



Annual Report 2009

**Nordea Kredit Realkreditaktieselskab**

Business registration number 15134275

*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 10 million customers, approx. 1,400 branch offices and a leading netbanking position with 5.9 million e-customers. The Nordea share is listed on the Nasdaq OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

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## Nordea Kredit

### Five-year financial summary

	2009	2008	2007	2006	2005
<b>Income statement (DKK m)</b>					
Net interest and fee income	1,362	1,429	1,259	1,043	1,022
Securities and foreign exchange income	-126	20	34	26	-44
Staff costs and administrative expenses	197	187	179	183	178
Loan losses	114	25	-1	5	2
Profit on shares in associated and group undertakings	-3	-3	19	0	-
Profit for the year before tax	908	1,225	1,126	880	798
Tax	230	308	279	247	223
Profit for the year after tax	678	917	847	633	575
<b>Balance sheet at 31 December (DKK m)</b>					
Total assets	311,615	273,346	254,745	218,442	208,499
Total loans	294,561	265,422	240,200	215,484	190,050
Mortgage loans at nominal value <sup>1</sup>	295,719	274,442	251,501	221,791	190,843
Shareholders' equity	14,301	13,624	12,706	11,858	10,225
<b>Ratios and key figures</b>					
Total capital ratio, including profit for the year (%) <sup>2</sup>	9.9	9.7	9.9	10.1	9.9
Tier 1 capital ratio, including profit for the year (%) <sup>2</sup>	10.3	10.0	10.0	10.1	9.9
Pre-tax return on equity (%)	6.5	9.3	9.2	8.0	8.3
Post-tax return on equity (%)	4.9	7.0	6.9	5.7	6.0
Income/cost ratio	3.81	6.57	7.05	5.64	5.43
Cost/income ratio (%)	16.9	13.5	14.3	17.2	18.2
Loans/shareholders' equity	20.6	19.5	18.9	18.2	18.6
Lending growth for the year (%)	7.3	9.1	13.4	16.2	19.8
Impairment ratio for the year (%)	0.0	0.0	0.0	0.0	0.0
Average number of employees	138	130	126	131	130

<sup>1</sup> After adjustment for credit risk

<sup>2</sup> Including transition rules

## Financial review

- **Profit for the year of DKK 908m before tax**
- **Lending growth of DKK 21.3bn**
- **Total lending of DKK 295.7bn**
- **Continued positive trend in market share**
- **Loan losses of DKK 114m**

### Profit for the year

Nordea Kredit Realkreditaktieselskab posted a profit for the year of DKK 908m before tax compared to DKK 1,225m in 2008. After tax the profit was DKK 678m.

This decline chiefly masks a lower return on investment due to the continued downward trend in interest rates. The profit for the year is also affected by higher loan losses.

Income in the form of reserve fund fees increased to DKK 1,381m in 2009, or DKK 135m more than in 2008. This is due to the growth in the loan portfolio of DKK 21.3bn as well as the introduction of higher fees for commercial loans.

Net fee expenses declined by DKK 20m in 2009 compared to 2008.

The return on investment including securities and foreign exchange income was DKK 294m in 2009 compared to DKK 653m in 2008 due to the overall lower level of interest rates in 2009.

Staff costs and administrative expenses increased to DKK 197m in 2009 compared to DKK 187m in 2008. This increase is attributable to overall wage trends as well as higher expenses for temporary staff for the introduction of electronic registration of land.

Loan losses amounted to DKK 114m in 2009, corresponding to 0.04% of the loan portfolio, compared to DKK 25m in 2008. Total losses incurred amounted to DKK 11m in 2009 compared to DKK 1m in 2008.

The cost/income ratio increased to 16.9% in 2009 primarily as a result of the lower return on investment. In 2008 the cost/income ratio was 13.5%.

Results for the full year 2009 correspond to the expectations announced in connection with the release of the interim report for the first half of 2009.

#### **Balance sheet**

Total assets rose by DKK 38bn in 2009 to DKK 312bn, corresponding to an increase of 14%. The growth in total assets was mainly driven by the growth in mortgage lending of DKK 21.3bn nominal, with DKK 8.6bn for residential properties and DKK 12.7bn for commercial and agricultural properties. At the year-end lending for residential properties and holiday homes represented 70% (2008: 72%) of the total loan portfolio.

#### **Market shares**

Based on the increase in lending of DKK 21.3bn the market share held by Nordea Kredit rose from 12.5% in 2008 to 12.9% in 2009.

#### **Capital and capital adequacy**

After transfer of the profit for the year shareholders' equity at the end of 2009 is DKK 14.3bn, corresponding to a total capital ratio of 9.9% compared to the statutory minimum requirement of 8%.

#### **Outlook for 2010**

Given the current economic outlook for 2010 overall activity is expected to be in line with the level seen in 2009.

However, Nordea Kredit expects continued lending growth and an increased market share. Changes in the level of interest rates in 2010 may lead to higher refinancing activity with an impact on the result of operations.

Results for 2010 are expected to be in line with 2009.

#### **Subsequent events**

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

#### **Annual General Meeting**

The Board of Directors will propose to the Annual General Meeting, which will be held on 26 February 2010 in Copenhagen, that the profit for the year after tax of DKK 678m should be transferred to equity and that no dividend should be paid for 2009.

Nordea Kredit expects to announce its half-year 2010 results on 21 July 2010.

## The property market

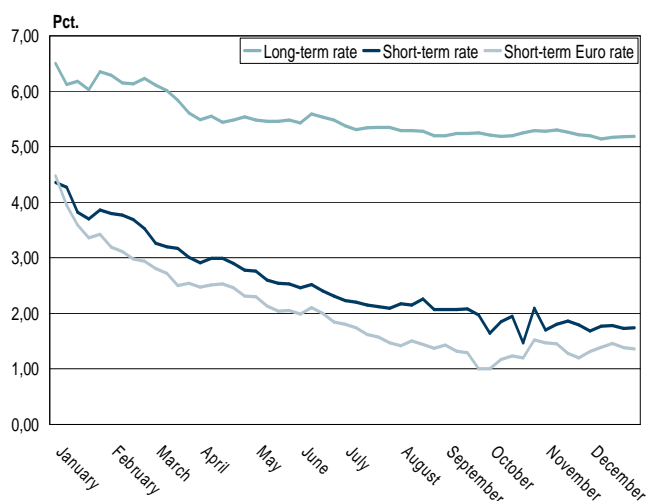
### The economy

The Danish economy continued the negative trend until the middle of 2009. After four consecutive quarters of falling GDP, growth returned to positive territory in the third quarter of 2009.

So far the economic turnaround has not affected the unemployment data which rose throughout 2009, dampening both consumer spending and home sales.

In 2009 interest rates were below the level seen in 2008. Central bank policy rates have overall been at a very low level, keeping down short-term mortgage interest rates. Furthermore, the scheme for pension funds on the holdings of mortgage bonds was extended to comprise 2010 as well. In 2009 the Danish parliament also adopted the so-called Bank Package II allowing hybrid core capital and government-guaranteed bond issuance. This has kept interest rates down and ensured historically low rates for borrowers at the refinancing auctions in December.

**Figure 1: Interest rates 2009**



### Property prices and market activity

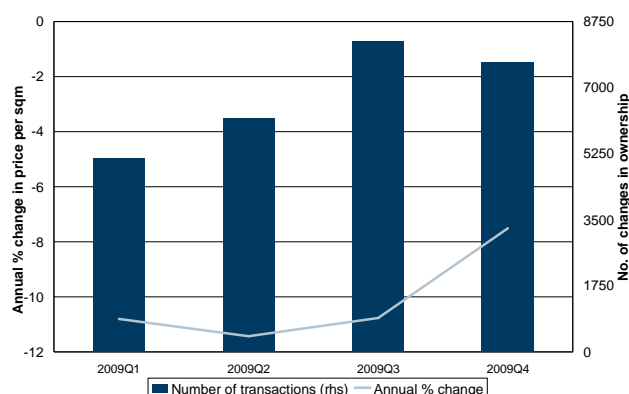
The negative trend in the housing market that began in 2006 appears to have been halted in 2009. Prices saw a broad-based decline in the first half of the year, while higher prices were seen in some parts of Denmark in the second half.

The average price per square metre for single-family and terraced houses was DKK 13,016 in the fourth quarter of 2008. During the quarter 6,304 properties were traded.

In the fourth quarter of 2009 the average price per square metre had declined by 7.5% to DKK 12,038. For the quarter the number of properties traded rose by 21.5% to 7,662.

The falling average reflects an overall nationwide decline in prices during the first half of the year. In the second half this was reversed with rising prices in the eastern part of Zealand, while prices continue to decline in the rest of the country.

**Figure 2: Price per sqm/number of transactions – single-family and terraced houses**



### The mortgage market

Total lending by the mortgage sector measured by outstanding bond debt increased from DKK 2,186.9bn in 2008 to DKK 2,291.4bn at end-2009 – an increase of DKK 104.5bn or 4.8%.

Measured by market value net lending decreased by DKK 48.5bn or 30.6% from DKK 158.5bn in 2008 to DKK 110.0bn in 2009.

This decline masks several factors, including a marked fall in net lending for office and retail properties from just over DKK 41.9bn in 2008 to DKK 23.0bn in 2009. The decline is seen across all property types.

## Nordea Kredit's lending

At the end of 2009 total lending by Nordea Kredit at nominal value amounted to DKK 295.7bn. Residential properties (single-family and terraced houses, owner-occupied flats and holiday homes) accounted for DKK 208.2bn, agricultural properties for DKK 40.7bn and other commercial properties for DKK 46.8bn.

An analysis by loan type shows that the share of notably interest-only loans and adjustable-rate mortgages has increased, while the share of capped mortgages has decreased (Table 1).

Nordea Kredit's share of adjustable-rate mortgages has increased from 24.0% by end-2008 to 39.9% at the end of 2009. This is below the percentage for the mortgage sector in general where adjustable-rate mortgages account for 58.4%.

**Table 1: Lending by loan type**

	2009		2008	
	DKKbn	%	DKKbn	%
Cibor/Euribor	24.8	8.4	21.5	7.8
Capped floaters, annuity	1.8	0.6	1.9	0.7
Capped floaters, interest-only	2.5	0.9	2.9	1.1
Adjustable-rate, annuity	43.7	14.8	28.2	10.3
Adjustable-rate, interest-only	74.4	25.1	37.6	13.7
Cash loans, fixed rate	5.7	1.9	6.4	2.3
Bond loans, annuity	73.0	24.7	84.8	30.9
Bond loans, interest-only	69.8	23.6	91.1	33.2
<b>Total</b>	<b>295.7</b>		<b>274.4</b>	

### Mortgage arrears and losses

Mortgage arrears rates reflect the financial situation of borrowers. The arrears rates recorded by Nordea Kredit are rising, albeit from historically low levels.

The arrears rate (the 3.5-month arrears rate) for the September 2009 payment date was 0.50%, an increase of 0.14% point since the beginning of 2009.

### Loss guarantees

To cover the top risk of a loan issued Nordea Kredit receives loss guarantees from the Nordea branch that originates the loan covering 25% of the cash value of the loan. For loans granted for non-profit housing, youth housing and housing for the elderly, the guarantee provided constitutes 10%.

If Nordea Kredit has several loans on the same property, the guarantees cover the top portion of the combined commitment. These guarantees ensure that Nordea Kredit rarely incurs losses on its loans. At the end of 2009 loss guarantees from Nordea Bank Danmark A/S comprised loans totalling approximately DKK 262bn. Of this amount bank guarantees covered a total of DKK 70bn.

### Provisions for loan losses

After taking loss guarantees into account, total accumulated loan losses amounted to DKK 115m excluding loan losses on repossessed properties. Of this amount, provisions for collectively assessed loans account for DKK 71m. The total loan losses of Nordea Kredit correspond to 0.04% (2008: 0.007%) of the loan portfolio. The quality of the loan portfolio thus remains very high.

### Repossessed properties and losses

Given the higher number of forced sales, Nordea Kredit's portfolio of properties increased from 17 properties at the end of 2008 to 51 properties by the end of 2009, booked at DKK 54m. During the year Nordea Kredit repossessed 70 properties and sold 36 properties. All repossessed properties in the portfolio are owner-occupied properties.

## Bond issuance

### Rating

The mortgage bonds issued by Nordea Kredit are rated by the rating agencies Moody's Investors Service and Standard & Poor's.

Mortgage bonds are issued in capital centre 1 as traditional mortgage bonds and in capital centre 2 as new covered mortgage bonds.

All bonds, irrespective of capital centre, have been assigned the highest ratings of Aaa and AAA, respectively, by the two agencies.

In line with the other Danish mortgage institutions, Nordea Kredit was placed on CreditWatch by Standard & Poor's on 16 December 2009.

### Funding

Since the end of 2007 materially all new lending by Nordea Kredit (more than 99%) – including the refinancing of adjustable-rate mortgages – has been financed through the issuance of covered mortgage bonds.

Gross new lending before redemptions amounted to DKK 76.3bn nominal in 2009, which was financed by means of covered mortgage bonds.

Of its total nominal lending of DKK 295.7bn, Nordea Kredit has financed DKK 141.3bn (47.8%) by traditional mortgage bonds and DKK 154.4bn (52.2%) by covered mortgage bonds.

At end-2009 the fair value of the total volume of bonds issued was DKK 240.5bn compared to DKK 230.2bn in 2008 after offsetting the portfolio of own bonds.

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

### Refinancing

Nordea Kredit completed the refinancing of adjustable-rate mortgages in the period from 1 December to 14 December 2009, with total bond sales equivalent to DKK 81bn. Compared to the bond sales of DKK 54bn in 2008, this reflects an increase of no less than 50%.

The auction resulted in record-low interest rates. For 30-year annuity loans in Danish kroner with annual reset the interest rate for 2010 was set at 1.70% compared to 5.16% in 2009. At the auction the interest rate on a similar loan in euros was set at 1.30% for 2010 compared to 4.17% in 2009.

### New refinancing schedule

In October 2009 the mortgage institutions decided in consultation with the Danish central bank to change the schedule for the refinancing of new adjustable-rate mortgages. With this decision the refinancing auctions in December will not be increased further, thus reducing the systemic risk.

As a result of this change, Nordea Kredit will offer adjustable-rate mortgages from 1 April 2010 with refinancing on 1 April or 1 October.

## Capital management and risks

### Capital requirements

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

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

In a transitional period a cap has been set on the capital reduction achievable compared to the capital requirement under the previous rules (Basel I). In 2009 this capital reduction cannot exceed 20%. The transition rules will cease to apply at the end of 2011.

### Credit risk measurement

Rating and scoring are key components in the risk management framework for credit risk. The common denominator of 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 business 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 attached 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 Danmark A/S 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.

In light of the current capital base and implementation of the IRB models and the full rules under the Capital Requirement Directive, Nordea Kredit considers that it has a strong capital base.

### Credit quality

The rating distribution of corporate customers (Figure 3) and the risk scoring of personal and small business customers at 31 December 2009 (Figure 4) are shown below.

Figure 3: Rating distribution of corporate customers

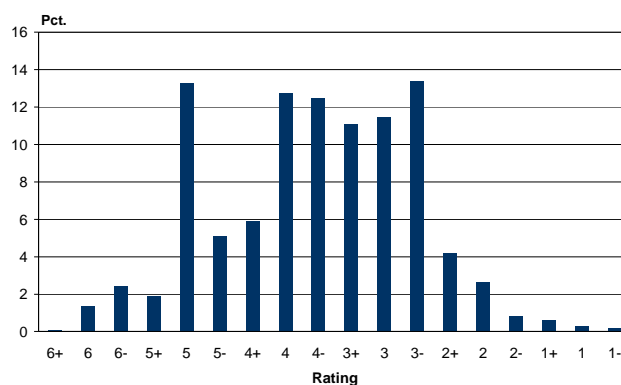
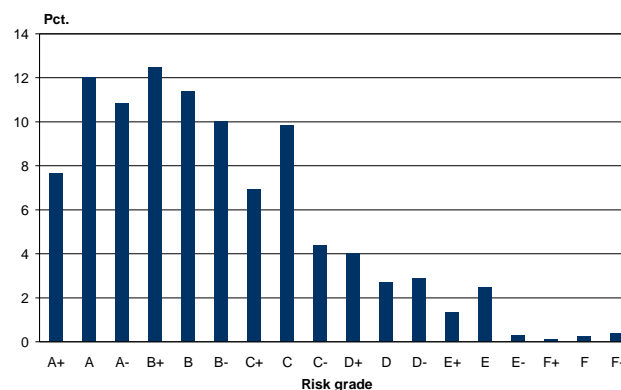


Figure 4: Risk scoring of personal and small business customers



As a result of the economic downturn credit quality was affected in 2009, leading to lower ratings of the loan portfolio for corporate customers. Commitments with corporate customers with high ratings of 4- or higher accounted for 51.3% at the end of 2009.

The scoring distribution of personal and small business customers is shifted towards higher risk groups at 31 December 2009.

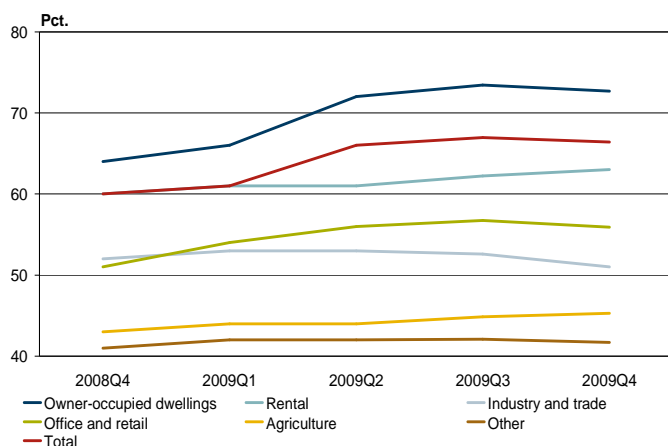


### LTV ratios

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

Declining property prices have resulted in rising LTV ratios (Figure 5). The LTV ratio for residential properties and holiday homes stood at 73% at the end of 2009, or 9% points above the previous year. Since end-2008 the LTV ratio for the total loan portfolio has increased by 6% points to approximately 66%.

Figure 5: LTV ratios



### Supplementary security for loans backed by covered mortgage bonds

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

The value of private owner-occupied properties, private rental properties, cooperative homes and non-profit rental housing must be monitored at least every three years under existing legislation, whereas other properties must be monitored annually. In the event of significant changes in market conditions, the value must be monitored more frequently.

If it is determined as part of the monitoring process that the statutory lending limit for the individual property has been exceeded, the mortgage institution must provide supplementary security out of its own funds. In this way the availability of the necessary security for the outstanding bonds at all times is ensured.

Nordea Kredit focuses on monitoring the value of mortgaged properties on an ongoing basis. Nordea Kredit monitors the value of properties mortgaged on the basis of covered mortgage bonds more frequently than the statutory requirements.

At the end of 2009 the total nominal lending volume of Nordea Kredit based on covered mortgage bonds was DKK 154.4bn.

The supplementary security required on the basis of LTV ratios for the individual loans was DKK 10.1bn at end-2009. At year-end Nordea Kredit was able to provide supplementary security equivalent to DKK 17.0bn in the form of the capital base and guarantees provided by Nordea Bank Danmark A/S.

### Total capital ratio

At the end of 2009 the risk-weighted assets of Nordea Kredit amounted to DKK 132.2bn compared to DKK 132.7bn at the end of 2008, taking into account the transition rules.

With a capital base of DKK 13.0bn at the end of 2009 compared to DKK 12.9bn at end-2008, the total capital ratio at end-2009 is 9.9% compared to 9.7% at the end of 2008.

Excluding the transition rules, the total capital ratio is 18.5% at the end of 2009 compared to 21.5% at end-2008.

Nordea Kredit has decided not to apply for loans from the Danish government in accordance with the legislation on state capital injections, the so-called Bank Package II, as Nordea Kredit does not need hybrid capital.

### Individual solvency needs

Pursuant to the revised capital adequacy rules for credit institutions (Pillar III of Basel II), Nordea Kredit must publish its individual solvency need. The company's individual solvency need will be published in a separate report on 10 February 2010. This report is available at [nordeakredit.dk](http://nordeakredit.dk) and [nordea.com](http://nordea.com).

### **Market risk**

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

The Board of Directors of Nordea Kredit has defined the overall limits for allowed market risks for 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 limited currency risk associated with exchange rate movements relating to its lending in euros. Nordea Kredit neither assumes 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. For both capital centres Nordea Kredit applies the so-called specific balance principle.

### **Interest rate risk**

Interest rate risk is measured as the loss on interest rate positions resulting from an overall shift in interest rates of 1% point. This risk is calculated for lending activities as well as for the investment of capital. For the lending activities the interest rate risk resulting from differences between incoming payments on loans and outgoing payments on mortgage bonds issued may not exceed 1% of the capital base, or DKK 130m. For the securities portfolio the interest rate risk may not exceed 8% of the capital base, or DKK 1,043m.

At year-end 2009 the total interest rate risk was DKK 7m compared to just under DKK 6m at the end of 2008.

### **Currency risk**

Currency risk is measured by means of a statistical method expressed by a Value at Risk (VaR) measure based on the last two years' historical changes in exchange rates with a holding period of 10 banking days and a probability of 99%. The legislative framework allows for a maximum currency risk of DKK 13m, corresponding to 0.1% of the capital base.

At end-2009 the currency risk amounted to DKK 98,000 compared to DKK 134,000 at the end of 2008, and relates solely to exposures in euros.

Risks are calculated, monitored and reported to the management of Nordea Kredit on an ongoing basis. Fluctuations in risks for the year are described in Note 23, Financial market risks.

### **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 good platform, giving reasonable assurance 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 the Nordea Bank Danmark Group's and the Nordea Bank AB Group's (Nordea) overall internal control and risk management processes.

The framework for internal control and risk management is described in more detail below.

### **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's 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 integrated 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 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 factors affecting the internal control in relation to financial reports.

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

Nordea Kredit is part of the Nordea Bank Danmark Group's audit committee. The audit committee assists the Boards of Directors of Nordea Kredit and Nordea Bank Danmark in fulfilling their 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.

### **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 Board of Directors reviews the external and the internal auditors' result of their audits of Nordea Kredit's annual report.

### **Corporate Social Responsibility**

Information on Corporate Social Responsibility can be found in the description in the annual report of the parent company as well as the description available on the parent company's website.

## Company information

### Company name

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

### 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: 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 Danmarks Skibskredit A/S. Internal appointments: A member of the Board of Directors of Nordea Liv & Pension Holding (Nordic). Chairman of the Board of Directors of Nordea Finance (Nordic).

#### **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 and Multidata A/S. Chairman of the Board of Directors of Fionia Bank A/S. Chairman of the board of the Copenhagen Institute for Futures Studies. A member of the Boards of Directors of Nordea Liv & Pension, livsforsikringsselskab A/S, Nordea Finans Danmark A/S, Nordea Finans Sverige AB and Nordea Finance Finland Ltd. A member of the Danish Securities Council and of the Insead International Council.

#### **Anders Jensen**

Appointed 2008. Born 1965. MSc in mathematics and computer science, Phd in mathematics. Head of Nordic Banking Denmark, Nordea Bank Danmark A/S. External appointments: Chairman of the Danish Employers' Association for the Financial Sector, a member of the Boards of Directors of FUHU and Niels Brock Copenhagen Business College. Internal appointments: A member of the Board of Directors of Nordea Liv & Pension, livsforsikringsselskab A/S as well as Fionia Bank A/S.

#### **Jørgen Holm Jensen**

Appointed 2003. Born 1955. Holder of a diploma in Specialised Business Studies. Executive Vice President in Group Credit, 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 Revisionspartnerselskab

### Parent company annual report

The annual financial statements of the parent company are available on [nordea.dk](http://nordea.dk)

## Financial statements

### Income statement

(DKKm)	Note	2009	2008
Interest income	3	15,280	14,813
Interest expenses	4	13,467	12,912
<b>Net interest income</b>		<b>1,813</b>	<b>1,901</b>
Dividend income		2	2
Fee and commission income	5	219	171
Fee and commission expenses	6	672	645
<b>Net interest and fee income</b>		<b>1,362</b>	<b>1,429</b>
Securities and foreign exchange income	7	-126	20
Other operating income		-2	0
Staff costs and administrative expenses	8, 9	197	187
Amortisation, depreciation and impairment charges of intangible and tangible assets		12	8
Other operating expenses		-	0
Loan losses	26, 27, 28	114	25
Profit on shares in associated and group undertakings	10	-3	-3
<b>Profit before tax</b>		<b>908</b>	<b>1,225</b>
Tax	11	230	308
<b>Profit for the year</b>		<b>678</b>	<b>917</b>
<b>Distribution of profit</b>			
Profit for the year		678	917
Total amount available for distribution		678	917
Transfer to shareholders' equity		678	917
Total distribution of amount available		678	917

## Balance sheet at 31 December

(DKKm)	Note	2009	2008
<b>Assets</b>			
Cash and balances with central banks		0	0
Balances due from credit institutions and central banks	12, 22, 30	16,382	7,722
Loans and receivables at fair value	13, 24, 25, 26, 27, 30	294,558	265,418
Loans and receivables at amortised cost	13, 29	3	4
Bonds at fair value	14	-	-
Shares etc	15	7	8
Shares in associated undertakings	16	12	15
Intangible assets		29	40
Other tangible assets	17	3	3
Assets in temporary possession	18, 28	54	20
Other assets	19, 28	562	109
Prepayments		5	7
<b>Total assets</b>		<b>311,615</b>	<b>273,346</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Balances due to credit institutions and central banks	22, 30	51,314	24,700
Mortgage bonds in issue at fair value	20, 30	240,480	230,225
Current tax liabilities		232	307
Other liabilities	21	5,273	4,476
Deferred income		9	4
<b>Total liabilities</b>		<b>297,308</b>	<b>259,713</b>
<b>Provisions</b>			
Provisions for deferred tax	11	6	10
<b>Total provisions</b>		<b>6</b>	<b>10</b>
<b>Shareholders' equity</b>			
Share capital		1,717	1,717
<b>Other reserves</b>			
- Statutory reserves		11	14
- Other reserves		0	0
Retained earnings		12,573	11,893
<b>Total shareholders' equity</b>	2	<b>14,301</b>	<b>13,624</b>
<b>Total liabilities and equity</b>		<b>311,615</b>	<b>273,346</b>
<b>Off-balance-sheet items and contingent liabilities</b>			
Guarantees etc		74	75
<b>Total off-balance-sheet items and contingent liabilities</b>		<b>74</b>	<b>75</b>

## Equity

(DKKm)	2009	2008
Share capital at 1 January	1,717	1,717
Increase in share capital	-	-
Share capital at 31 December	1,717	1,717
Other reserves at 1 January	14	16
Other additions	0	0
Other disposals	-3	-3
Other reserves at 31 December	11	14
Retained earnings at 1 January	11,893	10,973
Profit for the year	678	917
Other additions	3	3
Retained profits at 31 December	12,573	11,893
Total shareholders' equity at 31 December	14,301	13,624

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.

## Cash flow statement

(DKKm)	2009	2008
<b>Operating activities</b>		
Profit for the year before tax	908	1,225
Adjustment for amounts in the profit for the year with no effect on cash flow:		
Loan losses	100	21
Amortisation, depreciation and impairment charges of intangible and other tangible assets	12	8
Depreciation and impairment charges of temporarily repossessed assets	15	3
Revaluation of shares in associated and group undertakings	3	3
Deferred income (net)	7	-5
<b>Total</b>	<b>1,045</b>	<b>1,255</b>
<b>Working capital</b>		
Loans and receivables at fair value	-29,240	-25,244
Loans and receivables at amortised cost	0	0
Other assets	-452	305
Balances due to credit institutions and central banks	26,614	-1,450
Mortgage bonds in issue at fair value	10,255	18,469
Other liabilities	796	636
Corporation tax paid, net	-309	-279
<b>Net cash inflow/(outflow) from operating activities</b>	<b>-8,709</b>	<b>-6,308</b>
<b>Investing activities</b>		
Bonds at fair value	-	4,333
Shares etc	0	-
Other tangible and intangible assets	-1	-4
Assets in temporary possession	-48	-19
<b>Net cash inflow/(outflow) from investing activities</b>	<b>-49</b>	<b>4,309</b>
<b>Financing</b>		
Proceeds from share issue	-	-
<b>Net cash inflow/(outflow) from financing</b>	<b>-</b>	<b>-</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>8,660</b>	<b>-1,998</b>
Cash and cash equivalents at 1 January	7,722	9,721
<b>Cash and cash equivalents at 31 December</b>	<b>16,382</b>	<b>7,722</b>

Change in securities holdings includes unrealised gains or losses.



## Notes

### Accounting policies

#### Note 1 Accounting policies

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##### General

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

In 2008 the Danish Financial Supervisory Authority issued certain amendments to the Executive Order with effect on 1 January 2009 in the form of new note requirements. It is, however, voluntary whether these amendments are to be applied in the financial statements for 2008. Nordea Kredit has chosen to apply the amendments in the financial statements from 1 January 2009.

The note requirements mainly relate to additional information on credit risks.

##### 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

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

The fair value adjustment is recognised in the income statement under Securities and foreign exchange income 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.

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

Provisions for individually as well as collectively assessed 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.

#### **Balances due from credit institutions and central banks**

Balances due from credit institutions and central banks mainly comprise reverse transactions, balances with credit institutions and deposits with central banks.

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

### **Financial assets**

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

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

The portfolio of own bonds is offset against the mortgage 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.

#### **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 12,300 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.

### **Balances due to credit institutions and central banks**

Balances due to credit institutions mainly comprise 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.

### **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 NASDAQ OMX 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 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.

### **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 equivalents 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.

## Notes

### Note 2 Capital adequacy

(DKKm)	2009	2008		
<b>Capital base</b>				
<b>Equity</b>	<b>14,301</b>	<b>13,624</b>		
Intangible assets	-29	-40		
IRB provisions excess(+)/shortfall(-)	-615	-354		
<b>Tier 1 capital</b> (net after deductions)	<b>13,657</b>	<b>13,229</b>		
IRB provisions excess(+)/shortfall(-)	-615	-354		
<b>Total capital base</b>	<b>13,042</b>	<b>12,875</b>		
	Capital require- ment	Risk- weighted assets	Capital require- ment	Risk- weighted assets
<b>Capital requirements</b>	2009	2009	2008	2008
<b>Credit risk</b>	<b>5,470</b>	<b>68,379</b>	<b>4,643</b>	<b>58,034</b>
IRB foundation	5,035	62,932	4,053	50,663
- of which corporate	2,352	29,397	2,191	27,382
- of which institutions	0	1	0	1
- of which personal customers and small and medium-sized corporate customers	2,640	32,995	1,853	23,158
- of which other	43	539	10	122
Standardised	436	5,447	590	7,371
- of which personal customers and small and medium-sized corporate customers	-	-	-	-
- of which other	436	5,447	590	7,371
<b>Market risk</b>	<b>6</b>	<b>72</b>	<b>6</b>	<b>69</b>
- of which currency risk	6	72	6	69
<b>Operational risk</b>	<b>152</b>	<b>1,902</b>	<b>134</b>	<b>1,671</b>
Standardised	152	1,902	134	1,671
<b>Subtotal</b>	<b>5,628</b>	<b>70,354</b>	<b>4,782</b>	<b>59,774</b>
<b>Adjustment for transition rules</b>				
Additional capital requirement according to transition rules	4,949	61,868	5,834	72,922
<b>Total</b>	<b>10,578</b>	<b>132,222</b>	<b>10,616</b>	<b>132,695</b>
<b>Capital ratio</b>				
Tier 1 capital ratio (%) incl transition rules		<b>10.3</b>		<b>10.0</b>
Total capital ratio (%) incl transition rules		<b>9.9</b>		<b>9.7</b>
Tier 1 capital ratio (%) excl transition rules		<b>19.4</b>		<b>22.1</b>
Total capital ratio (%) excl transition rules		<b>18.5</b>		<b>21.5</b>

Computed according to the Danish Financial Supervisory Authority's Executive Order on capital adequacy of 21 December 2007.

## Notes

### Note 3 Interest income

(DKKm)	2009	2008
Balances due from credit institutions and central banks	783	1,169
Loans and receivables	13,090	12,382
Reserve fund fees receivable	1,381	1,246
Bonds	-	0
Total derivatives	11	7
Interest rate derivatives	11	7
Other interest income	15	8
Total	15,280	14,813
Of which interest income on purchase and resale transactions entered under:		
Balances due from credit institutions and central banks	306	691

### Note 4 Interest expenses

Credit institutions and central banks	534	589
Mortgage bonds in issue	12,926	12,312
Other interest expenses	7	11
Total	13,467	12,912
Of which interest expense on sale and repurchase transactions entered under:		
Balances due to credit institutions and central banks	60	132

### Note 5 Fee and commission income

Loan processing fees etc	122	100
Brokerage receivable from customers	88	64
Other fees	9	7
Total	219	171

### Note 6 Fee and commission expenses

Guarantee commissions etc payable to Nordea Bank Danmark A/S	551	528
Brokerage payable to Nordea Bank Danmark A/S	71	63
Other fees and commissions	50	54
Total	672	645

### Note 7 Securities and foreign exchange income

Mortgage loans	8,264	3,532
Bonds	-	0
Shares etc	0	-
Currencies	-1	0
Total derivatives	0	1
Foreign exchange derivatives	0	0
Interest rate derivatives	0	1
Mortgage bonds in issue	-8,389	-3,513
Total	-126	20

## Notes

### Note 8 Staff costs and administrative expenses

(DKKm)	2009	2008
Salaries and emoluments to the Executive Management and the Board of Directors		
Executive Management	4	4
Total	4	4
Staff costs		
Salaries	74	65
Pension costs	7	7
Social security contributions	3	3
Payroll tax	7	7
Total	91	82
Other administrative expenses	102	101
Total staff costs and administrative expenses	197	187

#### Executive Management and Board of Directors

Loans to and charges or guarantees issued for the members of Nordea Kredit's or the parent company's

Executive Management	7	5
Board of Directors	10	10
Average interest rate per annum of loans	3.3%	5.0%
Loans are granted on market-based terms.		

#### Auditors' remuneration

Total remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit

	0	1
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Of which remuneration for non-audit services

0 -

### Note 9 Number of employees etc

Average number of employees in the financial year converted into full-time staff

138 130

#### 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	-3	-3
Total	-3	-3

## 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 Nordea Bank Danmark A/S has taken place.

The company has a liability for deferred tax of DKK 6m 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 230m.

(DKKm)	2009	2008
Current tax on the profit for the year	232	307
Change in deferred tax	-3	1
Adjustment of tax for previous years	1	0
Total	230	308
Tax rate applied	25	25

### Note 12 Balances due from credit institutions and central banks

Balances at notice due from central banks	-	-
Balances due from credit institutions	16,382	7,722
Total	16,382	7,722

### Note 13 Loans and receivables

#### Mortgage loans

Mortgage loan portfolio at 1 January	274,467	251,508
New loans (gross new lending)	76,324	59,887
Foreign exchange revaluations	-29	-9
Redemptions and prepayments	51,372	33,285
Net new lending	24,923	26,593
Scheduled principal payments	3,557	3,633
Mortgage loan portfolio – total nominal value	295,833	274,467
Adjustment for interest rate risk etc	-1,318	-9,099
Adjustment for credit risk	-115	-26
Mortgage loan portfolio – total fair value	294,400	265,342
Mortgage arrears and execution levied against debtors' properties	158	76
Loans and other receivables at fair value	294,558	265,418
Loans at amortised cost	3	4
Total loans and receivables	294,561	265,422
Mortgage arrears before provisions	150	75
Execution levied against debtors' properties before provisions	8	1
Total mortgage arrears and execution levied against debtors' properties	158	76
Mortgage arrears mid-January following year	114	64
<b>Age distribution of mortgage loans in arrears</b>		
More than 3 months and up to 6 months	1,001	732
More than 6 months and up to 1 year	629	144
More than 1 year	560	6
Total	2,190	882

## Notes

### Note 14 Bonds at fair value

(DKKm)	2009	2008
Other mortgage bonds	-	-
Own mortgage bonds	116,994	61,440
Own mortgage bonds offset against mortgage bonds in issue	-116,994	-61,440
Total	-	-

### 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	14	17
Upward and downward revaluation written back	-	-
Upward and downward revaluation for the year	-3	-3
Upward and downward revaluation at 31 December	11	14
Book value at 31 December	12	15
Book value at 1 January	15	18

Shares in associated undertakings comprise the company e-nettet Holding A/S, Copenhagen, which provides services to mortgage lenders, among others. Shareholding of 20%. Shareholders' equity amounted to DKK 76m and the year-end result to DKK -15m according to the latest annual report for 2008.

### Note 17 Other tangible assets

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



## Notes

### Note 18 Assets in temporary possession

(DKKm)	2009	2008
Reposessed properties	54	20
Total	54	20

### 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	532	105
Interest receivable on bonds etc	1	1
Other	29	3
Total	562	109

### Note 20 Bonds in issue at fair value

Mortgage-backed bonds in issue		
Mortgage-backed bonds in issue at 1 January (nominal value)	300,871	295,305
Additions	159,698	105,581
Foreign exchange revaluations	30	15
Scheduled payments and notified prepayments	18,077	3,555
Redemptions and other prepayments	83,849	96,476
Mortgage-backed bonds in issue at 31 December (nominal value)	358,673	300,871
Adjustment at fair value	-1,199	-9,205
Own bonds at fair value offset	-116,994	-61,440
Mortgage bonds in issue at 31 December at fair value	240,480	230,225
Of which pre-issued (nominal value)	49,491	23,416
Drawn for redemption at next payment date (nominal value)	9,535	661

Nordea Kredit's mortgage bonds and covered mortgage bonds are all rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

For 2009 the change in fair value attributable to the credit risk on the bonds issued is DKK -1,626m (2008: DKK 2,182m). The calculation method is based on a comparison with the yield level of Danish government bonds on comparable market terms.

## Notes

### Note 21 Other liabilities

(DKKm)	2009	2008
Interest payable on mortgage bonds in issue	4,661	4,297
Other interest and commissions payable	49	87
Other	563	92
Total	5,273	4,476

### Note 22 Sale and repurchase transactions and purchase and resale transactions

Of the below assets purchase and resale transactions amount to:

Balances due from credit institutions and central banks	14,997	655
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Of the below liabilities sale and repurchase transactions amount to:

Balances due to credit institutions and central banks	50,784	23,988
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Assets sold as part of sale and repurchase transactions:

Assets		
Bonds at fair value	48,512	23,328
Mortgage bonds offset against mortgage bonds in issue at fair value	48,512	23,328

### Note 23 Financial market risks

#### Derivatives

Currency forwards		
Market value, positive	0	0
Market value, negative	0	0
Nominal value	58	145

There were no spot transactions at the end of 2009 and 2008.

#### Total market risk<sup>1</sup>

DKKm	Total risk 31 Dec 09	2009 Max	2009 Min	Total risk 31 Dec 08	2008 Max	2008 Min
Total risk	7	10	5	6	9	5
Interest rate risk	7	10	5	6	9	5
Currency risk	0	0	0	0	0	0

<sup>1</sup> Nordea Kredit's financial market risks are described in detail in the financial review under market risks, page 10.

## Notes

### Credit risk

#### Note 24 Total credit exposure

(DKK m)	2009	2008
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Credit risks are described and illustrated in the section on capital management and risks in the financial review, page 8, Figures 3 and 4.

See also Note 13, Age distribution of mortgage loans in arrears.

The accompanying note supplements this description.

#### Maximum credit risk of on-balance-sheet items

Balances due from credit institutions and central banks	16,382	7,722
Loans and receivables at fair value	294,558	265,418
- of which personal customers	207,215	191,782
- of which corporate customers	87,343	73,626
Loans and receivables at amortised cost	3	4
Bonds at fair value	-	-
Shares	7	8
Other assets	665	194

#### Security received

The security underlying loans at fair value is the physical collateral represented by the mortgaged properties in accordance with Danish mortgage legislation. In addition, the parent company Nordea Bank Danmark A/S provides on an ongoing basis 5- and 10-year loss guarantees covering the top 25% of the principal of mortgage loans disbursed as well as statutory guarantees relating to registration with the Land Registry etc.

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.

#### Note 25 Mortgage loan portfolio by property category (nominal values)

##### Percentage breakdown

Owner-occupied housing	67	69
Holiday homes	3	3
Subsidised housing	0	0
Private rental property	5	5
Commercial property	3	3
Office and retail property	8	6
Agricultural property etc	14	13
Property for social, cultural and educational purposes	0	1
Other property	0	0
Total	100	100

## Notes

### Note 26 Provisions for individually assessed loans

(DKK m)	2009	2008
Accumulated provisions at 1 January	6	6
Movements during the year:		
- Provisions and value adjustments during the year	68	8
- Reversals of provisions made in previous financial years	20	7
- Previous provisions now written off	8	1
- Other disposals	2	-
Total	44	6
Loans at fair value – before provisions and value adjustments	187	32
- of which personal customers	163	32
- of which corporate customers	24	-
Loans at fair value – after provisions and value adjustments	125	26

### Note 27 Provisions for collectively assessed loans

Accumulated provisions at 1 January	19	-
Movements during the year:		
- Provisions and value adjustments during the year	52	19
- Reversals of provisions made in previous financial years	-	-
- Previous provisions now written off	-	-
Total	71	19
Loans at fair value – before provisions and value adjustments	89,647	550
Loans at fair value – after provisions and value adjustments	89,576	531

### Note 28 Provisions for other balances due from credit institutions and other items with credit risk

Accumulated provisions at 1 January	4	0
Movements during the year:		
- Provisions and value adjustments during the year	17	4
- Reversals of provisions made in previous financial years	3	0
- Previous provisions now written off	2	-
- Other additions	2	-
Total	18	4
Other receivables – before provisions and value adjustments	78	16
Other receivables – after provisions and value adjustments	60	12

### Note 29 Fair value of loans booked at amortised cost

Fair value of loans booked at amortised cost	4	4
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The fair value is calculated on the basis of closing prices of mortgage bonds with the same terms and conditions.

## Notes

### Liquidity risk

#### Note 30 Maturity by remaining term to maturity

(DKKm)	2009	2008
<b>Balances due from credit institutions and central banks</b>		
Balances at call	1,385	1,368
At up to 3 months' notice	14,997	6,354
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	16,382	7,722
<b>Loans</b>		
At call	158	76
At up to 3 months' notice	-	-
At more than 3 months' and up to 1 year's notice	9	6
At more than 1 year's and up to 5 years' notice	1,224	494
At more than 5 years' notice	293,170	264,846
Total	294,561	265,422
<b>Balances due to credit institutions and central banks</b>		
Balances at call	1,653	712
At up to 3 months' notice	49,661	23,988
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	51,314	24,700
<b>Mortgage bonds in issue</b>		
Maturing within 3 months	38,464	21,623
Maturing between 3 months and 1 year ahead	480	27
Maturing between 1 year and 5 years ahead	38,426	25,848
Maturing after 5 years	163,110	182,728
Total	240,480	230,225

## Notes

### Intragroup transactions

#### Note 31 Intragroup transactions

(DKKm)	2009	2008
Intragroup transactions of major importance and intragroup transactions with a value exceeding DKK 1,000,000 are the following:		
<b>Operating items</b>		
Interest income		
Interest on balances due from credit institutions	782	1,167
Forward premium on derivatives	11	7
Interest expenses		
Interest on balances due to credit institutions	534	589
Fee and commission expenses		
Guarantee commissions etc	536	528
Brokerage	71	63
Staff costs and administrative expenses		
IT expenses	32	32
Other administrative expenses	6	9
Systems development costs	18	14
Rent	9	9
Internal audit	2	1
<b>Assets</b>		
Balances due from credit institutions	16,382	2,024
<b>Liabilities</b>		
Balances due to credit institutions	51,314	24,700
Interest payable	34	71
IT expenses payable	4	8
Guarantee commissions payable	48	45
<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	69,528	65,116

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.

Intragroup balances are settled on market terms or on a cost basis.

In 2009 there were no exceptional related party transactions.

## Notes

### Five-year financial summary

Note 32	Financial summary, ratios and key figures	2009	2008	2007	2006	2005
<b>Financial summary</b>						
<b>Income statement (DKKm)</b>						
	Net interest and fee income	1,362	1,429	1,259	1,043	1,022
	Securities and foreign exchange income	-126	20	34	26	-44
	Staff costs and administrative expenses	197	187	179	183	178
	Loan losses	114	25	-1	5	2
	Profit on shares in associated and group undertakings	-3	-3	19	0	-
	Profit for the year before tax	908	1,225	1,126	880	798
	Profit for the year after tax	678	917	847	633	575
<b>Balance sheet at 31 December (DKKm)</b>						
	Total loans	294,561	265,422	240,200	215,484	190,050
	Shareholders' equity	14,301	13,624	12,706	11,858	10,225
	Total assets	311,615	273,346	254,745	218,442	208,499
<b>Ratios and key figures</b>						
	Total capital ratio, including profit for the year (%) <sup>1</sup>	9.9	9.7	9.9	10.1	9.9
	Tier 1 capital ratio, including profit for the year (%) <sup>1</sup>	10.3	10.0	10.0	10.1	9.9
	Pre-tax return on equity (%)	6.5	9.3	9.2	8.0	8.3
	Post-tax return on equity (%)	4.9	7.0	6.9	5.7	6.0
	Income/cost ratio	3.81	6.57	7.05	5.64	5.43
	Foreign exchange exposure as % of tier 1 capital	0.5	0.5	0.2	0.1	0.0
	Loans/shareholders' equity	20.6	19.5	18.9	18.2	18.6
	Lending growth for the year (%)	7.3	9.1	13.4	16.2	19.8
	Impairment ratio for the year (%)	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Including transition rules

Ratios and key figures have been computed in accordance with the Danish Financial Supervisory Authority's definitions, of the Executive Order on financial reports for credit institutions and investment companies etc, Annex 6.

## Notes

### Series financial statements

#### Note 33 Summary series financial statements

(DKK m)	Note	Capital centre 2	Capital centre 1	Total
<b>Income statement</b>				
Income from lending		619	777	1,396
Interest, net		159	148	307
Administrative expenses, net		352	329	681
Provisions for loan losses		20	94	114
Tax		101	129	230
Total		305	373	678
<b>Balance sheet</b>				
<b>Assets</b>				
Mortgage loans		154,879	139,679	294,558
Other assets		101,860	35,469	137,329
Total assets	3	256,739	175,148	431,887
<b>Liabilities and equity</b>				
Mortgage bonds in issue	2	216,850	147,512	364,362
Other liabilities		31,639	21,585	53,224
Equity	1	8,250	6,051	14,301
Total liabilities and equity	3	256,739	175,148	431,887

#### Note 1 Equity

Movements in capital, net	1,700	-1,700	-
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#### Note 2 Mortgage bonds in issue, series financial statements

Mortgage bonds in issue, Nordea Kredit's financial statements	240,481
Own mortgage bonds, not offset in series financial statements	116,994
Deferred income	6,887
Mortgage bonds in issue, series financial statements	364,362

#### Note 3 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	311,615
Own mortgage bonds, not offset in series financial statements	116,994
Interest receivable on own bonds	3,278
Balance sheet total, series financial statements	431,887

#### 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 2009.

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



## 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 2009.

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 2009 and of the results of the company's operations and cash flows for the financial year 1 January-31 December 2009.

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

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

Copenhagen, 9 February 2010

### Executive Management

Lars Bank Jørgensen  
(Chairman)

Michael Jensen

### Board of Directors

Michael Rasmussen  
(Chairman)

Peter Lybecker  
(Deputy Chairman)

Jørgen Holm Jensen

Anders Jensen

## Auditors' report

### 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 2009, pages 13-33. The financial statements comprise accounting policies, income statement, balance sheet, cash flow statement, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Business Act.

In addition to our audit, we have read the Directors' report in accordance with the Danish Financial Business Act and issued a statement in this regard.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of financial statements 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 financial statements that are 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. Further, it is the responsibility of Management to prepare a Directors' report that gives a fair review in accordance with the Danish Financial Business Act.

#### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements 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 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 2009 and of the results of the Company's operations for the financial year 1 January-31 December 2009 in accordance with the Danish Financial Business Act.

#### Statement on the Management's review

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

Copenhagen, 9 February 2010

KPMG

Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen  
State-Authorised  
Public Accountant

Anders Duedahl-Olesen  
State-Authorised  
Public Accountant

## Company announcements in 2009

During 2009 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.

5 January	Weekly information on prepayments of Nordea Kredit (CK 93) at 2 January 2009
8 January	Information on cash flows of Nordea Kredit published to comply with the disclosure requirements of the Transparency Directive
12 January	Weekly information on prepayments of Nordea Kredit (CK 93) at 9 January 2009
19 January	Borrower composition of Nordea Kredit (CK 92)
19 January	Financial calendar for Nordea Kredit 2009
19 January	Weekly information on prepayments of Nordea Kredit (CK 93) at 16 January 2009
26 January	Weekly information on prepayments of Nordea Kredit (CK 93) at 23 January 2009
2 February	Weekly information on prepayments of Nordea Kredit (CK 93) at 30 January 2009
10 February	Annual Report 2008
10 February	Weekly information on prepayments of Nordea Kredit (CK 93) at 6 February 2009
16 February	Weekly information on prepayments of Nordea Kredit (CK 93) at 13 February 2009
20 February	Bonds drawn for redemption by Nordea Kredit Realkreditaktieselskab at 1 April 2009
23 February	Borrower composition of Nordea Kredit (CK 92)
23 February	Notice convening the Annual General Meeting of Nordea Kredit Realkreditaktieselskab
23 February	Weekly information on prepayments of Nordea Kredit (CK 93) at 20 February 2009
26 February	Minutes of Annual General Meeting of Nordea Kredit Realkreditaktieselskab
27 February	Prospectuses/prospectus announcement. Supplement to base prospectuses for Nordea Kredit – annual report 2008, company announcement no 17, 2009
2 March	Weekly information on prepayments of Nordea Kredit (CK 93) at 27 February 2009
9 March	Nordea Kredit opens new bond in euros
9 March	Weekly information on prepayments of Nordea Kredit (CK 93) at 6 March 2009
16 March	Weekly information on prepayments of Nordea Kredit (CK 93) at 13 March 2009
23 March	Weekly information on prepayments of Nordea Kredit (CK 93) at 20 March 2009
23 March	Borrower composition of Nordea Kredit (CK 92)
25 March	Determination of coupon applicable from 1 April 2009
26 March	Determination of coupons applicable from 1 April 2009
30 March	Weekly information on prepayments of Nordea Kredit (CK 93) at 27 March 2009
1 April	Improved investor information
6 April	Weekly information on prepayments of Nordea Kredit (CK 93) at 3 April 2009
14 April	Weekly information on prepayments of Nordea Kredit (CK 93) at 8 April 2009

## Company announcements in 2009, continued

17 April	Information on cash flows of Nordea Kredit published to comply with the disclosure requirements of the Transparency Directive
20 April	Weekly information on prepayments of Nordea Kredit (CK 93) at 17 April 2009
20 April	Borrower composition of Nordea Kredit (CK 92)
27 April	Weekly information on prepayments of Nordea Kredit (CK 93) at 24 April 2009
5 May	Weekly information on prepayments of Nordea Kredit (CK 93) at 1 May 2009
11 May	Weekly information on prepayments of Nordea Kredit (CK 93) at 7 May 2009
18 May	Weekly information on prepayments of Nordea Kredit (CK 93) at 15 May 2009
20 May	Bonds drawn for redemption by Nordea Kredit Realkreditaktieselskab at 1 July 2009
25 May	Borrower composition of Nordea Kredit (CK 92)
25 May	Weekly information on prepayments of Nordea Kredit (CK 93) at 20 May 2009
2 June	Weekly information on prepayments of Nordea Kredit (CK 93) at 29 May 2009
8 June	Weekly information on prepayments of Nordea Kredit (CK 93) at 4 June 2009
16 June	Weekly information on prepayments of Nordea Kredit (CK 93) at 12 June 2009
22 June	Updated investor information
22 June	Weekly information on prepayments of Nordea Kredit (CK 93) at 19 June 2009
23 June	Borrower composition of Nordea Kredit (CK 92)
24 June	Determination of coupon applicable from 1 July 2009
25 June	Determination of coupons applicable from 1 July 2009
29 June	Weekly information on prepayments of Nordea Kredit (CK 93) at 26 June 2009
6 July	Weekly information on prepayments of Nordea Kredit (CK 93) at 3 July 2009
13 July	Information on cash flows of Nordea Kredit published to comply with the disclosure requirements of the Transparency Directive
13 July	Weekly information on prepayments of Nordea Kredit (CK 93) at 10 July 2009
20 July	Weekly information on prepayments of Nordea Kredit (CK 93) at 17 July 2009
21 July	Interim report for 2009
21 July	Borrower composition of Nordea Kredit (CK 92)
27 July	Weekly information on prepayments of Nordea Kredit (CK 93) at 24 July 2009
3 August	Weekly information on prepayments of Nordea Kredit (CK 93) at 31 July 2009
10 August	Weekly information on prepayments of Nordea Kredit (CK 93) at 7 August 2009
17 August	Weekly information on prepayments of Nordea Kredit (CK 93) at 14 August 2009
19 August	Supplement to Base Prospectus dated 8 October 2007
21 August	Bonds drawn for redemption by Nordea Kredit Realkreditaktieselskab at 1 October 2009

## **Company announcements in 2009, continued**

24 August	Weekly information on prepayments of Nordea Kredit (CK 93) at 21 August 2009
25 August	Borrower composition of Nordea Kredit (CK 92)
31 August	Weekly information on prepayments of Nordea Kredit (CK 93) at 28 August 2009
1 September	Updated investor information
7 September	Weekly information on prepayments of Nordea Kredit (CK 93) at 4 September 2009
14 September	Supplement to Base Prospectus dated 8 October 2007
14 September	Weekly information on prepayments of Nordea Kredit (CK 93) at 11 September 2009
21 September	Weekly information on prepayments of Nordea Kredit (CK 93) at 18 September 2009
22 September	Borrower composition of Nordea Kredit (CK 92)
24 September	Determination of coupon applicable from 1 October 2009
25 September	Determination of coupons applicable from 1 October 2009
29 September	Weekly information on prepayments of Nordea Kredit (CK 93) at 25 September 2009
5 October	Weekly information on prepayments of Nordea Kredit (CK 93) at 2 October 2009
12 October	Weekly information on prepayments of Nordea Kredit (CK 93) at 9 October 2009
14 October	Information on cash flows of Nordea Kredit published to comply with the disclosure requirements of the Transparency Directive
19 October	Weekly information on prepayments of Nordea Kredit (CK 93) at 16 October 2009
21 October	Borrower composition of Nordea Kredit (CK 92)
26 October	Weekly information on prepayments of Nordea Kredit (CK 93) at 23 October 2009
27 October	Auction of bonds of Nordea Kredit Realkreditaktieselskab
29 October	Supplement to Base Prospectus dated 8 October 2007
29 October	Supplement to Base Prospectus dated 8 October 2007
2 November	Weekly information on prepayments of Nordea Kredit (CK 93) at 30 October 2009
9 November	Weekly information on prepayments of Nordea Kredit (CK 93) at 6 November 2009
13 November	Updated investor information
16 November	Weekly information on prepayments of Nordea Kredit (CK 93) at 13 November 2009
16 November	Auction overview – refinancing of adjustable-rate mortgages December 2009
20 November	Bonds drawn for redemption by Nordea Kredit Realkreditaktieselskab at 1 January 2009
23 November	Weekly information on prepayments of Nordea Kredit (CK 93) at 20 November 2009
24 November	Borrower composition of Nordea Kredit (CK 92)
30 November	Weekly information on prepayments of Nordea Kredit (CK 93) at 27 November 2009
1 December	Auction of bonds of Nordea Kredit Realkreditaktieselskab
7 December	Weekly information on prepayments of Nordea Kredit (CK 93) at 4 December 2009
14 December	Weekly information on prepayments of Nordea Kredit (CK 93) at 11 December 2009

### **Company announcements in 2009, continued**

- 14 December Result of auction in connection with refinancing of adjustable-rate mortgages
- 21 December Weekly information on prepayments of Nordea Kredit (CK 93) at 18 December 2009
- 22 December Determination of coupon applicable from 1 January 2010
- 22 December Borrower composition of Nordea Kredit (CK 92)
- 23 December Determination of coupons applicable from 1 January 2010
- 28 December Weekly information on prepayments of Nordea Kredit (CK 93) at 23 December 2009

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