



Annual Report 2011  
**Nordea Kredit Realkreditaktieselskab**

Business registration number 15134275

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

*Nordea Kredit Realkreditaktieselskab is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approx 1,400 branch offices and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the Nasdaq OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

## Key financial figures

<b>Business volumes, key items</b> (DKKm)	2011	2010	Change %	2009
Net interest and fee income	1,583	1,388	14	1,362
Staff costs and administrative expenses	-236	-250	-6	-197
Net loan losses	-284	-118	141	-114
Profit before tax	1,009	934	8	908
Net profit for the year	756	700	8	678
Loans to credit institutions and central banks	40,152	36,527	10	16,382
Loans and receivables at fair value	340,874	318,199	7	294,558
Deposits by credit institutions and central banks	63,547	70,141	-9	51,314
Bonds in issue at fair value	302,951	265,964	14	240,480
Equity	15,758	15,002	5	14,301
Total assets	387,392	356,181	9	311,615

### **Ratios and key figures** (%)

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

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

# Nordea Kredit Realkreditaktieselskab

## Directors' report

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

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

Throughout this report the term "Nordea Kredit" refers to Nordea Kredit Realkreditaktieselskab, "Nordea Bank" to Nordea Bank Danmark A/S and "Nordea" to the Nordea Bank AB Group.

The figures in brackets refer to 2010.

### Comments on the income statement

Nordea Kredit's profit for the year after tax was up 8% to DKK 756m compared to DKK 700m in 2010 due to higher income in the form of reserve fund fees and a higher return on investment. However, the higher reserve fund fee and interest income was to some extent offset by a decline in fee and commission income and higher loan losses. Excluding loan losses the profit for the year is in line with the guidance published in the interim report for 2011.

Income from reserve fund fees increased 14% to DKK 1,807m (DKK 1,580m) due to continued lending growth as well as the introduction of higher fees in the second half of 2010.

The return on investment was DKK 395m (DKK 161m). The increase was due partly to higher cash investments and partly to a higher rate on investments.

Fee and commission income and Fee and commission expense were down DKK 121m and DKK 58m, respectively, primarily due to very low loan refinancing activity.

In 2011 IT expenses and systems development costs were down. But expenses for the handling of non-performing loans and repossessed properties increased. Total staff costs and administrative expenses were thus reduced to DKK 236m (DKK 250m).

The cost/income ratio fell 4% points to 16% in 2011 (20%).

Net loan losses increased DKK 166m to DKK 284m (DKK 118m). Total losses incurred amounted to DKK 83m compared to DKK 35m in 2010. The increase in loan losses is due to the continued downtrend in property prices, modest trading activity and the large number of properties for sale.

### Comments on the balance sheet

#### Assets

Total assets rose DKK 31bn in 2011 to DKK 387bn (DKK 356bn).

*Loans to credit institutions and central banks* rose DKK 3bn to DKK 40bn (DKK 37bn). The increase was mainly due to major cash deposits with Nordea Bank and the Danish central bank.

*Loans and receivables at fair value* increased DKK 23bn to DKK 341bn (DKK 318bn).

At the end of 2011 total lending at nominal value after loan losses amounted to DKK 335bn (DKK 318bn). Residential properties (single-family and terraced houses, owner-occupied flats and holiday homes) accounted for DKK 230bn (DKK 221bn), agricultural properties for DKK 43bn (DKK 42bn) and other commercial properties for DKK 62bn (DKK 54bn).

At the year-end lending for residential properties and holiday homes amounted to 69% (70%) of the total loan portfolio.

At end-2011 accumulated loan losses amounted to DKK 297m (DKK 157m), corresponding to 0.09% (0.05%) of the loan portfolio. The quality of the loan portfolio is thus still considered very high.

At the end of 2011 loss guarantees from Nordea Bank comprised loans totalling DKK 265bn (DKK 262bn). Of this amount the guarantees covered a total of DKK 73bn (DKK 71bn).

At the beginning of 2012 the 3.5-month arrears rate for residential properties and holiday homes (the September 2011 payment date) was 0.34% (0.46%), a decline of 0.12% point since the beginning of 2011.

Nordea Kredit's share of the overall mortgage market in Denmark is still growing. At 31 December 2011 the market share was 13.9% (13.5%). For residential properties and holiday homes the market share was 16.4% (16.1%).

*Bonds at fair value* totalled DKK 5bn at the end of 2011, relating to cash investment of surplus funds from pre-issues. At the end of 2010 no bonds were held.

*Assets in temporary possession* consisted of a total of 131 (115) repossessed properties by the end of 2011 at a value of DKK 235m (DKK 125m).

*Other assets*, primarily comprising interest receivable, were unchanged at DKK 1bn at the end of 2011.

## **Liabilities**

*Deposits by credit institutions and central banks* were down DKK 6bn to DKK 64bn (DKK 70bn) due to reduced drawings on the credit facility with Nordea Bank.

*Bonds in issue at fair value* increased DKK 37bn to DKK 303bn (DKK 266bn) after offsetting the portfolio of own bonds. The increase was attributable to bond issuance as a result of the growth in lending.

## **Equity**

After transfer of the profit for the year equity was DKK 16bn at the end of 2011 compared to DKK 15bn at the end of 2010.

## **Annual General Meeting**

The Board of Directors will propose to the Annual General Meeting to be held on 28 March 2012 in Copenhagen that the profit for the year after tax of DKK 756m should be transferred to equity and that no dividend should be paid for 2011.

Nordea Kredit will announce its half-year 2012 results on 18 July 2012.

## **Changes in reserve fund fees**

Funding costs have increased due to stricter requirements for supplementary collateral for

mortgage loans. Against this background Nordea Kredit raised its reserve fund fees and introduced a price deduction on bonds issued to refinance adjustable-rate mortgages with effect from 1 January 2012.

The increase in reserve fund fees is greatest for interest-only loans with adjustable rates and smallest for fixed-rate loans with principal payments.

## **Capital adequacy**

At the end of 2011 Nordea Kredit's risk-weighted assets amounted to DKK 82.2bn (DKK 81.8bn). The rise is mainly due to increased lending volumes.

The tier 1 capital ratio and the total capital ratio were both 17.4% at end-2011 (16.5%).

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

## **The property market**

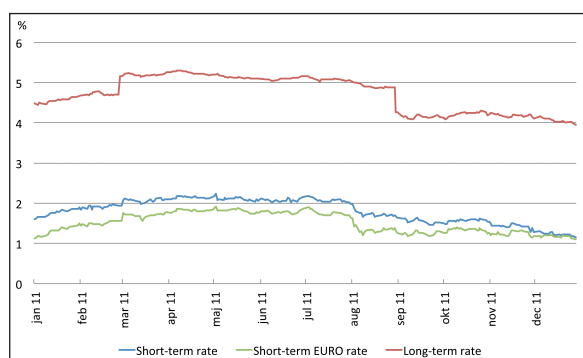
### **The economy**

The slowdown in the world economy also made its mark on Denmark in 2011 with negative growth, rising unemployment, low consumer spending, a frozen housing market and exports affected by weak international demand.

The Danish economy seems to face another sluggish year. Several confidence indicators suggest that the economy is heading for a technical recession. However, the world economy as a whole has regained momentum and the economic recession is therefore expected to be mild.

Interest rates in Denmark have declined quite markedly since the spring of 2011, whereas interest rates in the crisis-ridden countries in the Euro area have risen sharply. As a result of the turmoil the Danish bond market has enjoyed safe haven status, and this has benefited homeowners with adjustable-rate loans in the form of historically low rates.

**Figure 1. Interest rates 2011**



### Property prices and market activity

Prices of single-family and terraced houses fell by 6% during the first nine months of the year. For both owner-occupied flats and holiday homes prices declined 5% over the same period.

Overall, prices of single-family and terraced houses have dropped 17% from their peak in the second quarter of 2007. Prices of owner-occupied flats have declined 25% from their peak in the second quarter of 2006, whereas holiday home prices have dropped by 16% from their peak in the third quarter of 2007. As a result of the price declines, property prices nationwide are now back at the mid-2005 level.

Property sales declined in 2011. In the third quarter of 2011 activity was almost at the same low level as in the fourth quarter of 2008 when the financial crisis became global.

Nominal property prices are expected to continue lower in 2012. However, this decline should not be of the same magnitude as in 2011.

### The mortgage market

Total lending by the mortgage sector measured by outstanding bond debt increased from DKK 2,363bn at end-2010 to DKK 2,406bn at end-2011 – an increase of DKK 43bn or 2%. Net lending decreased by DKK 22bn or 34% from DKK 65bn in 2010 to DKK 43bn.

### Nordea Kredit's lending

At the end of 2011 total lending by Nordea Kredit at nominal value after loan losses amounted to DKK 335bn (DKK 318bn). Residential properties (single-family and terraced houses, owner-

occupied flats and holiday homes) accounted for DKK 230bn (DKK 221bn), agricultural properties for DKK 43bn (DKK 42bn) and other commercial properties for DKK 62bn (DKK 54bn).

A breakdown by loan type shows that the share of adjustable-rate mortgages increased, while the share of fixed-rate mortgages decreased slightly (Table 1).

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

	2011		2010	
	DKKbn	%	DKKbn	%
<b>Adjustable rate</b>				
Cibor/Euribor	35.1	10.5	29.9	9.4
Capped floaters, annuity	2.2	0.7	1.8	0.6
Capped floaters, interest-only	3.0	0.9	2.5	0.8
Adjustable-rate, annuity	56.9	17.0	52.9	16.6
Adjustable-rate, interest-only	106.4	31.8	96.7	30.4
<b>Fixed rate</b>				
Cash loans	5.5	1.6	5.4	1.7
Bond loans, annuity	64.3	19.2	66.9	21.0
Bond loans, interest-only	61.2	18.3	62.2	19.5
<b>Total</b>	<b>334.6</b>	<b>100.0</b>	<b>318.3</b>	<b>100.0</b>

### Mortgage arrears and losses

Mortgage arrears rates reflect the financial situation of borrowers.

At the beginning of 2012 the 3.5-month arrears rate for residential properties and holiday homes (the September 2011 payment date) was 0.34% (0.46%), a decline of 0.12% point since the beginning of 2011.

### Loss guarantees

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

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

If Nordea Kredit has several loans on the same

property, the guarantees cover the top portion of the total commitment. These guarantees imply a reduced loss risk for Nordea Kredit.

At the end of 2011 loss guarantees from Nordea Bank comprised loans totalling DKK 265bn (DKK 262bn). Of this amount the guarantees covered a total of DKK 73bn (DKK 71bn).

### Loan losses

After taking loss guarantees into account, total accumulated loan losses amounted to DKK 297m (DKK 157m). Of this amount, provisions for collectively assessed loans accounted for DKK 50m (DKK 56m). The total accumulated loan losses corresponded to 0.09% (0.05%) of the loan portfolio. The quality of the loan portfolio is thus still considered very high.

### Reposessed properties

Given the higher number of forced sales, Nordea Kredit's portfolio of properties increased from 115 properties at the end of 2010 to 131 properties by the end of 2011, booked at DKK 235m (DKK 125m). During the year Nordea Kredit reposessed 188 properties and sold 172 properties.

### Refinancing

At the auctions in November and December 2011 bonds equivalent to DKK 98bn were sold. Compared to 2010 when sales at the December auction comprised bonds for DKK 106bn, this reflects a decline of 7% as Nordea Kredit spread the auctions over the year.

Yet again the auction resulted in record-low interest rates. For 30-year annuity loans in Danish kroner with principal payments and annual reset the interest rate for 2012 was set at 1.06% (1.50% in 2011). At the auction the interest rate on a similar loan in euros was set at 1.02% (1.28% in 2011).

In 2011 Nordea Kredit for the first time completed bond auctions in March and September for the refinancing of adjustable-rate mortgages at 1 April 2011 and at 1 October 2011.

In conjunction with the latest refinancing around 6,000 of Nordea Kredit's customers chose to change the future refinancing date to 1 October. As a result, refinancing at end-2012 will be reduced by just over DKK 8bn.

At end-2011 Nordea Kredit had disbursed adjustable-rate mortgages with refinancing on 1 April for a total of DKK 20bn (DKK 12bn) and on 1 October for a total of DKK 25bn (DKK 4bn).

### LTV ratios

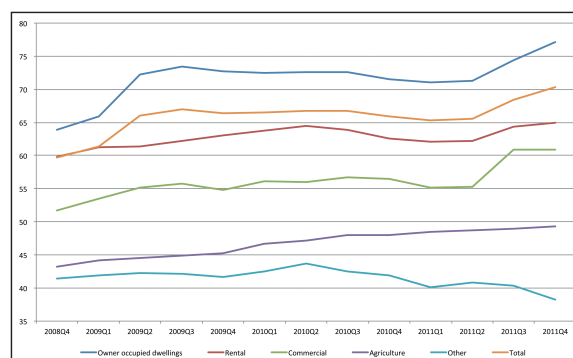
The loan to value (LTV) ratio expresses the loan amount as a percentage of the value of the property.

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

LTV ratios maintained their level until the beginning of 2011. After this time falling property prices notably in the second half of 2011 increased the LTV ratios for total lending. At the end of 2011 the LTV ratio for the total loan portfolio stood at 70%, or 4% points above the end-2010 level.

The LTV ratio for residential properties and holiday homes stood at 77% in the fourth quarter of 2011, an increase of 6% points compared to the same period in 2010.

Figure 2. LTV ratios



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

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

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

The value of private owner-occupied properties, private rental properties, cooperative homes and non-profit rental housing must be assessed at



least every three years under existing legislation, whereas other properties must be assessed annually. In the event of significant changes in market conditions, the value must be assessed more frequently.

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

Nordea Kredit focuses on monitoring the value of mortgaged properties on an ongoing basis. Nordea Kredit assesses the value of properties mortgaged on the basis of covered mortgage bonds more frequently than required by law.

At the end of 2011 the total nominal lending volume of Nordea Kredit based on covered mortgage bonds was DKK 255bn (DKK 214bn).

The supplementary collateral required on the basis of the LTV ratios for the individual loans was DKK 22bn (DKK 13bn) at end-2011.

At year-end Nordea Kredit was able to provide supplementary collateral equivalent to DKK 41bn (DKK 21bn) in the form of the capital base and other overcollateralisation.

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

## **Bond issuance**

### **Rating**

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

### **Funding**

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

Bond issuance before redemptions amounted to DKK 165bn nominal in 2011 (DKK 187bn), which was financed by means of covered mortgage bonds.

At end-2011 the total value of bonds issued to finance mortgage loans, before offsetting the portfolio of own bonds, amounted to DKK 382bn (DKK 397bn). Of this amount, the issuance of mortgage bonds accounted for DKK 85bn (DKK 115bn) and covered mortgage bonds accounted for DKK 297bn (DKK 282bn).

At end-2011 the fair value of the total volume of bonds issued was DKK 303bn (DKK 266bn) after offsetting the portfolio of own bonds.

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

### **Market and liquidity risks**

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

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

Nordea Kredit's most significant financial market risk is the interest rate risk associated with the investment of capital. In addition, Nordea Kredit has a modest currency risk exposure relating to its lending denominated in euros. Nordea Kredit 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. Nordea Kredit applies the specific balance principle to both capital centres.

### **Interest rate risk**

Interest rate risk is measured as the loss in the market value of interest rate positions resulting from an overall upward/downward shift in interest rates of 1% point. This risk is calculated



for the lending portfolio as well as for the securities portfolio. For the lending portfolio the law stipulates that the interest rate risk resulting from differences between incoming payments on loans and outgoing payments on mortgage bonds issued must not exceed 1% of the capital base, or DKK 143m. For the securities portfolio the interest rate risk must not exceed 8% of the capital base, or DKK 1,148m.

At year-end 2011 the total interest rate risk with effect on profit before tax and equity was DKK 0.5m (DKK 0.4m) for the lending portfolio and DKK 32m (DKK 7.0m) for the securities portfolio.

### **Currency risk**

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

At end-2011 the currency risk amounted to DKK 0.1m (DKK 0.1m) with effect on profit before tax and equity and relates solely to exposures in euros.

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

### **Capital management**

Nordea Kredit aims to attain the most efficient use of capital. Nordea Kredit reports risk-weighted assets according to applicable external Basel II requirements (the Capital Requirements Directive), which stipulate the limits for the minimum capital (the capital requirement). Nordea Kredit has received approval to report its capital requirement in accordance with the internal ratings-based (IRB) advanced approach for commitments with retail customers and the (IRB) foundation approach for large enterprises and credit institutions, in line with Nordea Bank.

In a transitional period a cap has been set on the capital reduction achievable relative to

the capital requirement under the previous rules (Basel I).

In 2011 this requirement constituted a minimum of 80% of the capital requirement according to the Basel I rules.

### **Capital requirements**

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

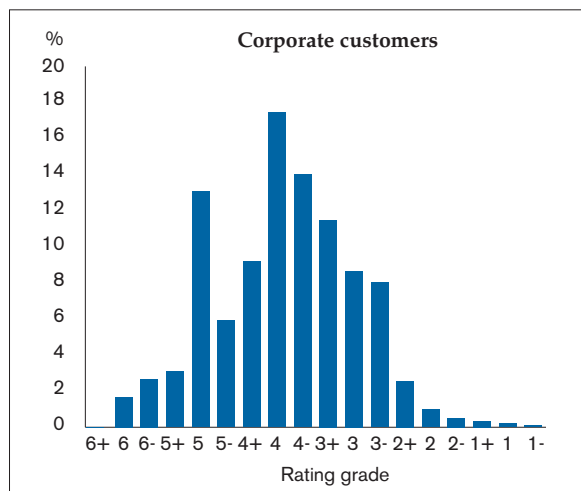
The most important parameters when quantifying the credit risk are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). The parameters are used for calculation of risk-weighted assets. In general, historical losses and defaults are used to calibrate the PDs assigned to each rating grade. LGD is measured taking into account the collateral type and the counterparty's balance-sheet components. Scoring models are pure statistical methods to predict the probability of customer default. The models are mainly used in the personal customer segment as well as for small corporate customers. Nordea Kredit collaborates with Nordea Bank in utilising bespoke behavioural scoring models developed on internal data to support both the credit approval process and the risk management process.

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

### **Credit quality**

The rating distribution of loans to corporate customers (Figure 3) and the risk scoring of loans to personal and small and medium-sized corporate customers for 2011 (Figure 4) are shown below.

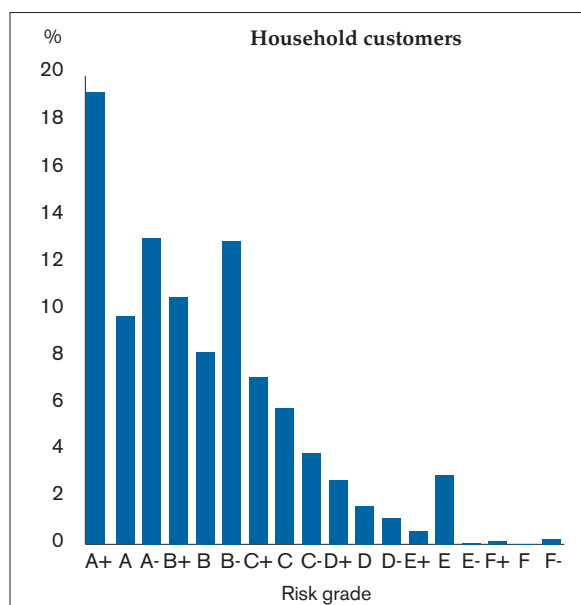
**Figure 3. Rating distribution of loans to corporate customers**



Note: Best rating is 6+.

Credit quality (Figure 3) was positively affected in 2011, as loans to corporate customers with high ratings of 4- or higher accounted for 67% at the end of 2011 compared to 64% at the end of 2010.

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



Note: Best score is A+.

The scoring distribution of personal as well as small and medium-sized corporate customers (Figure 4) was positively affected in 2011, as loans with high grades of C or higher accounted for 91% at the end of 2011 compared to 85% at the end of 2010.

### Total capital ratio

At the end of 2011 the risk-weighted assets of Nordea Kredit amounted to DKK 82.2bn (DKK 81.8bn). The change is mainly due to increased lending volumes.

With a capital base of DKK 14bn at the end of 2011 (DKK 14bn), the total capital ratio at end-2011 was 17.4% (16.5%).

### Individual solvency needs

Pursuant to the capital adequacy rules for credit institutions (Pillar III of Basel II), Nordea Kredit must publish its individual solvency needs.

The company's individual solvency need is unchanged at 9%. The individual solvency need is furthermore published in a separate report available at [nordeakredit.dk](http://nordeakredit.dk) and [nordea.com](http://nordea.com).

### Basel III regulation

To strengthen the regulation of the financial sector, international cooperation in recent years has focused on new rules on liquidity risk, mainly under the auspices of the Basel Committee.

Together with Nordea Bank, Nordea Kredit actively participates in discussions in various forums and assesses the implications of the proposed changes on an ongoing basis. The final proposals still involve significant uncertainties relating to their wording and implementation in specific directives and legislation both at EU and national level.

### Control and risk management systems

Nordea Kredit has established the internal controls which are deemed relevant for the preparation and presentation of the annual report. These controls and existing risk management systems provide a solid platform, 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 Nordea Bank's overall internal control and risk management processes.

### **Control environment**

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

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

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

### **Risk assessment**

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

### **Control activities**

The control activities include general as well as more detailed controls, which aim at preventing, revealing and correcting errors and deviations.

The control activities are documented by Nordea Kredit and reported to the parent company.

### **Information and communication**

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

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

### **Monitoring**

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

The Executive Management of Nordea Kredit reports on an ongoing basis to the Board of

Directors on significant matters affecting the internal control in relation to financial reports.

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

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

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

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

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

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

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

## Corporate Social Responsibility

Nordea Bank issues a Corporate Social Responsibility (CSR) report based on the United Nations Principles for Responsible Investments. The report serves as Nordea's annual progress report to the United Nations Global Compact and includes Nordea Kredit. The CSR report is available at [nordea.com/csr](http://nordea.com/csr).

## Changes to the Board of Directors

The Board of Directors appointed Anders Jensen new chairman in 2011. Michael Rasmussen, the former chairman, continues as a member of the Board of Directors.

## Human resources

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

### People Strategy

Nordea's People Strategy emphasises that Nordea can reach its goals only if our employees reach theirs. This means that Nordea aims at providing opportunities for our people to grow professionally by high ambitions and continuous development and at the same time live well-balanced lives. This mindset is ensured among all managers through leadership training and management programmes.

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

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

### Focus on values and leadership

Nordea's values and leadership are the strongest drivers for both performance and for building our

corporate culture. It takes great leaders to build a Great European bank. Great leadership in Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen.

### Opportunities to develop and grow

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

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

### Remuneration

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

### Nordea remuneration components

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

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

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

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

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

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

## Subsequent events

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

## Outlook for 2012

Given the current economic outlook, overall activity is expected to be in line with the level seen in 2011.

Just after the turn of the year Nordea Kredit opened a new 30-year bond series with a nominal rate of interest of 3½%. From the onset interest in refinancing into loans based on the new bond series has been strong.

Nordea Kredit will also in 2012 focus on meeting the financing needs of existing and new customers.

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## Income statement

DKKm	Note	2011	2010
<b>Operating income</b>			
Interest income		12,462	11,945
Interest expense		-10,394	-10,136
<b>Net interest income</b>	<b>2</b>	<b>2,068</b>	<b>1,809</b>
Dividend income		-	1
Fee and commission income	3	148	269
Fee and commission expense	3	-633	-691
<b>Net interest and fee income</b>		<b>1,583</b>	<b>1,388</b>
Net result from items at fair value	4	-40	-65
Other operating income		-1	-8
Staff costs and administrative expenses	5	-236	-250
Depreciation, amortisation and impairment charges of intangible and tangible assets	6	-11	-12
Other operating expenses		-1	-
Net loan losses	11	-284	-118
Profit from investments in associated undertakings	7	-1	0
<b>Profit before tax</b>		<b>1,009</b>	<b>934</b>
Tax	8	-253	-234
<b>Net profit for the year</b>		<b>756</b>	<b>700</b>
<b>Attributable to</b>			
Shareholder of Nordea Kredit Realkreditaktieselskab		756	700
<b>Total</b>		<b>756</b>	<b>700</b>

## Statement of comprehensive income

DKKm	2011	2010
Net profit for the year	756	700
Other comprehensive income, net of tax	0	0
<b>Total comprehensive income</b>	<b>756</b>	<b>700</b>
<b>Attributable to</b>		
Shareholder of Nordea Kredit Realkreditaktieselskab	756	700
<b>Total</b>	<b>756</b>	<b>700</b>



## Balance sheet

DKKm	Note	31 Dec 2011	31 Dec 2010
<b>Assets</b>			
Cash balance and demand deposits with central banks		1	0
Loans to credit institutions and central banks	10	40,152	36,527
Loans and receivables at fair value	11	340,874	318,199
Loans and receivables at amortised cost		3	3
Bonds at fair value	12	5,001	-
Investments in associated undertakings	13	11	12
Intangible assets	14	7	18
Other tangible assets	15	1	2
Current tax assets	8	15	0
Assets in temporary possession	16	235	125
Other assets	17	1,090	1,283
Prepaid expenses		2	12
<b>Total assets</b>		<b>387,392</b>	<b>356,181</b>
<b>Liabilities</b>			
Deposits by credit institutions and central banks	18	63,547	70,141
Bonds in issue at fair value	19	302,951	265,964
Current tax liabilities	8	-	236
Other liabilities	20	5,132	4,819
Deferred income		4	15
<b>Total liabilities</b>		<b>371,634</b>	<b>341,175</b>
<b>Provisions</b>			
Deferred tax liabilities	8	0	4
<b>Total provisions</b>		<b>0</b>	<b>4</b>
<b>Equity</b>			
Share capital		1,717	1,717
Other reserves:			
Statutory reserves		9	10
Other reserves		1	1
Retained earnings		14,031	13,273
<b>Total equity</b>		<b>15,758</b>	<b>15,002</b>
<b>Total liabilities and equity</b>		<b>387,392</b>	<b>356,181</b>
<b>Contingent liabilities</b>			
Guarantees etc.		74	75
<b>Total contingent liabilities</b>		<b>74</b>	<b>75</b>

## Statement of changes in equity

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

DKKm	Share capital	Other reserves	Retained earnings	Total
Balance at 1 Jan 2010	1,717	11	12,573	14,301
Net profit for the year	-	-	700	700
Other comprehensive income, net of tax <sup>2</sup>	-	0	0	0
Total comprehensive income	-	0	700	700
Proposed dividends	-	-	-	-
Balance at 31 Dec 2010	1,717	11	13,273	15,002

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

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

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

## 5-year overview

<b>Income statement</b> (DKKm)	2011	2010	2009	2008	2007
Net interest income	2,068	1,809	1,813	1,901	1,697
Net fee and commission income	1,583	1,388	1,362	1,429	1,259
Net result from items at fair value	-40	-65	-126	20	34
Other operating income	-1	-8	-2	-1	0
Staff costs and administrative expenses	-236	-250	-197	-187	-179
Depreciation, amortisation and impairment charges of intangible and tangible assets	-11	-12	-12	-8	-8
Net loan losses	-284	-118	-114	-25	1
Profit from investments in associated undertakings	-1	0	-3	-3	19
<b>Profit before tax</b>	<b>1,009</b>	<b>934</b>	<b>908</b>	<b>1,225</b>	<b>1,126</b>
Tax	-253	-234	-230	-308	-279
<b>Net profit for the year</b>	<b>756</b>	<b>700</b>	<b>678</b>	<b>917</b>	<b>847</b>

<b>Balance sheet</b> (DKKm)	2011	2010	2009	2008	2007
Loans to credit institutions and central banks	40,152	36,527	16,382	7,722	9,720
Loans and receivables at fair value	340,874	318,199	294,558	265,418	240,196
Loans and receivables at nominal value <sup>1</sup>	334,643	318,288	295,719	274,442	251,501
Other assets	6,366	1,455	675	206	4,829
<b>Total assets</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>	<b>273,346</b>	<b>254,745</b>
Deposits by credit institutions and central banks	63,547	70,141	51,314	24,700	26,150
Bonds in issue at fair value	302,951	265,964	240,480	230,225	211,757
Other liabilities	5,136	5,074	5,520	4,797	4,132
Equity	15,758	15,002	14,301	13,624	12,706
<b>Total liabilities and equity</b>	<b>387,392</b>	<b>356,181</b>	<b>311,615</b>	<b>273,346</b>	<b>254,745</b>

<b>Ratios and key figures</b> (%)	2011	2010	2009	2008	2007
Return on equity	4.9	4.8	4.9	7.0	6.9
Income/cost ratio	2.9	3.5	3.8	6.6	7.1
Cost/income ratio	16.1	19.9	16.9	13.5	14.3
Loans/equity	21.6	21.2	20.6	19.5	18.9
Lending growth for the year	5.2	7.6	7.3	9.1	13.4
Impairment ratio for the year	0.1	0.0	0.0	0.0	0.0
Total capital ratio <sup>2</sup>	17.4	16.5	18.5	21.5	13.4
Tier 1 capital ratio <sup>2</sup>	17.4	16.5	18.5	21.5	13.4
Tier 1 capital <sup>2</sup> , DKKbn	14.3	13.5	13.0	12.9	12.4
Risk-weighted assets <sup>2</sup> , DKKbn	82.2	81.8	70.4	59.8	92.2
Number of employees (full-time equivalents) <sup>2</sup>	133	148	145	136	127
Average number of employees	144	143	138	130	126

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

<sup>2</sup> End of period

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

# Notes to the financial statements

## Note 1 Accounting policies

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### General

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

The accounting policies applied are unchanged from the annual report for 2010.

### Recognition and measurement in general

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

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

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

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

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

### Provisions for loan losses

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

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

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

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

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

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

For each group it is assessed whether observable data exist that indicate a measurable decline in expected future

payments from the group. The provision is subsequently made by any difference between the carrying amount of the group and the present value of the future payments from the group.

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

### Recognition and derecognition of financial instruments

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

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

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

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

### Foreign currencies

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

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

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

### Taxation

#### Tax on operating profit

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

#### Corporation tax and deferred tax

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

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

tax is measured on the basis of the planned use of the asset or the settlement of the liability, respectively.

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

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

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

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

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

### **Financial assets**

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

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

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

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

#### **Shares and bonds**

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

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

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

For shares and other financial instruments not listed on an exchange or for which market prices reflecting the value of the instrument are not available, the fair value is determined using recognised valuation methods.

#### **Derivatives**

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

### **Investments in associated undertakings**

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

### **Intangible assets**

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

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

### **Tangible assets**

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

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

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

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

### **Assets in temporary possession**

Reposessed 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**

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

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

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

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

#### **Share-based payment**

Nordea issued Long Term Incentive Programmes annually from 2007 to 2011. Employees participating in these programmes are granted share-based and equity-settled rights, that is, rights to acquire shares in Nordea at a significant discount to the share price at grant date. The value of such rights is expensed and the expense is based on the

estimated fair value of each right at grant date. The total fair value of these rights is determined based on the Group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date, and is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest.

#### **Pension obligations**

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

#### **Equity**

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

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

#### **Comprehensive income**

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

#### **Ratios and key figures**

Ratios and key figures are listed in the five-year financial summary in compliance with the Danish Financial Supervisory Authority's ratio definitions, see page 36.

## Note 2

### Net interest income

DKKkm	2011	2010
<b>Interest income</b>		
Loans to credit institutions and central banks <sup>1</sup>	706	360
Loans and receivables at fair value	9,939	9,974
Reserve fund fees receivable	1,807	1,580
Interest rate derivatives	-6	18
Other interest income	16	12
<b>Total interest income</b>	<b>12,462</b>	<b>11,945</b>
<b>Interest expense</b>		
Deposits by credit institutions and central banks <sup>2</sup>	-603	-265
Bonds in issue at fair value	-9,790	-9,871
Other interest expenses	-1	0
<b>Total interest expense</b>	<b>-10,394</b>	<b>-10,136</b>
<b>Net interest income</b>	<b>2,068</b>	<b>1,809</b>
<sup>1</sup> Of which interest income on purchase and resale transactions	355	167
<sup>2</sup> Of which interest expense on sale and repurchase transactions	-35	-45

## Note 3

### Net fee and commission income

DKKkm	2011	2010
Loan processing fees	68	164
Brokerage	50	96
Other fee and commission income	30	9
<b>Fee and commission income</b>	<b>148</b>	<b>269</b>
Guarantee commissions etc payable to Nordea Bank Danmark A/S	-544	-551
Brokerage payable to Nordea Bank Danmark A/S	-42	-80
Other fee and commission expenses	-47	-60
<b>Fee and commission expenses</b>	<b>-633</b>	<b>-691</b>
<b>Net fee and commission income</b>	<b>-485</b>	<b>-422</b>

## Note 4

### Net result from items at fair value

DKKkm	2011	2010
Mortgage loans	5,799	1,952
Bonds at fair value	-5	-
Foreign exchange gains/losses	-1	0
Interest rate derivatives	34	17
Bonds in issue	-5,867	-2,034
<b>Total</b>	<b>-40</b>	<b>-65</b>



## Note 5 Staff costs

DKKm	2011	2010
Salaries and remuneration (specification below)	-82	-80
Pension costs (specification below)	-13	-8
Social insurance contributions	-13	-12
Other staff costs	0	0
<b>Total</b>	<b>-108</b>	<b>-100</b>
Average number of employees	144	143
<b>Salaries and remuneration</b>		
To the Board of Directors:		
- Fixed salary and benefits	-	-
- Performance-related compensation	-	-
To the Executive Management:		
- Fixed salary and benefits	-4	-4
- Performance-related compensation	0	0
To the employees that have significant influence on Nordea Kredit's risk profile: <sup>1</sup>		
- Fixed salary and benefits	-1	-
- Performance-related compensation	0	-
<b>Total</b>	<b>-5</b>	<b>-4</b>
To other employees	-77	-76
<b>Total</b>	<b>-82</b>	<b>-80</b>

<sup>1</sup> The Board of Directors has according to the new requirement that came into effect on 1 January 2011 identified employees that have significant influence on Nordea Kredit's risk profile.

### Pension costs

Defined benefits plans	-	-
Defined contribution plans:		
- The Executive Management	0	0
- The employees that have significant influence on Nordea Kredit's risk profile	-	-
- Other employees	-13	-8
<b>Total</b>	<b>-13</b>	<b>-8</b>

### Compensation including pension

The Board of Directors <sup>1</sup>	-	-
The Executive Management <sup>2</sup>	-4	-4
The employees that have significant influence on Nordea Kredit's risk profile <sup>3</sup>	-1	-
<b>Total</b>	<b>-5</b>	<b>-4</b>

<sup>1</sup> The Board of Directors included in 2011 unchanged 4 individuals.

<sup>2</sup> The Executive Management included in 2011 unchanged 2 individuals. The Executive Management participates in the incentive programmes VSP (Variable Salary Part) and LTIP (Long Term Incentive Programme). These programmes are described in the Directors report.

<sup>3</sup> The employees that have significant influence on Nordea Kredit's risk profile include in 2011 2 individuals.

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

## Note 5

### Staff costs (cont)

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

The total remuneration for 2011 to the Board of Directors and the Executive Management paid by the Nordea Bank AB Group is disclosed according to section 77 d (3) of the Danish Financial Business Act:

Board of Directors	DKKm	Executive Management	DKKm
Anders Jensen	1.2	Lars Bank Jørgensen	2.4
Peter Lybecker	6.6	Michael Jensen	1.5
Michael Rasmussen	8.4		
Jørgen Holm Jensen	0.0		

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

Anders Jensen, Peter Lybecker, Michael Rasmussen and Jørgen Holm Jensen do not receive remuneration as members of the Board of Directors of Nordea Kredit. Remuneration has been received from Nordea Bank Danmark A/S, Nordea Bank AB or their subsidiaries. The total remuneration of Anders Jensen is calculated covering his position as a member of the Executive Management of Nordea Bank Danmark A/S for the period 1 September-31 December 2011. Jørgen Holm Jensen does not receive any remuneration as a member of the Board of Directors or as a member of the Executive Management of Nordea Group companies.

## Note 6

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

#### Depreciation/amortisation

DKKm	2011	2010
<b>Intangible assets</b> (Note 14)		
Internally developed software	-11	-11
<b>Other tangible assets</b> (Note 15)		
Equipment and machinery	-0	-1
<b>Total</b>	<b>-11</b>	<b>-12</b>

#### Impairment charges/reversed impairment charges

DKKm	2011	2010
<b>Intangible assets</b> (Note 14)		
Internally developed software	-	-
<b>Other tangible assets</b> (Note 15)		
Equipment and machinery	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-11</b>	<b>-12</b>

## Note 7

### Profit from investments in associated undertakings

DKKm	2011	2010
Profit from investments in associated undertakings	-1	0
<b>Total</b>	<b>-1</b>	<b>0</b>

## Note 8 Taxes

### Income tax expense

DKKm	2011	2010
Current tax	-256	-236
Deferred tax	4	2
Adjustment relating to prior years	0	0
<b>Total</b>	<b>-253</b>	<b>-234</b>
Profit before tax	1,009	934
Tax calculated at a tax rate of 25%	-252	-234
Non-deductible expenses	-1	0
Adjustment relating to prior years	0	0
<b>Tax charge</b>	<b>-253</b>	<b>-234</b>
Average effective tax rate	25%	25%

### Deferred tax

DKKm	2011	2010
<b>Deferred tax expense (-)/income (+)</b>		
Deferred tax due to temporary differences	4	2
Deferred tax due to change of tax rate	-	-
<b>Income tax expense, net</b>	<b>4</b>	<b>2</b>
<b>Deferred tax assets</b>		
Deferred tax assets due to temporary differences	-	-
Offset against tax liabilities	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>		
Deferred tax liabilities due to temporary differences	0	4
Offset against tax assets	-	-
<b>Total</b>	<b>0</b>	<b>4</b>

DKKm	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
<b>Deferred tax related to:</b>				
Property and equipment	-	-	0	4
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>4</b>

DKKm	2011	2010
<b>Movements in deferred tax assets/liabilities, net are as follows:</b>		
Deferred tax in the income statement	4	2
<b>Total change</b>	<b>4</b>	<b>2</b>
<b>Current tax assets</b>	<b>15</b>	<b>-</b>
<b>Current tax liabilities</b>	<b>-</b>	<b>236</b>

Nordea Kredit is liable for that part of the tax of the jointly taxed income concerning Nordea Kredit until payment to the management company Nordea Bank Danmark A/S has taken place.

## Note 9

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

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

DKKm	31 Dec 2011	31 Dec 2010
<b>Loans etc</b>		
The Executive Management	7	7
The Board of Directors	9	9

Interest income including reserve fund fees on these loans to members of Nordea Kredit's Executive Management and Board of Directors amounts to DKK 0.4m (DKK 0.3m).

Loans to members of Nordea Kredit's Executive Management and Board of Directors consist of mortgage loans on terms based on market conditions. At the end of 2011 interest on the loans was payable at the rate of 1.4-3.3%. Loans to family members of the Executive Management and the Board of Directors are granted on the same terms.

Loans etc to members of the Executive Management and the Board of Directors of the parent companies Nordea Bank Danmark A/S and Nordea Bank AB (publ) consist of mortgage loans on market-based terms. At the end of 2011 the loans amounted to DKK 9m (DKK 9m) with interest rates of 2-5%.

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

## Note 10

### Loans to credit institutions and central banks

DKKm	31 Dec 2011	31 Dec 2010
Loans to credit institutions	29,535	36,527
Loans to central banks	10,617	-
<b>Total</b>	<b>40,152</b>	<b>36,527</b>
Of which purchase and resale transactions	28,144	34,931

## Note 11

### Loans and receivables at fair value

DKKm	31 Dec 2011	31 Dec 2010
<b>Mortgage loans, nominal value</b>		
Value at beginning of year	318,445	294,400
New loans (gross new lending)	46,866	81,859
Foreign exchange revaluations	-82	52
Redemptions and prepayments	-26,142	-53,806
Net new lending for the year	20,642	28,105
Scheduled principal payments	-4,148	-4,060
Mortgage loan portfolio at end of year	334,939	318,445
<b>Mortgage loans, fair value</b>		
Nominal value	334,939	318,445
Adjustment for interest rate risk etc	5,963	-273
Adjustment for credit risk	-297	-157
Mortgage loan portfolio	340,605	318,015
Mortgage arrears and execution levied against debtors' properties	269	184
<b>Loans and receivables</b>	<b>340,874</b>	<b>318,199</b>
DKKm	31 Dec 2011	31 Dec 2010
<b>Mortgage arrears</b>		
Mortgage arrears before provisions	144	127
Execution levied against debtors' properties before provisions	125	57
<b>Total mortgage arrears and execution levied against debtors' properties</b>	<b>269</b>	<b>184</b>
Mortgage arrears mid-January following year	119	116
DKKm, 31 Dec 2011	Individually assessed	Collectively assessed
<b>Provisions for loans and receivables at fair value</b>		
At beginning of year	101	56
Movements during the year:		
- New provisions and value adjustments	287	25
- Reversals of provisions made in previous financial years	-48	-31
- Previous provisions now written off	-55	-
- Other disposals	-38	-
<b>At end of year</b>	<b>247</b>	<b>50</b>
Impaired loans at fair value (before provisions)	538	110,238
- of which residential properties and holiday homes	490	42,479
- of which commercial properties	48	67,759
Impaired loans at fair value (after provisions)	291	110,188

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

DKKm, 31 Dec 2010	Individually assessed	Collectively assessed
<b>Provisions for loan and receivables at fair value</b>		
At beginning of year	44	71
Movements during the year:		
- New provisions and value adjustments	143	85
- Reversals of provisions made in previous financial years	-34	-99
- Previous provisions now written off	-28	-
- Other disposals	-24	-
<b>At end of year</b>	<b>101</b>	<b>56</b>
Impaired loans at fair value (before provisions)	234	91,017
- of which residential properties and holiday homes	207	40,579
- of which commercial properties	27	50,438
Impaired loans at fair value (after provisions)	133	90,961

Factors taken into account for the determination of provisions for individually assessed loans are described in Note 1 Accounting policies.

DKKm	31 Dec 2011	31 Dec 2010
<b>Provisions for other receivables from credit institutions and other items with credit risk</b>		
At beginning of year	59	18
Movements during the year:		
- New provisions and value adjustments	59	27
- Reversals of provisions made in previous financial years	-14	-6
- Previous provisions now written off	-21	-4
- Other additions	38	24
<b>Total</b>	<b>121</b>	<b>59</b>
Impaired other receivables (before provisions and value adjustments)	315	191
Impaired other receivables (after provisions and value adjustments)	194	132

DKKm	31 Dec 2011	31 Dec 2010
<b>Age distribution of mortgage loans in arrears before provisions</b>		
More than 3 months and up to 6 months	2,342	2,531
More than 6 months and up to 1 year	882	751
More than 1 year	788	348
<b>Total</b>	<b>4,012</b>	<b>3,630</b>

(%)	31 Dec 2011	31 Dec 2010
<b>Mortgage loan portfolio by property category</b>		
Owner-occupied housing	66	67
Holiday homes	3	3
Subsidised housing	0	0
Private rental property	6	5
Commercial property	2	3
Office and retail property	9	8
Agricultural property etc	13	13
Property for social, cultural and educational purposes	1	1
Other property	0	0
<b>Total</b>	<b>100</b>	<b>100</b>

## Note 12 Bonds at fair value

DKKm	31 Dec 2011	31 Dec 2010
Bonds	90,977	131,268
Own bonds offset against bonds in issue	-85,976	-131,268
<b>Total</b>	<b>5,001</b>	<b>-</b>
Assets sold as part of sale and repurchase transactions:		
Bonds at fair value	35,768	57,874
Bonds offset against bonds in issue	35,768	57,874

## Note 13 Investments in associated undertakings

DKKm	31 Dec 2011	31 Dec 2010
Acquisition value at beginning of year	2	2
Acquisitions during the year	-	-
Sales during the year	-	-
<b>Acquisition value at end of year</b>	<b>2</b>	<b>2</b>
Revaluation at the beginning of year	10	11
Revaluation during the year	-1	0
<b>Total revaluation at end of year</b>	<b>9</b>	<b>10</b>
<b>Total</b>	<b>11</b>	<b>12</b>

The associated undertaking aggregated balance sheets and income statements can be summarised as follows:

DKKm	31 Dec 2011	31 Dec 2010
Total assets	198	205
Total liabilities	141	143
Operating income	23	18
Operating profit/loss	-5	-14

DKKm, 31 Dec 2011	Registration number	Domicile	Carrying amount	Voting power of holding %
e-nettet Holding A/S	28308019	Copenhagen	11	20



## Note 14 Intangible assets

DKKkm	31 Dec 2011	31 Dec 2010
Internally developed software	7	18
<b>Total</b>	<b>7</b>	<b>18</b>

DKKkm	31 Dec 2011	31 Dec 2010
<b>Internally developed software</b>		
Acquisition value at beginning of year	54	54
Acquisitions during the year	-	-
Sales/disposals during the year	-	-
<b>Acquisition value at end of year</b>	<b>54</b>	<b>54</b>
Accumulated amortisation at beginning of year	-36	-25
Amortisation according to plan for the year	-11	-11
Accumulated amortisation on sales/disposals during the year	-	-
Reclassifications	-	-
Translation differences	-	-
<b>Accumulated amortisation at end of year</b>	<b>-47</b>	<b>-36</b>
Accumulated impairment charges at beginning of year	-	-
Impairment charges during the year	-	-
Accumulated impairment charges at end of year	-	-
<b>Total</b>	<b>7</b>	<b>18</b>

## Note 15 Other tangible assets

DKKkm	31 Dec 2011	31 Dec 2010
<b>Equipment and machinery</b>		
Acquisition value at beginning of year	7	7
Acquisitions during the year	-	-
Sales/disposals during the year	-1	0
<b>Acquisition value at end of year</b>	<b>6</b>	<b>7</b>
Accumulated depreciation at beginning of year	-5	-4
Accumulated depreciation on sales/disposals during the year	-	-
Depreciation according to plan for the year	0	-1
<b>Accumulated depreciation at end of year</b>	<b>-5</b>	<b>-5</b>
Accumulated impairment charges at beginning of year	-	-
Accumulated impairment charges on sales/disposals during the year	-	-
Reversed impairment charges during the year	-	-
Impairment charges during the year	-	-
<b>Accumulated impairment charges at end of year</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1</b>	<b>2</b>

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

	31 Dec 2011	31 Dec 2010
DKKm		
Reposessed properties	235	125
<b>Total</b>	<b>235</b>	<b>125</b>

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

	31 Dec 2011	31 Dec 2010
DKKm		
Interest receivable etc	880	1,207
Interest receivable on bonds etc	107	7
Other	103	69
<b>Total</b>	<b>1,090</b>	<b>1,283</b>

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

	31 Dec 2011	31 Dec 2010
DKKm		
Central banks	-	-
Other banks	63,547	70,141
Other credit institutions	-	-
<b>Total</b>	<b>63,547</b>	<b>70,141</b>
Of which sale and repurchase transactions	36,283	58,950

## Note 19

### Bonds in issue at fair value

DKKm	31 Dec 2011	31 Dec 2010
Bonds in issue at beginning of year (nominal value)	397,146	358,673
Bonds issued during the year	164,538	187,313
Translation differences	-83	52
Scheduled payments and notified prepayments	-37,800	-36,576
Redemptions and other prepayments	-141,422	-112,316
<b>Bonds in issue at end of year (nominal value)</b>	<b>382,379</b>	<b>397,146</b>
Adjustment at fair value	6,548	85
Own bonds at fair value offset	-85,976	-131,268
<b>Bonds in issue at end of year at fair value</b>	<b>302,951</b>	<b>265,964</b>
Of which pre-issued (nominal value)	32,167	57,522
Drawn for redemption at next payment date (nominal value)	7,499	14,633

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

The financial liabilities designated at fair value through profit or loss are issued bonds, DKK 303bn (DKK 266bn). For the issued bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loan. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

The fair value of issued bonds decreased in 2011 by approximately DKK 2bn (decrease of approximately DKK 2bn) due to changes in own credit risk. The cumulative change since designation was a decrease of approximately DKK 5bn (decrease of approximately DKK 4bn). The calculation method of the estimated fair value changes attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yield on Danish and German government bonds and for adjustable rates, the swap rate. The calculation method is subject to uncertainty related to a number of assumptions and estimates.

## Note 20

### Other liabilities

DKKm	31 Dec 2011	31 Dec 2010
Interest payable on bonds in issue	4,712	3,962
Other interest and commissions payable	47	47
Other	373	810
<b>Total</b>	<b>5,132</b>	<b>4,819</b>

## Note 21

### Capital adequacy

#### Calculation of total capital base

DKKmn	31 Dec 2011	31 Dec 2010
Equity	15,758	15,002
Intangible assets	-7	-18
IRB provisions excess (+)/shortfall (-)	1,403	-1,448
Other items, net	-	-
<b>Tier 1 capital (net after deduction)</b>	<b>14,348</b>	<b>13,536</b>
<b>Total capital base</b>	<b>14,348</b>	<b>13,536</b>

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

DKKmn	31 Dec 2011 Capital requirement	31 Dec 2011 RWA	31 Dec 2010 Capital requirement	31 Dec 2010 RWA
<b>Credit risk</b>	<b>6,420</b>	<b>80,251</b>	<b>6,382</b>	<b>79,773</b>
IRB foundation	5,471	68,383	5,328	66,605
- of which corporate	2,539	31,735	2,402	30,019
- of which institutions	26	324	0	0
- of which personal customers and small and medium-sized corporate customers	2,823	35,284	2,829	35,366
- of which other	83	1,039	98	1,220
Standardised	949	11,868	1,053	13,168
- of which personal customers and small and medium-sized corporate customers	-	-	-	-
- of which other	949	11,868	1,053	13,168
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- of which FX, non-VaR	0	0	0	0
<b>Operational risk</b>	<b>160</b>	<b>1,997</b>	<b>159</b>	<b>1,983</b>
- of which standardised	160	1,997	159	1,983
<b>Sub-total</b>	<b>6,580</b>	<b>82,248</b>	<b>6,540</b>	<b>81,756</b>
<b>Adjustment for transition rules</b>				
Additional capital requirement according to transition rules	5,611	70,142	4,088	51,103
<b>Total</b>	<b>12,191</b>	<b>152,390</b>	<b>10,629</b>	<b>132,859</b>

#### Capital ratio excluding transition rules (%)

	31 Dec 2011	31 Dec 2010
Tier 1 capital ratio	17.4	16.5
Total capital ratio	17.4	16.5

## Note 22

### Maturity analysis for assets and liabilities

#### Remaining maturity

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

31 Dec 2010, DKKm	Note	On demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Cash balance and demand deposits with central banks		0	-	-	-	-	-	0
Loans to credit institutions and central banks	10	1,596	34,931	-	-	-	-	36,527
Loans and receivables at fair value and amortised cost	11	185	-	59	1,750	316,208	-	318,202
Bonds at fair value	12	-	-	-	-	-	-	-
<b>Total assets with fixed maturities</b>		<b>1,781</b>	<b>34,931</b>	<b>59</b>	<b>1,750</b>	<b>316,208</b>	<b>-</b>	<b>354,729</b>
Non-financial assets	13, 14, 15, 16	-	-	-	-	-	157	157
Other assets	17	-	1,283	-	-	-	-	1,283
Prepaid expenses		-	12	-	-	-	-	12
<b>Total assets</b>		<b>1,781</b>	<b>36,226</b>	<b>59</b>	<b>1,750</b>	<b>316,208</b>	<b>157</b>	<b>356,181</b>
Deposit by credit institutions	18	11,191	58,950	-	-	-	-	70,141
Bonds in issue at fair value	19	-	49,881	28,759	38,999	148,325	-	265,964
<b>Total liabilities with fixed maturities</b>		<b>11,191</b>	<b>108,831</b>	<b>28,759</b>	<b>38,999</b>	<b>148,325</b>	<b>-</b>	<b>336,105</b>
Non-financial liabilities	8	-	-	-	-	-	240	240
Other liabilities	20	-	4,819	-	-	-	-	4,819
Deferred income		-	15	-	-	-	-	15
Equity		-	-	-	-	-	15,002	15,002
<b>Total liabilities and equity</b>		<b>11,191</b>	<b>113,665</b>	<b>28,759</b>	<b>38,999</b>	<b>148,325</b>	<b>15,242</b>	<b>356,181</b>

## Note 23

### Related-party transactions

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

DKK m	31 Dec 2011	31 Dec 2010
<b>Operating items</b>		
Interest income:		
Interest on loans to credit institutions	706	360
Forward premium on derivatives	-6	18
Interest expenses:		
Interest on loans to credit institutions	-603	-265
Fee and commission expenses:		
Guarantee commissions etc	-536	-551
Brokerage	-42	-80
Staff costs and administrative expenses:		
IT expenses	-32	-55
Other administrative expenses	-16	-15
Systems development costs	-26	-30
Rent	-13	-12
Internal audit	-2	-2
<b>Assets</b>		
Loans to credit institutions	29,534	36,527
Interest due from credit institutions	7	7
<b>Liabilities</b>		
Deposit by credit institutions	63,547	70,141
Interest payable	32	22
IT expenses payable	4	8
Guarantee commissions payable	47	47
<b>Guarantees</b>		
Nordea Kredit's parent company, Nordea Bank Danmark A/S, provides on an ongoing basis 5- and 10-year guarantees to cover the top 25% of the principal of mortgage loans disbursed.	72,564	71,061

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

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

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

In 2011 there were no exceptional related-party transactions.

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

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

Loans to the Board of Directors and the Executive Management and their family members are specified in Note 9.

#### Related-parties

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

## Note 24

### The Danish Financial Supervisory Authority's ratio system

DKKm	2011	2010	2009	2008	2007
<b>Income statement</b>					
Net interest and fee income	1,583	1,388	1,362	1,429	1,259
Net result from items at fair value	-40	-65	-126	20	34
Staff costs and administrative expenses	-236	-250	-197	-187	-179
Net loan losses	-284	-118	-114	-25	1
Profit from investments in associated undertakings	-1	0	-3	-3	19
Profit for the year before tax	1,009	934	908	1,225	1,126
Profit for the year after tax	756	700	678	917	847
<b>Balance sheet</b>					
Total loans	340,877	318,288	294,561	265,422	240,200
Equity	15,758	15,002	14,301	13,624	12,706
Total assets	387,392	356,181	311,615	273,346	254,745
<b>Ratios and key figures (%)</b>					
Total capital ratio	17.4	16.5	18.5	21.5	13.4
Tier 1 capital ratio	17.4	16.5	18.5	21.5	13.4
Pre-tax return on equity	6.6	6.4	6.5	9.3	9.2
Post-tax return on equity	4.9	4.8	4.9	7.0	6.9
Income/cost ratio	2.90	3.46	3.81	6.57	7.05
Foreign exchange exposure as % of tier 1 capital	0.4	0.8	0.5	0.5	0.2
Loans/equity	21.6	21.2	20.6	19.5	18.9
Lending growth for the year	5.2	7.6	7.3	9.1	13.4
Impairment ratio for the year	0.1	0.0	0.0	0.0	0.0

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



## Note 25

### Series financial statements for 2011

DKKmn	Note	Capital centre 2	Capital centre 1 (General Capital Centre)	Total
<b>Income statement</b>				
Income from lending		1,322	492	1,814
Interest, net		180	40	220
Administrative expenses, net		-607	-134	-741
Provisions for loan losses		-78	-206	-284
Tax		-204	-49	-253
<b>Total</b>		<b>613</b>	<b>143</b>	<b>756</b>
<b>Balance sheet</b>				
<b>Assets</b>				
Mortgage loans		258,197	82,671	340,868
Other assets		110,813	23,471	134,284
<b>Total assets</b>	<b>1</b>	<b>369,010</b>	<b>106,142</b>	<b>475,152</b>
<b>Liabilities and equity</b>				
Bonds in issue	2	305,084	89,362	394,446
Other liabilities		50,440	14,508	64,948
Equity	3	13,486	2,272	15,758
<b>Total liabilities and equity</b>		<b>369,010</b>	<b>106,142</b>	<b>475,152</b>

#### Note 1 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	387,392
Own bonds, not offset in series financial statements	85,976
Interest receivable on own bonds	1,784
<b>Balance sheet total, series financial statements</b>	<b>475,152</b>

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

Bonds in issue, Nordea Kredit's annual financial statements	302,951
Own bonds, not offset in series financial statements	85,976
Deferred income	5,519
<b>Bonds in issue, series financial statements</b>	<b>394,446</b>

#### Note 3 Equity

Movements in capital, net	1,000	-1,000
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#### Background to series financial statements

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

The series financial statements have been prepared on the basis of Nordea Kredit Realkreditaktieselskab's annual report for 2011.

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

## Note 26 Risk disclosures

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

DKKkm	31 Dec 2011	31 Dec 2010
<b>Derivatives</b>		
Currency forwards	0	0
Market value, positive	0	0
Market value, negative	0	0
Nominal value	60	29

At the end of 2011 and 2010 there were no spot transactions.

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

DKKkm, 31 Dec 2010	Total risk	Max	Min
Interest rate risk	5	7	4
Currency risk	0	0	0
<b>Total</b>	<b>5</b>	<b>7</b>	<b>4</b>

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

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

DKKkm	31 Dec 2011	31 Dec 2010
<b>Maximum credit risk of on-balance-sheet items</b>		
Loans to credit institutions and central banks	40,152	36,527
Loans and receivables at fair value	340,874	318,199
- of which residential properties and holiday homes	234,869	221,282
- of which commercial properties	106,005	96,917
Loans and receivables at amortised cost	3	3
Bonds at fair value	5,001	-
Shares	-	-
Other asset items	1,361	1,452

### Security received

The maximum credit risk on loans to credit institutions is secured by own bonds in connection with purchase and resale transactions	28,144	34,931
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The security underlying loans at fair value is the physical collateral represented by the mortgaged properties in accordance with Danish mortgage legislation. The security position (LTV) of the loan portfolio is described in detail in the Directors' report, page 7.

In addition, the parent company Nordea Bank Danmark A/S provides on an ongoing basis 5- and 10-year loss guarantees covering the top 25% of the principal of mortgage loans disbursed	72,564	71,061
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In connection with the disbursement of loans, Nordea Bank Danmark A/S additionally provides statutory guarantees relating to registration with the Land Registry	15,484	22,884
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There are also statutory limits on the size of commitments with a single customer or a group of mutually related customers, implying that a commitment, after deduction of particularly secure claims, cannot exceed 25% of the capital base.

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

## Proposed distribution of earnings

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

DKKm	
Retained earnings	13,275
Net profit for the year	756
<b>Total</b>	<b>14,031</b>

The Board of Directors proposes that the 2011 earnings are distributed as follows:

DKKm	
Dividends paid to the shareholder	-
To be carried forward	14,031
<b>Total</b>	<b>14,031</b>

The company's distributable earnings amount to DKK 14,031m. After the proposed distribution of earnings, the company's unrestricted equity amounts to DKK 14,031m.

### 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 2011.

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 2011 and of the results of the company's operations and cash flows for the financial year 1 January-31 December 2011.

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, 20 February 2012

### Executive Management

Lars Bank Jørgensen (Chairman)

Michael Jensen

### Board of Directors

Anders Jensen (Chairman)

Peter Lybecker (Deputy Chairman)

Michael Rasmussen

Jørgen Holm Jensen

## Independent auditors' report

### To the shareholders of Nordea Kredit Realkreditaktieselskab

We have audited the financial statements of Nordea Kredit Realkreditaktieselskab for the financial year 1 January - 31 December 2011, pages 14-39. The financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements have been prepared in accordance with the Danish Financial Business Act.

### Management's responsibility

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

### Auditors' responsibility

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

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

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

Our audit did not result in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2011 and of the results of the Company's operations for the financial year 1 January-31 December 2011 in accordance with the Danish Financial Business Act.

### Statement on the Directors' report

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

Copenhagen, 20 February 2012

KPMG

Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen  
State-Authorised Public Accountant

Anders Duedahl-Olesen  
State-Authorised Public Accountant

# Management

## Board of Directors of Nordea Kredit

### **Anders Jensen** (Chairman)

#### **Internal assignments**

Head of Banking Denmark.

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

#### **External assignments**

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

Member of the Boards of Directors of Erhvervsakademiet Copenhagen Business School and FUUH.

### **Peter Lybecker** (Deputy Chairman)

#### **Internal assignments**

Head of Development & Projects in Retail Banking.

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

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

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

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

#### **External assignments**

Chairman of the Board of Directors of Nets Holding A/S.

Deputy Chairman of the Boards of Directors of Multidata Holding A/S and Multidata A/S.

Member of the Board of Directors of the Danish Securities Council and member of Insead International Council.

### **Michael Rasmussen**

#### **Internal assignments**

Member of Nordea Bank AB's Group Executive Management and Head of Retail Banking.

#### **External assignments**

Chairman of the Board of Directors of the Danish Bankers Association.

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.

Member of the Boards of Directors of Multidata Holding A/S and Multidata A/S.

Member of the Board of Directors of Danmarks Skibskredit A/S.

### **Jørgen Holm Jensen**

#### **Internal assignments**

Executive Vice President in Group Credit Denmark.

#### **External assignments**

Member of the credit council of the Danish Bankers Association.

## Executive Management of Nordea Kredit

### **Lars Bank Jørgensen** (Chairman)

#### **Internal assignments**

None.

#### **External assignments**

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

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

### **Michael Jensen**

#### **Internal assignments**

None.

#### **External assignments**

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

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