

Annual Report 2007
Nordea Kredit Realkreditaktieselskab
Business registration number 15134275

Nordea Kredit is a part of Nordea. Nordea's vision is to be the leading Nordic 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 10 million customers, more than 1,200 branch offices and a leading netbanking position with 4.8 million e-customers. The Nordea share is listed on the OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

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- **Profit for the year of DKK 1,126m before tax**
- **Increase in lending of DKK 30bn**
- **Total lending of DKK 251.5bn**
- **Increased market share**
- **First with interest-only period of 30 years**
- **Loans backed by covered mortgage bonds launched**
- **Covered mortgage bonds rated Aaa and AAA**
- **Euribor3 loan for commercial borrowers**

Nordea Kredit Realkreditaktieselskab posted a profit for the year of DKK 1,126m before tax, corresponding to an increase of 28% compared to 2006. After tax the profit was DKK 847m.

The increased profit stems partly from the growth in the loan portfolio and partly from a higher return on investment.

As a result of the rise in income and the flat costs the cost/income ratio fell to 14.2% compared to 17.7% in 2006.

During the year Nordea Kredit repossessed three properties and sold two. At 31 December the portfolio of repossessed properties was two, booked at DKK 3.5m.

Lending growth and results for the second half-year correspond to the expectations announced in connection with the release of the interim report for the first half of 2007.

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

Nordea Kredit – five-year financial summary

	2003	2004	2005	2006	2007
Income statement (DKKm)					
Net interest and fee income	749	769	1,022	1,043	1,259
Securities and foreign exchange income	-11	-1	-44	26	34
Staff costs and administrative expenses	145	148	178	183	179
Loan losses	6	1	2	5	-1
Profit on shares in associated and group undertakings	-	-2	-	0	19
Profit for the year before tax	585	616	798	880	1,126
Profit for the year after tax	585	616	575	633	847
Balance sheet at 31 December (DKKm)					
Total assets	189,167	188,169	208,499	218,442	254,745
Total loans	139,384	159,468	190,050	215,484	240,200
Mortgage loans at nominal value	139,244	159,339	190,843	221,791	251,501
Shareholders' equity	7,534	8,900	10,225	11,858	12,706
Ratios and key figures					
Total capital ratio, including profit for the year (%)	10.0	10.4	9.9	10.1	9.9
Tier 1 capital ratio, including profit for the year (%)	10.0	10.4	9.9	10.1	10.0
Pre-tax return on equity (%)	8.8	7.5	8.3	8.0	9.2
Post-tax return on equity (%)	8.8	7.5	6.0	5.7	6.9
Income/cost ratio	4.82	5.07	5.43	5.64	7.05
Cost/income ratio (5)	20.7	19.7	18.4	17.7	14.2
Foreign exchange exposure as % of tier 1 capital	0.1	0.0	0.0	0.1	0.2
Loans/shareholders' equity	18.5	17.9	18.6	18.2	18.9
Lending growth for the year (%)	19.9	14.4	19.8	16.2	13.4
Impairment ratio for the year (%)	0.0	0.0	0.0	0.0	0.0
Average number of employees	123	124	130	131	126

Ratios and key figures have been computed in accordance with the Danish Financial Supervisory Authority's definitions.

Lending

In 2007 lending increased by DKK 30bn, which is at the same level as in 2006. Total lending now amounts to DKK 251.5bn.

At the end of 2007 lending for residential properties and holiday homes was DKK 189.2bn, an increase of DKK 18.1bn compared to 2006. During 2007 commercial property lending increased from DKK 50.7bn at the end of 2006 to DKK 62.3bn, corresponding to an increase of just under 23%. Of this figure loans for agricultural properties accounted for DKK 30.3bn against DKK 25.8bn in 2006.

At the year-end total lending by Nordea Kredit accounted for 12.4% of total mortgage lending in Denmark, an increase of 0.5% point compared to the previous year. The progress was made in all customer segments, but the market share has increased in particular within lending to corporate customers.

Covered mortgage bonds

As the first institution Nordea Kredit in October launched callable fixed-rate loans with 30-year interest-only periods based on covered mortgage bonds.

From December Nordea Kredit was able to offer the whole range of mortgage loans based on covered mortgage bonds - a total of 28 different products.

In early December the credit rating agencies Moody's and Standard & Poor's assigned Nordea Kredit the highest possible rating for its new covered mortgage bonds - Aaa and AAA - corresponding to the ratings already assigned to Nordea Kredit's existing bond issues.

Issuance of covered mortgage bonds results in accounting separation into capital centres and the preparation of series financial statements.

Euribor3 loan for commercial borrowers

In the autumn Nordea Kredit launched a Euribor3 loan which is a callable bond loan in euros. The loan is primarily targeted at agricultural borrowers, but may also be used towards other commercial borrowers preferring a loan in euros with a short-term interest rate.

Demand has exceeded expectations. Already at the year-end Euribor3 loans for DKK 2.7bn had been raised.

Refinancing

As in previous years the refinancing of adjustable-rate mortgages took place in December at a five-day auction as regards one-year adjustable-rate mortgages. Other adjustable-rate mortgages were refinanced at a one-day auction. The auction proceeded as expected with very satisfactory demand. In connection with the refinancing bonds for an amount of DKK 46bn were sold.

The interest rate for 2008 was fixed at 4.73% compared to 4.11% in 2007 for a 30-year annuity loan with annual refinancing.

In connection with the refinancing Nordea Kredit began exclusively to fund adjustable-rate mortgages based on covered mortgage bonds.

Basel II

Nordea Kredit reports for the first time risk-weighted assets in accordance with the new capital adequacy rules (Basel II) after approval of the internal ratings based (IRB) approach in end-June.

Nordea Kredit uses the IRB approach, foundation for credit risk for commitments with large enterprises and credit institutions in 2007. They cover approximately 25% of Nordea Kredit's credit portfolios. Nordea Kredit will gradually apply the IRB approach, advanced. The next step will be to implement the retail portfolios according to the IRB approach.

The tier 1 capital ratio was 10.0% and the total capital ratio was 9.9%.

Management changes

The former chairman of the Board of Directors of Nordea Kredit, Jørn Kr. Jensen, decided to retire and in that connection the former deputy chairman, Michael Rasmussen, was elected new chairman in August. Peter Lybecker was elected new deputy chairman.

Lars Bank Jørgensen was appointed chairman of the Executive Management on 1 September after Palle O. Nielsen had decided to retire. Lars Bank Jørgensen held a position as Executive Vice President in Nordea Bank Danmark A/S.

Outlook for 2008

Nordea Kredit expects to see continued growth in lending to all property segments, resulting in increasing market shares.

Results for 2008 are expected to be in line with 2007.

Annual General Meeting

The Board of Directors will propose to the Annual General Meeting, which will be held on 27 February 2008 in Copenhagen, that the profit for the year after tax of DKK 847m should be transferred to equity and that no dividend should be paid for 2007.

Nordea Kredit expects to announce its half-year results on 22 July 2008.

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), the OMX Nordic Exchange in Copenhagen's rules on the issuance of listed bonds, and generally accepted accounting principles.

No changes have been made to the accounting policies compared to the annual report for 2006.

Comparative figures

The comparative figures for 2003 and 2004 have been prepared in accordance with the accounting policies applicable then as regards financial assets and liabilities, including mortgage loans, mortgage bonds in issue and the portfolio of own bonds and interest.

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 mortgage bonds in issue

Valuation of the balance sheet items, mortgage loans and mortgage bonds in issue, is made in accordance with the Executive Order at fair value and is a deviation from the rules in Article 42a of the Fourth Company Directive for the purpose of giving a true and fair view of the assets, liabilities and profit to avoid accounting mismatch.

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 mortgage bonds in issue is measured on the basis of the closing rate of the bonds on the Copenhagen stock exchange. Illiquid bonds and announced scheduled payments are measured on the basis of a valuation model based on discounted cash flows.

The fair value adjustment is recognised in the income statement under Securities and foreign exchange result and as adjustment of the items Loans and receivables at fair value and Mortgage bonds in issue at fair value.

Provisions for loan losses

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

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

Objective indication is considered to have occurred if, for instance, the borrowers do not meet their payment obligation pursuant to the terms and conditions of the loan.

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

Individual loans that are not impaired are transferred to a group of loans with similar risk characteristics for a collective impairment test.

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 book value of the group and an estimated present value of the future payments fixed on the basis of historical loss experience.

Provisions for individual loans as well as for groups of significant loans are deducted from the asset item which the provision concerns and is charged to the item 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, ie 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 setoff 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.

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.

Financial assets

Loans and receivables at fair value

Mortgage loans are measured at fair value, corresponding to the closing price of the OMX Nordic Exchange Copenhagen. 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 statutory balance between mortgage loans and mortgage bonds in issue, are measured at amortised cost.

Shares and bonds

Shares and bonds are measured at fair value at the balance sheet date, corresponding to an estimated fair value computed on the basis of market data and general valuation methods. Changes in fair value are recognised directly in the income statement.

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

Derivatives

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

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 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 of less than DKK 11,600 are fully depreciated in the year of acquisition, except for assets acquired as part of a specific project, which are treated as one asset.

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

Mortgage bonds in issue at fair value

Mortgage bonds in issue are measured at fair value, corresponding to the closing price of the OMX Nordic Exchange Copenhagen at the balance sheet date. Announced scheduled payments for the next payment date are measured at the discounted value. Changes in fair value are recognised directly in the income statement.

The portfolio of own mortgage bonds is offset against mortgage bonds in issue.

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 staff.

Equity

Net revaluation of shares in associated undertakings according to the equity method are recognised in the equity item Statutory reserves.

The equity includes adjustments concerning the Nordea Group's share-based payment programme named Long Term Incentive Programme (LTIP), which was introduced in 2007. The share-based incentive programme is moreover recognised as a cost in the income statement.

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.

Cash flow statement

The cash flow statement shows cash flows broken down by operating, investing and financing activities for the year, changes in cash and cash equivalents for the year as well as cash and cash equivalent as at the beginning and end of the year.

Cash flows from operating activities are determined as profit before tax adjusted for non-cash operating items, changes in working capital, interest paid and corporation tax paid.

Cash flows from investing activities comprise the purchase and sale of intangible, tangible and other long-term assets as well as the purchase and sale of securities not included as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of the share capital.

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

Income statement

(DKK m)	Note	2006	2007
Interest income	3	9,557	12,607
Interest expenses	4	8,166	10,910
Net interest income		1,391	1,697
Dividend income		1	2
Fee and commission income	5	221	201
Fee and commission expenses	6	570	641
Net interest and fee income		1,043	1,259
Securities and foreign exchange income	7	26	34
Other operating income		0	0
Staff costs and administrative expenses	8,9	183	179
Amortisation, depreciation and impairment charges of intangible and tangible assets		1	8
Other operating expenses		0	-
Loan losses	25, 26, 27	5	-1
Profit on shares in associated and group undertakings	10	0	19
Profit before tax		880	1,126
Tax	11	247	279
Profit for the year		633	847
Distribution of profit			
Profit for the year		633	847
Total amount available for distribution		633	847
Transfer to shareholders' equity	1	633	847
Total distribution of amount available		633	847

Balance sheet at 31 December

(DKK m)	Note	2006	2007
Assets			
Cash and balances with central banks		0	0
Balances due from credit institutions and central banks	12, 22, 28	2,798	9,720
Loans and receivables at fair value	13, 24, 25, 26, 28	215,478	240,196
Loans and receivables at amortised cost	13, 27	6	4
Bonds at fair value	14	-	4,333
Shares etc	15	7	8
Shares in associated undertakings	16	1	18
Intangible assets		36	43
Other tangible assets	17	4	4
Assets in temporary possession	18, 27	1	3
Other assets	19, 27	111	415
Prepayments		-	1
Total assets		218,442	254,745
Liabilities and equity			
Liabilities			
Balances due to credit institutions and central banks	22, 28	14,428	26,150
Mortgage bonds in issue at fair value	20, 28	188,872	211,757
Current tax liabilities		243	279
Other liabilities	21	3,026	3,840
Deferred income		6	4
Total liabilities		206,575	242,030
Provisions			
Provisions for deferred tax		9	9
Total provisions		9	9
Shareholders' equity			
Share capital		1,717	1,717
Other reserves			
- Statutory reserves		0	16
- Other reserves		-	0
Retained earnings		10,141	10,972
Total shareholders' equity	1, 2	11,858	12,706
Total liabilities and equity		218,442	254,745
Off-balance-sheet items and contingent liabilities			
Guarantees etc		0	0
Total off-balance-sheet items and contingent liabilities		0	0

Cash flow statement

(DKK m)	2006	2007
Operating activities		
Profit for the year before tax	880	1,126
Adjustment for amounts in the profit for the year with no effect on cash flow:		
Loan losses	4	-2
Amortisation, depreciation and impairment charges of intangible and other tangible assets	1	10
Depreciation and impairment charges of temporarily repossessed assets	0	-
Revaluation of shares in associated and group undertakings	-1	-19
Deferred income (net)	-4	-3
	880	1,111
Working capital		
Loans and receivables at fair value	-25,440	-24,713
Loans and receivables at amortised cost	1	2
Other assets	473	-303
Balances due to credit institutions and central banks	3,485	11,723
Mortgage bonds in issue at fair value	5,068	22,884
Other liabilities	-269	814
Corporation tax paid, net	-217	-243
Net cash inflow/(outflow) from operating activities	-16,019	11,275
Investing activities		
Bonds at fair value	9,842	-4,333
Shares etc	0	-1
Shares in associated undertakings	0	-
Other tangible and intangible assets	-16	-17
Assets in temporary possession	1	-2
Net cash inflow/(outflow) from investing activities	-9,827	-4,353
Financing		
Proceeds from share issue	1,000	-
Net cash inflow/(outflow) from financing	1,000	-
Increase/(decrease) in cash and cash equivalents	-5,192	6,922
Cash and cash equivalents at 1 January	7,991	2,798
Cash and cash equivalents at 31 December	2,798	9,721

Change in securities holdings include unrealised gains or losses.

Notes

Note 1 Shareholders' equity

(DKKm)	2006	2007
Share capital at 1 January	1,563	1,717
Increase in share capital	154	-
Share capital at 31 December	1,717	1,717
Other reserves		
Statutory reserves at 1 January	-	0
Additions for the year	0	16
Statutory reserves at 31 December	0	16
Other reserves at 1 January	-	-
Additions for the year	-	0
Other reserves at 31 December	-	0
Retained earnings at 1 January	8,663	10,141
Increase in share capital	846	-
Transferred to statutory reserves	-	-16
Profit for the year	632	847
Retained profits at 31 December	10,141	10,973
Total shareholders' equity at 31 December	11,858	12,706

The company's share capital consists of 17,172,500 shares of DKK 100 each.

Nordea Bank Danmark A/S, PO Box 850, 0900 Copenhagen C, Denmark, holds all shares in the company.

The parent company of the Nordea Group is Nordea Bank AB (publ), Hamngatan 10, 105 71 Stockholm, Sweden.

Notes

Note 2 Capital adequacy

(DKK m)	2006	2007	2007	2007
Capital base	Basel I	Basel I	Basel II	Basel II
Tier 1 capital	11,858	12,620	12,520	
Total capital base	11,823	12,663	12,376	
Capital requirements		Risk-weighted assets	Risk-weighted assets	Capital requirement
Credit risk	116,154	131,922	91,015	7,281
IRB foundation			22,434	1,795
- of which corporate			21,314	1,705
- of which institutions			716	57
- of which other			404	32
Standardised			68,581	5,486
- of which retail			61,543	4,923
- of which other			7,038	563
Market risk	17	27	27	2
- of which FX, non-VaR	17	27	27	2
Operational risk			1,144	92
Standardised			1,144	92
Subtotal	116,171	131,949	92,187	7,375
Adjustment for transition rules				
Additional capital requirement according to transition rules			33,165	2,653
Total	116,171	131,949	125,352	10,028
Capital ratio				
Tier 1 capital ratio (%)	10.1	9.5	10.0	
Total capital ratio (%)	10.1	9.5	9.9	

Computed according to the Danish Financial Supervisory Authority's Executive Order on capital adequacy of 22 December 2006.

Notes

Note 3 Interest income

(DKKm)	2006	2007
Balances due from credit institutions and central banks	549	942
Loans and receivables	7,960	10,507
Reserve fund fees receivable	1,016	1,134
Bonds	1	6
Total derivatives	21	9
Interest rate derivatives	21	9
Other interest income	10	9
Total	9,557	12,607

Of which interest income on purchase and resale transactions entered under:

Balances due from credit institutions and central banks	459	621
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Note 4 Interest expenses

Credit institutions and central banks	174	432
Mortgage bonds in issue	7,987	10,467
Other interest expenses	5	11
Total	8,166	10,910

Of which interest expense on sale and repurchase transactions entered under:

Balances due to credit institutions and central banks	91	123
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Note 5 Fee and commission income

Loan processing fees etc	133	119
Brokerage receivable from customers	80	75
Other fees	8	7
Total	221	201

Note 6 Fee and commission expenses

Guarantee commissions etc payable to Nordea Bank Danmark A/S	444	494
Brokerage payable to Nordea Bank Danmark A/S	70	68
Other fees and commissions	56	79
Total	570	641

Note 7 Securities and foreign exchange income

Mortgage loans	-3,450	-3,664
Bonds	-1	1
Shares etc	1	-1
Currencies	-0	-0
Total derivatives	-	-6
Foreign exchange derivatives	-	-
Interest rate derivatives	-	-6
Mortgage bonds in issue	3,475	3,705
Total	26	34

Notes

Note 8 Staff costs and administrative expenses

(DKK m)	2006	2007
Salaries and emoluments to the Executive Management and the Board of Directors		
Executive Management	3	11
Total	3	11
Salaries to the Executive Management include salary to retired member.		
Staff costs		
Salaries	63	61
Pension costs	6	6
Social security contributions	3	3
Payroll tax	6	6
Total	78	76
Other administrative expenses	102	92
Total staff costs and administrative expenses	183	179
Executive Management and Board of Directors		
Loans to and charges or guarantees issued for the members of Nordea Kredit's		
Executive Management	-	2
Board of Directors	0	7
Loans to the Board of Directors are granted on market terms at average annual interest rates	4.0%	5.0%

Auditors' remuneration

Total remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit	0	1
Of which remuneration for non-audit services	-	-

Note 9 Number of employees etc

Average number of employees in the financial year converted into full-time staff	131	126
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External appointments approved by the Board of Directors

Lars Bank Jørgensen, Chairman of the Executive Management, a member of the boards of directors of e-nettet A/S and e-nettet Holding A/S, Copenhagen

Note 10 Profit on shares in associated and group undertakings

Profit on shares in associated undertakings	0	19
Total	0	19

Notes

Note 11 Tax

Nordea Kredit is jointly and severally liable for that part of the tax of the jointly taxed income concerning Nordea Kredit until payment to the management company in the Nordea Group has taken place.

The company has a liability for deferred tax of DKK 9m computed on the basis of the company's own financial statements and own tax circumstances. Tax on the profit for the year amounted to DKK 279m.

(DKKm)	2006	2007
Current tax on the profit for the year	243	279
Change in deferred tax	4	0
Adjustment of tax for previous years	0	0
Total	247	279
Tax rate applied	28	25

Note 12 Balances due from credit institutions and central banks

Balances at notice due from central banks	0	0
Balances due from credit institutions	2,798	9,720
Total	2,798	9,720

Note 13 Loans and receivables

Mortgage loans		
Mortgage loan portfolio at 1 January	190,846	221,799
New loans (gross new lending)	67,943	67,646
Foreign exchange revaluations	-4	4
Redemptions and prepayments	33,206	34,571
Net new lending	37,733	33,078
Scheduled principal payments	3,780	3,369
Mortgage loan portfolio at 31 December – total nominal value	221,799	251,508
Adjustment for interest rate risk etc – fair value	-6,362	-11,353
Adjustment for credit risk	-8	-6
Mortgage arrears and execution levied against debtors' properties	49	47
Mortgage loan portfolio – total fair value	215,478	240,196
Loans at amortised cost	6	4
Total loans and receivables	215,484	240,200
Mortgage arrears before provisions	49	47
Execution levied against debtors' properties before provisions	0	0
Provisions for mortgage arrears and execution levied against debtors' properties	-	-
Total mortgage arrears and execution levied against debtors' properties	49	47
Mortgage arrears mid-January following year	13	15

Notes

Note 14 Bonds at fair value

(DKK m)	2006	2007
Other mortgage bonds	-	4,333
Own mortgage bonds	51,482	71,753
Own mortgage bonds offset against mortgage bonds in issue	-51,482	-71,753
Total	-	4,333

Note 15 Shares etc

Unlisted shares recognised at fair value	7	8
Total	7	8

Note 16 Shares in associated undertakings

Total cost of acquisition at 1 January	2	2
Additions	-	-
Disposals	-	-
Total cost of acquisition at 31 December	2	2
Upward and downward revaluation at 1 January	-2	-1
Upward and downward revaluation written back	-	-
Upward and downward revaluation for the year	1	19
Upward and downward revaluation at 31 December	-1	17
Book value at 31 December	1	18
Book value at 1 January	0	1

Shares in associated undertakings comprise e-nettet Holding A/S, Copenhagen, which provides services to mortgage lenders, among others. Shareholding of 20%. Equity of DKK 86m and profit of DKK 4m, see the most recent annual financial statements for 2006.

Note 17 Other tangible assets

Total cost of acquisition at 1 January	7	8
Additions	2	1
Disposals	1	0
Total cost of acquisition at 31 December	8	9
Downward revaluation at 1 January	3	4
Depreciation charge for the year	2	1
Impairment charge for the year	-	-
Downward revaluation written back	1	0
Downward revaluation at 31 December	4	5
Book value at 31 December	4	4
Book value at 1 January	4	4
Full depreciation charge in the year of acquisition for machinery and equipment	2	1

Notes

Note 18 Assets in temporary possession

(DKKm)	2006	2007
Total cost of acquisition at 1 January	1	1
Additions	2	4
Disposals	2	2
Total cost of acquisition at 31 December	1	3
Downward revaluation at 1 January	0	-
Depreciation charge for the year	-	0
Impairment charge for the year	-	0
Downward revaluation written back	0	0
Downward revaluation at 31 December	-	0
Book value at 31 December	1	3
Book value at 1 January	1	1
Most recent property value (public valuation)	1	3

Note 19 Other assets

Interest receivable on mortgage loans etc included in the calculation of statutory balance between mortgage loans and mortgage bonds in issue	110	413
Interest receivable on bonds etc	0	1
Other	1	1
Total	111	415

Note 20 Mortgage bonds in issue at fair value

Mortgage-backed bonds in issue		
Mortgage-backed bonds in issue at 1 January (nominal value)	221,207	246,800
Additions	120,581	136,559
Foreign exchange revaluations	-4	4
Scheduled payments and notified prepayments	17,724	4,058
Redemptions and other prepayments	77,260	84,000
Mortgage-backed bonds in issue at 31 December (nominal value)	246,800	295,305
Adjustment at fair value	-6,446	-11,795
Own mortgage bonds at fair value offset	-51,482	-71,753
Mortgage bonds in issue at 31 December at fair value	188,872	211,757
Of which pre-issued (nominal value)	13,908	24,881
Drawn for redemption at next payment date (nominal value)	1,144	845

Note 21 Other liabilities

Interest payable on mortgage bonds in issue	2,838	3,322
Other interest and commissions payable	40	45
Other	148	473
Total	3,026	3,840

Notes

Note 22 Sale and repurchase transactions and purchase and resale transactions

(DKKm)	2006	2007
Of the below assets purchase and resale transactions amount to:		
Balances due from credit institutions and central banks	2,179	837
Of the below liabilities sale and repurchase transactions amount to:		
Balances due to credit institutions and central banks	14,327	25,622
Assets sold as part of sale and repurchase transactions:		
Assets		
Bonds at fair value	13,835	24,689
Mortgage bonds offset against mortgage bonds in issue at fair value	13,835	24,689
Purchase and resale transactions	-	-
Sale and repurchase transactions	-	-

Note 23 Financial market risks

Nordea Kredit is exposed to negligible interest rate and currency risks.

During 2007 Nordea Kredit's interest rate risk in respect of mortgage credit activities and market risks in respect of investment, measured at a one percentage point increase in interest rates, was between DKK 3.5m and DKK 8.5m in 2007 and during 2006 between DKK 4.3m and DKK 11.4m. At the end of 2007 the interest rate risk was DKK 3.5m compared to DKK 4.3m in 2006.

The currency risk, measured at VaR, which is defined as the maximum loss with a probability of 99 % within ten days, was between DKK 14.6k and DKK 47.8k and in 2006 between DKK 5.5k and DKK 30k. At the end of 2007 the currency risk was DKK 47.8k compared to DKK 19k in 2006.

At 31 December 2006 and 2007 there were no open spot or forward transactions.

Credit risk

Note 24 Mortgage loan portfolio by property category (nominal values)

(DKK m)	2006	2007
Percentage breakdown		
Owner-occupied housing	73	72
Holiday homes	4	4
Subsidised housing	0	0
Private rental property	4	5
Commercial property	2	2
Office and retail property	5	5
Agricultural property etc	12	12
Property for social, cultural and educational purposes	0	0
Other property	0	0
Total	100	100

Note 25 Provisions for individually assessed loans

Accumulated provisions at 1 January	4	8
Movements during the year:		
- Provisions and value adjustments during the year	8	1
- Reversals of provisions made in previous financial years	3	3
- Previous provisions now written off	1	0
Total	8	6
 Loans at fair value - before provisions and value adjustments	 31	 22
 Loans at fair value - after provisions and value adjustments	 23	 16

Note 26 Provisions for groups of loans

Accumulated provisions at 1 January	-	-
Movements during the year:		
- Provisions and value adjustments during the year	-	-
- Reversals of provisions made in previous financial years	-	-
- Previous provisions now written off	-	-
Total	-	-
 Loans at fair value - before provisions and value adjustments	 -	 -
 Loans at fair value - after provisions and value adjustments	 -	 -

Note 27 Provisions for other balances due from credit institutions and other items with credit risk

Accumulated provisions at 1 January	1	0
Movements during the year:		
- Provisions and value adjustments during the year	0	-
- Reversals of provisions made in previous financial years	0	0
- Previous provisions now written off	1	0
Total	0	0
 Other receivables - before provisions and value adjustments	 1	 1
 Other receivables - after provisions and value adjustments	 0	 1

Liquidity risk

Note 28 Maturity by remaining term to maturity

(DKK m)	2006	2007
Balances due from credit institutions and central banks		
Balances at call	619	1,181
At up to 3 months' notice	2,179	8,539
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	2,798	9,720
Loans		
At call	49	47
At up to 3 months' notice	-	-
At more than 3 months' and up to 1 year's notice	5	6
At more than 1 year's and up to 5 years' notice	165	176
At more than 5 years' notice	215,263	239,971
Total	215,482	240,200
Balances due to credit institutions and central banks		
Balances at call	101	529
At up to 3 months' notice	14,327	25,621
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	14,428	26,150
Mortgage bonds in issue		
Maturing within 3 months	20,008	17,173
Maturing between 3 months and 1 year ahead	181	62
Maturing between 1 year and 5 years ahead	12,012	17,102
Maturing after 5 years	156,671	177,420
Total	188,872	211,757

Intragroup transactions

Note 29 Intragroup transactions

(DKK m)	2006	2007
Intragroup transactions of major importance and intragroup transactions with a value exceeding DKK 1,000,000 are the following:		
Operating items		
Interest income		
Interest on balances due from credit institutions	549	939
Forward premium on derivatives	21	9
Interest expenses		
Interest on balances due to credit institutions	174	432
Fee and commission expenses		
Guarantee commissions etc	444	494
Brokerage	70	68
Securities and foreign exchange income		
Revaluation of derivatives	-	-
Staff costs and administrative expenses		
IT expenses	37	34
Other administrative expenses	5	7
Systems development costs	18	8
Rent	9	9
Internal audit	1	1
Assets		
Balances due from credit institutions	2,798	2,018
Liabilities		
Balances due to credit institutions	14,428	26,150
Interest payable	17	40
Salaries payable	6	7
IT expenses payable	11	8
Guarantee commissions payable	40	45

Guarantees

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

53,742	61,179
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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.

The majority 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 financial instruments transactions during the year. Salaries and pension contributions are managed by Nordea Bank Danmark A/S. Intragroup balances are settled on market terms or on a cost basis. In 2006 there were no exceptional related party transactions.

Series financial statements

Summary series financial statements

(DKK m)	Note	Capital centre 2	Capital centre 1	Total
Income statement				
Income from lending		0	1,143	1,143
Interest, net		13	603	616
Administrative expenses, net		14	621	635
Provisions for loan losses		-	-1	-1
Tax		0	279	279
Total		0	847	847
Balance sheet				
Assets				
Mortgage loans		763	239,446	240,209
Other assets		39,645	48,017	87,675
Total assets	3	40,421	287,463	327,884
Liabilities and equity				
Mortgage bonds in issue	2	36,597	251,621	288,218
Other liabilities		3,324	23,636	26,960
Equity	1	500	12,206	12,706
Total liabilities and equity	3	40,421	287,463	327,884

Note 1 Equity

Movements in capital, net	500	-500	-
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Note 2 Mortgage bonds in issue, series financial statements

Mortgage bonds in issue, Nordea Kredit's financial statements	211,757
Own mortgage bonds, not offset in series financial statements	71,753
Deferred income	4,709
Mortgage bonds in issue, series financial statements	288,218

Note 3 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	254,745
Own mortgage bonds, not offset in series financial statements	71,753
Interest receivable on own bonds	1,386
Balance sheet total, series financial statements	327,884

Background to series financial statements

Pursuant to the Danish Financial Supervisory Authority Executive Order no 872 of 20 November 1995 on series financial statements in mortgage banks, mortgage banks are required to prepare separate series financial statements for series with series reserve funds, see section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc Act. The series financial statements have been prepared on the basis of the Annual Report 2007 of Nordea Kredit Realkreditaktieselskab.

Complete series financial statements of each series may be obtained by contacting Nordea Kredit.

Nordea Kredit Realkreditatieselskab

Statement by the Board of Directors and the Executive Management

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

The annual report has been presented in accordance with the Danish Financial Business Act. 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 at 31 December 2007 and of the results of the company's operations and cash flows for the financial year 2007.

The financial review provides a true and fair view of the activities and financial performance of Nordea Kredit and describes material risks and uncertainties that may affect Nordea Kredit.

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

Copenhagen, 13 February 2008

Board of Directors

Michael Rasmussen
(Chairman)

Peter Lybecker
(Deputy Chairman)

Jørgen Holm Jensen

Jesper Christiansen

Executive Management

Lars Bank Jørgensen
(Chairman)

Michael Jensen

Auditors' report

The independent auditors' report

To the shareholders of Nordea Kredit Realkreditaktieselskab

We have audited the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 1 January – 31 December 2007, which comprises the statement by the Board of Directors and the Executive Management on the annual report, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes. The annual report has been prepared in accordance with the Danish Financial Business Act.

The Board of Directors' and the Executive Management's responsibility for the annual report

The Board of Directors and the Executive Management are responsible for the preparation and fair presentation of this annual report in accordance with the Danish Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual report 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 the Board of Directors and the Executive Management, as well as evaluating the overall presentation of the annual report.

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 annual report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2007 and of the results of the Company's operations for the financial year 1 January – 31 December 2007 in accordance with the Danish Financial Business Act.

Copenhagen, 13 February 2008

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Flemming Brokhattingen
State-Authorised
Public Accountant

Anders Duedahl Olesen
State-Authorised
Public Accountant

Company information

Company name

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

Board of Directors

Michael Rasmussen (Chairman)

Appointed 2000. Born 1964. MSc(Econ). A member of the Executive Management of Nordea Bank Danmark A/S. External appointments: Deputy chairman of the Boards of Directors of 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 Boards of Directors of LR Realkredit AS, Karl Pedersen og Hustrus Industrifond, PBS Holding A/S, PBS A/S, Multidata Holding A/S, Multidata A/S and Ejendomsselskabet Lautrupbjerg A/S. Internal appointments: Chairman of the Board of Directors of Dansk Ejendomsfond I A/S and a member of the Board of Directors of Nordea Liv & Pension, Livsforsikringsselskab A/S.

Peter Lybecker (Deputy Chairman)

Appointed 2000. Born 1953. MSc(Econ). A member of the Executive Management of Nordea Bank Danmark A/S. External appointments: Chairman of the Boards of Directors of PBS Holding A/S, PBS A/S, Multidata Holding A/S, Multidata A/S and Ejendoms selskabet Lautrupbjerg A/S, Copenhagen Institute for Futures Studies and The Friends of the Danish Museum of Art & Design. A member of the Danish Securities Council and of the Insead International Council and of the Board of Directors of the Danish Museum of Art & Design.

Jesper Klaus Christiansen

Appointed 2000. Born 1963. MSc(Econ). Managing Director in Nordea Bank Danmark A/S. External appointments: A member of the Board of Directors of Pensionskassen for direktører i Sparekassen SDS (under afvikling).

Jørgen Holm Jensen

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

Executive Management

Lars Bank Jørgensen (Chairman)
Michael Jensen

Internal auditors

Ane Marie Christensen, Chief Auditor

Auditor appointed by the Annual General Meeting

KPMG
Statsautoriseret Revisionsinteressentskab

The annual financial statements of the parent company are available on www.nordea.dk

Stock exchange announcements in 2007

During 2007 Nordea Kredit has published the information stated in the below list. The full wording of the information mentioned may be obtained by contacting Nordea Kredit. In addition, Nordea Kredit has on an ongoing basis published information about outstanding bonds pursuant to the disclosure requirements of the OMX Nordic Exchange Copenhagen for issuers of listed bonds.

29 January	Financial calendar for Nordea Kredit
21 February	Annual Report 2006
22 February	Notice of the (Annual) General Meeting
26 February	Supplement to Base Prospectus of 20 March 2006
09 March	Minutes of the (Annual) General Meeting
27 March	Determination of coupons applicable from 1 April for bonds with interest rate cap
26 June	Determination of coupons applicable from 1 July for CIBOR6
19 July	Interim Report 30 June 2007
19 July	Management change – Palle O. Nielsen, Chairman of the Executive Management, leaves Nordea Kredit
07 August	Management change – Lars Bank Jørgensen appointed Chairman of the Executive Management
25 September	Determination of coupons applicable from 1 October for bonds with interest rate cap
10 October	Nordea Kredit launches fixed-rate loans with 30-year interest-only period and switches to covered mortgage bond issuance and opens EURIBOR3
10 October	Base Prospectus for covered mortgage bonds
23 November	Final terms for covered mortgage bonds associated with Base Prospectus of 8 October 2007
23 November	Bond auction – for refinancing of adjustable-rate mortgages, publication of dates etc
05 December	Capital centre 2 (covered mortgage bonds) assigned ratings of Aaa/AAA from Moody's and Standard & Poor's
05 December	Bond auction – publication of auction amounts in each securities ID
06 December	Change to terms for covered mortgage bonds associated with Base Prospectus of 8 October 2007
06 December	Opening of covered mortgage bonds
14 December	Result of auction (refinancing of adjustable-rate mortgages)
19 December	Determination of coupons for EURIBOR3
20 December	Determination of coupons for CIBOR6
21 December	Supplement to Base Prospectus of 20 March 2006
21 December	Change to terms for covered mortgage bonds associated with Base Prospectus of 8 October 2007
21 December	Final terms for EURIBOR3

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