



Annual Report 2004

**Nordea Kredit**

Business registration number 15134275

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*Nordea Kredit is a part of Nordea. Nordea is the leading financial services group in the Nordic and Baltic Sea region and operates through three business areas: Retail Banking, Corporate and Institutional Banking and Asset Management & Life. The Nordea Group has almost 11 million Nordic customers and 1,198 branch offices. The Nordea Group is a world leader in Internet banking, with 4 million e-customers. The Nordea share is listed in Stockholm, Helsinki and Copenhagen.*

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- Profit for the year of DKK 616m
- Increase in lending of DKK 20bn brings total lending up to DKK 159.3bn
- Market share continues to grow
- Capped adjustable-rate mortgages added to the product range
- AAA rating also from Standard & Poor's

Nordea Kredit Realkreditaktieselskab posted a profit of DKK 616m in 2004 – the best so far – compared to DKK 585m in 2003. The very substantial growth in lending in 2003 and 2004 is primarily the reason for the growth in the profit for the year as reserve fund fees receivable rose by just over DKK 100m from 2003 to 2004. In 2004 mortgage refinancing activity was considerably lower than in the previous year and therefore loan processing fees etc are approximately DKK 41m lower in 2004 than in 2003.

The return on investment was DKK 211m in 2004 compared to DKK 230m in 2003. The decline is attributable to the lower short-term interest rate on investments as Nordea Kredit only assumes negligible interest rate risks.

Expenses remained largely unchanged despite the increase in activities.

Total loan loss provisions were DKK 1.0m in 2004 compared to DKK 6.0m in 2003.

During the year Nordea Kredit repossessed 16 properties and sold 15. At 31 December the portfolio of repossessed properties comprised ten properties with a total book value of DKK 6.1m.

The total capital ratio, including the profit for the year, was 10.4% at the end of 2004 against the statutory minimum of 8%. In 2004 Nordea Kredit received a capital injection of DKK 750m. At 31 December 2003 the total capital ratio stood at 10.0%.

No events have occurred after the balance sheet date which materially affect the financial position of the company.

The level of activity in the second half-year and the results lived up to the expectations announced in connection with the release of the interim report for the first half of 2004.

## Nordea Kredit – five-year financial summary

	2000	2001	2002	2003	2004
<b>Income statement (DKK m)</b>					
Net interest and fees receivable	388	509	537	749	769
Securities and foreign exchange result	50	31	-2	-11	-1
Profit before expenses	438	540	535	738	768
Other operating income	0	0	0	0	0
Expenses and depreciation	118	140	145	147	150
Other operating expenses	0	0	0	0	0
Loan loss provisions	1	1	2	6	1
Profit on shares in associated and group undertakings	1	0	0	0	-2
Operating profit before tax	321	399	389	585	616
Tax	-	0	0	0	0
Profit for the year	321	399	389	585	616
<b>Balance sheet at 31 December (DKK m)</b>					
Total assets	96,721	128,781	140,242	189,167	188,169
Mortgage loans	87,105	100,013	116,139	139,244	159,339
Bonds	6,742	11,750	10,512	23,454	1,691
Mortgage bonds in issue	89,197	116,061	126,282	162,868	172,808
Shareholders' equity	5,036	5,435	5,824	7,534	8,900
<b>Ratios and key figures</b>					
Total capital ratio, including profit for the year (%)	10.8	10.5	9.4	10.0	10.4
Pre-tax return on equity (%)	6.6	7.6	6.9	8.8	7.5
Income/cost ratio	3.70	3.83	3.65	4.82	5.07
Provision ratio for the year (%)	0	0	0	0	0
Lending growth for the year (%)	8.7	14.8	16.2	19.9	14.4
Average number of employees (full-time equivalents)	121	117	119	123	124

## **Lending**

In 2004 lending increased by DKK 20.1bn or 14.4%, to a total of DKK 159.3bn.

Lending for residential properties and holiday homes was DKK 127.7bn at the end of 2004, an increase of DKK 15.3bn compared to 2003. Commercial property lending increased from DKK 26.9bn at the end of 2003 to DKK 31.7bn at the end of 2004. Loans for agricultural properties were DKK 18.5bn at the end of 2004 against DKK 16.3bn in 2003.

At the end of 2004 total lending in euros amounted to the equivalent of DKK 5.6bn.

At the year-end total lending by Nordea Kredit accounted for 10.5% of total mortgage lending in Denmark, an increase of 0.7% point compared to the previous year. This consolidates Nordea Kredit's position as the third largest mortgage lender in Denmark.

Nordea Kredit's portion of new mortgage loans on home resales increased to 19.5% from 18.8% in 2003.

## **Capped adjustable-rate mortgages**

From 22 November Nordea Kredit's product range was extended to include capped adjustable-rate mortgages with principal payments and as interest-only loans.

At 31 December 2004 offers had been made for these mortgages for approximately DKK 2.3bn, which is in line with expectations.

## **Refinancing**

Refinancing of adjustable-rate mortgages took place in December at a five-day auction as regards one-year adjustable-rate mortgages. The interest rate applicable to a 30-year loan was fixed at 2.44% compared to 2.63% in 2004. Other adjustable-rate mortgages were refinanced at a one-day auction.

## **Other events**

On 19 October 2004 Nordea Kredit was upgraded to AAA by the rating agency Standard & Poor's. Nordea Kredit had already been given a corresponding rating by Moody's. This is the highest possible rating from both agencies and it applies to all Nordea Kredit's bond series.

## **New accounting standards**

From 1 January 2005 Nordea Kredit will apply new accounting standards, see the Executive Order on the presentation of accounts. This is not expected to have any operational effect.

## **Outlook for 2005**

Nordea Kredit expects to see continued growth in lending to all customer segments.

Results for 2005 are expected to be in line with 2004.

## **Annual General Meeting**

The Board of Directors will propose to the Annual General Meeting, which will be held on 28 February 2005 in Copenhagen, that the profit for the year of DKK 616m should be carried forward and that no dividend should be paid for 2004.

Nordea Kredit expects to announce its half-year results on 24 August 2005.

## Accounting policies

With effect from 1 January 2004 the accounting rules for intangible assets have been changed. Expenses for internal development of software are recognised as intangible assets and are amortised over the expected useful life. Internal development of software was previously charged to the income statement in the year of payment. In 2004 an intangible asset of DKK 2m was recognised. The effect of the change on the profit for the year and shareholders' equity amounts to an increase of DKK 2m before and after tax. No changes have been made to the comparative figures.

Except where noted above, no changes have been made to the accounting policies applied in the annual report for 2003.

### Basis of preparation

#### Legislation

The accounts of Nordea Kredit Realkreditatieselskab have been prepared in accordance with the Danish Mortgage Credit Act and the Danish Executive Order on the presentation of financial statements by mortgage institutions.

#### Accounting standards

The accounts have furthermore been prepared in conformity with the guidelines issued by the Copenhagen Stock Exchange and generally accepted accounting principles.

### Principal accounting policies and valuations

#### General

Income and charges are stated on an accrual basis with the exception of a number of fees which are taken to income and charges when due.

#### Mortgage lending

Mortgage loans, including amortisation accounts, granted on the basis of mortgage-backed bonds are stated in the balance sheet at nominal value.

The mortgage loan portfolio is appraised critically on an ongoing basis to assess the risk of losses and the necessary write-offs and provisions for losses are made. The item is reduced by provisions for loan losses.

#### Securities

Securities are measured at fair value.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Danish kroner at the official rates of exchange of the Danish central bank at the balance sheet date. Income and charges denominated in foreign currencies are translated into Danish kroner at the rates of exchange ruling on the date the transactions are booked. All adjustments are recognised via the income statement.

#### Derivatives

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

#### Repo- and reverse transactions

Securities sold under agreements to repurchase at a later date (repos) remain in the balance sheet. 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.

Securities purchased under agreements to resell at a later date (reverse repos) are not recorded in the balance sheet under the securities portfolio and any profit or loss arising thereon is not taken to the income statement. The purchase price paid is included as balances due from counterparties and carries interest as agreed.

#### Shares in associated undertakings

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

#### Intangible and tangible assets

Intangible assets acquired after 1 January 2003 are recognised at cost adjusted for any amortisation and write-downs made. With effect from 1 January 2004 expenses for internal development of software are recognised as intangible assets.

IT software and development expenses are recognised as assets if they are major investments with an expected useful life exceeding three years, expected to generate future economic benefits and not to be regarded as replacement investments or maintenance.

Amortisation of intangible assets is provided on a straight line basis over a maximum period of 20 years. Intangible assets concerning projects in progress are not amortised until the individual projects have been concluded.

Machinery and equipment are recognised at cost adjusted for any depreciation and write-downs made.

Depreciation is made on the basis of a conservative estimate of the assets' useful lives and residual value, if any.

If the value of the assets is lower and the impairment in value is not considered temporary, such assets are entered at the lower value.

Machinery and equipment are depreciated systematically over a maximum period of five years. Assets of less than DKK 100,000 are fully depreciated in the year of acquisition, except for assets acquired as part of a specific project, which are treated as one asset.

Temporarily repossessed properties comprise own loans and prior claims of other mortgagees as well as other cash outlays etc transferred from the item Mortgage loans relating to temporarily repossessed properties. The item is reduced by provisions for losses on these properties.

### **Pension commitments**

Pension commitments are covered either in an independent pension fund or through an insurance company. There are no further pension commitments towards the staff.

### **Taxation**

Nordea Kredit is taxed on a pooled basis with Nordea Bank Danmark A/S. The estimated tax on the year's taxable income and the year's change in provisions for deferred tax are entered in the income statement of Nordea Bank Danmark A/S.

Similarly, the accumulated deferred tax liability resulting from differences between the accounting and taxation treatment of assets and liabilities is shown as a provision in the accounts of Nordea Bank Danmark A/S. Any deferred tax liability of the company arising in the event of discontinuation of taxation on a pooled basis, is disclosed in a note to the accounts.

Tax on loan loss provisions has been charged to the income statement of Nordea Kredit.

### **Cash flow statement**

Cash flows are shown according to the indirect method on the basis of the profit for the year, adjusted for illiquid items. The change in cash and cash equivalents for the year is the sum of the adjusted profit and changes in assets and liabilities from 1 January to 31 December.

Cash and cash equivalents comprise balances due from credit institutions and central banks.

### **Ratios and key figures**

Ratios and key figures are listed in the notes in compliance with the schedule to the Danish Executive Order on the presentation of financial statements by mortgage institutions.

## Income statement

(DKKm)	Note	2002	2003	2004
Interest receivable	8	7,346	8,118	8,210
Interest payable	9	6,529	7,223	7,219
<b>Net interest income</b>		817	895	991
Dividend income		0	1	1
Fees and commissions receivable	10	153	280	222
Fees and commissions payable	11	433	427	445
<b>Net interest and fees receivable</b>		537	749	769
Securities and foreign exchange result	12	-2	-11	-1
Other operating income		0	0	0
Staff and administrative expenses	13	144	145	148
Amortisation, depreciation and write-downs of intangible and tangible assets		1	1	2
Other operating expenses		0	0	0
Loan loss provisions		2	6	1
Profit on shares in associated and group undertakings	15	0	-	-2
<b>Operating profit before tax</b>		389	585	616
Tax	16	0	0	0
<b>Profit for the year</b>		389	585	616
<b>Distribution of profit</b>				
Profit for the year		389	585	616
Total amount available for distribution		389	585	616
Transfer to shareholders' equity		389	585	616
Total distribution of amount available		389	585	616

## Balance sheet at 31 December

(DKKm)	Note	2002	2003	2004
<b>Assets</b>				
Cash in hand and balances at call due from central banks		5	0	0
Balances due from credit institutions and central banks	7, 17, 26, 27	12,588	25,305	25,538
Loans	5, 6, 7, 18			
Mortgage loans		116,139	139,244	159,339
Other loans	27	111	140	128
Bonds	19, 21, 31	10,152	23,454	1,691
Shares etc	20, 22	3	3	7
Shares in associated undertakings	22	-	2	0
Intangible assets		-	-	2
Tangible assets	23	6	6	8
Other assets	28	1,239	1,013	1,456
Deferred income		-	0	-
<b>Total assets</b>		<b>140,242</b>	<b>189,167</b>	<b>188,169</b>
<b>Liabilities</b>				
Balances due to credit institutions and central banks	7, 24, 26, 27	4,795	15,347	1,718
Mortgage bonds in issue	7, 25	126,282	162,868	172,808
Other liabilities	29	3,338	3,412	4,731
Deferred income		3	6	12
Shareholders' equity				
Share capital		1,063	1,288	1,438
Share premium account		2,721	3,621	4,221
Reserves		-	-	-
Profit retained in previous years		1,651	2,040	2,625
Profit retained for the year		389	585	616
Total shareholders' equity	1, 2	5,824	7,534	8,900
<b>Total liabilities</b>		<b>140,242</b>	<b>189,167</b>	<b>188,169</b>
<b>Off-balance-sheet items</b>				
Contingent liabilities		0	0	0
<b>Total off-balance-sheet items</b>		<b>0</b>	<b>0</b>	<b>0</b>

## Cash flow statement

(DKKm)	2002	2003	2004
<b>Operating activities</b>			
Profit for the year	389	585	616
Adjustment for amounts in the profit for the year with no effect on cash flow			
Amortisation, depreciation and write-downs of intangible and tangible assets	1	1	2
Loan loss provisions	2	6	0
Revaluation of shares in associated and group undertakings	0	0	-2
Deferred income (net)	-7	2	6
	385	595	622
<b>Working capital</b>			
Loans	-16,200	-23,140	-20,083
Other assets	-417	225	-443
Balances due to credit institutions and central banks	43	10,552	-13,629
Mortgage bonds in issue	10,221	36,586	9,941
Other liabilities	814	74	1,318
Net cash inflow/(outflow) from operating activities	-5,155	24,893	-22,275
<b>Investing activities</b>			
Bonds	1,598	-13,304	21,763
Shares etc	-2	0	0
Shares in associated undertakings	4	-1	0
Tangible assets	0	-1	-5
Net cash inflow/(outflow) from investing activities	1,600	-13,306	21,758
<b>Financing</b>			
Proceeds from share issue	-	1,125	750
Net cash inflow/(outflow) from financing	-	1,125	750
Increase/(decrease) in cash and cash equivalents	-3,555	12,712	233
Cash and cash equivalents at 1 January	16,148	12,593	25,305
<b>Cash and cash equivalents at 31 December</b>	<b>12,593</b>	<b>25,305</b>	<b>25,538</b>

Change in securities holdings include unrealised gains.

## Notes

### Shareholders' equity and capital adequacy

#### Note 1 Shareholders' equity

(DKKm)	2002	2003	2004
Movements in shareholders' equity			
<b>Share capital at 1 January</b>	1,063	1,063	1,288
Increase in share capital	-	225	150
Share capital at 31 December	1,063	1,288	1,438
<b>Share premium account at 1 January</b>	2,721	2,721	3,621
Increase in share capital	-	900	600
Share premium account at 31 December	2,721	3,621	4,221
<b>Net revaluation reserve according to the equity method at 1 January</b>	3	-	-
Transfer from the amount available for distribution	-	-	-
Transfer to retained profits	-3	-	-
<b>Retained profits at 1 January</b>	1,648	2,040	2,625
Transfer from the amount available for distribution	389	585	616
Transfer from net revaluation reserve according to the equity method	3	-	-
Retained profits at 31 December	2,040	2,625	3,241
<b>Total shareholders' equity at 1 January</b>	5,435	5,824	7,534
Increase in share capital	-	1,125	750
Transfer from the amount available for distribution	389	585	616
Total shareholders' equity at 31 December	5,824	7,534	8,900

The company's share capital consists of 14,388,500 shares of DKK 100 each.  
Nordea Bank Danmark A/S, PO Box 850, DK-0900 Copenhagen C, holds all shares in the company.

#### Note 2 Capital adequacy data

Computed according to the Danish Financial Supervisory Authority's Executive Order on capital adequacy for mortgage institutions of 18 December 2003.

#### Capital structure as well as risk-weighted assets, DKKm

Tier 1 capital	5,824	7,534	8,898
Capital resources and short-term supplementary capital	5,824	7,534	8,898
Risk-weighted amounts not part of the trading portfolio, including off-balance-sheet items	62,129	75,489	85,587
Risk-weighted amounts with market risk	67	0	8
Total risk-weighted amounts	62,196	75,489	85,595
Total capital ratio, including profit for the year, computed according to section 53(1) of the Danish Mortgage Credit Act (%)	9.4	10.0	10.4
Tier 1 capital ratio (%)	9.4	10.0	10.4

## Financial instruments

### Note 3 Derivatives, by remaining term to maturity

(DKKm)	Within 3 mths	3 mths to 1 yr	1 to 5 yrs	Over 5 yrs	Total 2004	Total 2003
<b>Nominal value</b>						
<b>Foreign exchange derivatives</b>						
Forward contracts / futures, bought	-	-	-	-	-	-
Forward contracts / futures, sold	-	-	-	-	-	-
<b>Interest rate derivatives</b>						
Forward contracts / futures, bought	340	-	-	-	340	15,089
Forward contracts / futures, sold	-	-	-	-	-	15,089
<b>Net market value</b>						
<b>Foreign exchange derivatives</b>						
Forward contracts / futures, bought	-	-	-	-	-	-
Forward contracts / futures, sold	-	-	-	-	-	-
<b>Interest rate derivatives</b>						
Forward contracts / futures, bought	-2	-	-	-	-2	-98
Forward contracts / futures, sold	-0	-	-	-	0	98
<b>Net market value</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>0</b>

### Note 4 Derivatives, market value

(DKKm)	Market value		Average market value		Market value of unguaranteed contracts	
	Pos	Neg	Pos	Neg	Pos	Neg
<b>At 31 December 2004</b>						
<b>Foreign exchange derivatives</b>						
Forward contracts / futures, bought	-	-	-	-	-	-
Forward contracts / futures, sold	-	-	-	-	-	-
<b>Interest rate derivatives</b>						
Forward contracts / futures, bought	0	2	0	2	0	2
Forward contracts / futures, sold	-	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Total after netting</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>At 31 December 2003</b>						
<b>Foreign exchange derivatives</b>						
Forward contracts / futures, bought	-	-	0	0	-	-
Forward contracts / futures, sold	-	-	0	0	-	-
<b>Interest rate derivatives</b>						
Forward contracts / futures, bought	-	98	10	185	-	98
Forward contracts / futures, sold	98	-	176	9	98	-
<b>Total</b>	<b>98</b>	<b>98</b>	<b>186</b>	<b>194</b>	<b>98</b>	<b>98</b>
<b>Total after netting</b>	<b>98</b>	<b>98</b>	<b>186</b>	<b>194</b>	<b>98</b>	<b>98</b>

Average market value is based on monthly calculations.

## Credit risk

### Note 5 Mortgage loan portfolio by property category

	2002	2003	2004
<b>Percentage breakdown at 31 December</b>			
Owner-occupied housing	79	78	77
Holiday homes	3	3	3
Subsidised housing	0	0	0
Private rental property	2	3	3
Commercial property	1	1	1
Office and retail property	3	3	3
Agricultural property etc	11	12	12
Property for social, cultural and educational purposes	1	0	0
Other property	0	0	0
Total	100	100	100

### Note 6 Accumulated loan loss provisions

(DKKm)

Write-downs of loans and guarantees at 31 December	1	6	6
Write-downs of balances due from credit institutions and other items that may involve credit risk at 31 December	1	1	0
Total	2	7	6
Write-downs of loans and guarantees at 31 December as % of loans and guarantees at 31 December	0	0	0
Mortgage arrears mid January following year	17	16	11

## Specifications

### Note 7 Maturity by remaining term to maturity

(DKKm)	2002	2003	2004
<b>Balances due from credit institutions and central banks</b>			
Balances at call	459	1,324	930
At up to 3 months' notice	12,128	23,981	24,608
At more than 3 months' and up to 1 year's notice	-	-	-
At more than 1 year's and up to 5 years' notice	-	-	-
At more than 5 years' notice	-	-	-
Total	12,588	25,305	25,538
<b>Loans</b>			
At call	108	124	121
At up to 3 months' notice	1,420	940	1,440
At more than 3 months' and up to 1 year's notice	1,992	2,455	2,535
At more than 1 year's and up to 5 years' notice	14,679	14,515	15,029
At more than 5 years' notice	98,051	121,350	140,343
Total	116,250	139,384	159,468
<b>Balances due from credit institutions and central banks</b>			
Balances at call	2,962	92	-
At up to 3 months' notice	1,833	15,255	1,718
At more than 3 months' and up to 1 year's notice	-	-	-
At more than 1 year's and up to 5 years' notice	-	-	-
At more than 5 years' notice	-	-	-
Total	4,795	15,347	1,718
<b>Mortgage bonds in issue</b>			
Maturing within 3 months	23,344	25,465	45,377
Maturing between 3 months and 1 year ahead	3,156	3,107	4,056
Maturing between 1 year and 5 years ahead	29,792	41,836	27,532
Maturing after 5 years	69,990	92,460	95,843
Total	126,282	162,868	172,808

**Note 8 Interest receivable**

(DKKm)	2002	2003	2004
Balances due from credit institutions and central banks	329	393	308
Loans	6,399	6,966	7,100
Administration fees	551	645	750
Total bonds	41	77	11
Own mortgage bonds	31	50	11
Other mortgage bonds	10	27	0
Government bonds	0	-	-
Other bonds	-	-	-
Total derivatives	13	23	30
Foreign exchange derivatives	0	-	-
Interest rate derivatives	13	23	30
Other interest receivable	13	14	12
Total	7,346	8,118	8,210
Of which interest receivable on purchase and resale transactions entered under:			
Balances due from credit institutions and central banks	322	386	289

**Note 9 Interest payable**

Credit institutions and central banks	62	114	36
Mortgage bonds in issue	6,467	7,109	7,183
Other interest payable	-	0	-
Total	6,529	7,223	7,219
Of which interest payable on sale and repurchase transactions entered under:			
Balances due from credit institutions and central banks	38	108	34

**Note 10 Fees and commissions etc receivable**

Loan processing fees etc	98	181	140
Brokerage receivable from customers	52	95	78
Other fees	3	4	4
Total	153	280	222

**Note 11 Fees and commissions payable**

Guarantee commissions etc payable to Nordea Bank Danmark A/S	344	275	317
Brokerage payable to Nordea Bank Danmark A/S	44	86	65
Other fees and commissions payable	45	66	63
Total	433	427	445

**Note 12 Revaluation/translation adjustment**

(DKKm)	2002	2003	2004
Total bonds	2	-37	-9
Own mortgage bonds	3	-22	-9
Other mortgage bonds	-2	-15	0
Government bonds	1	-	-
Other bonds	-	-	-
Shares etc	-1	0	4
Currencies	0	0	0
Total derivatives	-3	26	5
Foreign exchange derivatives	0	-	-
Interest rate derivatives	-3	26	5
Total	-2	-11	-1

**Note 13 Staff and administrative expenses**

Salaries and emoluments to the Executive Management and the Board of Directors			
Executive Management	6	3	3
Board of Directors	0	0	-
Total	6	3	3
Staff costs			
Salaries	49	60	57
Pension costs	4	5	5
Social security contributions	7	7	8
Total	61	71	70
Other administrative expenses	76	71	75
Total staff and administrative expenses	144	145	148
<b>Executive Management and Board of Directors</b>			
Loans to and charges or guarantees issued for the members of Nordea Kredit's			
Executive Management	-	-	-
Board of Directors	5	4	4
<b>Auditors' remuneration</b>			
Total remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit	1	1	1
Of which remuneration for non-audit services	-	-	-

**Note 14 Number of employees**

Average number of employees in the financial year converted into full-time staff	119	123	124
<b>Outside affiliations approved by the Board of Directors</b>			
Palle O. Nielsen, Chairman of the Executive Management, A member of the board of directors of Realkreditnettet A/S og Realkredit Holding A/S, Copenhagen			

**Note 15 Profit on shares in associated and group undertakings**

(DKKm)	2002	2003	2004
Profit on shares in associated undertakings	0	-	-2
Total	0	-	-2

**Note 16 Tax**

Nordea Kredit is taxed on a pooled basis with Nordea Bank Danmark A/S. As a result, Nordea Kredit is jointly and severally liable for the total tax liability in respect of the pooled income.

Based on the company's own accounts and own tax situation, the company has no deferred tax liability. The item includes tax on loan loss provisions.

**Note 17 Balances due from credit institutions and central banks**

(DKKm)	2002	2003	2004
Balances due from central banks	3,997	-	22,464
Balances due from credit institutions	8,591	25,305	3,074
Total	12,588	25,305	25,538

**Note 18 Loans**

Mortgage loans	116,139	139,244	159,339
Other loans	3	3	7
Past due loan payments in respect of non-repossessed properties	108	138	122
Total	116,250	139,384	159,468
Mortgage loans			
Mortgage loan portfolio at 1 January	100,013	116,139	139,244
New loans (gross new lending)	38,681	71,894	58,002
Foreign exchange revaluations	-6	12	-4
Redemptions and prepayments	20,253	46,053	34,870
Net new lending	18,422	25,853	23,128
Scheduled principal payments	2,294	2,742	3,027
Mortgage loan portfolio at 31 December	116,141	139,250	159,345
Reclassification of loans relating to temporarily repossessed properties	1	-	-
Write-downs of loans	1	6	6
Total	116,139	139,244	159,339
Past due loan payments in respect of non-repossessed properties			
Mortgage arrears	108	125	121
Execution levied against debtors' properties	0	13	1
Write-downs of past due loan payments	-	-	-
Total	108	138	122
*) Mortgage arrears mid January following year	17	16	11

**Note 19 Bonds**

(DKKm)	2002	2003	2004
Own mortgage bonds	7,336	23,432	1,691
Other mortgage bonds	2,816	22	-
Government bonds	-	-	-
Other bonds	-	-	-
<b>Total</b>	<b>10,152</b>	<b>23,454</b>	<b>1,691</b>
Of which bonds drawn for redemption	0	113	-

**Note 20 Shares**

Other shares	1	3	7
Other types of shares	3	-	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>7</b>

**Note 21 Current asset investments**

(a) Current asset investments marked to market	10,152	22,934	1,691
(b) -Difference between the acquisition cost of current asset investments under (a) and the higher market value at the balance sheet date	-	-	-
(c) Current asset investments not marked to market	-	520	-
(d) -Difference between the acquisition cost of current asset investments under (c) and the higher market value at the balance sheet date	-	-	-

**Note 22 Fixed asset investments**

(DKKm)	Associates and other significant shareholdings	Other types of shares
Total cost of acquisition at 1 January	2	3
Additions	-	-
Disposals	-	-
<b>Total cost of acquisition at 31 December</b>	<b>2</b>	<b>3</b>
Upward and downward revaluation at 1 January	-	-
Upward and downward revaluation written back	-	-
Upward and downward revaluation	-2	4
<b>Upward and downward revaluation at 31 December</b>	<b>-2</b>	<b>4</b>
<b>Value at 31 December</b>	<b>0</b>	<b>7</b>
<b>Value at 1 January</b>	<b>2</b>	<b>3</b>

Realkreditnettet Holsing A/S, Copenhagen. Shareholding of 20.25 %.

**Note 23 Tangible assets**

(DKKm)	2002	2003	2004
Temporarily repossessed properties	4	4	6
Machinery and equipment	2	2	2
Total	6	6	8

  

	Temporarily repossessed properties	Machinery and equipment	Total
Total cost of acquisition at 1 January	4	5	9
Additions	9	1	10
Disposals	7	1	8
Total cost of acquisition at 31 December	6	5	11
Downward revaluation at 1 January	0	3	3
Depreciation charge	-	0	0
Write-downs	0	-	0
Downward revaluation written back	0	1	1
Downward revaluation at 31 December	0	3	3
Value at 31 December	6	2	8
Value at 1 January	4	2	6
Most recent property value (public valuation)	6		6
Full depreciation charge in the year of acquisition for machinery and equipment		1	1

**Note 24 Balances due to credit institutions and central banks**

(DKKm)	2002	2003	2004
Balances due to credit institutions	4,795	15,347	1,718
Total	4,795	15,347	1,718

**Note 25 Mortgage bonds in issue**

## Mortgage-backed bonds in issue

Mortgage bonds in issue at 1 January	116,061	126,282	162,868
Additions	47,716	118,792	64,344
Foreign exchange revaluations	-6	14	-4
Scheduled payments and notified prepayments	28,222	45,646	22,638
Redemptions and other prepayments	9,267	36,578	31,762
Mortgage bonds in issue at 31 December	126,282	162,868	172,808
Of which pre-issued	1,870	15,089	2,045
Drawn for redemption at next payment date	10,269	4,360	7,367

**Note 26 Sale and repurchase transactions and purchase and resale transactions**

(DKKm)	2002	2003	2004
Of the below assets purchase and resale transactions amount to:			
Balances due from credit institutions and central banks	8,132	23,981	2,046
Of the below liabilities sale and repurchase transactions amount to:			
Balances due to credit institutions and central banks	1,833	15,255	1,718
Assets sold as part of sale and repurchase transactions:			
Assets			
Bonds	1,819	14,992	1,691
Purchase and resale transactions	6,560	7,849	-
Sale and repurchase transactions	-	-	-

**Note 27 Balances with group and associated undertakings**

	Group undertakings	Associated undertakings and undertakings in which Nordea Kredit has other significant holdings of shares
Assets		
Balances due from credit institutions and central banks	3,073	-
Other loans	-	3
Other assets	21	-
Total	3,094	3
Liabilities		
Balances due to credit institutions and central banks	1,718	-
Other liabilities	41	-
Total	1,759	-

**Note 28 Other assets**

(DKKm)	2002	2003	2004
Positive market value of derivatives	81	98	0
Interest receivable on mortgage loans etc included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	644	171	1,392
Interest receivable on bonds etc	371	625	22
Other	143	119	42
Total	1,239	1,013	1,456

**Note 29 Other liabilities**

(DKKm)	2002	2003	2004
Negative market value of derivatives	81	98	2
Interest payable on mortgage bonds in issue included in calculation of statutory balance between mortgage loans and mortgage bonds in issue	3,057	3,273	4,675
Property assessment fees payable	3	5	6
IT expenses payable	4	0	4
Guarantee commissions payable	31	25	29
Holiday allowance payable	5	6	6
Other	157	6	9
Total	3,338	3,412	4,731

**Note 30 Intragroup transactions**

Intragroup transactions are concluded on market terms or on a cost basis.

Intragroup transactions of major importance and intragroup transactions with a value exceeding DKK 500,000 are the following:

Interest etc receivable			
Interest on balances due from credit institutions etc	325	390	308
Forward premium on forward transactions	13	23	30
Interest etc payable			
Interest on balances due to credit institutions etc	62	114	36
Fees and commissions payable			
Guarantee commissions etc	344	275	317
Brokerage	44	86	65
Securities and foreign exchange result			
Revaluation of forward transactions	-3	26	5
Staff and administrative expenses etc			
IT expenses	11	16	11
Common costs	2	2	4
Other administrative expenses	2	3	3
Other operating expenses			
Systems development costs	30	19	20
Rent	10	9	10
Internal audit	2	1	1

**Note 30 Intragroup transactions (continued)**

(DKKm)	2002	2003	2004
<b>Assets</b>			
Balances due from credit institutions	8,591	25,305	3,073
Revaluation of forward transactions	79	98	0
Interest receivable	34	315	21
<b>Liabilities</b>			
Balances due to credit institutions	4,795	15,347	1,718
Revaluation of forward transactions	79	98	2
Interest payable	2	12	0
Guarantee commissions etc payable	31	25	29
Salaries payable	-	-	6
IT expenses payable	4	0	4
<b>Guarantees</b>			
Nordea Kredit's parent company, Nordea Bank Danmark A/S, provides on an ongoing basis 5- and 10-year guarantees to cover the top 25% of the principal of mortgage loans disbursed	27,249	31,563	34,241

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

A large portion of the mortgage loans generated 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 forward transactions during the year.

All salaries and pension contributions are managed by Nordea Bank Danmark A/S.

**Note 31 Securities revaluation, fixed-interest liabilities, fixed-income assets**

Fixed-income assets which are not revalued as the interest rate risk relating to these assets is covered by fixed-interest liabilities.

(DKKm)	2002	2003	2004
<b>Covered fixed-income assets (excluding mortgage loans):</b>			
<b>Bonds</b>			
Book value	-	520	-
Purchase price	-	520	-
Market value	-	501	-
Nominal value	-	520	-
<b>Covering fixed-interest liabilities:</b>			
<b>Mortgage bonds in issue</b>			
Book value	-	520	-
Market value	-	501	-
Nominal value	-	520	-

**Note 32      The Danish Financial Supervisory Authority's ratio system**

	2000	2001	2002	2003	2004
Total capital ratio (including profit for the year) (%)	10.8	10.5	9.4	10.0	10.4
Tier 1 capital ratio (%)	10.8	10.5	9.4	10.0	10.4
Pre-tax return on equity (%)	6.6	7.6	6.9	8.8	7.5
Post-tax return on equity (%)	6.6	7.6	6.9	8.8	7.5
Income/cost ratio	3.70	3.83	3.65	4.82	5.07
Foreign exchange exposure as % of tier 1 capital	0.0	0.2	0.2	0.1	0.0
Accumulated provision ratio (%)	0.0	0.0	0.0	0.0	0.0
Provision ratio for the year (%)	0.0	0.0	0.0	0.0	0.0
Lending growth for the year (%)	8.7	14.8	16.2	19.9	14.4
Loans/shareholders' equity	17.3	18.4	20.0	18.5	17.9

## **Nordea Kredit Realkreditaktieselskab**

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

We have today presented the annual report of Nordea Kredit Realkreditaktieselskab.

The annual report has been presented in accordance with the standards laid down for the presentation of accounts by Danish mortgage institutions. We consider the accounting policies applied appropriate so that the annual report gives a true and fair view of the company's assets and liabilities, financial position and results.

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

Copenhagen, 23 February 2005

### **Board of Directors**

Jørn Kr Jensen  
(Chairman)

Michael Rasmussen  
(Deputy Chairman)

Peter Lybecker

Jørgen Holm Jensen

Jesper Christiansen

### **Executive Management**

Palle O Nielsen  
(Chairman)

Michael Jensen

## Auditors' reports

### Auditors' reports to the shareholders

#### Internal auditors' report

We have audited the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 2004, prepared in accordance with Danish statutory financial reporting requirements.

The annual report is the responsibility of the company's Board of Directors and Executive Management. Our responsibility is to express an opinion on the annual report based on our audit.

#### Basis of opinion

The audit was performed on the basis of the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Enterprises and Financial Groups and Danish Auditing Standards. Based on an evaluation of the materiality and risk our audit has included an examination of business procedures, the accounting policies applied and estimates made and evidence supporting the amounts and other disclosures in the annual report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not given rise to qualifications.

#### Opinion

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2004 and of the results of the company's operations and cash flows for the financial year 2004 in accordance with the accounting provisions of Danish legislation.

Copenhagen, 23 February 2005.

Søren Lund  
Chief Auditor

#### Auditors' report

##### To the shareholders of Nordea Kredit Realkreditaktieselskab

We have audited the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 2004, prepared in accordance with Danish statutory financial reporting requirements.

The annual report is the responsibility of the company's Board of Directors and Executive Management. Our responsibility is to express an opinion on the annual report based on our audit.

#### Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Executive Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not given rise to qualifications.

#### Opinion

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2004 and of the results of the company's operations and cash flow for the financial year 2004 in accordance with the accounting provisions of Danish legislation.

Copenhagen, 23 February 2005

KPMG C. Jespersen  
Statsautoriseret Revisionsinteressentskab

DELOITTE  
Statsautoriseret Revisionsaktieselskab

Finn L Meyer  
State-Authorised  
Public Accountant

Anne Rømer  
State-Authorised  
Public Accountant

Erik Holst Jørgensen  
State-Authorised  
Public Accountant

Anders O Gjelstrup  
State-Authorised  
Public Accountant

## Company information

### Company name

Nordea Kredit Realkreditaktieselskab  
Trommesalen 4  
DK-0900 Copenhagen C  
Bus reg no 15134275 Copenhagen

### Board of Directors

#### Jørn Kristian Jensen (Chairman)

Appointed 1993. Born 1946. Holder of a diploma in Specialised Business Studies. A member of the Executive Management of Nordea Bank Danmark A/S. Affiliations: Chairman of the board of directors of the Employers' Association for the Financial Sector, chairman of the board of directors of LR Realkredit AS, a member of the boards of directors of PBS A/S, PBS Holding A/S, PBS International Holding A/S, PBS International A/S, Multidata Holding A/S, Multidata A/S, Ejendomsselskabet Lautrupbjerg A/S, Pensionskassen for direktører i Sparekassen SDS (under afvikling), FUHU and Styrelsen for Niels Brock Copenhagen Business College. A member of the Boards of Directors of DanBolig A/S and Nordea Pension Danmark, Livsforsikringselskab A/S.

#### Michael Rasmussen (Deputy Chairman)

Appointed 2000. Born 1964. MSc(Econ). A member of the Executive Management of Nordea Bank Danmark A/S. Affiliations: A member of the boards of directors of LR Realkredit AS, the Danish Trade Council, the Industrialisation Fund for Developing Countries, the Investment Fund for Central and Eastern Europe and the Investment Fund for Emerging Markets. A member of the board of representatives of Danmarks Skibskreditfond. A member of the Boards of Directors Nordea Finans Danmark A/S and Nordea Bank Polska.

#### Peter Lybecker

Appointed 2000. Born 1953. MSc(Econ). A member of the Executive Management of Nordea Bank Danmark A/S. Affiliations: Chairman of the boards of directors of PBS Holding A/S, PBS A/S, PBS International Holding A/S, PBS International A/S, Multidata Holding A/S, Multidata A/S and Ejendomsselskabet Lautrupbjerg A/S. Chairman of the board of the Copenhagen Institute for Futures Studies. A member of the Danish Securities Council and of the Insead International Council and a

member of the board of directors of the Danish Museum of Decorative Arts.

#### Jesper Christiansen

Appointed 2000. Born 1963. MSc(Econ). Managing Director in Nordea Bank Danmark A/S.

#### Jørgen Holm Jensen

Appointed 2003. Born 1955. Holder of a diploma in Specialised Business Studies. Senior Vice President in Nordea Bank Danmark A/S. Affiliations: A member of the credit committee of the Danish Bankers Association.

### Executive Management

Palle O Nielsen (Chairman)  
Michael Jensen

### Internal auditors

Søren Lund, Chief Auditor

### Auditors appointed by the Annual General Meeting

KPMG  
Statsautoriseret Revisionsinteressentskab

DELOITTE  
Statsautoriseret Revisionsaktieselskab

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