

To the Copenhagen Stock Exchange  
and the press

7 February 2007

## PRELIMINARY ANNOUNCEMENT OF FINANCIAL STATEMENTS THE NYKREDIT REALKREDIT GROUP – 1 JANUARY 2006-31 DECEMBER 2006

- Profit for the year was Nykredit's highest ever
- Group profit before tax was DKK 4,453m against DKK 4,341m in 2005
- Group profit after tax, including value adjustment of strategic equities, came to DKK 4,746m against DKK 4,397m in 2005
- Growth in the banking and insurance areas
- Favourable development in earnings mix
- Bank group profit before tax increased by DKK 276m to DKK 877m
- Marked increase in core income from Markets & Asset Management
- Mortgage lending activities normalised after the record year 2005
- Totalkredit continued its strong development, lending topped DKK 300bn
- With 41.5% of gross new lending, Nykredit and Totalkredit maintained their market position
- Group market share of net new lending was 39.1%
- The Insurance Company continued its positive development and increased the technical profit by DKK 95m to DKK 105m

### FINANCIAL HIGHLIGHTS

- Core income from business operations increased by DKK 166m to DKK 5,992m
- Core income from securities rose by DKK 435m to DKK 1,260m
- Operating costs, depreciation and amortisation increased by DKK 280m to DKK 4,038m
- Impairment provisions totalled a net income of DKK 369m
- Investment portfolio income was DKK 870m. On top of this comes value adjustment of strategic equities against equity of DKK 1,442m
- Including profit for the year, Group equity was DKK 51,987m at end-2006

### 2007 – OUTLOOK

The Nykredit Realkredit Group expects a profit before tax of around DKK 3.6-3.9bn in 2007

### INFORMATION ABOUT THE NYKREDIT GROUP

Further information about the Nykredit Group is available at [nykredit.com](http://nykredit.com).

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*The Financial Statements will be presented today, 7 February, at 14:00 at a press conference  
held at Nykredit's headquarters, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.*

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# Financial highlights

	The Nykredit Realkredit Group					
DKK million	2006	2005 <sup>1</sup>	2004 <sup>1</sup>	2003	2002	EUR 2006
<b>CORE EARNINGS AND PROFIT FOR THE YEAR</b>						
<b>Core income from</b>						
Business operations	5,992	5,826	4,822	4,118	3,445	804
Securities	1,260	825	814	798	1,041	169
<b>Total</b>	<b>7,252</b>	<b>6,651</b>	<b>5,636</b>	<b>4,916</b>	<b>4,486</b>	<b>973</b>
Operating costs, depreciation and amortisation	4,038	3,758	3,518	2,694	2,455	541
<b>Core earnings before impairment provisions</b>	<b>3,214</b>	<b>2,893</b>	<b>2,118</b>	<b>2,222</b>	<b>2,031</b>	<b>432</b>
Provisions for loan impairment	(369)	(245)	(400)	184	169	(49)
Profit/loss from insurance activities before tax <sup>3</sup>	-	-	-	101	(121)	-
<b>Core earnings after impairment provisions</b>	<b>3,583</b>	<b>3,138</b>	<b>2,518</b>	<b>2,139</b>	<b>1,741</b>	<b>481</b>
Investment portfolio income	870	1,203	1,732	2,282	727	116
<b>Profit before tax</b>	<b>4,453</b>	<b>4,341</b>	<b>4,250</b>	<b>4,421</b>	<b>2,468</b>	<b>597</b>
Tax	1,126	1,161	1,057	1,146	751	151
<b>Profit for the year</b>	<b>3,327</b>	<b>3,180</b>	<b>3,193</b>	<b>3,275</b>	<b>1,717</b>	<b>446</b>
<b>Profit for the year excludes value adjustment of strategic equities against equity</b>	<b>1,419</b>	<b>1,217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
	2006	2005 <sup>1</sup>	01.01.2005 <sup>1</sup>	2003	2002	EUR 2006
<b>Assets</b>						
Receivables from credit institutions and central banks	57,516	67,664	52,809	62,643	47,092	7,714
Mortgage loans	758,132	699,116	632,504	586,664	411,534	101,681
Bank loans – excluding reverse transactions	28,983	19,870	17,408	22,276	24,452	3,887
Bonds and equities	89,005	79,788	73,957	142,605	119,745	11,937
Other assets	23,528	23,576	21,405	14,855	12,223	3,156
<b>Total assets</b>	<b>957,164</b>	<b>890,014</b>	<b>798,083</b>	<b>829,043</b>	<b>615,046</b>	<b>128,375</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	84,512	55,322	44,069	37,185	45,241	11,335
Deposits	22,165	21,808	18,702	14,139	12,024	2,973
Issued bonds	751,560	718,041	651,607	698,067	499,460	100,799
Hybrid core capital	3,730	3,940	3,844	-	-	500
Supplementary capital	4,985	6,104	2,600	2,601	-	669
Other liabilities	38,225	36,107	33,026	37,990	23,842	5,127
Equity	51,987	48,692	44,235	39,061	34,479	6,972
<b>Total liabilities and equity</b>	<b>957,164</b>	<b>890,014</b>	<b>798,083</b>	<b>829,043</b>	<b>615,046</b>	<b>128,375</b>
<b>FINANCIAL RATIOS</b>						
	2006	2005 <sup>1</sup>	2004 <sup>1</sup>	2003 <sup>2</sup>	2002	
Profit for the year as a % of average equity	6.6	6.8	7.7	8.9	5.1	
Core earnings before impairment provisions as a % of average equity	6.4	6.2	5.1	6.0	6.0	
Core earnings after impairment provisions as a % of average equity	7.1	6.8	6.0	5.8	5.2	
Costs as a % of core income	55.7	56.5	62.4	54.8	54.7	
Total impairment provisions	406	798	1,110	2,139	2,038	
Impairment provisions for the year, %	(0.0)	(0.0)	(0.1)	0.0	0.0	
Capital adequacy ratio, %	11.8	12.4	11.5	10.5	11.1	
Core capital ratio including hybrid core capital, %	11.0	11.3	11.0	10.1	11.4	
Core capital ratio excluding hybrid core capital, %	10.2	10.4	10.1	-	-	
Average number of full-time staff	3,559	3,287	3,234	3,208	3,049	
<sup>1</sup> The Financial Statements from 2005 inclusive have been presented in accordance with IFRS.						
<sup>2</sup> Totalkredit has been consolidated with Nykredit Realkredit from 10 November 2003.						
<sup>3</sup> Nykredit Forsikring (the Insurance Company) has been consolidated line by line from 2004.						
EUR 1 = DKK 7.4560 at end-2006						

## THE NYKREDIT REALKREDIT GROUP RESULTS

The Group recorded a profit before tax of DKK 4,453m against DKK 4,341m in 2005 - the best annual results recorded by the Group to date.

Results were characterised by improvement and positive results within banking and insurance which account for a constantly growing share of earnings. In the mortgage market, rising interest rates, as expected, led to normalised lending activity compared with the record year 2005, which was marked by high refinancing activity.

Profit after tax was DKK 3,327m against DKK 3,180m the year before. Including value adjustments of strategic equities against equity, profit after tax came to DKK 4,746m compared with DKK 4,397m in 2005.

### Core earnings

Group core earnings after impairment provisions were DKK 3,583m against DKK 3,138m in 2005.

Core income from business operations increased to DKK 5,992m from DKK 5,826m in 2005. The lift in core income from business operations reflects growth and earnings increases in banking and insurance activities of DKK 441m, which more than counters the lower mortgage lending activity in 2006.

Group gross new mortgage lending came to DKK 199bn in 2006 against DKK 318bn the year before. Group mortgage lending went up by DKK 71bn to DKK 766bn in nominal terms at end-2006.

Core income from Markets & Asset Management increased sharply by DKK 282m to DKK 882m.

The Insurance Company improved its technical results by DKK 95m to DKK 105m in 2006.

Core income from securities totalled DKK 1,260m compared with DKK 825m the year before because of growth in investment portfolios and money market rates averaging 2.9% against 2.1% the year before.

Core income from securities reflects the return which the Group would have obtained by placing its investment portfolios at risk-free rates as well as the net interest expense relating to subordinate capital and the acquisition of Totalkredit.

Operating costs, depreciation and amortisation went up by DKK 280m to DKK 4,038m. When adjusted for the proportionate consolidation of the results for Q4/2006 of JN data, the rise amounted to DKK 216m and was due to higher staff and IT costs. Apart from effects of collective agreements, the rise in staff costs can be ascribed to growth within the Commercial Customers and especially the Markets & Asset Management areas. The higher IT costs were mainly an effect of the integration of Nykredit and Totalkredit's mortgage lending systems, including improved advisory functionalities.

Group provisions for loan impairment netted an income of DKK 369m. An extraordinarily low arrears level and the strong Danish economy resulted in a low level of new impairment provisions and the reversal of impairment pro-

visions previously made. In comparison, total provisions netted an income of DKK 245m in 2005.

### Investment portfolio income

Group investment portfolio income was DKK 870m against DKK 1,203m in 2005. To this, the value adjustment of strategic equities against equity of DKK 1,442m should be added.

Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 365m.

Investment portfolio income from equities and equity instruments was DKK 505m, excluding value adjustment of strategic equities against equity.

Investment portfolio income reflects excess income earned by investing in equities, bonds and derivative financial instruments relative to risk-free interest. Price and interest rate spreads related to mortgage activities in Nykredit Realkredit and Totalkredit as well as the trading activities of Markets & Asset Management have not been included in the investment portfolio income, but have been recognised as core income from business operations.

### Tax

Tax on profit for the year has been estimated at DKK 1,126m for the Group as a whole equal to an effective tax rate of 25.3%.

### Dividend

It will be recommended at the general meeting that no dividend be paid for 2006.

## The Nykredit Realkredit Group

### Core earnings and investment portfolio income

DKK million	2006	2005
<b>Core income from</b>		
Business operations	5,992	5,826
Securities	1,260	825
<b>Total</b>	<b>7,252</b>	<b>6,651</b>
Operating costs, depreciation and amortisation	4,038	3,758
<b>Core earnings before impairment provisions</b>	<b>3,214</b>	<b>2,893</b>
Provisions for loan impairment	(369)	(245)
<b>Core earnings after impairment provisions</b>	<b>3,583</b>	<b>3,138</b>
Investment portfolio income	870	1,203
<b>Profit before tax</b>	<b>4,453</b>	<b>4,341</b>
Tax	1,126	1,161
<b>Profit for the year</b>	<b>3,327</b>	<b>3,180</b>

## BUSINESS AREAS

Nykredit is a broad-based financial services group. The Group is organised into four business areas - Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management. The activities of the business areas are coordinated across Group entities.

**Retail Customers** undertakes activities aimed at retail customers served through Nykredit's own distribution channels.

**Business Partners** is primarily responsible for the sale by business partners of mortgage loans to retail customers of Totalkredit arranged by Danish local and regional banks.

**Commercial Customers** serves agricultural, business and rental housing customers including housing society and non-profit housing customers.

**Markets & Asset Management** handles the activities of the Nykredit Realkredit Group within trading in securities and financial instru-

## Results by business area

DKK million	Retail Customers		Business Partners		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Core income from business operations	2,050	2,317	899	864	2,020	2,043	882	600	141	2	5,992	5,826
Core income from securities	-	-	-	-	-	-	-	-	1,260	825	1,260	825
Direct operating costs	1,204	1,170	217	197	614	576	454	350	1,049	916	3,538	3,209
Depreciation on property, plant and equipment and amortisation of intangible assets	18	3	403	401	1	-	-	-	78	145	500	549
<b>Core earnings before impairment provisions</b>	<b>828</b>	<b>1,144</b>	<b>279</b>	<b>266</b>	<b>1,405</b>	<b>1,467</b>	<b>428</b>	<b>250</b>	<b>274</b>	<b>(234)</b>	<b>3,214</b>	<b>2,893</b>
Provisions for loan impairment	(167)	(42)	2	1	(204)	(204)	-	-	-	1	(369)	(245)
<b>Core earnings after impairment provisions</b>	<b>995</b>	<b>1,186</b>	<b>277</b>	<b>265</b>	<b>1,609</b>	<b>1,671</b>	<b>428</b>	<b>250</b>	<b>274</b>	<b>(235)</b>	<b>3,583</b>	<b>3,138</b>
Investment portfolio income <sup>1</sup>	-	-	-	-	-	-	-	-	870	1,203	870	1,203
<b>Profit before tax</b>	<b>995</b>	<b>1,186</b>	<b>277</b>	<b>265</b>	<b>1,609</b>	<b>1,671</b>	<b>428</b>	<b>250</b>	<b>1,144</b>	<b>968</b>	<b>4,453</b>	<b>4,341</b>
<b>Return</b>												
Avg business capital, DKK million <sup>2</sup>	7,747	7,998	8,630	6,896	16,559	15,971	777	636	-	-	35,640	33,761
Core earnings after impairment provisions as a % of avg business capital	12.8	14.8	3.2	3.8	9.7	10.5	55.1	39.3	-	-	10.1	8.6

<sup>1</sup> Investment portfolio income includes profit from investments in associates of DKK 30m in 2006 against DKK 17m in 2005

<sup>2</sup> Statutory capital requirement

## Summary balance sheet, year-end

DKK million	Retail Customers		Business Partners		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Assets</b>												
Receivables from credit institutions	-	-	-	-	-	-	18,245	14,669	39,271	52,995	57,516	67,664
Mortgage loans at fair value	162,039	164,443	306,281	259,285	286,746	274,057	-	-	3,139	1,465	758,205	699,250
Other loans and advances at fair value	-	-	-	-	-	-	3,433	6,688	-	3	3,433	6,691
Bank loans at amortised cost	6,348	5,027	-	-	22,635	14,704	-	-	1,801	1,852	30,784	21,583
Bonds and equities	235	181	-	-	1,641	2,084	45,653	31,062	41,476	46,461	89,005	79,788
Investments in associates	-	-	-	-	-	-	-	-	90	155	90	155
Intangible assets and property, plant and equipment	48	-	3,837	3,602	73	248	-	-	1,903	1,589	5,861	5,439
<b>Liabilities</b>												
Payables to credit institutions	-	-	-	-	-	-	63,107	44,655	21,405	10,667	84,512	55,322
Deposits and other payables	9,669	9,134	-	-	12,816	11,180	182	1,788	(502)	(294)	22,165	21,808
Issued bonds <sup>1</sup>	203,333	223,642	353,550	290,034	356,495	367,461	1,741	654	(161,805)	(163,096)	753,314	718,695
Insurance liabilities	963	888	-	-	733	728	-	-	-	-	1,696	1,616
Off-balance sheet items	6,702	6,826	0	0	8,885	6,139	130	491	(4,729)	(5,116)	10,988	8,340
Investments in intangible assets and property, plant and equipment	31	18	1,101	0	0	0	0	0	303	205	1,435	223

<sup>1</sup> Set-off of own bonds has been recognised under "Group items and eliminations"

ments, debt capital, asset management and pension savings.

Group core earnings before impairment provisions totalled DKK 3,214m against DKK 2,893m in 2005. Core earnings were highly satisfactory as growth in the Group's banking and insurance activities secured growth in core earnings despite a more subdued mortgage market than in 2005.

Gross new mortgage lending landed at DKK 199bn against DKK 318bn in 2005. In 2005 activity levels were marked by a refinancing surge, including refinancing into floating-rate loans with interest rate caps. In 2006 growth in private residential lending was distinctive with floating-rate loans with interest rate caps and fixed-rate loans, reflecting customers' need for protection against rising interest rates.

Within mortgage lending, the Group had a market share of 41.5% of gross new lending and 39.1% of net new lending.

The Danish mortgage market saw a general decline in activity levels. The Nykredit Group maintained its position as market leader within private residential mortgages. The Group's private residential mortgage lending went up from DKK 424bn in 2005 to DKK 476bn in 2006. This corresponds to a market share within private residential mortgages of 42.7% against 42.3% in 2005.

Gross new private residential lending amounted to DKK 141bn in 2006 against DKK 219bn the year before, corresponding to a market share within private residential mortgages of 45.0% against 44.5% in 2005. Net new private residential lending amounted to DKK 58bn in 2006 against DKK 64bn the year before, equal to a market share within private residential mortgages of 45.0% against 51.1% in 2005.

Gross new commercial mortgage lending reached DKK 57.7bn in 2006 against DKK 97.9bn the year before, constituting a market share within commercial property of 34.3% against 37.6% in 2005. Net new commercial lending landed at DKK 26.0bn in 2006 against DKK 16.6bn the year before, equal to a market share of 29.2% against 20.8% in 2005. Group commercial mortgage lending went up from DKK 260bn in 2005 to DKK 278bn in 2006.

Nykredit Bank continued its growth path in 2006. Lending totalled DKK 29bn at end-2006 against DKK 20bn the year before. Deposits were unchanged at DKK 22bn at end-2006.

The Insurance Company Nykredit Forsikring also recorded growth in 2006 with an increase in the insurance portfolio of DKK 65m to DKK 1,053m in 2006.

The commercial insurance portfolio fell by DKK 43m to DKK 229m in 2006 as a result of a change of strategy after which the company mainly focuses on buildings insurance.

Nykredit Mægler saw a slowdown in the turnover of real property in 2006 from 26,600 properties sold in 2005 to 21,200 properties in 2006. The decrease mainly took place in the Greater Copenhagen area.

## THE NYKREDIT REALKREDIT GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

### Balance sheet

At end-2006 the Group's balance sheet totalled DKK 957bn against DKK 890bn at end-2005.

Group mortgage lending at fair value totalled DKK 758bn at end-2006 against DKK 699bn at the beginning of the year. Measured at nominal value, mortgage lending rose by DKK 71bn to DKK 766bn at year-end.

Bank lending excluding reverse transactions amounted to DKK 29bn at end-2006 – a rise of DKK 9bn. Bank deposits remained unchanged at DKK 22bn at year-end.

### Equity

Group equity including recognition of profit for the year, etc stood at DKK 52.0bn at year-end compared with DKK 48.7bn at the beginning of the year.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available-for-sale" in its Consolidated Financial Statements. The strategic equity investments include equities in certain Danish regional banks. The equities are value adjusted against equity on a continuous basis. The value adjustment against equity in the Consolidated Financial Statements amounted to DKK 1.4bn after tax. The value of equities classified as available-for-sale totalled DKK 5.3bn at year-end.

On 2 October 2006 Nykredit exercised its option to buy the remaining 20.8% shares in Totalkredit at a price of DKK 2.1bn. The accounting effect of exercising the option was a reduction in equity of DKK 1.5bn, equal to minority interests' share of the equity value of Totalkredit. The DKK 0.6bn difference between the purchase price and the minority interests represents additional acquired goodwill.

### Capital base and capital adequacy

At end-2006 the Group's capital base stood at DKK 55.3bn, equal to a capital adequacy ratio of 11.8%. The Group's core capital ratio was 11.0% and, excluding hybrid core capital, 10.2%.

### Capital requirement and capital structure

The Nykredit Group must maintain a capital structure which secures its ability to offer mortgage loans and other financial solutions during periods with high as well as low business activity. Nykredit's capital resources should also provide a basis for newly issued mortgage bonds to obtain an attractive rating, enabling Nykredit to charge the lowest possible mortgage rates.

Nykredit's capital resources are concentrated in Nykredit Realkredit A/S as far as possible to ensure adequate strategic flexibility and leeway.

Nykredit divides its equity of DKK 52.0bn at end-2006 into three elements:

*Business capital* of DKK 41.6bn equal to the statutory capital requirement. The capital requirement constitutes 8% of risk-weighted items equal to DKK 37.4bn, the statutory capital deductions relating to intangible assets of DKK 4.0bn and insurance activities of DKK 0.2bn.

*Buffer capital* of DKK 4.7bn equal to 1% of risk-weighted items. The buffer capital is maintained to ensure that Nykredit – even after unexpected provisions for impairment of loans or securities portfolios – will have adequate capital resources to continue lending activities and obtain a high rating of the issued bonds.

### The Nykredit Realkredit Group Changes in equity

DKK million	2006	2005
<b>Equity, beginning of year</b>	<b>48,692</b>	<b>44,235</b>
Minority interests, purchase	(1,553)	-
Profit for the year	3,327	3,180
Fair value adjustment of equities – available-for-sale	1,419	1,271
Other adjustments	102	6
<b>Equity, year-end</b>	<b>51,987</b>	<b>48,692</b>

### The Nykredit Realkredit Group Capital base and capital adequacy

DKK million	2006	2005
<b>Core capital</b>		
<b>Equity, year-end</b>	<b>51,987</b>	<b>48,692</b>
Revaluation reserves transferred to supplementary capital	(202)	(115)
<b>Total</b>	<b>51,785</b>	<b>48,577</b>
<b>Core capital deductions</b>		
Tax assets	-	(163)
Intangible assets including goodwill	(4,001)	(3,680)
<b>Core capital after statutory deductions</b>	<b>47,784</b>	<b>44,734</b>
Hybrid core capital	3,730	3,940
<b>Core capital including hybrid core capital after statutory deductions</b>	<b>51,514</b>	<b>48,674</b>
<b>Supplementary capital</b>		
Reserves in series	279	213
Subordinate loan capital	4,985	6,104
<b>Total</b>	<b>5,264</b>	<b>6,317</b>
<b>Statutory deductions</b>	<b>(1,496)</b>	<b>(1,284)</b>
<b>Capital base</b>	<b>55,282</b>	<b>53,707</b>
<b>Weighted items</b>		
– not included in the trading portfolio	440,846	405,651
– involving market risk included in the trading portfolio	27,146	26,561
<b>Total</b>	<b>467,992</b>	<b>432,212</b>
<b>Capital requirement</b>	<b>37,439</b>	<b>34,577</b>
<b>Capital adequacy ratio, %</b>	<b>11.8</b>	<b>12.4</b>
<b>Core capital ratio including hybrid core capital, %</b>	<b>11.0</b>	<b>11.3</b>
<b>Core capital ratio excluding hybrid core capital, %</b>	<b>10.2</b>	<b>10.4</b>

Strategic capital of DKK 5.7bn constitutes the remainder of equity. The strategic capital is the Group's reserve for strategic initiatives and acquisitions and secondarily for periods with high business growth resulting in a rise in the capital requirement exceeding Group earnings after tax.

Nykredit's target for core capital after statutory deductions and excluding hybrid core capital is at least 9% of risk-weighted items, equal to the sum of business capital and buffer capital. At end-2006 the figure constituted 10.2% of risk-weighted items.

In addition to equity, hybrid core capital and part of the supplementary capital are eligible in the determination of capital adequacy.

Nykredit has raised hybrid core capital of a total of DKK 3.7bn and supplementary capital of DKK 5.2bn, of which DKK 5.0bn is eligible in the determination of capital adequacy.

## OUTLOOK FOR 2007

The Group's gross new mortgage lending for 2007 is expected to be on a par with 2006. Banking, insurance and pension activities are expected to record continuously increasing business volumes.

Core income from business operations for 2007 is expected to exceed the 2006 level owing to an increased mortgage loan portfolio and rising bank and insurance earnings.

Group operating costs, depreciation and amortisation are expected to increase relative to 2006. The increase will mainly relate to staff growth in customer-oriented functions. Moreover, higher IT costs are expected in the wake of the expansion of the internet activities and systems supporting the distribution of banking products, the integration of Totalkredit and the partnership with local and regional banks, etc.

Provisions for loan impairment are expected to amount to less than DKK 200m in 2007 relative to a net income of DKK 369m in 2006.

The Nykredit Realkredit Group expects core earnings after impairment provisions of around DKK 3,200-3,400m.

Investment portfolio income was DKK 870m in 2006 and is expected to land around DKK 400-500m given unchanged interest rates and a moderate rise in equity prices.

Against this backdrop, the Nykredit Realkredit Group expects a total profit before tax for 2007 of around DKK 3,600-3,900m excluding value adjustment of strategic equities.

## OTHER

### Group Executive Board

On 1 October 2006 Peter Engberg Jensen, Group Managing Director, took up the position as new Group Chief Executive of the Nykredit Group following the retirement of Mogens Munk-Rasmussen.

Søren Holm, Executive Vice President, was appointed as Peter Engberg Jensen's successor as Group Managing Director at 1 March 2006.

Henning Kruse Petersen, Group Managing Director, turns 60 in November 2007 on which occasion he will retire.

### Nykredit strengthens its organisation

In connection with the change of Group Chief Executive, the Group Executive Board revised its areas of responsibility and implemented organisational changes at 1 November.

A flat organisation and complete sales integration are key concepts in the new organisation. The business areas will be responsible for the distribution of banking, insurance, investment and pension products as well as financial instruments to ensure that advisory services and sales to customers include the Group's entire product range.

Since Nykredit's acquisition of Totalkredit in 2003, Nykredit's ties with Danish local and regional banks have strengthened considerably, and the cooperation now includes a number of other product areas in addition to mortgage banking. This business area has been named Business Partners and comprises Totalkredit and other business partnerships. Business Partners will be responsible for coordinating all business relations with the partnership banks and for developing new business partnerships.

As of 2007 the business area Commercial Customers comprises both businesses as well as specialised and production farmers, and special focus will be on part-time farming by serving these customers in the Retail Customers area instead.

Nykredit's organisation subsequently comprises the following intercompany business areas: Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management.

In addition, a compliance function and a Group risk function have been established. Finally, a customer ambassador will be appointed mainly to optimise Nykredit's dialogue with its customers.

## The Nykredit Realkredit Group Forecasts 2007

DKK million	Results 2006	Forecasts 2007	
Core income from business operations	5,992	6,200	to 6,500
Core income from securities	1,260	1,500	to 1,700
Operating costs, depreciation and amortisation	4,038	4,300	to 4,500
Provisions for loan impairment	(369)	100	to 200
<b>Core earnings after impairment provisions</b>	<b>3,583</b>	<b>3,200</b>	<b>to 3,400</b>
Investment portfolio income	870	400	to 500
<b>Profit before tax</b>	<b>4,453</b>	<b>3,600</b>	<b>to 3,900</b>

### Nykredit Bank's Executive Board

In connection with the reorganisation, Jes Klausby, Managing Director of Nykredit Bank, was appointed as Chief Financial Officer of the Nykredit Group and therefore retired from his post at Nykredit Bank on 1 December 2006. The Executive Board of Nykredit Bank subsequently consists of Kim Duus and Karsten Knudsen.

### JN Data A/S

On 1 October Nykredit acquired another 1% of the shares in JN Data A/S and subsequently holds 50% of the share capital. JN Data A/S is an IT operations company owned and run in cooperation with Jyske Bank. The acquisition has affected the Consolidated Financial Statements for 2006 so that Nykredit's share of JN Data A/S's financial statements for Q4 has been recognised by proportionate consolidation compared with the previous recognition as an associate.

### Nykredit sole shareholder of Totalkredit

In October Nykredit exercised its option to purchase the remaining 20.8% of the shares in Totalkredit, which is now wholly-owned by Nykredit Realkredit A/S.

The level of activity and lending in Totalkredit increased in 2006, and in August the company consequently increased its share capital by DKK 2bn measured at market value. The capital increase was subscribed for in its entirety by Nykredit Realkredit A/S.

### Joint bond issuance for all loan types

Since 1 August 2006 Nykredit and Totalkredit have funded all loan types offered by the Group by way of joint bond issuance. Until 31 January 2007 Totalkredit continued to issue mortgage bonds for the funding of accepted loan offers issued before 1 August 2006.

### Nykredit as advanced institution

In the autumn of 2006 Nykredit applied for the Danish Financial Supervisory Authority's (DFSAs) approval to apply the most advanced Internal Ratings-Based (IRB) approach to determining risk-weighted items to cover credit risk from 2008.

The application is expected to be under consideration at the DFSA until autumn 2007.

### Covered bonds

In December 2006 the Danish Ministry of Economic and Business Affairs presented a bill on covered bonds for public consultation. Firstly, the bill implements the new Capital Requirements Directive's stricter requirements for covered bonds into Danish legislation. Danish mortgage bonds are covered bonds and consequently subject to the new requirements which mainly concern the continuous compliance with LTV limits in contrast to current legislation which only requires compliance with LTV limits at the time of disbursement. Secondly, the bill makes it possible for banks to issue covered bonds (særligt dækkede obligationer).

The bill is expected to increase competition within property financing and to provide Nykredit and other credit institutions with a number of new business opportunities. The bill opens up possibilities for mortgage banks to grant loans to public authorities and arrange joint funding in cooperation with other credit institutions.

The bill is expected to be introduced to the Danish parliament in March 2007 for commencement on 1 July 2007.

### Headquarters to be expanded

Nykredit is expanding and needs more office space to accommodate an increasing number of staff. Nykredit will expand its headquarters on Kalvebod Brygge in Copenhagen by constructing a new office building on the plot opposite the Group's headquarters.

The new building will have a total floor area of 6,600 sq m and accommodate approximately 350-400 staff. Construction is expected to commence in 2007.

### Industriens Realkreditfond instituted legal proceedings against Nykredit

In May 2005 Industriens Realkreditfond (the Industrial Mortgage Fund of Denmark, the "Fund"), which holds 6.89% of Nykredit Holding A/S, took legal proceedings against Foreningen Nykredit (the "Nykredit Association"), Nykredit Holding A/S and a number of Directors of Nykredit Holding A/S before the High Court of Eastern Denmark.

The Fund claims that the resolutions passed at the general meetings not to distribute dividend

to the shareholders of Nykredit Holding A/S for the financial years 2004 and 2005 are invalid. The Fund further claims that the Nykredit Association must redeem the Fund's shareholding in Nykredit Holding A/S.

Neither the Nykredit Association, Nykredit Holding A/S nor the defendant Directors of the company see any legal grounds for these claims and have consequently asked the court to find in their favour.

Concurrently with the action brought before the High Court of Eastern Denmark, the Fund also seeks to be discharged from its obligation to be a shareholder of Nykredit Holding A/S pursuant to its articles of association. This requires an amendment to the Fund's articles of association, which has been submitted to the Danish Commerce and Companies Agency for approval. Nykredit Holding A/S, which has a natural interest in retaining the Fund as shareholder, has submitted an objection to the Danish Commerce and Companies Agency, the commercial foundations supervisory authority, against such an amendment to the Fund's articles of association, for which no statutory basis exists in the company's opinion.

The Danish High Court of Eastern Denmark is expected to deliver judgement in the case in early 2008.

### Tax case

Since end-2006 Nykredit Realkredit has been party to a pending tax case. The Danish tax authorities claim that Nykredit Realkredit has been liable to tax on profits from the disposal of equities held for trading purposes since 1999. Nykredit Realkredit has contested the claim, and the Danish National Tax Tribunal has found in favour of Nykredit. The Danish tax authorities have appealed against the decision to the Danish High Court.

Should the Danish High Court find in Nykredit's favour, deferred tax of DKK 137m will be recognised as income.

### EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

In the period up to the presentation of the Annual Report, no material events have occurred.



## Group entities

### NYKREDIT HOLDING A/S

Nykredit Holding is the Parent Company of Nykredit Realkredit A/S.

The Company's main activity is the ownership of Nykredit Realkredit. Furthermore, Nykredit Holding has issued guarantees covering pre-fixed loss amounts to entities such as Nykredit Bank.

The results of the Parent Company for 2006 were a profit before tax of DKK 2m excluding the results of the subsidiary Nykredit Realkredit A/S.

The Annual Report of Nykredit Holding has not been included in the Annual Report of the Nykredit Realkredit Group.

### NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a profit before tax of DKK 5,895m against DKK 5,602m in 2005. Profit after tax came to DKK 4,746m against DKK 4,397m the year before.

Mortgage Bank core income from business operations decreased by DKK 314m to DKK 3,139m. The decrease was attributable to gross new lending, which came to DKK 98bn, being nearly halved relative to the year before. Core income from securities increased by DKK 264m to DKK 1,002m. The increase reflects growth in the investment portfolio and a rise in average money market rates from 2.1% to 2.9%.

Mortgage banking costs totalled DKK 2,726m, up DKK 163m on the year before.

Staff expenses were DKK 1,330m against DKK 1,254m the year before. The increase in staff expenses is attributable to obligations under collective agreements and growth in customer-oriented business areas.

Other administrative expenses rose by DKK 41m to DKK 989m.

Amortisation of intangible assets and depreciation on property, plant and equipment totalled DKK 407m of which amortisation of an intellectual property right amounted to DKK 312m.

Provisions for mortgage loan impairment were still affected by provisions reversed and netted an income of DKK 326m. Losses ascertained in relation to lending netted DKK 50m in 2006, of which the majority had been provided for in previous years.

Total provisions at year-end were DKK 317m against DKK 616m at the beginning of the year. Total provisions at end-2006 equalled 0.07% of loans and advances against 0.14% in 2005.

Investment portfolio income was DKK 2,226m against DKK 2,334m the year before. The value adjustment of strategic equities recognised as investment portfolio income was included in the operating results for 2006 at DKK 1,607m compared with DKK 1,306m the year before.

Nykredit Realkredit is jointly taxed with the Danish subsidiaries and Foreningen Nykredit. Total tax payable is distributed among profit- and loss-making, jointly taxed companies proportionate to their taxable income.

### Nykredit Realkredit A/S

#### Core earnings and investment portfolio income

DKK million	2006	2005
<b>Core income from</b>		
Business operations	3,139	3,453
Securities	1,002	738
<b>Total</b>	<b>4,141</b>	<b>4,191</b>
Operating costs, depreciation and amortisation	2,726	2,563
<b>Core earnings before impairment provisions</b>	<b>1,415</b>	<b>1,628</b>
Provisions for loan impairment	(326)	(251)
Profit from equity investments	1,928	1,389
<b>Core earnings after impairment provisions</b>	<b>3,669</b>	<b>3,268</b>
Investment portfolio income	2,226	2,334
<b>Profit before tax</b>	<b>5,895</b>	<b>5,602</b>
Tax	1,149	1,205
<b>Profit for the year</b>	<b>4,746</b>	<b>4,397</b>

**TOTALKREDIT A/S**

In 2006 Totalkredit realised a profit of DKK 824m before tax and DKK 595m after tax against DKK 774m and DKK 558m, respectively, in 2005.

Total core income was DKK 1,003m in 2006 compared with DKK 929m in 2005.

Core income from business operations fell slightly by DKK 5m to DKK 859m in 2006 against DKK 864m in 2005. Like in 2005, core income was affected by very high lending activity in 2006. In nominal terms, the loan portfolio increased by DKK 52bn to DKK 312bn at year-end. Gross lending came to DKK 101bn and net new lending DKK 55bn.

Core income from securities amounted to DKK 144m in 2006 due to the increase in average money market rates.

Operating costs, depreciation and amortisation were DKK 219m in 2006 against DKK 200m the year before. The increase can be attributed to higher staff and marketing costs.

Provisions for loan impairment came to DKK 2m. The low provisions for loan impairment are a result of guarantees provided by local and regional banks.

In 2006 Totalkredit increased its share capital by DKK 2bn measured at market value. Equity stood at DKK 7,975m at end-2006 against DKK 5,380m the year before. Subordinate loan capital amounted to DKK 4,090m compared with DKK 5,209m in 2005. The capital base was DKK 12,065m at end-2006, equal to a capital adequacy ratio of 9.7%.

**Totalkredit A/S****Core earnings and investment portfolio income**

DKK million	2006	2005
<b>Core income from</b>		
Business operations	859	864
Securities	144	65
<b>Total</b>	<b>1,003</b>	<b>929</b>
Operating costs, depreciation and amortisation	219	200
<b>Core earnings before impairment provisions</b>	<b>784</b>	<b>729</b>
Provisions for loan impairment	2	1
<b>Core earnings after impairment provisions</b>	<b>782</b>	<b>728</b>
Investment portfolio income	42	46
<b>Profit before tax</b>	<b>824</b>	<b>774</b>
Tax	229	216
<b>Profit for the year</b>	<b>595</b>	<b>558</b>

**Totalkredit A/S****Summary balance sheet, year-end**

DKK million	2006	2005
Mortgage loans at fair value	306,239	259,249
Bonds and equities	48,462	21,138
Issued bonds, Totalkredit	183,891	221,950
Issued bonds, Nykredit Realkredit	166,063	63,453
Subordinate loan capital	4,090	5,209
Equity	7,975	5,380
Total assets	367,815	300,154

**THE NYKREDIT BANK GROUP**

In 2006 the Nykredit Bank Group realised a profit of DKK 877m before tax and DKK 627m after tax against DKK 601m and DKK 439m, respectively, in 2005.

Core income from business operations increased by DKK 350m to DKK 1,465m in 2006 against DKK 1,115m in 2005.

Core income reflects an increased business volume, mainly within the business areas Markets & Assets Management and Corporate Banking.

The positive development in the level of activity implied an increase in staff by 75 to 521 at end-2006.

Operating costs, depreciation and amortisation amounted to DKK 742m against DKK 596m in 2005, mainly in consequence of a staff increase and an increased activity level.

Provisions for loan impairment netted an income of DKK 44m against an expense of DKK 7m in 2005. Owing to the continued favourable economic climate in Denmark, also 2006 saw a very low provisioning level.

Equity grew from DKK 3,614m at the beginning of the year to DKK 4,241m at year-end. The increase is attributable to profit after tax for the year.

The Nykredit Bank Group's capital adequacy ratio came to 10.6% at end-2006 against 10.3% at end-2005.

**The Nykredit Bank Group****Core earnings and investment portfolio income**

DKK million	2006	2005
<b>Core income from</b>		
Business operations	1,465	1,115
Securities	113	70
<b>Total</b>	<b>1,578</b>	<b>1,185</b>
Operating costs, depreciation and amortisation	742	596
<b>Core earnings before impairment provisions</b>	<b>836</b>	<b>589</b>
Provisions for loan impairment	(44)	7
<b>Core earnings after impairment provisions</b>	<b>880</b>	<b>582</b>
Investment portfolio income	(3)	19
<b>Profit before tax</b>	<b>877</b>	<b>601</b>
Tax	250	162
<b>Profit for the year</b>	<b>627</b>	<b>439</b>

**The Nykredit Bank Group****Summary balance sheet, year-end**

DKK million	2006	2005
Loans and advances	32,415	26,419
Bonds and equities	47,955	36,152
Payables to credit institutions and central banks	63,107	44,655
Deposits	22,667	22,103
Equity	4,241	3,614
Total assets	107,045	84,462

**NYKREDIT FORSIKRING A/S**

The Insurance Company realised a profit for 2006 of DKK 235m before tax and DKK 170m after tax against DKK 153m and DKK 124m, respectively, in 2005.

In 2006 the Company continued to develop in a positive direction and realised a technical profit of DKK 105m compared with DKK 10m the year before. The technical profit is the profit before tax adjusted for core income from securities and investment portfolio income. The combined ratio was 94.7%.

The level of activity remained high in 2006, and new insurance policies written totalled DKK 352m. Total insurance premiums were DKK 1,282m at year-end distributed on 185,000 customers.

Premiums rose from DKK 1,235m in 2005 to DKK 1,255m in 2006. The rise mainly relates to the Retail Customers and Agricultural Customers areas.

In terms of claims, 2006 was generally a favourable year, partly due to normal weather conditions with no major storms. In August, however, the Insurance Company was affected by a fire in the so-called "gunboat sheds" (kanonbådshaller) on Holmen (Copenhagen). The fire was the largest single claim in the history of the Company. After reinsurance, the fire will have cost the Company approximately DKK 18m.

In total, operating costs, depreciation and amortisation showed a decrease of DKK 4m to

DKK 175m. The cost ratio fell to 17.6% which is considered satisfactory.

The combined ratio and the operating ratio were 94.7% and 91.9% in 2006, respectively, against 100.9% and 99.2% the year before.

The combined ratio is the sum of the gross claims ratio, the gross cost ratio and the net reinsurance ratio. The operating ratio is computed as the combined ratio where premiums have been added to technical interest.

Investment portfolio income was DKK 81m, mainly attributable to the favourable development in equity markets.

After the transfer of profit for the year, equity stood at DKK 1,801m at year-end. The statutory capital base requirement, determined as the so-called solvency margin, was DKK 220m at end-2006.

**Nykredit Forsikring A/S****Core earnings and investment portfolio income**

DKK million	2006	2005
<b>Core income from</b>		
Business operations	1,175	1,127
Securities	49	29
<b>Total</b>	<b>1,224</b>	<b>1,156</b>
Operating costs, depreciation and amortisation	175	179
Claims incurred	895	938
<b>Core earnings</b>	<b>154</b>	<b>39</b>
Investment portfolio income	81	114
<b>Profit before tax</b>	<b>235</b>	<b>153</b>
Tax	65	29
<b>Profit for the year</b>	<b>170</b>	<b>124</b>

**Nykredit Forsikring A/S****Financial highlights**

DKK million	2006	2005
Premiums, adjusted for reserves	1,255	1,235
Net premiums earned	1,183	1,152
<b>Financial ratios</b>		
Claims ratio, %	73.0	99.6
Cost ratio, %	17.6	18.3
Net reinsurance ratio, %	4.1	(16.9)
Combined ratio, %	94.7	100.9
Operating ratio, %	91.9	99.2

**Nykredit Mægler A/S**

DKK million	2006	2005
Profit for the year	39	50
Balance sheet total	140	171
Equity <sup>1</sup>	101	122

<sup>1</sup> Dividend distributed in 2005 of DKK 60m was settled in 2006.

**NYKREDIT MÆGLER A/S**

Nykredit Mægler's core business is to be franchiser of the estate agency chain Nybolig and to cooperate with the estate agency chain Estate.

At end-2006, the agency network comprised 336 estate agencies of which 226 Nybolig and 110 Estate agencies. In 2006 Nykredit Mægler acquired another four estate agencies from Sparekassen Vendsyssel.

Relative to 2005, the market for real property was marked by decline in the number of properties sold. As a result, Nykredit Mægler's franchisees sold less properties in 2006 than expected.

Nykredit Mægler realised a profit for 2006 of DKK 56m before tax and DKK 39m after tax compared with DKK 71m and DKK 50m, respectively, in 2005.

## Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
23,486	23,101	Interest income	33,859	34,907
19,828	19,932	Interest expense	28,206	28,919
3,658	3,169	NET INTEREST INCOME	5,653	5,988
325	359	Dividend on equities	373	335
1,067	813	Fee and commission income	1,346	1,758
164	175	Fee and commission expense	1,092	1,059
4,886	4,166	NET INTEREST AND FEE INCOME	6,280	7,022
-	-	Net premiums earned	1,183	1,152
1,621	2,161	Value adjustments	1,290	444
4	16	Other operating income	235	157
-	-	Claims incurred, net of reinsurance	896	938
2,202	2,319	Staff and administrative expenses	3,536	3,204
361	407	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	500	549
0	0	Other operating expenses	2	5
(251)	(326)	Provisions for loan and receivable impairment	(369)	(245)
1,403	1,952	Profit from investments in associates and group enterprises	30	17
5,602	5,895	PROFIT BEFORE TAX	4,453	4,341
1,205	1,149	Tax	1,126	1,161
4,397	4,746	PROFIT FOR THE YEAR	3,327	3,180
		DISTRIBUTION OF PROFIT FOR THE YEAR		
-	-	Shareholders of Nykredit Realkredit A/S	3,327	3,180
-	-	Minority interests	0	0
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT		
4,397	4,746	Retained earnings		

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		<b>ASSETS</b>		
21	167	Cash balance and demand deposits with central banks	200	47
54,066	47,401	Receivables from credit institutions and central banks	57,316	67,617
439,965	451,924	Loans, advances and other receivables at fair value	761,638	705,941
63,453	166,063	Totalkredit mortgage loan funding	-	-
1,031	1,117	Loans, advances and other receivables at amortised cost	30,784	21,583
57,875	50,512	Bonds at fair value	79,371	71,639
		<b>Equities</b>		
7,601	9,092	Fair value option	4,291	4,089
-	-	Available-for-sale	5,343	4,060
7,601	9,092	<b>Total</b>	<b>9,634</b>	<b>8,149</b>
80	142	Investments in associates	90	155
9,790	14,695	Investments in group enterprises	-	-
3,163	3,968	Intangible assets	4,001	3,680
		<b>Land and buildings</b>		
-	-	Investment properties	72	246
315	344	Owner-occupied properties	1,528	1,326
315	344	<b>Total</b>	<b>1,600</b>	<b>1,572</b>
134	144	<b>Other property, plant and equipment</b>	<b>260</b>	<b>187</b>
181	38	<b>Current tax assets</b>	<b>41</b>	<b>213</b>
151	218	<b>Deferred tax assets</b>	<b>232</b>	<b>171</b>
22	6	<b>Assets temporarily acquired</b>	<b>86</b>	<b>22</b>
4,503	8,147	<b>Other assets</b>	<b>11,766</b>	<b>8,925</b>
105	125	<b>Prepayments</b>	<b>145</b>	<b>113</b>
642,456	754,103	<b>TOTAL ASSETS</b>	<b>957,164</b>	<b>890,014</b>

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		<b>LIABILITIES AND EQUITY</b>		
27,859	38,101	Payables to credit institutions and central banks	84,512	55,322
-	-	Deposits and other payables	22,165	21,808
539,934	634,851	Issued bonds at fair value	751,560	718,041
0	13	Issued bonds at amortised cost	1,754	654
3,978	3,444	Other non-derivative financial liabilities at fair value	8,473	9,235
0	0	Current tax liabilities	101	8
14,142	16,491	Other liabilities	24,341	22,634
0	0	Deferred income	15	9
		<b>Provisions</b>		
187	187	Provisions for pensions and similar obligations	212	193
815	788	Provisions for deferred tax	837	1,008
-	-	Insurance liabilities	1,696	1,616
206	162	Repayable reserves funded by pre-1972 series	162	206
534	629	Other provisions	634	544
<b>1,742</b>	<b>1,766</b>	<b>Total</b>	<b>3,541</b>	<b>3,567</b>
<b>7,662</b>	<b>7,450</b>	<b>Subordinate loan capital</b>	<b>8,715</b>	<b>10,044</b>
		<b>Equity</b>		
1,182	1,182	Share capital	1,182	1,182
		<b>Accumulated changes in value</b>		
82	91	- Revaluation reserves	202	115
6	7	- Accumulated foreign currency translation adjustment of foreign entities	7	6
-	-	- Value adjustment of equities available-for-sale	2,636	1,217
		<b>Other reserves</b>		
1,004	2,439	- Statutory reserves	-	-
22,597	23,336	- Reserves in series	23,336	22,597
3,632	-	- Other reserves	-	3,632
18,636	24,932	Retained earnings	24,624	18,390
-	-	Minority interests	-	1,553
<b>47,139</b>	<b>51,987</b>	<b>Total equity</b>	<b>51,987</b>	<b>48,692</b>
<b>642,456</b>	<b>754,103</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>957,164</b>	<b>890,014</b>
		<b>OFF-BALANCE SHEET ITEMS</b>		
-	-	Guarantees	2,987	4,263
1,426	1,965	Other contingent liabilities	8,001	4,077
<b>1,426</b>	<b>1,965</b>	<b>TOTAL</b>	<b>10,988</b>	<b>8,340</b>

## Statement of changes in equity 1 January – 31 December

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Statutory reserves	Reserves in series	Other reserves	Retained earnings	Total
<b>2006</b>								
<b>Balance, beginning of year</b>	1,182	82	6	1,004	22,597	3,632	18,636	47,139
Adjustment relating to owner-occupied properties	-	9	-	-	-	-	-	9
Adjustment relating to foreign entities	-	-	1	-	-	-	-	1
Profit for the year	-	-	-	1,408	-	-	3,338	4,746
<b>Total comprehensive income</b>	-	9	1	1,408	-	-	3,338	4,756
Transferred to retained earnings	-	-	-	-	-	(3,632)	3,632	-
Dividend from Nykredit Mægler A/S	-	-	-	(60)	-	-	60	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	739	-	(739)	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	12	12
Adjustment relating to associates	-	-	-	-	-	-	2	2
Adjustment relating to subsidiaries	-	-	-	87	-	-	(9)	78
<b>Total other adjustments</b>	-	-	-	27	739	(3,632)	2,958	92
<b>Balance, year-end</b>	1,182	91	7	2,439	23,336	0	24,932	51,987
<b>2005</b>								
<b>Balance, beginning of year</b>	1,182	70	-	55	20,794	3,632	16,464	42,197
Effect of changed accounting policies – IFRS	-	-	-	21	-	-	479	500
<b>Adjusted balance, beginning of year</b>	1,182	70	-	76	20,794	3,632	16,943	42,697
Adjustment relating to owner-occupied properties	-	12	-	-	-	-	-	12
Adjustments relating to foreign entities	-	-	6	-	-	-	-	6
Profit for the year	-	-	-	1,011	-	-	3,386	4,397
<b>Total comprehensive income</b>	-	12	6	1,011	-	-	3,386	4,415
Dividend from Nykredit Mægler A/S	-	-	-	(100)	-	-	100	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,803	-	(1,803)	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	27	27
Adjustment relating to associates	-	-	-	6	-	-	(17)	(11)
Adjustment relating to subsidiaries	-	-	-	11	-	-	-	11
<b>Total other adjustments</b>	-	-	-	(83)	1,803	-	(1,693)	27
<b>Balance, year-end</b>	1,182	82	6	1,004	22,597	3,632	18,636	47,139
The share capital is divided into shares of DKK 100.00 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all shares confer the same rights on shareholders.								



## Statement of changes in equity 1 January – 31 December

DKK million

The Nykredit Realkredit Group

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Value adjustment of equities available-for-sale	Reserves in series	Other reserves	Retained earnings	Total	Minority interests	Total
<b>2006</b>										
<b>Balance, beginning of year</b>	1,182	115	6	1,217	22,597	3,632	18,390	47,139	1,553	48,692
Adjustment of equities available-for-sale	-	-	-	1,593	-	-	-	1,593	-	1,593
Realised gain relating to equities available-for-sale	-	-	-	(174)	-	-	-	(174)	-	(174)
Adjustment relating to owner-occupied properties	-	87	-	-	-	-	-	87	-	87
Adjustments relating to foreign entities	-	-	1	-	-	-	-	1	-	1
Profit for the year	-	-	-	-	-	-	3,327	3,327	-	3,327
<b>Total comprehensive income</b>	-	87	1	1,419	-	-	3,327	4,834	-	4,834
Acquisition of minority interests	-	-	-	-	-	-	-	-	(1,553)	(1,553)
Transferred to retained earnings	-	-	-	-	-	(3,632)	3,632	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	739	-	(739)	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	12	12	-	12
Adjustment relating to associates	-	-	-	-	-	-	2	2	-	2
<b>Total other adjustments</b>	-	-	-	-	739	(3,632)	2,907	14	(1,553)	(1,539)
<b>Balance, year-end</b>	1,182	202	7	2,636	23,336	-	24,624	51,987	-	51,987
<b>2005</b>										
<b>Balance, beginning of year</b>	1,182	108	-	-	20,794	3,632	16,481	42,197	1,538	43,735
Effect of changed accounting policies – IFRS	-	-	-	-	-	-	500	500	-	500
<b>Adjusted balance, beginning of year</b>	1,182	108	-	-	20,794	3,632	16,981	42,697	1,538	44,235
Adjustment relating to equities available-for-sale	-	-	-	1,271	-	-	-	1,271	-	1,271
Realised gain relating to equities available-for-sale	-	-	-	(54)	-	-	-	(54)	-	(54)
Adjustment relating to owner-occupied properties	-	7	-	-	-	-	15	22	-	22
Adjustments relating to foreign entities	-	-	6	-	-	-	-	6	-	6
Profit for the year	-	-	-	-	-	-	3,180	3,180	-	3,180
<b>Total comprehensive income</b>	-	7	6	1,217	-	-	3,195	4,425	-	4,425
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,803	-	(1,803)	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	27	27	-	27
Adjustment relating to associates	-	-	-	-	-	-	(11)	(11)	-	(11)
Other adjustments	-	-	-	-	-	-	1	1	15	16
<b>Total other adjustments</b>	-	-	-	-	1,803	-	(1,786)	17	15	32
<b>Balance, year-end</b>	1,182	115	6	1,217	22,597	3,632	18,390	47,139	1,553	48,692

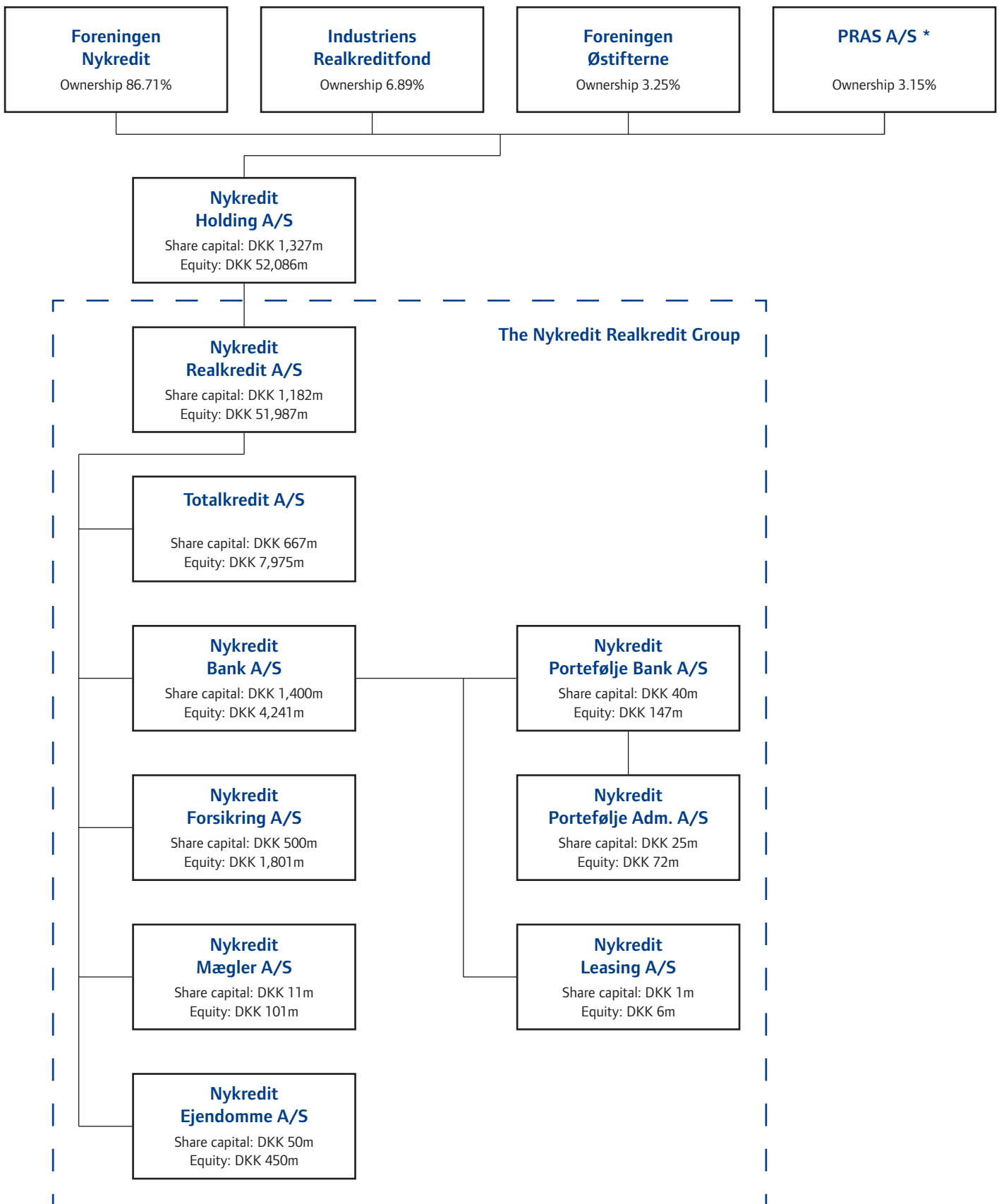
## Core earnings and investment portfolio income 1 January – 31 December

DKK million

## The Nykredit Realkredit Group

	2006			2005		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	5,728	(75)	5,653	5,162	826	<b>5,988</b>
Dividend on equities	6	367	373	4	331	<b>335</b>
Fee and commission income, net	309	(55)	254	740	(41)	<b>699</b>
<b>Net interest and fee income</b>	<b>6,043</b>	<b>237</b>	<b>6,280</b>	<b>5,906</b>	<b>1,116</b>	<b>7,022</b>
Net premiums earned	1,183	-	1,183	1,152	-	<b>1,152</b>
Value adjustments	687	603	1,290	374	70	<b>444</b>
Other operating income	235	-	235	157	-	<b>157</b>
Claims incurred, net of reinsurance	896	-	896	938	-	<b>938</b>
Staff and administrative expenses	3,536	-	3,536	3,204	-	<b>3,204</b>
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	500	-	500	549	-	<b>549</b>
Other operating expenses	2	-	2	5	-	<b>5</b>
Provisions for loan impairment	(369)	-	(369)	(245)	-	<b>(245)</b>
Profit from equity investments	0	30	30	0	17	<b>17</b>
<b>Profit before tax</b>	<b>3,583</b>	<b>870</b>	<b>4,453</b>	<b>3,138</b>	<b>1,203</b>	<b>4,341</b>

# Nykredit Group chart



\* The company is owned by the Danish local and regional banks behind Totalkredit A/S