</b>	<b>407,044</b>
<b>Liabilities</b>			
Deposits by credit institutions and central banks	18	46,470	48,905
Bonds in issue at fair value	19	349,074	336,402
Current tax liabilities	8	13	-
Other liabilities	20	3,973	5,267
Deferred income		10	9
<b>Total liabilities</b>		<b>399,540</b>	<b>390,583</b>
<b>Provisions</b>			
Deferred tax liabilities	8	-	-
<b>Total provisions</b>		<b>-</b>	<b>-</b>
<b>Equity</b>			
Share capital		1,717	1,717
Other reserves		12	11
Retained earnings		15,769	14,733
<b>Total equity</b>		<b>17,498</b>	<b>16,461</b>
<b>Total liabilities and equity</b>		<b>417,038</b>	<b>407,044</b>
<b>Contingent liabilities</b>			
Guarantees etc		75	75
<b>Total contingent liabilities</b>		<b>75</b>	<b>75</b>

## Statement of changes in equity

DKKm	Share capital <sup>1</sup>	Other reserves <sup>2</sup>	Retained earnings	Total
Balance at 1 Jan 2013	1,717	11	14,733	16,461
Net profit for the year	-	-	1,037	1,037
Other comprehensive income, net of tax <sup>2</sup>	-	1	-1	0
Total comprehensive income	-	1	1,036	1,037
Proposed dividends	-	-	-	-
Balance at 31 Dec 2013	1,717	12	15,769	17,498

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

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)	2013	2012	2011	2010	2009
Net interest income	2,355	2,214	2,068	1,809	1,813
Net fee and commission income	1,760	1,759	1,583	1,388	1,362
Net result from items at fair value	218	-108	-40	-65	-126
Other operating income	8	9	-1	-8	-2
Staff costs and administrative expenses	-210	-228	-236	-250	-197
Depreciation, amortisation and impairment charges of tangible and intangible assets	-4	-4	-11	-12	-12
Net loan losses	-390	-491	-284	-118	-114
Profit from investment in associated undertaking	1	1	-1	0	-3
<b>Profit before tax</b>	<b>1,383</b>	<b>938</b>	<b>1,009</b>	<b>934</b>	<b>908</b>
Tax	-346	-235	-253	-234	-230
<b>Net profit for the year</b>	<b>1,037</b>	<b>703</b>	<b>756</b>	<b>700</b>	<b>678</b>

<b>Balance sheet</b> (DKKm)	2013	2012	2011	2010	2009
Loans to credit institutions and central banks	52,873	46,773	40,152	36,527	16,382
Loans and receivables at fair value	363,749	358,371	340,874	318,199	294,558
Loans and receivables at nominal value <sup>1</sup>	358,925	349,484	334,643	318,288	295,719
Other assets	416	1,900	6,366	1,455	675
<b>Total assets</b>	<b>417,038</b>	<b>407,044</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>
Deposits by credit institutions and central banks	46,470	48,905	63,547	70,141	51,314
Bonds in issue at fair value	349,074	336,402	302,951	265,964	240,480
Other liabilities	3,996	5,276	5,136	5,074	5,520
Equity	17,498	16,461	15,758	15,002	14,301
<b>Total liabilities and equity</b>	<b>417,038</b>	<b>407,044</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>

<b>Ratios and key figures</b> (%)	2013	2012	2011	2010	2009
Return on equity	6.1	4.4	4.9	4.8	4.9
Income/cost ratio	3.3	2.3	2.9	3.5	3.8
Cost/income ratio	10.8	14.0	16.1	19.9	16.9
Loans/equity	20.8	21.8	21.6	21.2	20.6
Lending growth for the year	2.7	4.5	5.2	7.6	7.3
Impairment ratio for the year	0.1	0.1	0.1	0.0	0.0
Total capital ratio <sup>2</sup>	16.4	16.2	17.4	16.5	18.5
Tier 1 capital ratio <sup>2</sup>	16.4	16.2	17.4	16.5	18.5
Tier 1 capital <sup>2</sup> , DKKbn	14.8	14.2	14.3	13.5	13.0
Risk-weighted assets <sup>2</sup> , DKKbn	90.0	87.9	82.2	81.8	70.4
Number of employees (full-time equivalents) <sup>2</sup>	125	131	133	148	145
Average number of employees	129	135	144	143	138

<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

---

### 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 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 an asset or a liability is the quoted price on an active market for the relevant asset or liability. Where an active market does not exist, fair value is measured by the application of an appropriate valuation method which takes into account all the available data that market participants must be assumed to consider for a valuation.

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.

The fair value of mortgage loans is based on the fair value of the underlying mortgage bonds in issue adjusted for changes in the fair value of the credit risk associated with the borrower supplemented with a collective assessment of credit risk on the loan portfolio which is not individually assessed.

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.

Where an active market exists, the valuation is based on the last observed market price at the balance sheet date. Where an active market does not exist, fair value is measured by the application of an appropriate valuation method which takes into account all the available data that market participants must be assumed to consider for a valuation.

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.

Mortgage bonds in issue are measured at fair value, corresponding to the quoted price on an active market. Where an active market does not exist, fair value is measured by the application of an appropriate valuation method which takes

into account all the available data that market participants must be assumed to consider for a valuation.

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	2013	2012
<b>Interest income</b>		
Loans to credit institutions and central banks <sup>1,3</sup>	-58	22
Loans and receivables at fair value	9,093	9,678
Administration and reserve fees receivable	2,614	2,268
Interest rate derivatives	0	43
Other interest income	12	11
<b>Total interest income</b>	<b>11,661</b>	<b>12,022</b>
<b>Interest expense</b>		
Deposits by credit institutions and central banks <sup>2,4</sup>	-287	-241
Bonds in issue at fair value	-9,018	-9,567
Other interest expenses	-1	0
<b>Total interest expense</b>	<b>-9,306</b>	<b>-9,808</b>
<b>Net interest income</b>	<b>2,355</b>	<b>2,214</b>
<sup>1</sup> Of which interest income on purchase and resale transactions (2013: interest expense)	-58	20
<sup>2</sup> Of which interest expense on sale and repurchase transactions (2012: interest income)	-10	11
<sup>3</sup> Of which negative interest income	-58	-14
<sup>4</sup> Of which positive interest expense	-	28

## Note 3 Net fee and commission income

DKKm	2013	2012
Loan processing fees	88	142
Brokerage	60	100
Other fee and commission income	37	46
<b>Fee and commission income</b>	<b>185</b>	<b>288</b>
Guarantee commissions etc payable to Nordea Bank Danmark A/S	-669	-590
Brokerage payable to Nordea Bank Danmark A/S	-63	-93
Other fee and commission expenses	-48	-60
<b>Fee and commission expenses</b>	<b>-780</b>	<b>-743</b>
<b>Net fee and commission income</b>	<b>-595</b>	<b>-455</b>

## Note 4 Net result from items at fair value

DKKm	2013	2012
Mortgage loans	-5,928	1,347
Bonds at fair value	-	-1
Foreign exchange gains/losses	1	1
Interest rate derivatives	-1	14
Bonds in issue	6,146	-1,469
<b>Total</b>	<b>218</b>	<b>-108</b>

## Note 5 Staff costs

DKKm	2013	2012
Salaries and remuneration (specification below)	-82	-81
Pension costs (specification below)	-9	-9
Social insurance contributions	-13	-13
Other staff costs	0	0
<b>Total</b>	<b>-104</b>	<b>-103</b>
Average number of employees	129	135
<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	-3
- Performance-related compensation	-1	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>-5</b>	<b>-4</b>
To other employees	-77	-77
<b>Total</b>	<b>-82</b>	<b>-81</b>
<b>Pension costs</b>		
Defined benefits plans	-	-
Defined contribution plans:		
- Executive Management	-1	-1
- Employees that have significant influence on Nordea Kredit's risk profile	-	-
- Other employees	-8	-8
<b>Total</b>	<b>-9</b>	<b>-9</b>
<b>Compensation including pension</b>		
Board of Directors <sup>1</sup>	-	-
Executive Management <sup>2</sup>	-5	-4
Employees that have significant influence on Nordea Kredit's risk profile <sup>3</sup>	-1	-1
<b>Total</b>	<b>-6</b>	<b>-5</b>

<sup>1</sup> The Board of Directors included five individuals in 2013.

<sup>2</sup> The Executive Management included unchanged two individuals in 2013. The Executive Management participates in the incentive programmes VSP (Variable Salary Part) and LTIP (Long Term Incentive Programme). These programmes are described in the Board of Directors' report.

<sup>3</sup> Employees that have significant influence on Nordea Kredit's risk profile included one individual in 2013.

Further information about Nordea Kredit's salary policy and practice is available at [www.nordea.com/remuneration](http://www.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 2013 to the Board of Directors and the Executive Management paid by the Nordea Bank AB Group are disclosed according to Financial Business Act section 77 d section 3:

DKKm <sup>2</sup>	2013	2012	DKKm <sup>2</sup>	2013	2012
<b>Board of Directors<sup>1</sup></b>			<b>Executive Management</b>		
Anders Jensen	4.9	4.0	Lars Bank Jørgensen	2.6	2.2
Peter Lybecker	7.3	6.3	Michael Jensen	1.6	1.5
Kim Skov Jensen <sup>3</sup>	-	-			
Jørgen Holm Jensen <sup>3</sup>	-	-			
Charlotte Gullak Christensen <sup>3</sup>	-	-			

<sup>1</sup> No Board of Directors 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 branches.

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

<sup>3</sup> Jørgen Holm Jensen, Kim Skov Jensen and Charlotte Gullak Christensen are not paid any remuneration as members of the Board of Directors of Nordea Kredit Realkreditaktieselskab or as members of the Executive Management of any company within the Nordea Group.

## **Note 6**

### **Depreciation, amortisation and impairment charges of tangible and intangible assets**

---

#### Depreciation/amortisation

DKKm	2013	2012
<b>Intangible assets</b> (Note 14)		
Internally developed software	-4	-4
<b>Other tangible assets</b> (Note 15)		
Machinery and equipment	0	0
<b>Total</b>	<b>-4</b>	<b>-4</b>

#### Impairment charges/reversed impairment charges

DKKm	2013	2012
<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>-4</b>

## **Note 7**

### **Profit from investment in associated undertaking**

---

DKKm	2013	2012
Profit from investment in associated undertaking	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

## Note 8 Taxes

### Income tax expense

DKKm	2013	2012
Current tax	-346	-236
Deferred tax	0	1
Adjustment relating to prior years	0	0
<b>Total</b>	<b>-346</b>	<b>-235</b>
Profit before tax	1383	938
Tax calculated at a tax rate of 25%	-346	-235
Non-deductible expenses	0	0
Adjustment relating to prior years	0	0
<b>Tax charge</b>	<b>-346</b>	<b>-235</b>
Average effective tax rate	25%	25%

### Deferred tax

DKKm	Deferred tax assets		Deferred tax liabilities	
	2013	2012	2013	2012
<b>Deferred tax related to:</b>				
Property and equipment	1	1	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>

DKKm	2013	2012
<b>Movements in deferred tax assets/liabilities, net are as follows:</b>		
Deferred tax in the income statement	0	1
<b>Total change</b>	<b>0</b>	<b>1</b>
<b>Current tax assets</b>	<b>1</b>	<b>1</b>
<b>Current tax liabilities</b>	<b>13</b>	<b>-</b>

Nordea Kredit is jointly taxed with the Danish companies, branches etc of Nordea. The companies etc included in the joint taxation have joint several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. At 31 December 2013, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 93m. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc may entail that the companies' liability will increase. The Danish Group as a whole is not liable to others. In terms of payroll tax and VAT, Nordea Bank Danmark A/S is registered jointly with Nordea, Branch of Nordea Bank AB, Sweden, the Danish PE agency of Nordea Bank Finland and with the majority of the Danish subsidiary undertakings in the Nordea Bank AB Group and these companies are jointly and severally liable for such taxes.

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

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 2013	31 Dec 2012
<b>Loans etc</b>		
Executive Management	6	7
Board of Directors	10	8

Interest income on these loans to members of Nordea Kredit's Executive Management and Board of Directors amounts to DKK 0.3m (DKK 0.2m).

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 2013 interest on the loans was payable at the rate of 0.9-3.3% 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 2013 the loans amounted to DKK 7m (DKK 12m) with interest rates of 1.0-3.4%.

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

DKKm	31 Dec 2013	31 Dec 2012
Loans to credit institutions	52,873	43,473
Loans with notice to central banks	0	3,300
<b>Total</b>	<b>52,873</b>	<b>46,773</b>
Of which purchase and resale transactions	51,383	42,266

## Note 11 Loans and receivables at fair value

DKKm	31 Dec 2013	31 Dec 2012
<b>Mortgage loans, nominal value</b>		
Value at beginning of year	349,921	334,939
New loans (gross new lending)	62,887	93,826
Foreign exchange revaluations	-1	104
Redemptions and prepayments	-49,048	-74,820
Net new lending for the year	13,838	19,110
Scheduled principal payments	-4,355	-4,128
Mortgage loan portfolio at end of year	359,404	349,921
<b>Mortgage loans, fair value</b>		
Nominal value	359,404	349,921
Adjustment for interest rate risk etc	4,547	8,538
Adjustment for credit risk	-479	-437
Mortgage loan portfolio	363,472	358,022
Mortgage arrears and execution levied against debtors' properties	277	349
<b>Loans and receivables</b>	<b>363,749</b>	<b>358,371</b>

DKKm	31 Dec 2013	31 Dec 2012
<b>Mortgage arrears</b>		
Mortgage arrears before provisions	138	143
Execution levied against debtors' properties before provisions	139	206
<b>Total mortgage arrears and execution levied against debtors' properties</b>	<b>277</b>	<b>349</b>
Mortgage arrears mid-January following year	112	107

DKKm, 31 Dec 2013	Individually assessed	Collectively assessed
<b>Provisions for loans</b>		
At beginning of year	403	34
Movements during the year:		
- New provisions and value adjustments	569	55
- Reversals of provisions made in previous financial years	-234	-16
- Previous provisions now written off	-294	-
- Other disposals <sup>1</sup>	-39	-
<b>At end of year</b>	<b>405</b>	<b>73</b>

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>

<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)

**Loans and receivables, with objective evidence of impairment**

Loans and receivables subject to individual impairment and provisioning amount to DKK 9.7bn (DKK 5.4bn) before allowance and DKK 9.2bn (DKK 4.8bn) after allowance.

Loans and receivables subject to collective impairment and provisioning amount to DKK 224.4bn (DKK 166.7bn) before allowance and DKK 224.3bn (DKK 166.7bn) after allowance.

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 2013	31 Dec 2012
<b>Provisions for other receivables from credit institutions and other items with credit risk</b>		
At beginning of year	152	121
Movements during the year:		
- New provisions and value adjustments	23	73
- Reversals of provisions made in previous financial years	-19	-25
- Previous provisions now written off	-115	-85
- Other additions <sup>1</sup>	39	68
<b>Total</b>	<b>80</b>	<b>152</b>
Impaired other receivables before provisions and value adjustments	143	263
Impaired other receivables after provisions and value adjustments	63	111

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

DKKm	31 Dec 2013	31 Dec 2012
<b>Age distribution of mortgage loans in arrears before provisions</b>		
More than 3 months and up to 6 months	1,623	1,803
More than 6 months and up to 1 year	556	506
More than 1 year	724	631
<b>Total</b>	<b>2,903</b>	<b>2,940</b>

(%)	31 Dec 2013	31 Dec 2012
<b>Mortgage loan portfolio by property category</b>		
Owner-occupied dwellings	65	65
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	1
<b>Total</b>	<b>100</b>	<b>100</b>

## Note 12 Bonds at fair value

DKKm	31 Dec 2013	31 Dec 2012
Bonds	57,275	79,710
Own bonds offset against bonds in issue	-57,275	-79,710
<b>Total</b>	-	-
Assets sold as part of sale and repurchase transactions:		
Bonds at fair value	23,884	35,406
Bonds offset against bonds in issue	23,884	35,406

## Note 13 Investment in associated undertaking

DKKm	31 Dec 2013	31 Dec 2012
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	10	9
Revaluation during the year	1	1
<b>Total revaluation at end of year</b>	<b>11</b>	<b>10</b>
<b>Total</b>	<b>13</b>	<b>11</b>

The associated undertaking aggregated balance sheet and income statement can for the latest available annual report for 2012 be summarised as follows:

DKKm	31 Dec 2013	31 Dec 2012
Total assets	172	190
Total liabilities	111	137
Operating income	22	21
Operating profit/loss	8	-5

DKKm, 31 Dec 2013	Registration number	Domicile	Carrying amount	Voting power of holding %
e-nettet Holding A/S	28308019	Copenhagen	13	20

## Note 14 Intangible assets

DKKm	31 Dec 2013	31 Dec 2012
Internally developed software	-	3
<b>Total</b>	<b>-</b>	<b>3</b>

DKKm	31 Dec 2013	31 Dec 2012
<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	-51	-47
Amortisation according to plan for the year	-3	-4
Accumulated amortisation on sales/disposals during the year	-	-
Reclassifications	-	-
Translation differences	-	-
<b>Accumulated amortisation at end of year</b>	<b>-54</b>	<b>-51</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>-</b>	<b>3</b>

## Note 15 Other tangible assets

DKKm	31 Dec 2013	31 Dec 2012
<b>Machinery and equipment</b>		
Acquisition value at beginning of year	6	6
Acquisitions during the year	-	-
Sales/disposals during the year	-1	-1
<b>Acquisition value at end of year</b>	<b>5</b>	<b>5</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>0</b>

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

---

DKKm	31 Dec 2013	31 Dec 2012
Repossessed properties	37	44
<b>Total</b>	<b>37</b>	<b>44</b>

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

---

DKKm	31 Dec 2013	31 Dec 2012
Interest receivable etc	77	1,369
Interest receivable on bonds etc	0	7
Other	31	88
<b>Total</b>	<b>108</b>	<b>1,464</b>

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

---

DKKm	31 Dec 2013	31 Dec 2012
Central banks	-	-
Other banks	46,470	48,905
Other credit institutions	-	-
<b>Total</b>	<b>46,470</b>	<b>48,905</b>
Of which sale and repurchase transactions	24,259	36,021

## Note 19 Bonds in issue at fair value

DKKm	31 Dec 2013	31 Dec 2012
Bonds in issue at beginning of year (nominal value)	406,862	382,379
Bonds issued during the year	185,042	251,590
Translation differences	-1	104
Scheduled payments and notified prepayments	-50,137	-69,428
Redemptions and other prepayments	-140,359	-157,783
<b>Bonds in issue at end of year (nominal value)</b>	<b>401,407</b>	<b>406,862</b>
Adjustment at fair value	4,942	9,250
Own bonds at fair value offset	-57,275	-79,710
<b>Bonds in issue at end of year at fair value</b>	<b>349,074</b>	<b>336,402</b>
Of which pre-issued (nominal value)	23,482	34,780
Drawn for redemption at next payment date (nominal value)	3,759	9,647

### 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 349bn (DKK 336bn). 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 2013 by approximately DKK 0.2bn (increase of approximately DKK 0.7bn) due to changes in own credit risk. The cumulative change since designation was a decrease of approximately DKK 5bn (decrease of approximately DKK 5bn). 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 2013	31 Dec 2012
Interest payable on bonds in issue	3,856	4,615
Other interest and commissions payable	59	54
Other	58	598
<b>Total</b>	<b>3,973</b>	<b>5,267</b>

## Note 21 Capital adequacy

### Calculation of total capital base

DKKkm	31 Dec 2013	31 Dec 2012
Equity	17,498	16,461
Intangible assets	0	-3
IRB provisions excess (+)/shortfall (-)	-2,746	-2,218
Other items, net	-	-1
<b>Tier 1 capital (net after deduction)</b>	<b>14,752</b>	<b>14,239</b>
<b>Total capital base</b>	<b>14,752</b>	<b>14,239</b>

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

DKKkm	31 Dec 2013 Capital requirement	31 Dec 2013 RWA	31 Dec 2012 Capital requirement	31 Dec 2012 RWA
<b>Credit risk</b>	<b>7,001</b>	<b>87,512</b>	<b>6,846</b>	<b>85,571</b>
IRB foundation	5,688	71,095	5,683	71,040
- of which corporate	2,872	35,898	2,475	30,932
- of which institutions	0	0	0	0
- of which personal customers and small and medium-sized corporate customers	2,809	35,109	3,093	38,665
- of which other	7	88	115	1,443
Standardised	1,313	16,417	1,162	14,531
- of which personal customers and small and medium-sized corporate customers	-	-	-	-
- of which other	1,313	16,417	1,162	14,531
<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>199</b>	<b>2,482</b>	<b>182</b>	<b>2,280</b>
- of which standardised	199	2,482	182	2,280
<b>Sub-total</b>	<b>7,200</b>	<b>89,994</b>	<b>7,028</b>	<b>87,851</b>
<b>Adjustment for transition rules</b>				
Additional capital requirement according to transition rules	5,854	73,173	5,818	72,730
<b>Total</b>	<b>13,053</b>	<b>163,167</b>	<b>12,846</b>	<b>160,581</b>

<b>Total capital ratio excluding transition rules (%)</b>	31 Dec 2013	31 Dec 2012
Tier 1 capital ratio	16.4	16.2
Total capital ratio	16.4	16.2

## Note 22 Maturity analysis for assets and liabilities

### Remaining maturity

31 Dec 2013, 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		250	-	-	-	-	-	250
Loans to credit institutions and central banks	10	1,490	51,383	-	-	-	-	52,873
Loans and receivables at fair value and amortised cost	11	137	1,610	5,344	43,964	312,696	-	363,751
Bonds at fair value	12	-	-	-	-	-	-	-
<b>Total assets with fixed maturities</b>		<b>1,877</b>	<b>52,993</b>	<b>5,344</b>	<b>43,964</b>	<b>312,696</b>	<b>0</b>	<b>416,874</b>
Non-financial assets	13, 14, 15, 16	-	-	-	-	-	50	50
Current tax assets		-	1	-	-	-	-	1
Other assets	17	-	108	-	-	-	-	108
Prepaid expenses		-	5	-	-	-	-	5
<b>Total assets</b>		<b>1,877</b>	<b>53,107</b>	<b>5,344</b>	<b>43,964</b>	<b>312,696</b>	<b>50</b>	<b>417,038</b>
Deposits by credit institutions	18	10,211	24,259	-	12,000	-	-	46,470
Bonds in issue at fair value	19	-	40,697	54,323	120,205	133,849	-	349,074
<b>Total liabilities with fixed maturities</b>		<b>10,211</b>	<b>64,956</b>	<b>54,323</b>	<b>132,205</b>	<b>133,849</b>	<b>0</b>	<b>395,544</b>
Non-financial liabilities	8	-	-	-	-	-	-	-
Other liabilities	20	-	3,986	-	-	-	-	3,986
Deferred income		-	10	-	-	-	-	10
Equity		-	-	-	-	-	17,498	17,498
<b>Total liabilities and equity</b>		<b>10,211</b>	<b>68,952</b>	<b>54,323</b>	<b>132,205</b>	<b>133,849</b>	<b>17,498</b>	<b>417,038</b>

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	1,474	5,124	39,488	312,145	-	358,374
Bonds at fair value	12	-	-	-	-	-	-	-
<b>Total assets with fixed maturities</b>		<b>1,763</b>	<b>46,997</b>	<b>5,124</b>	<b>39,488</b>	<b>312,145</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>48,466</b>	<b>5,124</b>	<b>39,488</b>	<b>312,145</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>

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 2013	31 Dec 2012
<b>Operating items</b>		
Interest income:		
Interest on loans to credit institutions	-58	22
Forward premium on derivatives	0	43
Interest expense:		
Interest on loans to credit institutions	-287	-241
Fee and commission expense:		
Guarantee commissions etc	-658	-579
Brokerage	-63	-93
Staff costs and administrative expenses:		
IT expenses	-23	-22
Other administrative expenses	-24	-24
Systems development costs	-11	-18
Rent	-15	-16
Internal audit	-2	-2
Profit from investment in associated undertaking	1	1
<b>Assets</b>		
Loans to credit institutions	52,873	46,773
Interest due from credit institutions	0	6
Investment in associated undertaking	13	11
<b>Liabilities</b>		
Deposits by credit institutions	46,470	48,905
Interest payable	16	3
IT expenses payable	15	2
Guarantee commissions payable	59	54
<b>Guarantees</b>		
Nordea Kredit's parent company, Nordea Bank Danmark A/S, provides on an ongoing basis guarantees to cover the top 25% of the principal of mortgage loans disbursed.	87,750	81,557

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 2013 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**

---

DKKm	2013	2012	2011	2010	2009
<b>Key figures (%)</b>					
Total capital ratio	16.4	16.2	17.4	16.5	18.5
Tier 1 capital ratio	16.4	16.2	17.4	16.5	18.5
Pre-tax return on equity	8.1	5.8	6.6	6.4	6.5
Post-tax return on equity	6.1	4.4	4.9	4.8	4.9
Income/cost ratio	3.30	2.30	2.90	3.46	3.81
Foreign exchange exposure as % of tier 1 capital	1.0	0.6	0.4	0.8	0.5
Loans/equity	20.8	21.8	21.6	21.2	20.6
Lending growth for the year	2.7	4.5	5.2	7.6	7.3
Impairment ratio for the year	0.1	0.1	0.1	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 2013

DKKkm	Note	Capital centre 2	Capital centre 1 (General Capital Centre)	Total
<b>Income statement</b>				
Income from lending		2,341	285	2,626
Interest, net		-49	-5	-54
Administrative expenses, net		-727	-72	-799
Provisions for loan losses		-174	-216	-390
Tax		-348	2	-346
<b>Total</b>		<b>1,043</b>	<b>-6</b>	<b>1,037</b>
<b>Balance sheet</b>				
<b>Assets</b>				
Mortgage loans		325,301	38,448	363,749
Other assets		103,730	8,064	111,794
<b>Total assets</b>	<b>1</b>	<b>429,031</b>	<b>46,512</b>	<b>475,543</b>
<b>Liabilities and equity</b>				
Bonds in issue	2	369,589	41,835	411,424
Other liabilities		43,237	3,384	46,621
Equity	3	16,205	1,293	17,498
<b>Total liabilities and equity</b>		<b>429,031</b>	<b>46,512</b>	<b>475,543</b>

### Note 1 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	417,038
Own bonds, not offset in series financial statements	57,275
Interest receivable on own bonds	1,230
<b>Balance sheet total, series financial statements</b>	<b>475,543</b>

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

Bonds in issue, Nordea Kredit's annual financial statements	349,074
Own bonds, not offset in series financial statements	57,275
Deferred income	5,075
<b>Bonds in issue, series financial statements</b>	<b>411,424</b>

### Note 3 Equity

Movements in capital, net	300	-300
---------------------------	-----	------

### 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 2013.

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 2013	31 Dec 2012
<b>Derivatives</b>		
Currency forwards		
Market value, positive	0	0
Market value, negative	0	0
Nominal value	3,730	4

At the end of 2012 and 2013 there were no spot transactions.

DKKkm, 31 Dec 2013	Total risk	Max	Min
Interest rate risk	24	35	13
Currency risk	0	0	0
<b>Total</b>	<b>24</b>	<b>35</b>	<b>13</b>

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>

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

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

DKKkm	31 Dec 2013	31 Dec 2012
<b>Maximum credit risk of on-balance-sheet items</b>		
Cash balance and demand deposits with central banks	250	370
Loans to credit institutions and central banks	52,873	46,773
Loans and receivables at fair value	363,749	358,371
- of which owner-occupied dwellings and holiday homes	248,220	246,573
- of which commercial properties	115,529	111,798
Loans and receivables at amortised cost	2	3
Bonds at fair value	-	-
Investment in associated undertaking	13	11
Other asset items	152	1,516

#### Security received

The maximum credit risk on loans to credit institutions is secured by own bonds in connection with purchase and resale transactions	51,383	42,266
---	--------	--------

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 Board of Directors' report, page 7.

In addition, the parent company Nordea Bank Danmark A/S provides on an ongoing basis loss guarantees covering the top 25% of the principal of mortgage loans disbursed	87,750	81,557
--	--------	--------

In connection with the disbursement of loans, Nordea Bank Danmark A/S additionally provides statutory guarantees relating to registration with the Land Registry	11,567	10,699
--	--------	--------

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 Board of 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	14,733
Net profit for the year	1,037
Transferred to Other reserves	-1
<b>Total</b>	<b>15,769</b>

The Board of Directors proposes that the profit for 2013 is distributed as follows:

DKKm	
Dividends paid to the shareholder	-
To be carried forward	15,769
<b>Total</b>	<b>15,769</b>

The company's distributable earnings amount to DKK 15,769m. After the proposed distribution of earnings, the company's unrestricted equity amounts to DKK 17,498m.

## 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 2013.

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 2013 and of the results of the company's operations and cash flows for the financial year 1 January-31 December 2013.

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

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

Copenhagen, 6 February 2014

### 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

Charlotte Gullak Christensen

## 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 2013. 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 2013 and of the results of the Company's operations for the financial year 1 January-31 December 2013 in accordance with the Danish Financial Business Act.

### Statement on the Board of Directors' report

Pursuant to the Danish Financial Business Act, we have read the Board of 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 Board of Directors' report is consistent with the financial statements.

Copenhagen, 6 February 2014

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

Head of Banking Denmark.  
Member of the Executive Management of Nordea Bank Danmark A/S.  
Member of the Board of Directors of Nordea Liv & Pension and Fionia Asset Company A/S.

### External assignments

Deputy Chairman and member of the Board of Directors of the Danish Bankers Association.  
Member of the Board of Directors of the Danish Employers' Association for the Financial Sector.  
Member of the Board of Directors of LR Realkredit A/S.  
Member of the Board of Directors of Danish Society for Education and Business and Erhvervsakademiet Copenhagen Business Academy.

**Peter Lybecker** (Deputy Chairman)

### Internal assignments

Head of Finance & Strategy in Retail Banking.  
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.

### External assignments

Chairman of the Board of Directors of Nets Holding A/S.  
Chairman of the Boards of Directors of Bluegarden Holding A/S and Bluegarden A/S.  
Chairman of the Board of Directors of Bankernes Kontantservice A/S.  
Chairman of the Board of Directors of VP SECURITIES A/S.  
Deputy Chairman of the Board of Directors of Danmarks Skibskredit 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.

**Charlotte Gullak Christensen**

### Internal assignments

Senior Vice President, Management Secretariat, Banking Denmark, Nordea Bank Danmark A/S.

### External assignments

None.

## 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.

Nordea Kredit Realkreditatieselskab  
Bus reg no 15134275  
Trommesalen 4  
PO Box 850  
DK-0900 Copenhagen C  
Tel +45 33 33 36 36  
Fax +45 33 33 36 37  
[www.nordeakredit.dk](http://www.nordeakredit.dk)